PGIM FIXED INCOME

(A) SUSTAINABILITY RISKS INTEGRATION POLICY

AND

(B) PAI SUSTAINABILITY DUE DILIGENCE POLICY

INTRODUCTION

PGIM Fixed Income is a global asset manager primarily focused on public fixed income investments. Our mission is to provide consistent superior risk-adjusted returns and excellent service to our clients and to generate value for our stakeholders. Our culture is that an inclusive and collaborative environment centred around mutual respect, intellectual honesty and an unwavering commitment to our clients.

PGIM Fixed Income adheres to certain responsible business codes and has been a signatory of the Principles for Responsible Investment since February 2015. We believe that environmental, social and governance ("**ESG**") factors can impact the performance of investment portfolios, and we integrate relevant, credit-material ESG factors into credit analysis – which is then incorporated into our relative value assessment – across all of our credit strategies. We believe that incorporating relevant, credit-material ESG factors into credit analyses leads to higher risk-adjusted excess returns.

PGIM Fixed Income has been a signatory of the UK Stewardship Code since 2022. We believe that the 12 Principles laid out by the UK Stewardship Code set a high standard for responsible stewardship, and we seek to disclose the relevant information necessary to maintain our signatory status on an annual basis. To view our latest ESG Annual Report, which we use to disclose our activities in our application to become signatories, please visit https://www.pgim.com/fixed-income/annual-report/esg-annual-report.

PGIM Fixed Income has established an ESG policy committee (the "**ESG Policy Committee**") that is supported by an ESG ratings sub-committee (the "**ESG Ratings Sub-Committee**", and together with the ESG Policy Committee, the "**ESG Committee**"). The ESG Committee is supported by focused ESG working groups as required. These ESG working groups are formed and meet to consider various ESG issues as needed. 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; whereas the ESG Ratings Sub-Committee 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 our investment process.

We have developed proprietary ESG impact ratings ("**ESG Impact Ratings**") to serve our clients in achieving their environmental and social objectives. ESG Impact Ratings are designed to assess the negative and positive impacts issuers have on the environment and society. ESG Impact Ratings are not intended to be a measure of credit materiality, although in some cases an issuer with a poor impact rating may also have material ESG credit risks. ESG impact ratings are additional and complementary to internally assigned credit ratings. Whereas internal credit ratings incorporate credit material ESG considerations, ESG Impact Ratings include additional assessment of an issuer's positive and negative impacts on society. ESG Impact Ratings are intended for use in products managed for clients who would like to direct capital to issuers with stronger or more defined environmental, social and/or governance practices or minimize the adverse ESG impacts of their portfolios.

PGIM Fixed Income's investment approach and decision-making processes are based on clearly-defined performance objectives and investment guidelines and constraints as agreed with our client or as disclosed in any applicable offering documentation.

POLICIES

This combined policy document sets out how PGIM Fixed Income integrates sustainability risks into its decision-making process and how, for clients that request, PGIM Fixed Income considers the principal adverse impacts of its investment decisions.

(A) ESG Investment and Sustainability Risks Integration Policy (the "Sustainability Risks Integration Policy")

The EU Sustainable Finance Disclosure Regulation ("**SFDR**") requires PGIM Netherlands B.V. to disclose certain information on the integration of sustainability risks in our investment decision-making process. PGIM, Inc. (which is domiciled in the United States) and PGIM Limited (which is domiciled in the United Kingdom), in each case with respect to its PGIM Fixed Income business unit, will provide such disclosure to the extent required by applicable law or regulation or where agreed to with clients on a case-by-case basis. The Sustainability Risks Integration Policy is the sustainability risk policy for each of the foregoing entities in respect of its PGIM Fixed Income business unit for the purposes of SFDR.

(B) Principal Adverse Impacts Sustainability Due Diligence Policy (the "PAI Sustainability Due Diligence Policy")

PGIM Netherlands B.V. has decided not to voluntarily comply with the requirements under Article 4(1)(a) of the SFDR (i.e., to consider the principal adverse impacts of investment decisions on sustainability factors at the entity level). PGIM Netherlands B.V.'s statement that it does not consider the principal adverse impacts of investment decisions on sustainability factors at the entity level (as required under Article 4(1)(b) of the SFDR) is available at: https://www.pgim.com/fixed-income/sfdr-information.

However, PGIM Netherlands B.V. and PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, are electing to voluntarily consider certain principal adverse impacts of investment decisions on sustainability factors for certain client accounts in line with PGIM Fixed Income's proprietary ESG Impact Ratings framework as set out in detail in the PAI Sustainability Due Diligence Policy. The PAI(s) that PGIM Fixed Income ultimately consider when making investment decisions will vary depending on the In-scope Product and the underlying assets of the In-scope Product (as further described in the PAI Sustainability Due Diligence Policy) and such consideration is not strictly or solely reliant on the EU Framework PAI Indicators (as defined below). However, PGIM Fixed Income does consider the EU Framework PAI Indicators as part of its ESG investment process where relevant and material, and the PAI Sustainability Due Diligence Policy reflects how and under what circumstances those EU Framework PAI Indicators are considered.

The PAI Sustainability Due Diligence Policy is the principal adverse impacts due diligence policy for each of the foregoing entities in respect of its PGIM Fixed Income business unit for the purposes of SFDR. **For the avoidance of doubt, the PAI Sustainability Due Diligence Policy is not a statement made under Article 4 of SFDR. The statement for Article 4 of SFDR is available at https://www.pgim.com/fixed-income/sfdr-information.**

In addition, the most updated versions of all SFDR-related policies are available from the following website: https://www.pgim.com/fixed-income/sfdr-information.

SUSTAINABILITY RISKS INTEGRATION POLICY

January 30, 2025

This document sets out the sustainability risk policy of PGIM Netherlands B.V., PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit (together, the "**Firm**"), and sets out information on the integration of sustainability risks in our investment decision-making process.

1. Integration of Sustainability Risks

1.1 SFDR requires PGIM Netherlands B.V. to disclose certain information on the integration of sustainability risks in our investment decision-making process. PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, will provide such disclosure to the extent required by applicable law or regulation or where agreed to with clients. This Sustainability Risks Integration Policy has been adopted to constitute the sustainability risk policy for each of the foregoing entities in respect of its PGIM Fixed Income business unit for the purposes of SFDR.

1.2 PGIM Netherlands B.V., PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, has each separately adopted and implemented this Sustainability Risks Integration Policy with respect to all accounts managed by them.

1.3 Under SFDR, "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. This is consistent with the definitions of "ESG risk" that PGIM Fixed Income uses in our research and investment process for all credit portfolios. The terms "sustainability risk" and "ESG risk" will be used interchangeably in this Sustainability Risks Integration Policy.

1.4 This Sustainability Risks Integration Policy therefore approaches sustainability/ESG risk from the perspective that certain events or conditions related to ESG factors may cause a material negative impact on the financial/economic value of our clients' investments. This is distinct from a policy where we consider the principal adverse impacts (the "ESG impacts") our investments may have on certain sustainability factors, irrespective of credit materiality (see the PAI Sustainability Due Diligence Policy at Section B).

2. ESG Factors in the Investment Process for Credit Portfolios

2.1 In integrating ESG risks and opportunities into our investment process, we define "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, we consider such ESG risks and opportunities to be "credit-material ESG factors." Because we define credit-material ESG factors purely as those we believe have the potential to materially affect the value of specific investments, and distinct from the consideration of ESG impacts, those factors are incorporated into our evaluation of issuers' credit profiles in the management of credit portfolios.

2.2 As part of the credit research process, PGIM Fixed Income analysts review information related to ESG factors, which may be provided by the issuer or obtained from third-party ESG research providers or alternative data sources (e.g., NGO analyses, governmental and inter-governmental studies, etc.). PGIM Fixed Income analysts may supplement this information through engagement with the issuer.

2.3 To the extent an ESG factor is considered by the analyst to have a material or a potentially material adverse effect on the financial value of the issuer, our analysts will incorporate such risks into their fundamental credit ratings. Fundamental credit ratings are a key factor in our relative value assessments and the primary means through which our portfolio managers consider material sustainability risks when assessing the overall relative attractiveness of potential investments. Equally, ESG factors considered to be materially or potentially materially positive to the financial value of an issuer will also be reflected in our fundamental credit ratings and therefore considered in relative value assessments. Although our views are often informed by quantitative metrics, our ultimate assessment of how ESG considerations should influence our investment decisions is largely qualitative, as with other types of idiosyncratic risks and opportunities.

2.4 The quality of governance can be an important investment consideration and it is incumbent on our analysts to assess governance structures and practices at the issuers we consider for investment as part of the credit research process. Our governance analysis is asset class specific and may include (but is not limited to) the following issues: alignment of interests between management, controlling shareholders and other providers of capital; related party transactions; board quality, effectiveness and oversight; management incentives; audit and accounting issues; quality of risk management; business ethics and conduct issues (e.g., bribery and corruption; anti-competitive practices; and advertising/sales practices); and supply chain sustainability practices. As part of the governance analysis and in connection with requirements applicable only to products we categorize as Article 8 and Article 9 under SFDR, analysts are also required to assess certain issuers against four key themes of good governance (sound management structures, employee relations, remuneration of staff and tax compliance, together, the "**SFDR Good Governance Assessment**"). This assessment is required only for investee companies. For purposes of "investee companies" we include all corporate issuers as well as all quasi-sovereigns. While the SFDR Good Governance Assessment may impact the credit analyst's views on the governance risks of the investee company, this assessment is intended to be distinct from the risk assessment.

2.5 The environmental and social factors considered during our research assessment, including sustainability risks which may cause a material negative impact on the value of potential investments should those risks occur, will vary depending on the asset class, industry and/or individual issuer. Credit analysts bear responsibility determining which ESG factors are most relevant for each issuer that is evaluated. These could potentially include, but are not limited to, the following:

(a) **Environmental risks**, which may materialize through various channels, including but not limited, to reputational damage, litigation, policy costs, input costs, remediation costs, physical damage, operational disruptions, etc. These risks and potential costs/disruptions may be related to issues such as climate change; pollution of air, water and land; harm to biodiversity, deforestation and ecosystem damage; energy inefficiency; generation and poor management of hazardous and non-hazardous waste; and high-water consumption/withdrawal needs, especially in water stressed areas. Climate and other environmental risks are considered both from a "transition" risk perspective, which focuses on the risk to investments as the world moves towards a more sustainable environmental and social model, and a "physical" risk perspective, which considers tangible risks due to physical changes in the natural environment, including but not limited to, hurricanes, flooding, droughts, heatwaves, soil degradation, loss of ecosystem services, water shortages.

(b) **Social risks**, which may also materialize through various channels, including but not limited to, reputational damage, litigation, policy costs, recalls, labour costs, operational disruptions, reduced productivity. These risks and potential costs/disruptions may be related to issues such as poor occupational health and safety and process safety; poor product safety and quality; privacy and data security weaknesses; poor labour relations and/or human capital management, including diversity and inclusion; breaches of employee rights/ labour rights; human rights violations; child labour/ forced labour; and infringements of rights of local communities/ indigenous populations.

2.6 An important focus of PGIM Fixed Income's sovereign research is on macroeconomic stability and debt sustainability. ESG issues feature in this analysis and, in particular, the sovereign credit ratings process. In addition to a fundamental macroeconomic score that captures pertinent macroeconomic strengths and vulnerabilities, PGIM Fixed Income's sovereign ratings framework is also based upon an assessment of qualitative aspects that guide policy making. These aspects include institutional strengths and weaknesses, and potential governance issues, as well as social issues that our economists believe could affect relevant macroeconomic variables. Nevertheless, while we carefully consider the risks such ESG issues may present, we believe such risks should always be considered within a broader macroeconomic context and the issuer's overall risk profile.

2.7 Debt investors are a critical stakeholder for corporate and sovereign issuers reliant on debt financing markets. We see issuer engagement as an important tool in our investment process insofar as it helps us to gain a more holistic understanding of the issuers, from both the fundamental credit and ESG impact perspectives. We believe that this, in turn, helps us achieve better investment and, where applicable, ESG outcomes for our clients and investors. As a result, our analysts are encouraged to initiate discussions with issuers should an ESG issue surface during the research process, provided that in all cases, they engage only where this would not be inconsistent with our fiduciary duties to all clients.

2.8 During these discussions, our analysts probe management on the ESG issues we see as material and assess the issuer's plans to address them. We aim for such engagements to be constructive. At times, we point out to issuers our assessment of credit-material ESG factors as well as the ESG impacts that their policies, practices or products have on the environment and society, and where applicable and appropriate, discuss the implications these ESG impacts may have for their funding costs and future market demand for any new issue bonds based on the expressed guidance from our clients.

2.9 The issues on which we engage from an ESG impact perspective as described above are largely the same as those factoring into our fundamental credit analyses.

2.10 Feedback from these meetings is used to inform our fundamental credit ratings and ESG Impact Ratings. The ESG issues raised, as well as management's response to our comments (when applicable), are then noted in our engagement notes and can inform our overall analysis of the issuer.

2.11 We do not evaluate issuers' sustainability risks in isolation, but instead integrate them directly into our fundamental credit ratings, and thus into our relative value assessments. In addition, there is often not a clear demarcation of what could be an 'ESG risk' versus a 'traditional risk'. ESG issues that relate directly to the business model could be considered financially-material and may be considered 'business risks', which is why ESG issues cannot be evaluated separately from fundamental credit analysis. So, while PGIM Fixed Income's portfolio managers are provided with information on sustainability risks and take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent PGIM Fixed Income from making any investment. Instead, sustainability risk forms part of our overall assessment of an issuer's credit risk, and thus of our assessment of its relative value.

2.12 In recognition of the points in 2.11, PGIM Fixed Income does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to sustainability risk as a separate category of risk.

PAI SUSTAINABILITY DUE DILIGENCE POLICY

January 30, 2025

This document sets out the sustainability due diligence policy of PGIM Netherlands B.V., PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit (together, the "**Firm**"), regarding the principal adverse impacts of our investment decisions on sustainability factors in respect of certain In-scope Products (as defined below).

3. Introduction

3.1 SFDR requires certain EU entities such as PGIM Netherlands B.V. to make a decision as to whether they will "comply" and, as a consequence, consider the principal adverse impacts, or **"PAI**," of their investment decisions on sustainability factors at an entity level or "explain" why not. PGIM Netherlands B.V. has decided not to voluntarily comply with the requirements under Article 4(1)(a) of SFDR (i.e., to consider the PAI of investment decisions on sustainability factors at the entity level). PGIM Netherlands B.V.'s statement that it does not consider the PAI of investment decisions on sustainability factors at the entity level (as required under Article 4(1)(b) of SFDR) is available at: https://www.pgim.com/fixed-income/sfdr-information.

3.2 However, PGIM Netherlands B.V., PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, are electing to voluntarily consider certain PAI of investment decisions on sustainability factors for certain client accounts, where expressly agreed to with clients on a case-by-case basis in the applicable account or fund documentation (the "**In-scope Products**") as set out in detail in the PAI Sustainability Due Diligence Policy.

3.3 The PAI that PGIM Fixed Income ultimately considers when making investment decisions will vary depending on the In-scope Product and the underlying assets of the In-scope Product (as further described in this PAI Sustainability Due Diligence Policy) and such consideration is not strictly or solely reliant on the EU Framework PAI Indicators (as defined below). However, PGIM Fixed Income does consider the EU Framework PAI Indicators as part of its ESG investment process where relevant and material and this PAI Sustainability Due Diligence Policy reflects how and under what circumstances those EU Framework PAI Indicators are considered. **For the avoidance of doubt, this PAI Sustainability Due Diligence Policy is not a statement made under Article 4 of SFDR. The statement for Article 4 of SFDR is available at https://www.pgim.com/fixed-income/sfdr-information.**

3.4 "**Sustainability factors**" are defined in SFDR as meaning environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.

3.5 This PAI Sustainability Due Diligence Policy applies in respect of portfolio management services, investment advisory services, and AIF management services carried on by the Firm for the In-scope Products.

3.6 For reference, the Firm maintains other policies and documentation related to sustainability, including:

(a) Sustainability Risks Integration Policy (see Section A); and

(b) PGIM Fixed Income UCITS ESG Policy Statement and Article 10 Transparency Disclosure

4. Purpose of this PAI Sustainability Due Diligence Policy

4.1 We strive to understand the impacts our investments have on the environment and society. This is generally achieved by assessing investments against negative and positive ESG impacts relevant to the industry and/or issuer. This ESG impact assessment is distinct from our assessment of the effects that ESG events could have on the financial/economic value of our clients' investments.

4.2 The Firm's investment professionals must apply the due diligence measures specified in this PAI Sustainability Due Diligence Policy whenever they are making any investment decision for any In-scope Products. This is to enable the Firm to consider and prioritise the PAI of its investment decisions. In other words, this is to ensure that the Firm understands the impacts our investment decisions have on the environment and society, and to help the Firm ensure we take these into consideration on behalf of and/or as instructed by our clients, as applicable. This PAI Sustainability Due Diligence Policy approaches sustainability from the perspective of the harm that our investment decisions might do externally to sustainability factors.

4.3 This PAI Sustainability Due Diligence Policy is not concerned with the risks posed from the occurrence of ESG events in terms of the potential impact on the value of our clients' investments. In other words, this PAI Sustainability Due Diligence Policy concerns impacts we believe to be material or potentially material to the environment and/or society, whether or not they are financially material to the issuer. This consideration is also not strictly or solely a consideration of the EU Framework PAI Indicators (as defined below) in respect of each In-scope Product. The impact of sustainability risks on the value of our clients' investments is covered by the Firm's Sustainability Risks Integration Policy (see Section (A)).

5. PAI of investment decisions not considered at the entity level

5.1 In accordance with SFDR (and its related guidance), firms are permitted to consider the PAI of their investment decisions with respect to certain financial products even where the firm is not considering the PAI of its investment decisions at the entity level in accordance with Article 4 of SFDR[1].

5.2 Accordingly, the Firm has decided that, while it will consider the PAI of its investment decisions for a number of products, it will not do so for many other products. **As a result, the Firm does not consider the PAI of its investment decisions at the entity level in accordance with Article 4 of SFDR**. Clients may request confirmation from the Firm as to whether their account is an In-scope Product.

5.3 Further, PGIM Fixed Income has been managing client-directed ESG portfolios for a number of years and is committed to providing clients and investors with strategies and solutions that help them express their policies, views and beliefs through their investments. Therefore, all clients invested in single-client products have the option to request that their product be categorised as an In-scope Product for this PAI Sustainability Due Diligence Policy, provided they accept the restrictions and objectives this entails. There are also cases where clients invested in single-client products ask the Firm to implement the client's own PAI sustainability due diligence policies or methodologies, and we reserve the right to apply a different process for such clients in line with their preferences.

6. Principal adverse indicators – diligence phases

6.1 To enable the Firm to identify, consider and prioritise the PAI of its investment decisions, the Firm has established a two-stage diligence phase where PAI are assessed and considered in two stages:

(a) The **First Diligence Phase** is at a macro level where PGIM Fixed Income considers PAI from an industry, activity and asset class basis and draws up the broad parameters for the ESG Impact Ratings framework (as further described at 6.2).

(b) The **Second Diligence Phase** is at a micro level where PGIM Fixed Income only considers the PAI that are relevant to an industry, activity and asset class in the context of particular investments such that analysts will apply ESG Impact Ratings to investments (as further described at 6.3).

6.2 **First Diligence Phase**

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1 Please see the European Commission's Q&A in respect of sustainable finance disclosures (published on 25 May 2022).

(a) The initial stage of the diligence phase is carried out by the ESG Committee together with analysts and involves a broad consideration and identification of potentially material environmental and social impacts, including relevant PAIs, across asset classes and industry sectors (the "**First Diligence Phase**") and it is at this stage that the ESG Impact Rating framework is developed.

(b) The ESG Impact Rating framework includes guidance on the sustainability issues and principal adverse impacts most likely to be relevant for issuers in a certain industry, activity or asset class. The First Diligence Phase consists of approving our ESG Impact Rating framework, as follows:

(i) ***First***, the ESG Committee considered a wide range of sustainability issues on an industry, activity and asset class basis, including issues related to each of the EU Framework PAI Indicators. The sustainability issues and principal adverse impacts deemed relevant to the particular type of asset class and/or industry and/or individual activity were then identified and built into the ESG Impact Rating framework such that analysts are guided to consider these across asset classes and sectors (as described below).

(ii) ***Second***, 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[2] sub-industries, as well as sovereigns, and structured products, and frequently provides further supplemental guidance for specific activities within GICS sub-industries. The ESG Committee also provided detailed governance guidance covering major governance factors, including relevance for credit risk analysis and ESG Impact Ratings, as well as specific guidance on the SFDR Good Governance Assessment. Analysts use this guidance to rate issuers based on the severity of the negative sustainability impacts and the issuers' efforts to reduce and minimise negative, as well as enhance positive impacts, as described under section 6.3. Although often informed by quantitative metrics, these ratings ultimately reflect the qualitative judgement of our credit analysts regarding sustainability impacts. 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.

6.3 Second Diligence Phase

(a) Using the guidance provided by the ESG Committee, the investment analysts seek to assign an ESG rating to an issuer on a 100-point scale in 5-point increments, with 0 as the lowest and 100 as the highest ESG rating .

(b) In assigning an ESG Impact Rating, investment analysts review information which may be provided by the issuer or obtained from third-party ESG research providers and may also consider information from alternative data sources (e.g. NGO analyses, governmental and

[2] Global Industry Classification Standard

inter-governmental studies, etc.). This third-party research may, among other things, be used to screen our investable universe for specified economic activities and controversies (including violations of the United Nations Global Compact (UNGC) principles); provide information regarding ongoing litigation; review performance data for a variety of environmental, social and governance key performance indicators; or otherwise analyse various ESG issues. In certain instances, it may not be possible or practical to obtain or analyse the information needed to assess and rate each investment and where this is the case our analysts may either make reasonable assumptions in order to rate the particular investments based on, for example, information relating to the particular industry of an underlying issuer or, in rare circumstances, may identify the investment as unrated. In the former case, where reasonable assumptions are used, the ESG Committee has instructed analysts to ensure that these assumptions are conservative and err on the side of lowering the ESG Impact Rating.

(c) Corporate ESG Impact Ratings are assigned by credit research analysts. Research analysts review the sector-specific ESG Impact Rating framework, which was approved by the ESG Committee, to help identify material environmental and social impacts, and include any additional impacts they deem relevant for the particular issuer. Next, they assess an issuer's performance across those topics using information produced by the issuer themselves and/or other third-party sources. The ESG Impact Rating framework should be seen 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 Ratings. While analysts may look to quantitative data to support their assessment of an issuer's performance on an ESG topic, the overall assessment is largely qualitative in nature.

(d) Sovereign ESG Impact Ratings include quantitative data to assess performance across the specific environmental, social and governance topics and metrics that were approved by the ESG Committee, and then include a qualitative assessment by economists to determine a final ESG impact rating. The methodology to derive a final ESG Impact Rating was approved by the ESG Committee.

(e) Structured Products receive their own guidance on likely environmental and/or social impacts depending on the specific sub-asset class. In order to assign an ESG Impact Rating to a structured product, guidance will vary by the type of product (e.g. ABS, CMBS, RMBS). Depending on the type of structured product:

(i) Some receive their own specific guidance on environmental and/or social impacts that are likely.

(ii) Some first assign a preliminary rating to the issuer following the framework provided for corporate bonds, and then adjust this upwards or downwards after assessing any incremental environmental and/or social impacts from the underlying asset pool.

(f) The ESG Impact Rating for currency and derivative contracts referencing a single investment will reflect the ESG Impact Rating of that investment (e.g., U.S. Treasury future or U.S. interest rate swap would get the same ESG Impact Rating as the corresponding U.S.

Treasury). Similarly, a single name sovereign or corporate credit default swap would get the same ESG Impact Rating as the corresponding sovereign or corporate issuer that it references. The ESG Impact Rating assigned to these contracts and swaps must be above the ESG Impact Rating threshold for the relevant product to be considered eligible for investment.

(g) For currency and derivative contracts (such as a Euro or High Yield CDX contract) that reference multiple underlying investments, an ESG Impact Rating is applied to the contract that is based on the weighted average ESG Impact Rating for the underlying constituents within that contract for which an ESG Impact Rating is available. That ESG Impact Rating assigned to the contract must be above the ESG Impact Rating threshold for the relevant product to be considered eligible for investment.

(h) An assignment of a high ESG Impact Rating is generally based on the credibility and ambition of an issuer's strategy to reduce negative environmental and social impacts, and their actual achievements at the time of our analysis. Accordingly, the extent and quality of efforts and actual achievements by issuers to reduce their negative impacts is the key driver of our ESG Impact Ratings, while efforts to enhance their positive impacts will serve as an additional differentiator yielding higher ESG Impact Ratings.

(i) The analysts apply the ESG Impact Ratings in line with the following criteria:

(i) **An ESG Impact Rating between 40-100** generally means that, with respect to the economic activities, products/services and practices of an issuer (or financed by an issue), in our view the issuer:

(A) generates some meaningful, inherently positive impacts for either the environment or society; and

(B) has already reduced and/or minimised the associated key negative environmental and/or social impacts or is making credible efforts to do so.

(ii) **An ESG Impact Rating between 20-35** generally means that, with respect to the economic activities, products/services and practices of an issuer (or financed by an issue), in our view the issuer generates some inherently positive impacts for either the environment or society but has made only limited efforts (if any) to reduce associated key negative environmental and/or social impacts.

(iii) **An ESG Impact Rating below 20** generally means that, with respect to the economic activities, products/services and practices of an issuer (or financed by an issuer), in our view the issuer:

(A) generates significant negative environmental or social impacts and there are no credible efforts to minimise these negative impacts; or

(B) generates significant negative impacts to the environment and/or society that cannot be outweighed by any other potential positive contributions to the environment and/or society.

(j) When assigning ESG Impact Ratings, analysts are asked to consider the mandatory and certain additional PAI indicators set out under the regulatory technical standards developed by the European supervisory authorities (the "**EU Framework PAI Indicators**") where they believe these to be relevant. However, this will vary depending on the industry, the relevance to a specific issuer, and the availability of data. Analysts will also take into account other indicators that they believe are relevant, or may choose to use a different indicator or piece of information addressing the same issue as an EU Framework PAI Indicator. In addition, our experience has been that one or a handful of metrics alone do not often accurately portray an issuer's performance on key environmental and social themes. This data must be interpreted and put into context, alongside all other information available to an analyst. Therefore, analysts will apply qualitative assessment in assigning a final ESG Impact Rating rather than letting it be purely data driven.

(k) In assigning an ESG Impact Rating, the environmental and social topics, characteristics and indicators considered by the Firm's investment analysts vary depending on the asset class, industry and/or individual issuer but generally may include, but are not limited to, those described in the Annex A.

(l) While corporate governance considerations (such as, for example, ownership structures or board effectiveness) are generally not considered to directly affect an issuer's impacts on the environment and society, they are an important part of the overall evaluation of an investment opportunity and in determining the credibility of stated targets and initiatives put forth by the issuer and thus are considered by the investment analysts as part of the credit research and the initial evaluation of an investment.

(m) Additionally, SFDR requires that where a product is classified as an Article 8 or an Article 9 product, all of its investments that are investee companies have good governance. For purposes of "investee companies" we include all corporate issuers as well as all quasi-sovereigns. In order to assess whether investee companies meet good governance standards for the purposes of SFDR, PGIM Fixed Income has created a dedicated SFDR Good Governance Framework, under which investee companies are evaluated across four key themes: (i) management structures, (ii) employee relations, (iii) remuneration, and (iv) tax compliance. Analysts assess issuers' compliance with each of these four themes by referencing a set of minimum standards and guidelines developed by PGIM FI's ESG Research Team and assigning a 'Pass', 'Warning' or 'Fail' flag to each theme. For the purposes of SFDR, an issuer is deemed to have good governance where all of the following are true: (i) the issuer does not 'Fail' any of the four themes, (ii) the issuer receives fewer than three 'Warnings' across any three of the four themes, and (iii) an analyst does not believe the issuer suffers from another significant governance concern that does not fall under one of the four themes. In some cases, clients invested in separately managed accounts may prefer to rely on their own methodology to determine compliance with the SFDR Good Governance criteria, and we may choose to accept and apply the approach of their choosing.

(n) The due diligence assessment described in this Section 6 generally applies to all asset classes and then feeds into the investment phase, as outlined at section 7 of this PAI Sustainability Due Diligence Policy, below.

7. Investment Phase

7.1 When making investment decisions, the Firm uses its ESG Impact Ratings (as described in Section 6 above) as its primary indicator in assessing the PAI of its investment decisions rather than the EU Framework PAI Indicators (although, depending on the investment, the EU Framework PAI Indicators might form part of that assessment as described herein).

7.2 In order to consider, manage, prioritise and mitigate the "principal adverse impacts" of our investment decisions, we have set thresholds that investments by In-scope Products must not exceed. These are based on our ESG Impact Ratings, as well as additional metrics or data points relating to specific activities or concerns. In setting these thresholds, the Firm has taken into account its intent to prioritise the PAI which generally most strongly conflict with the applicable ESG priorities and objectives of its products. In addition, through our ESG Impact Ratings we will consider whether an investment also has any off-setting positive impacts (e.g., where an issuer has demonstrated clear efforts to reduce and minimise the adverse impacts, as well as enhance positive impacts) and this analysis then feeds into certain of our permitted tolerance thresholds (see Section 7.4 below).

7.3 While we believe that our ESG Impact Ratings appropriately consider PAI, and apply them within our own PGIM-sponsored funds, we reserve the right to apply a different process for clients in separately managed portfolios if such clients request this, in which case certain aspects of this PAI Sustainability Due Diligence Policy, as relevant, would not apply to the management of such portfolios.

7.4 The "**adverse impact**" thresholds that are generally applied to In-scope Products include some or all of the following, but are not limited to:

(a) Investments that have an ESG Impact Rating below a specified level which will vary by investment strategy and may vary based on client preference (provided that most products permit a limited proportion of the portfolio – typically 5% - to be unrated, primarily for logistical reasons relating to the timing on new issuances).

(b) Investments in corporate issuers that violate the UNGC, a principles-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption.

(c) Investments in corporate issuers that are involved in the production, sales and/or distribution nuclear or other controversial weapons (including landmines, cluster weapons, depleted uranium, white phosphorus and biological/chemical weapons).

(d) Investments in corporate issuers that are tobacco manufacturers deriving at least 5% of revenues from such activities.

(e) Investments in corporate issuers exceeding certain revenue thresholds from thermal coal generation or thermal coal extraction.

7.5 While some or all of the above thresholds, as applicable, are generally applied to In-Scope Products, there may be cases where certain or all of the thresholds are not applied and where different investment restrictions may be used. This may include situations where In-Scope Products invest in asset classes that do not have sufficient data coverage related to the above restrictions and/or where the Firm reasonably determines that the above activities are not relevant to certain asset classes held in an In-Scope Product. In all cases, the methodologies used are disclosed to investors in applicable In-Scope Products

7.6 Notwithstanding the foregoing, a client may elect to impose its own specific thresholds in lieu of or in addition to the thresholds described in Section 7.4 above, as may be agreed on a case-by-case basis between the client and the Firm in the investment management agreement, or if applicable, as provided in the fund offering document, for the product. As noted above, such accounts would not be in scope for certain aspects of this PAI Sustainability Due Diligence Policy, as relevant.

7.7 Except for restrictions based on the Firm's ESG Impact Ratings or its other proprietary assessment frameworks, the Firm may rely on third party screens to determine if an investment is in breach of the thresholds described in Section 7.4 above or others that may be imposed by a client.

7.8 In respect of In-scope Products we will generally not make investments that breach the above thresholds described in Section 7.4 or others that may be imposed by a client, as applicable. Unless otherwise stated in applicable product documentation, in the event that an issuer that previously did not breach any of the applicable thresholds described in Section 7.4 at the time of purchase, but subsequently does breach one or more thresholds due to intervening events, we will use reasonable efforts to sell such investments within 90 business days of becoming aware of the breach (or such other amount of time as may be expressly agreed in applicable account or fund documentation). In addition to not making investments in these issuers, we may take the additional mitigating action of engaging with management of issuers to understand what actions they are taking to improve their business from a sustainability perspective.

8. PAI Reporting

Where requested, PGIM Fixed Income will provide PAI reports with respect to In-scope Products and that reporting can be prepared against the EU Framework PAI Indicators only.

9. Disclosure of this PAI Sustainability Due Diligence Policy

9.1 As described above, PGIM Netherlands B.V. is required to publish a statement that it does not consider the PAI of investment decisions on sustainability factors at the entity level (as required under Article 4(1)(b) of the SFDR) and this statement is available at: https://www.pgim.com/fixed-income/sfdr-information. **For the avoidance of doubt, this PAI Sustainability Due Diligence Policy is not a statement made under Article 4 of SFDR.**

9.2 The Firm may also disclose a separate summary of this PAI Sustainability Due Diligence Policy in pre-contractual disclosures of in-scope products.

9.3 For any financial product which is not an In-scope Product, we may also include an explanation that the relevant financial product does not consider the principal adverse impacts on sustainability factors, and the reasons for that approach.

9.4 For these purposes, "pre-contractual disclosures" means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.

10. Governance and senior management responsibility

10.1 The Firm's ESG Policy Committee is ultimately responsible for the Firm's policies and procedures in respect of sustainability.

10.2 The Firm's ESG Policy Committee has approved this PAI Sustainability Due Diligence Policy.

ANNEX A

Non-Exhaustive List of ESG Topics, Characteristics and Indicators

ESG Topic	ESG Characteristics	Indicators Potentially Considered*
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

ESG Topic	ESG Characteristics	Indicators Potentially Considered*
		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

ESG Topic	ESG Characteristics	Indicators Potentially Considered*
Labour 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

*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.