PGIM Netherlands B.V. (the "AIFM")
Statement of Principal Adverse Impacts Policies
(the "PAI Statement")
14 July 2021

INTRODUCTION

Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, as amended (the "**SFDR**") intends to provide harmonised disclosure requirements for investment products. The SFDR lays down harmonised rules for 'financial market participants' on transparency with regard to the integration of sustainability risks and the consideration of adverse sustainability impacts in their investment processes and the provision of sustainability-related information with respect to financial products. For the purposes of this PAI Statement, '**financial market participant**' means the AIFM and "**Financial Products"** mean each separately managed account managed by the AIFM ("**Account**") and each alternative investment fund managed by the AIFM ("**Fund**").

The AIFM is an alternative investment fund manager, authorised by the *Autoriteit Financiële Markten* ("**AFM**") in the Netherlands, with registration number 15003620. In respect of each Financial Product, the AIFM delegates portfolio management to its affiliates as follows:

- In respect of the Accounts the AIFM generally delegates portfolio management to PGIM, Inc. and PGIM Limited.

- In respect of the Funds the AIFM generally delegates portfolio management to PGIM, Inc. which in turn can also appoint certain affiliated sub-investment managers including PGIM Limited, QMA LLC ("**QMA**") and PGIM Private Capital Limited ("**PPC**") to manage one or more of the Funds (the "**Sub-Investment Managers**").

This PAI Statement describes how PGIM Fixed Income, operating in the Netherlands through the AIFM, operating in London through PGIM Limited and operating in the United States through PGIM, Inc. (together, "**PGIM Fixed Income**"), may consider, in respect of certain Financial Products, the principal adverse impacts of investment decisions on sustainability factors, taking due account of the nature of its activities and the type of Financial Product under management.

This PAI Statement also sets out that the Sub-Investment Managers in respect of certain Financial Products, do not consider, the principal adverse impacts of investment decisions on sustainability factors, taking due account of the nature of their activities and the type of Financial Product under management.

'**Sustainability Factors**' mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The AIFM does not currently take a uniform approach to the consideration of a defined set of Sustainability Factors in respect of all or a majority of the Financial Products and it does not consistently evaluate the principal adverse impacts of investment decisions made in respect of each such Financial Product based on those Sustainability Factors.

The regulatory environment in which the AIFM is operating is evolving and the expectations of competent regulatory authorities regarding how Sustainability Factors and their adverse impacts should be defined and evaluated are not yet clear. In light of these circumstances, and in particular taking due account of the nature and scale of its activities and the strategies of the Financial Products, as well as the investment approaches and considerations of PGIM Fixed Income and the Sub-Investment Managers, the AIFM has decided to voluntarily comply with the consideration of adverse impacts on sustainability factors requirements of the SFDR in accordance with a principles-based approach.

As set out below, PGIM Fixed Income and each Sub-Investment Manager has a different approach in relation to the consideration of principal adverse impacts of investment decisions on Sustainability Factors, taking due account of the nature and scale of their activities and the types of Financial Products they make available. Accordingly, the below summarises the position of PGIM Fixed Income and the Sub-Investment Managers with respect to the consideration of principal adverse impacts of investment decisions on Sustainability Factors in respect of certain Financial Products.

CONSIDERATION OF PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

PGIM Fixed Income

PGIM Fixed Income focuses on public fixed income investments, including broad market strategies, sector-specific strategies, long duration strategies and alternative strategies.

- *Introduction*

The following is a summary of the sustainability due diligence policy of PGIM Fixed Income (the "**PGIM Fixed Income PAI Policy**"), regarding the principal adverse impacts of PGIM Fixed Income's investment decisions on Sustainability Factors in respect of in-scope products (as defined below).

The SFDR permits firms to not apply the principal adverse impacts policies to certain financial products, even where the management entity is complying with the principal adverse impacts regime. Accordingly, PGIM Fixed Income has decided that, while it will comply with the principal adverse impact regime for a number of products, many other products will be excepted from compliance (as further described below).

PGIM Fixed Income will comply with the PGIM Fixed Income PAI Policy for a product where such compliance is explicitly provided for in the investment management agreement or fund offering documents, as applicable, for the relevant product (an "**in-scope product**").

Products that are excepted from the application of the PGIM Fixed Income PAI Policy include, for example:

(i) products where the client has not expressly instructed PGIM Fixed Income to follow the PGIM Fixed Income PAI Policy or products that PGIM Fixed Income has decided to except from the PGIM Fixed Income PAI Policy as a matter of PGIM Fixed Income's commercial preference; and

(ii) products for which it would be unlawful or contrary to applicable regulation to follow the PGIM Fixed Income PAI Policy, for example a legal regime which requires PGIM Fixed Income to prioritise only economic factors when investing for certain types of client.

Clients may request confirmation from PGIM Fixed Income as to whether their Financial Product is an in-scope product.

PGIM Fixed Income's investment professionals must apply the due diligence measures specified in the PGIM Fixed Income PAI Policy whenever they are making any investment decision in respect of in-scope products. This is in order to enable PGIM Fixed Income to identify and prioritise principal adverse sustainability impacts and related indicators. In other words, this is to ensure that PGIM Fixed Income understands the impacts its investments have on the environment and society, and to help PGIM Fixed Income ensure they take these into consideration. The PGIM Fixed Income PAI Policy approaches sustainability from the perspective of the harm that its investment positions might do externally to Sustainability Factors, and what steps they take to mitigate that harm.

- *Principal adverse indicators - diligence phase*

PGIM Fixed Income strives to understand the impacts its 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 including an assessment of how the investment position is assessed against sustainability indicators relevant to the industry and/or issuer. This ESG impact assessment is distinct from PGIM Fixed Income's assessment of the risk that ESG events could impact the financial/economic value of its clients' investments.

After conducting this assessment, PGIM Fixed Income's investment analysts seek to assign an ESG rating on a 100-point scale in 5-point increments, with 0 as the lowest and 100 as the highest ESG rating ("**ESG Impact Rating**") to an issuer. 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 inter-governmental studies, etc.). This third party research may, among other things, be used to screen PGIM Fixed Income's 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 large number of environmental, social and governance key performance indicators; or otherwise analyse various ESG issues and risks. 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, PGIM Fixed Income's 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 identify the investment as unrated. For the avoidance of doubt, references to "issuers" in this policy means issuer and/or issues, where applicable.

In assigning an ESG Impact Rating, the environmental and social issues (referred to in this PAI Statement as the "**PGIM FI Sustainability Indicators**") and the negative and positive impacts on such PGIM FI Sustainability Indicators considered by PGIM Fixed Income's investment analysts vary depending on the asset class, industry and/or individual issuer but generally may include, but are not limited to:

Climate and Environmental Sustainability Indicators	Negative/Adverse Impacts[1]	Positive Impacts
Energy use/performance; Greenhouse gas (GHG) emissions	High greenhouse gas emissions; high carbon footprint or carbon intensity; consumption of energy from non-renewable sources	Sustainable sourcing of energy; use of or revenues from renewable energy; practices that improve energy efficiency; R&D in energy efficient products

[1] For purposes of reporting related to the principal adverse impacts regime, PGIM Fixed Income considers only the negative/adverse impacts.

Waste Management/ Hazardous Materials; Pollution	Generation of and poor management of hazardous and non-hazardous waste; plastic pollution; packaging waste; use of hazardous materials in products	Reducing use of non-recyclable packaging and plastics, Remediation of existing contaminants; lifecycle management of products; new technologies reducing environmental impact
Water consumption and pollution; Air pollution; Ecosystems	Destruction of natural habitats and biodiversity loss; ecosystem damage; high water consumption; water pollution; dust and other particle emissions; noise pollution	Water efficiency solutions; strong chain of custody in supply chains; environmental rehabilitation strategies; land conservation areas and protected endangered species habitat; carbon sequestration
Social Sustainability Indicators	**Negative/Adverse Impacts**	**Positive Impacts**
Human rights; Employee rights/ labour rights; Health & Safety; Community Relations	Modern slavery or forced labour; child labour; irresponsible labour practices; discriminatory exclusion (*e.g.*, against low-income communities or underprivileged segments of society); infringement of rights of local/indigenous communities; poor occupational health and safety	Robust worker training programs; robust worker health & safety policies and controls; local and indigenous community relations; product safety measures; provision of affordable services to underprivileged/ underserved segments of society
Business Conduct	Bribery and corruption; anti-competitive practices; financing of crime, terrorism and other illegal activities; fraud, insider trading and profiteering from access to trade secrets; tax avoidance or abetting tax avoidance	Robust audit and transparency practices; training and human capital development practices; encouraging workforce diversity; protection of privacy and security of customer and personal data

While corporate governance considerations (such as, for example, ownership structures or board effectiveness) are 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 are considered by PGIM Fixed Income's investment analysts as part of the credit research and the initial evaluation of an investment.

The ESG Committee of PGIM Fixed Income provides detailed guidance to the analysts on the environmental and social impacts of issuers and/or issues for 150+ GICS[2] sub-industries. The PGIM Fixed Income ESG Committee also provides a detailed governance guidance covering major governance factors and relevance for credit risk analysis and ESG Impact Ratings. Analysts 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. Although often informed by quantitative metrics, these ratings ultimately reflect the qualitative judgement of PGIM Fixed Income's credit analysts regarding sustainability impacts.

This due diligence assessment generally applies to all asset classes and then feeds into the investment phase, a summary of which is provided below.

- *Principal adverse indicators - investment phase*

PGIM Fixed Income uses the PGIM FI Sustainability Indicators described above and/or equivalent mechanics to create thresholds that it will apply to in-scope products. In relation to each of the Sustainability Indicators, PGIM Fixed Income has identified "adverse impacts" that investments may have on such PGIM FI Sustainability Indicators.

In order to consider, manage, prioritise and mitigate the "adverse impacts" that PGIM Fixed Income's investment position(s) may have on the Sustainability Indicators PGIM Fixed Income has set certain thresholds which they generally use to measure whether an investment in such position would exceed its permitted tolerance and, as a consequence, adversely impact a Sustainability Indicator. In setting these thresholds, PGIM Fixed Income has taken into account its intent to prioritise the adverse impacts which generally most strongly conflict with PGIM Fixed Income's ESG priorities and objectives. In addition, through its ESG Impact Ratings PGIM Fixed Income 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 PGIM Fixed Income's permitted tolerance thresholds.

The "**adverse impact**" thresholds that are generally applied to all in-scope products include, but are not limited to:

[2] Global Industry Classification Standard

- 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.

- Investments in corporate issuers that are involved in the production of nuclear or other controversial weapons (including landmines, cluster weapons and biological/chemical weapons).

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

- Investments in corporate issuers exceeding certain revenue thresholds from thermal coal generation or thermal coal extraction.

- Investments that do not have an ESG Impact Rating, or have an ESG Impact Rating below a specified level which will vary by investment strategy.

PGIM Fixed Income will generally not make investments that breach the above thresholds.

PGIM Fixed Income may rely on third party screens to determine if an investment is in breach of the thresholds described above.

In addition to not making investments in such issuers, PGIM Fixed Income 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.

QMA

QMA utilizes a disciplined, systematic approach, which focuses on harnessing fundamental macro forces. QMA's primary investment goal is to add long term value for investors and offer systematic multi-asset strategies to achieve this.

QMA does not currently consider principal adverse impacts of investment decisions on Sustainability Factors.

PGIM Private Capital Limited

PPC originates investments on behalf of its clients primarily in private credit.

PPC does not currently consider principal adverse impacts of investment decisions on Sustainability Factors.

ENGAGEMENT POLICIES

In accordance with the Shareholder Rights Directive[3], as amended, the AIFM has put in place a shareholder engagement policy which sets out how the AIFM monitors issuers on various matters, including their strategy, financial and non-financial performance and risk.

A copy of the shareholder engagement policy is available free of charge on request.

RESPONSIBLE BUSINESS CODES

PGIM Fixed Income and/or the Sub-Investment Managers adhere to a number of responsible business codes including, for example, The United Nations Principles of Responsible Investment and the SASB Investor Advisory Group.

DISCLOSURE

The SFDR requires the AIFM to publish on a website information about its policies in relation to its consideration of the principal adverse impacts of investment decisions on Sustainability Factors. The AIFM satisfies this requirement by disclosing this PAI Statement on a website for the purposes of, and in accordance with, Article 4 of the SFDR.

APPROVAL AND REVIEW

This PAI Statement has been approved by the AIFM, is effective from 14 July 2021 and will be reviewed on an annual basis by the AIFM and updated, as necessary, for any changes or new arrangements.

3 Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.