



PUBLIC TRANSPARENCY REPORT

2023

PGIM Fixed Income

Generated 15-12-2023

About this report

PRI reporting is the largest global reporting project on responsible investment. It was developed with investors, for investors.

PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders.

This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2023 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

Disclaimers

Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

Data accuracy

This document presents information reported directly by signatories in the 2023 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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SENIOR LEADERSHIP STATEMENT (SLS)

SENIOR LEADERSHIP STATEMENT

SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

As a fundamental research-driven active fixed income manager, we believe that ESG issues can impact the performance of investment portfolios. Therefore, we recognise the importance of integrating environmental, social and governance factors in our global investment research, decision making and portfolio management processes. In general, we view ESG through two separate but inter-related prisms: 1) Credit-material ESG factors, and 2) the impact that issuers are having on the environment and society. We incorporate credit-material ESG factors in our investment process as a core part of our fiduciary duty to our clients. Additionally, where specific clients have additional objectives concerning ESG impacts, we aim to offer high quality tools to meet these as well. As a global business, we endeavour to implement consideration of ESG factors with respect to each of our accounts to the extent permissible under applicable law and regulations of each market in which we operate and in accordance with our agreement with clients.

ESG Philosophy and Approach

- We believe that ESG factors can impact investment performance, and we therefore integrate financial-performance-material factors into the credit analysis processes used across all of our strategies.
- We believe credit risk cannot be disaggregated into individual components and must be assessed holistically. Our credit ratings incorporate analysis of credit-material risks and opportunities arising from ESG factors, alongside other risk factors, to reflect our overall fundamental credit view of the issuer. This is done for all credit strategies that we manage, not just those labelled "ESG".
- Separately, we have observed that an issuer's impact on the environment and society does not always create material credit risks for that issuer, even when those ESG impacts are significant. Our proprietary ESG Impact Ratings assess negative and positive impacts of issuers on the environment and society – whether or not they are immediately credit-material – and determine their eligibility for investment by our proprietary ESG strategies. We offer clients the choice to apply this additional "impact" lens to their portfolios.
- We also have clients that have other preferred measures for integrating ESG and/or considering environmental and social impacts, including through 3rd party ratings or exclusion criteria, and we manage those portfolios consistent with our negotiated guidelines.
- We believe our 100+ fundamental research analysts, economists and ESG specialists are well placed to analyse an issuer's ESG characteristics, and as such we conduct our own ESG research and risk assessment as part of credit analysis. We have also developed ESG Impact Ratings as a proprietary tool to help our clients invest in line with their ESG/sustainability preferences.

- We engage with issuers to communicate our views on fundamental and ESG issues. We aim for such engagements to be constructive and offer issuers insights into our concerns and information on industry best practices, as well as how their ESG efforts may be perceived in the market and the potential effect this could have on future market demand for their bonds. We disclose our ESG Impact Ratings to issuers, when requested, as we see that these ratings and other ESG tools and analysis provide tangible feedback to issuers.
- As a signatory to the Principles of Responsible Investment (PRI) since February 2015, we are committed to implementing the PRI's principles.
- As a signatory to the UK Stewardship Code since 2022, we are committed to the 12 Principles laid out by the UK Stewardship Code, which we believe set a high standard for responsible stewardship.
- As a formal supporter of the Task Force on Climate Related Financial Disclosures (TCFD), we have incorporated key portions of the TCFD recommendations into our annual ESG report.

Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
 - refinement of ESG analysis and incorporation
 - stewardship activities with investees and/or with policymakers
 - collaborative engagements
 - attainment of responsible investment certifications and/or awards

The evolution of ESG, from both a regulatory and investor standpoint, has been rapid. In order to best serve our clients, we need to evolve quickly, but deliberately. The enhancement to our governance structure at the end of 2021 was a step towards supporting that objective. We have established an ESG Policy Committee that is supported by an ESG Ratings Sub-committee, and three ESG working groups. We believe this structure has better enabled us to make decisions effectively, facilitate constructive dialogue, maintain effective communications across the organisation, and promote the involvement of all relevant internal stakeholders. Our ESG commitment was further evidenced by the expansion of our ESG Research team, which grew from five ESG Specialists in 2021 to eight ESG Specialists, one ESG Product Specialist and one ESG Reporting Specialist in 2022.

Over the past year, we have further improved our processes to adapt and scale in our endeavours to maintain the highest quality and integrity within our work and meet the evolving regulatory and investment needs of our clients. The most significant advancement in 2022 was our ESG Research Team's work on the development of a proprietary methodology for assessing the ambition and credibility of corporate issuers' alignment with several key temperature rise levels. We believe incorporating a sector-specific and forward-looking approach is superior to one based simply on carbon footprint metrics. That said, many implied temperature rise methodologies to date assume an issuer's targets are robust, comprehensive and will be met, which we often find to be overly optimistic. Each methodology also involves its own judgements and biases. The PGIM Fixed Income Temperature Alignment methodology, when operational (expected in 2023) will seek to address these shortcomings by combining both forward- and backward-looking data, from multiple sources where possible, to look 'under the hood' of companies' climate commitments. The outputs of this framework may be used directly by clients seeking specific temperature alignment goals, and will also provide a valuable input into our ESG Impact Ratings framework and other ESG analyses.

We continued to refine our ESG analysis of issuers in 2022, and provided analysts with guidance for assessing those with low ESG disclosures. Also in 2022, we developed a dedicated methodology for assessing Good Governance according to SFDR's definition. We also completed the implementation of a cloud-based platform to better record our engagement activities and allow us to store, analyse, report and act on the interactions in a more efficient manner. This system is integral to supporting our engagement efforts, especially as we look to emphasise and increase these efforts in the future.

We took part in the broader ESG conversation via thought leadership, participation in ESG conferences and events, multiple regulatory consultation responses, interaction with our peers, and involvement in ESG-focused industry groups, including the PRI's Securitised Products Advisory Committee (SPAC), which was formed to identify how ESG factors are considered in structured products. We were excited to be a part of this collaborative initiative to share best practices and thought leadership on ESG integration on structured products, and in 2022 took an active role in arranging and participating in a series of workshops meant to connect banks with investors in loan-backed products to facilitate a dialogue and break silos on ESG metrics and data collection. We also co-chaired the Structured Finance Association (SFA) CMBS ESG Working Group, participated in the Commercial Real Estate Finance Council (CREFC) Sustainability Steering Committee, and were an active member of the European Leveraged Finance Association (ELFA) ESG Committee (including leading a workstream seeking to expand ESG data vendor coverage to leveraged finance), which has the overarching goal of bringing together investors in European leveraged finance to improve ESG disclosures and practices of issuers in the market. As noted elsewhere, we became a signatory to the UK Stewardship Code in 2022 and are a formal supporter of the TCFD.

Section 3. Next steps

■ What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

- We have devoted significant resources this year to developing major enhancements to our ESG Impact Rating framework for sovereigns. We expect the project to be completed around the end of 2023, at which point we will have spent over a year building this enhanced framework.
- Given the rapid evolution of ESG, we expect to work on significant enhancements to our ESG Impact Ratings for our corporate debt framework over the next two years.
- We expect to soon put into effect a detailed methodology that will further embed consideration of SFDR's Principal Adverse Impact indicators into our ESG Impact Rating process.
- We are in the process of developing a cloud-based application through which we will be able to systematically assess our clients' portfolios' alignment with different temperature outcomes, based on our proprietary temperature alignment methodology.
- We expect to further enhance ESG reporting capabilities for regulatory, client and public reporting.
- We expect to publish a standalone engagement policy in the near future and are releasing additional guidance and tools to analysts to assist them in their engagement efforts.
- We continue to evaluate and consider industry working groups that would allow us to contribute, collaborate and learn from our peers to help establish market best practices in ESG.
- We continue to drive the ESG conversation forward through thought leadership (Blogs, White Papers, "Fixed on ESG" Podcast), industry engagement and responding to a diverse range of client inquiries.
- We continue to evaluate potential new ESG data sources as we expect our intake and usage of data to increase steadily for the foreseeable future. We meet regularly with data vendors that meet our data priorities (particularly around climate data and expanding general ESG data vendor coverage to fixed income asset classes where this is low such as leveraged loans and securitized products).

Section 4. Endorsement

'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.

Name

Michael Lillard & John Vibert

Position

Head of Fixed Income & President

Organisation's Name

PGIM Fixed Income

A

'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.

B

ORGANISATIONAL OVERVIEW (OO)

ORGANISATIONAL INFORMATION

REPORTING YEAR

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 1	CORE	N/A	N/A	PUBLIC	Reporting year	GENERAL

What is the year-end date of the 12-month period you have chosen to report for PRI reporting purposes?

	Date	Month	Year
Year-end date of the 12-month period for PRI reporting purposes:	31	12	2022

SUBSIDIARY INFORMATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 2	CORE	N/A	OO 2.1	PUBLIC	Subsidiary information	GENERAL

Does your organisation have subsidiaries?

- (A) Yes
- (B) No

ASSETS UNDER MANAGEMENT

ALL ASSET CLASSES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 4	CORE	OO 3	N/A	PUBLIC	All asset classes	GENERAL

What are your total assets under management (AUM) at the end of the reporting year, as indicated in [OO 1]?

USD

(A) AUM of your organisation, including subsidiaries, and excluding the AUM subject to execution, advisory, custody, or research advisory only

US\$ 770,225,447,602.00

(B) AUM of subsidiaries that are PRI signatories in their own right and excluded from this submission, as indicated in [OO 2.2]

US\$ 0.00

(C) AUM subject to execution, advisory, custody, or research advisory only

US\$ 0.00

ASSET BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5	CORE	OO 3	Multiple indicators	PUBLIC	Asset breakdown	GENERAL

Provide a percentage breakdown of your total AUM at the end of the reporting year as indicated in [OO 1].

	(1) Percentage of Internally managed AUM	(2) Percentage of Externally managed AUM
(A) Listed equity	0%	0%
(B) Fixed income	>75%	0%
(C) Private equity	0%	0%
(D) Real estate	0%	0%
(E) Infrastructure	0%	0%
(F) Hedge funds	0%	0%
(G) Forestry	0%	0%
(H) Farmland	0%	0%
(I) Other	0%	0%
(J) Off-balance sheet	0%	0%

ASSET BREAKDOWN: INTERNALLY MANAGED FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 5.3 FI	CORE	OO 5	Multiple	PUBLIC	Asset breakdown: Internally managed fixed income	GENERAL

Provide a further breakdown of your internally managed fixed income AUM.

(A) Passive – SSA 0%

(B) Passive – corporate 0%

(C) Active – SSA >10-50%

(D) Active – corporate >50-75%

(E) Securitised >10-50%

(F) Private debt 0%

GEOGRAPHICAL BREAKDOWN

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 7	CORE	Multiple, see guidance	N/A	PUBLIC	Geographical breakdown	GENERAL

How much of your AUM in each asset class is invested in emerging markets and developing economies?

AUM in Emerging Markets and Developing Economies

(B) Fixed income – SSA (2) >0 to 10%

(C) Fixed income – corporate (2) >0 to 10%

(D) Fixed income – securitised

(1) 0%

STEWARDSHIP

STEWARDSHIP

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 8	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Stewardship	GENERAL

Does your organisation conduct stewardship activities, excluding (proxy) voting, for any of your assets?

(3) Fixed income - active

(A) Yes, through internal staff

(B) Yes, through service providers

(C) Yes, through external managers

(D) We do not conduct stewardship

ESG INCORPORATION

INTERNALLY MANAGED ASSETS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 11	CORE	Multiple, see guidance	Multiple indicators	PUBLIC	Internally managed assets	1

For each internally managed asset class, does your organisation incorporate ESG factors into your investment decisions?

	(1) Yes, we incorporate ESG factors into our investment decisions	(2) No, we do not incorporate ESG factors into our investment decisions
(E) Fixed income - SSA	<input checked="" type="radio"/>	<input type="radio"/>
(F) Fixed income - corporate	<input checked="" type="radio"/>	<input type="radio"/>
(G) Fixed income - securitised	<input checked="" type="radio"/>	<input type="radio"/>

ESG STRATEGIES

FIXED INCOME

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17 FI	CORE	OO 5.3 FI, OO 11	Multiple, see guidance	PUBLIC	Fixed income	1

Which ESG incorporation approach and/or combination of approaches does your organisation apply to your internally managed active fixed income?

	(1) Fixed income - SSA	(2) Fixed income - corporate	(3) Fixed income - securitised
(A) Screening alone	0%	0%	0%
(B) Thematic alone	0%	0%	0%

(C) Integration alone	>10-50%	>75%	>10-50%
(D) Screening and integration	>10-50%	>0-10%	>75%
(E) Thematic and integration	0%	0%	0%
(F) Screening and thematic	0%	0%	0%
(G) All three approaches combined	0%	0%	0%
(H) None	0%	0%	0%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 17.1 FI	CORE	OO 17 FI	N/A	PUBLIC	Fixed income	1

What type of screening does your organisation use for your internally managed active fixed income where a screening approach is applied?

	(1) Fixed income - SSA	(2) Fixed income - corporate	(3) Fixed income - securitised
(A) Positive/best-in-class screening only	0%	0%	0%
(B) Negative screening only	0%	0%	0%
(C) A combination of screening approaches	>75%	>75%	>75%

ESG/SUSTAINABILITY FUNDS AND PRODUCTS

LABELLING AND MARKETING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18	CORE	OO 11–14	OO 18.1	PUBLIC	Labelling and marketing	1

Do you explicitly market any of your products and/or funds as ESG and/or sustainable?

(A) Yes, we market products and/or funds as ESG and/or sustainable

Provide the percentage of AUM that your ESG and/or sustainability-marketed products or funds represent:

>0-10%

- (B) No, we do not offer products or funds explicitly marketed as ESG and/or sustainable
- (C) Not applicable; we do not offer products or funds

Additional information: (Voluntary)

The above percentage refers to the percentage of AUM in PGIM branded commingled products with “ESG” in their name. It should be noted both that commingled products represent a minority of the firm’s overall AUM, and that additional PGIM branded commingled products have ESG related guidelines but do not contain “ESG” in their names.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.1	CORE	OO 18	OO 18.2	PUBLIC	Labelling and marketing	1

Do any of your ESG and/or sustainability-marketed products and/or funds hold formal ESG and/or RI certification(s) or label(s) awarded by a third party?

(A) Yes, our ESG and/or sustainability-marketed products and/or funds hold formal labels or certifications

Provide the percentage of AUM that your labelled and/or certified products and/or funds represent:

>75%

- (B) No, our ESG and/or sustainability-marketed products and/or funds do not hold formal labels or certifications

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 18.2	CORE	OO 18.1	N/A	PUBLIC	Labelling and marketing	1

Which ESG/RI certifications or labels do you hold?

- (A) Commodity type label (e.g. BCI)
- (B) GRESB
- (C) Austrian Ecolabel (UZ49)
- (D) B Corporation
- (E) BREEAM
- (F) CBI Climate Bonds Standard
- (G) DDV-Nachhaltigkeitskodex-ESG-Strategie
- (H) DDV-Nachhaltigkeitskodex-ESG-Impact
- (I) EU Ecolabel
- (J) EU Green Bond Standard
- (K) Febelfin label (Belgium)
- (L) Finansol
- (M) FNG-Siegel Ecolabel (Germany, Austria and Switzerland)
- (N) Greenfin label (France)
- (O) Grüner Pfandbrief
- (P) ICMA Green Bond Principles
- (Q) ICMA Social Bonds Principles
- (R) ICMA Sustainability Bonds Principles
- (S) ICMA Sustainability-linked Bonds Principles
- (T) Kein Verstoß gegen Atomwaffensperrvertrag
- (U) Le label ISR (French government SRI label)
- (V) Luxflag Climate Finance
- (W) Luxflag Environment
- (X) Luxflag ESG
- (Y) Luxflag Green Bond
- (Z) Luxflag Microfinance
- (AA) Luxflag Sustainable Insurance Products
- (AB) National stewardship code**
Specify:
UK Stewardship Code
- (AC) Nordic Swan Ecolabel
- (AD) Other SRI label based on EUROSIF SRI Transparency Code (e.g. Novethic)
- (AE) People's Bank of China green bond guidelines
- (AF) RIAA (Australia)
- (AG) Towards Sustainability label (Belgium)
- (AH) Other

SUMMARY OF REPORTING REQUIREMENTS

SUMMARY OF REPORTING REQUIREMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 21	CORE	Multiple indicators	Multiple indicators	PUBLIC	Summary of reporting requirements	GENERAL

The following table shows which modules are mandatory or voluntary to report on in the separate PRI asset class modules. Where a module is voluntary, indicate if you wish to report on it.

Applicable modules	(1) Mandatory to report (pre-filled based on previous responses)	(2.1) Voluntary to report. Yes, I want to opt-in to reporting on the module	(2.2) Voluntary to report. No, I want to opt-out of reporting on the module
Policy, Governance and Strategy	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Confidence Building Measures	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(E) Fixed income – SSA	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(F) Fixed income – corporate	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
(G) Fixed income – securitised	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

SUBMISSION INFORMATION

REPORT DISCLOSURE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
OO 32	CORE	OO 3, OO 31	N/A	PUBLIC	Report disclosure	GENERAL

How would you like to disclose the detailed percentage figures you reported throughout the Reporting Framework?

- (A) Publish as absolute numbers
- (B) Publish as ranges

POLICY, GOVERNANCE AND STRATEGY (PGS)

POLICY

RESPONSIBLE INVESTMENT POLICY ELEMENTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 1	CORE	OO 8, OO 9	Multiple indicators	PUBLIC	Responsible investment policy elements	1, 2

Which elements are covered in your formal responsible investment policy(ies)?

- (A) Overall approach to responsible investment
- (B) Guidelines on environmental factors
- (C) Guidelines on social factors
- (D) Guidelines on governance factors
- (E) Guidelines on sustainability outcomes
- (F) Guidelines tailored to the specific asset class(es) we hold
- (G) Guidelines on exclusions
- (H) Guidelines on managing conflicts of interest related to responsible investment
- (I) Stewardship: Guidelines on engagement with investees
- (J) Stewardship: Guidelines on overall political engagement
- (K) Stewardship: Guidelines on engagement with other key stakeholders
- (M) Other responsible investment elements not listed here
- (N) Our organisation does not have a formal responsible investment policy and/or our policy(ies) do not cover any responsible investment elements

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 2	CORE	PGS 1	Multiple, see guidance	PUBLIC	Responsible investment policy elements	1

Does your formal responsible investment policy(ies) include specific guidelines on systematic sustainability issues?

- (A) Specific guidelines on climate change (may be part of guidelines on environmental factors)
- (B) Specific guidelines on human rights (may be part of guidelines on social factors)
- (C) Specific guidelines on other systematic sustainability issues

Specify:

Our ESG Investment Policy Statement sets out guidelines for assigning ESG Impact Ratings to issuers or issues: We strive to understand the impacts our investments have on the environment and society. This is achieved by assessing investments against negative and positive ESG impacts relevant to the industry, issuer and/or issue. This ESG impact assessment is distinct from our assessment of the risks that ESG events could directly create for the financial/economic value of a specific issuer, and are designed specifically to consider impacts issuers generate that tend to be more systematic in nature.

- (D) Our formal responsible investment policy(ies) does not include guidelines on systematic sustainability issues

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 3	CORE	PGS 1, PGS 2	N/A	PUBLIC	Responsible investment policy elements	6

Which elements of your formal responsible investment policy(ies) are publicly available?

- (A) Overall approach to responsible investment

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

- (B) Guidelines on environmental factors

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

- (C) Guidelines on social factors

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

- (D) Guidelines on governance factors

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(E) Guidelines on sustainability outcomes

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(F) Specific guidelines on climate change (may be part of guidelines on environmental factors)

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(G) Specific guidelines on human rights (may be part of guidelines on social factors)

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(H) Specific guidelines on other systematic sustainability issues

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(I) Guidelines tailored to the specific asset class(es) we hold

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(J) Guidelines on exclusions

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(L) Stewardship: Guidelines on engagement with investees

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(M) Stewardship: Guidelines on overall political engagement

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(N) Stewardship: Guidelines on engagement with other key stakeholders

Add link:

https://cdn.pficon.com/cms1/pgim-fixed-income/sites/default/files/PGIM%20Fixed%20Income_ESG%20Policy%20Statement_May%202023.pdf

(Q) No elements of our formal responsible investment policy(ies) are publicly available

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 4	PLUS	PGS 1	N/A	PUBLIC	Responsible investment policy elements	1 – 6

Does your formal responsible investment policy(ies) identify a link between your responsible investment activities and your fiduciary duties or equivalent obligations?

(A) Yes

Elaborate:

Our ESG Policy Statement sets out our belief that analysing credit-material ESG factors leads to higher risk adjusted excess returns and is fully aligned with our fiduciary duty. In the policy, 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, and state that 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 a reasonable potential to materially affect the value of specific investments, and distinct from the consideration of ESG impacts, those factors are incorporated into the credit analysis processes used across all of our client portfolios.

In accounts where they wish to do so, we are eager to offer solutions, set appropriate metrics and targets, and discuss appropriate options that meet clients’ risk/return objectives, as well as their sustainability objectives. In keeping with our fiduciary duty, we strongly believe in providing clients with an explicit choice of whether and how to express their policies, views and beliefs through their investments. We are committed to understanding and implementing the sustainability preferences of our clients, regardless of whether these preferences are deemed credit-material. One of our key tools (though not the only one) for this is our ESG Impact Ratings, which are designed to assess the most material positive and negative impacts of issuers on the environment and society (regardless of whether these are credit material to that specific issuer). As with any other non-pecuniary ESG guidelines, we offer clients the choice (but not the obligation) to apply objectives based on these ratings to their portfolios.

(B) No

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 5	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy elements	2

Which elements are covered in your organisation’s policy(ies) or guidelines on stewardship?

- (A) Overall stewardship objectives
- (B) Prioritisation of specific ESG factors to be advanced via stewardship activities
- (C) Criteria used by our organisation to prioritise the investees, policy makers, key stakeholders, or other entities on which to focus our stewardship efforts
- (D) How different stewardship tools and activities are used across the organisation
- (E) Approach to escalation in stewardship
- (F) Approach to collaboration in stewardship
- (G) Conflicts of interest related to stewardship

(H) How stewardship efforts and results are communicated across the organisation to feed into investment decision-making and vice versa

(I) Other

(J) None of the above elements is captured in our policy(ies) or guidelines on stewardship

RESPONSIBLE INVESTMENT POLICY COVERAGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 8	CORE	PGS 1	N/A	PUBLIC	Responsible investment policy coverage	1

What percentage of your total AUM is covered by the below elements of your responsible investment policy(ies)?

Combined AUM coverage of all policy elements

(A) Overall approach to responsible investment

(B) Guidelines on environmental factors

(C) Guidelines on social factors

(D) Guidelines on governance factors

(7) 100%

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 9	CORE	PGS 2	N/A	PUBLIC	Responsible investment policy coverage	1

What proportion of your AUM is covered by your formal policies or guidelines on climate change, human rights, or other systematic sustainability issues?

AUM coverage

(A) Specific guidelines on climate change	(1) for all of our AUM
(B) Specific guidelines on human rights	(1) for all of our AUM
(C) Specific guidelines on other systematic sustainability issues	(1) for all of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 10	CORE	OO 8, OO 9, PGS 1	N/A	PUBLIC	Responsible investment policy coverage	2

Per asset class, what percentage of your AUM is covered by your policy(ies) or guidelines on stewardship with investees?

(B) Fixed income

(1) Percentage of AUM covered

- (1) >0% to 10%
- (2) >10% to 20%
- (3) >20% to 30%
- (4) >30% to 40%
- (5) >40% to 50%
- (6) >50% to 60%
- (7) >60% to 70%
- (8) >70% to 80%
- (9) >80% to 90%
- (10) >90% to <100%
- (11) 100%**

GOVERNANCE

ROLES AND RESPONSIBILITIES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11	CORE	N/A	Multiple indicators	PUBLIC	Roles and responsibilities	1

Which senior level body(ies) or role(s) in your organisation have formal oversight over and accountability for responsible investment?

- (A) Board members, trustees, or equivalent
- (B) Senior executive-level staff, or equivalent**

Specify:

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 comprised of senior leaders and decision-makers, able to take decisions, communicate these decisions to their teams and oversee implementation. It is co-chaired by Michael Lillard, head of PGIM Fixed Income, and John Vibert, president of PGIM Fixed Income.

- (C) Investment committee, or equivalent**

Specify:

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. It is comprised of senior representatives of research teams across investment grade, HY, EMD, municipals, securitised products, and macroeconomic from our Newark, London and Tokyo offices to ensure diversity of thought. Chaired by Richard Greenwood, head of credit.

- (D) Head of department, or equivalent**

Specify department:

The Co-heads of ESG, John Ploeg and Armelle de Vienne, manage the ESG Research team, and the head of Credit, Richard Greenwood, oversees the ESG Research team overall. As noted above, other heads of departments and research sit on the above committees

- (E) None of the above bodies and roles have oversight over and accountability for responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.1	CORE	PGS 1, PGS 2, PGS 11	N/A	PUBLIC	Roles and responsibilities	1, 2

Does your organisation's senior level body(ies) or role(s) have formal oversight over and accountability for the elements covered in your responsible investment policy(ies)?

(2) Senior executive-level staff, investment committee, head of department, or equivalent

(A) Overall approach to responsible investment	<input checked="" type="checkbox"/>
(B) Guidelines on environmental, social and/or governance factors	<input checked="" type="checkbox"/>
(C) Guidelines on sustainability outcomes	<input checked="" type="checkbox"/>
(D) Specific guidelines on climate change (may be part of guidelines on environmental factors)	<input checked="" type="checkbox"/>
(E) Specific guidelines on human rights (may be part of guidelines on social factors)	<input checked="" type="checkbox"/>
(F) Specific guidelines on other systematic sustainability issues	<input checked="" type="checkbox"/>
(G) Guidelines tailored to the specific asset class(es) we hold	<input checked="" type="checkbox"/>
(H) Guidelines on exclusions	<input checked="" type="checkbox"/>
(J) Stewardship: Guidelines on engagement with investees	<input checked="" type="checkbox"/>
(K) Stewardship: Guidelines on overall political engagement	<input checked="" type="checkbox"/>
(L) Stewardship: Guidelines on engagement with other key stakeholders	<input checked="" type="checkbox"/>

(N) This role has no formal oversight over and accountability for any of the above elements covered in our responsible investment policy(ies)

o

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 11.2	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1 – 6

Does your organisation have governance processes or structures to ensure that your overall political engagement is aligned with your commitment to the principles of PRI, including any political engagement conducted by third parties on your behalf?

- (A) Yes
- (B) No

Explain why:

PGIM Fixed Income is a subsidiary of PGIM, which is the asset management business of Prudential Financial, Inc (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). As a business within a business, it would be challenging to create such a governance structure to cover overall political engagement across multiple business levels and including all “third parties” associated with each one. However, PGIM Fixed Income does contribute to the approach taken at the parent level via its participation on the PGIM ESG Council, which includes representatives from all PGIM businesses. Note as well that this is separate from our engagement with sovereign issuers as an investor in their bonds, which is covered separately under our engagement policy.

- (C) Not applicable, our organisation does not conduct any form of political engagement directly or through any third parties

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 12	CORE	N/A	N/A	PUBLIC	Roles and responsibilities	1

In your organisation, which internal or external roles are responsible for implementing your approach to responsible investment?

- (A) Internal role(s)

Specify:

As described in PGS11, the ESG Policy Committee acts as the top ESG governance body, whereas the ESG Ratings Sub-Committee oversees assessment frameworks and tools. The ESG Research team provides additional supervision and support to ensure effective implementation of the approach, but it is ultimately the responsibility of credit analysts and economists to perform the required ESG assessments at the issuer level, and of portfolio managers to implement ESG considerations in investment decisions.

- (B) External investment managers, service providers, or other external partners or suppliers
- (C) We do not have any internal or external roles with responsibility for implementing responsible investment

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 14	CORE	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

Does your organisation use responsible investment KPIs to evaluate the performance of your senior executive-level staff (or equivalent), and are these KPIs linked to compensation?

- (A) Yes, we use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)
- (B) No, we do not use responsible investment KPIs to evaluate the performance of our senior executive-level staff (or equivalent)

Explain why: (Voluntary)

Incentive compensation for investment professionals, including the annual cash bonus, the long-term equity grant and grants under our long-term incentive plans, is primarily based on such person's contribution to our goal of providing investment performance to clients consistent with portfolio objectives (including ESG objectives), guidelines, risk parameters, and our compliance, risk management and other policies, as well as market-based data such as compensation trends and levels of overall compensation for similar positions in the asset management industry. Given our belief that ESG factors can impact financial performance and relative value, we believe our investment professionals' compensation inherently includes their ability to appropriately incorporate these views into their credit assessments and portfolio construction. In addition, an investment professional's qualitative contributions to the organisation and its commercial success are considered in determining incentive compensation.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 15	PLUS	PGS 11	N/A	PUBLIC	Roles and responsibilities	1

What responsible investment competencies do you regularly include in the training of senior-level body(ies) or role(s) in your organisation?

(2) Senior executive-level staff, investment committee, head of department or equivalent

(A) Specific competence in climate change mitigation and adaptation

(B) Specific competence in investors' responsibility to respect human rights

(C) Specific competence in other systematic sustainability issues

(D) The regular training of this senior leadership role does not include any of the above responsible investment competencies

EXTERNAL REPORTING AND DISCLOSURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 16	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

What elements are included in your regular reporting to clients and/or beneficiaries for the majority of your AUM?

- (A) Any changes in policies related to responsible investment
- (B) Any changes in governance or oversight related to responsible investment
- (C) Stewardship-related commitments
- (D) Progress towards stewardship-related commitments
- (E) Climate-related commitments
- (F) Progress towards climate-related commitments
- (G) Human rights-related commitments
- (H) Progress towards human rights-related commitments
- (I) Commitments to other systematic sustainability issues
- (J) Progress towards commitments on other systematic sustainability issues
- (K) We do not include any of these elements in our regular reporting to clients and/or beneficiaries for the majority of our AUM

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 17	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose climate-related information in line with the Task Force on Climate-Related Financial Disclosures' (TCFD) recommendations?

- (A) Yes, including all governance-related recommended disclosures
- (B) Yes, including all strategy-related recommended disclosures
- (C) Yes, including all risk management-related recommended disclosures
- (D) Yes, including all applicable metrics and targets-related recommended disclosures
- (E) None of the above

Add link(s):

https://cdn.pficdn.com/cms1/pgim-fixed-income/sites/default/files/2021%20ESG%20Annual%20Report_Final.pdf

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 18	PLUS	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, to which international responsible investment standards, frameworks, or regulations did your organisation report?

- (A) Disclosures against the European Union's Sustainable Finance Disclosure Regulation (SFDR)

Link to example of public disclosures

<https://www.pgim.com/fixed-income/sfdr-information>

- (B) Disclosures against the European Union's Taxonomy
- (C) Disclosures against the CFA's ESG Disclosures Standard
- (D) Disclosures against other international standards, frameworks or regulations

Specify:

UK Stewardship Code

Link to example of public disclosures

https://www.frc.org.uk/getattachment/5fd8a018-63cd-44e0-b1bc-3663d39f07a7/2021-ESG-Annual-Report_Final.pdf

- (E) Disclosures against other international standards, frameworks or regulations
- (F) Disclosures against other international standards, frameworks or regulations
- (G) Disclosures against other international standards, frameworks or regulations

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 19	CORE	N/A	N/A	PUBLIC	External reporting and disclosures	6

During the reporting year, did your organisation publicly disclose its membership in and support for trade associations, think tanks or similar bodies that conduct any form of political engagement?

(A) Yes, we publicly disclosed our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement

Add link(s):

https://cdn.pfcdn.com/cms1/pgim-fixed-income/sites/default/files/2021%20ESG%20Annual%20Report_Final.pdf

- (B) No, we did not publicly disclose our membership in and support for trade associations, think tanks, or similar bodies that conduct any form of political engagement
- (C) Not applicable, we were not members in or supporters of any trade associations, think tanks, or similar bodies that conduct any form of political engagement during the reporting year

STRATEGY

CAPITAL ALLOCATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 20	CORE	N/A	N/A	PUBLIC	Capital allocation	1

Which elements do your organisation-level exclusions cover?

- (A) Exclusions based on our organisation's values or beliefs regarding particular sectors, products or services
- (B) Exclusions based on our organisation's values or beliefs regarding particular regions or countries
- (C) Exclusions based on minimum standards of business practice aligned with international norms such as the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council sanctions or the UN Global Compact
- (D) Exclusions based on our organisation's climate change commitments

(E) Other elements

Specify:

Legally required exclusions (e.g. those required by domestic/international law, bans, treaties or embargoes)

- (F) Not applicable; our organisation does not have any organisation-level exclusions

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 21	CORE	N/A	N/A	PUBLIC	Capital allocation	1

How does your responsible investment approach influence your strategic asset allocation process?

- (A) We incorporate ESG factors into our assessment of expected asset class risks and returns
- (B) We incorporate climate change–related risks and opportunities into our assessment of expected asset class risks and returns
- (C) We incorporate human rights–related risks and opportunities into our assessment of expected asset class risks and returns
- (D) We incorporate risks and opportunities related to other systematic sustainability issues into our assessment of expected asset class risks and returns
- (E) We do not incorporate ESG factors, climate change, human rights or other systematic sustainability issues into our assessment of expected asset class risks and returns
- (F) Not applicable; we do not have a strategic asset allocation process

STEWARDSHIP: OVERALL STEWARDSHIP STRATEGY

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 22	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

For the majority of AUM within each asset class, which of the following best describes your primary stewardship objective?

(2) Fixed income

(A) Maximise our portfolio-level risk-adjusted returns. In doing so, we seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.

(B) Maximise our individual investments' risk-adjusted returns. In doing so, we do not seek to address any risks to overall portfolio performance caused by individual investees' contribution to systematic sustainability issues.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 23	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How does your organisation, or the external service providers or external managers acting on your behalf, prioritise the investees or other entities on which to focus its stewardship efforts?

Our ESG engagement efforts are rooted in our fiduciary duty towards our clients. As such, our ESG engagements focus on issuers where we believe that an engagement will be additive to our investment process. The objective of our 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.

A core tenet of our engagement philosophy is that we should not pursue engagements that are likely to harm the value of our clients' positions in the issuer. While we cannot know with certainty what the effect of an engagement will be in advance, we prioritise engagements and objectives that our analysts believe (based on their knowledge of the issuer and its industry) will preserve or improve the value of our positions in the issuer and avoid those that they believe will conflict with this intention.

Our engagements are focused on issuers of debt and include listed and unlisted companies as well as securitised products, municipals, and sovereigns.

As one of the world's largest fixed income managers, investing in several thousand issuers across most industries and asset classes, engagements with issuers are prioritised by considering a number of factors such as the materiality of the ESG topic(s) on the issuer, our relative value view of the issuer, and how receptive we view the issuer to be to engagement. Additionally, we may consider other factors that aid in our prioritisation, such as systematic sustainability themes, controversies, specific events including change to regulation, M&A etc., or other issues that may arise.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24	CORE	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Which of the following best describes your organisation's default position, or the position of the external service providers or external managers acting on your behalf, concerning collaborative stewardship efforts?

- (A) We recognise the value of collective action, and as a result, we prioritise collaborative stewardship efforts wherever possible
- (B) We collaborate on a case-by-case basis
- (C) Other
- (D) We do not join collaborative stewardship efforts

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 24.1	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Elaborate on your organisation's default position on collaborative stewardship, or the position of the external service providers or external investment managers acting on your behalf, including any other details on your overall approach to collaboration.

Our stewardship activities are directly linked to our investment research and investment decisions. As a result, our strong preference is for one-on-one direct engagements, as this allows us to represent our own viewpoint and enables us to speak openly and frankly when highlighting our ESG concerns, while also helping to manage conflicts of interest, including legal and compliance considerations.

In instances when our stakeholder engagement efforts are unlikely to be sufficient to achieve the desired outcome, we may collaborate with external parties, and to this end we are a member of several trade associations and industry initiatives. For example, we recognise that ESG issues are insufficiently understood within the leveraged finance markets and as one of the largest global leveraged finance investors, we believe this is an area where we can push for change. We are an active member of the ESG Committee of the European Leveraged Finance Association (ELFA). Our work with ELFA has included participating in several roundtables between issuers / sponsors, managers, banks, law firms and rating agencies to specifically discuss ESG disclosures. We supplement this collaborative effort with our individual engagements on this topic. Similarly, we find that disclosures and general understanding (both by investors and issuers) of ESG issues within structured products could often be improved. As a result, we are an active member on the PRI Securitized Products Advisory Committee (“PRI SPAC”). Our work with PRI SPAC has involved helping to organise roundtables with banks, investors, and issuers to discuss data needs. We have also contributed to thought leadership and participated in industry education sessions. Furthermore, we have spoken directly with issuers through the PRI SPAC (together with other members) to discuss our views on best practices for labelled securitisations.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 25	PLUS	OO 5, OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

Rank the channels that are most important for your organisation in achieving its stewardship objectives.

(A) Internal resources, e.g. stewardship team, investment team, ESG team, or staff

Select from the list:

- 1
- 4
- 5

(B) External investment managers, third-party operators and/or external property managers, if applicable

(C) External paid specialist stewardship services (e.g. engagement overlay services or, in private markets, sustainability consultants) excluding investment managers, real assets third-party operators, or external property managers

(D) Informal or unstructured collaborations with investors or other entities

Select from the list:

- 3
- 4
- 5

(E) Formal collaborative engagements, e.g. PRI-coordinated collaborative engagements, Climate Action 100+, or similar

Select from the list:

- 2
- 4
- 5

(F) We do not use any of these channels

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 27	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

How are your organisation's stewardship activities linked to your investment decision making, and vice versa?

As an active, bottom-up, fixed income asset manager, PGIM Fixed Income views ESG engagement as an important tool in our investment process. Through constructive and ongoing dialogue with issuers, we believe that ESG engagements can enable us to achieve better investment and, where applicable, ESG outcomes for our clients.

Given that our engagement activities are directly linked to our investment research and decisions, our strong preference is for one-on-one direct engagements as this allows us to represent our own viewpoint and enables us to speak candidly when highlighting our ESG concerns to company management, policymakers, arranging banks, sponsors, NGOs or any other stakeholder. We do not employ third parties to conduct engagements.

We believe constructive dialogue should be informative and meaningful for both parties. This means that while dialogue will often entail our analysts probing management on the relevant, material ESG issues and assessing the issuer's plans to address them, we also believe in sharing information such as pointing out to issuers our assessment of credit material ESG risks as well as the impacts that their policies, practices or products have on the environment and society. Where applicable, we discuss the implications these considerations may have for their funding costs and future market demand for any new issuance of bonds.

To enable this constructive ESG dialogue, we encourage close collaboration between our team of fundamental research analysts, economists and ESG specialists throughout the engagement process. Such collaboration allows for knowledge sharing between teams and enables us to think holistically of the ESG objectives and risk-return implications of an engagement. Given that we see ESG engagements as a part of our investment process, we see great value in this collaboration across teams.

As we believe that engagements should be highly relevant to our investment process and also provide valuable insights to the issuers we engage with, our approach to engagements emphasizes quality over quantity. This means that our focus is on fewer but more substantive engagements, where the objective is centered on one or two in-depth questions or recommendations.

Through in-depth and nuanced discussions on our ESG concerns, we may make issuers aware of how our concerns factor into our investment decision, gain a better understanding of what the issuer is doing to address our concerns, and discuss industry best practices. Such dialogues are likely to enrich our investment analysis while at the same time provide useful insights to issuers into how they compare to industry peers and how markets perceive their ESG initiatives. Our ESG Impact Ratings offer additional tangibility and context to the conversations, as they allow our analysts to show issuers how we rate them on ESG impacts, while also providing the rationale and factors behind the ratings.

Once a meaningful engagement has taken place, an assessment of the engagement is recorded internally. Feedback from these engagements is used to inform our fundamental credit ratings and ESG Impact Ratings, which are available to portfolio managers.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 28	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Overall stewardship strategy	2

If relevant, provide any further details on your organisation's overall stewardship strategy.

Our ESG engagement efforts are rooted in our fiduciary duty towards our clients. As such, our ESG engagements focus on issuers where we believe that an engagement will be additive to our investment process. The objective of our 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. Our engagements are focussed on issuers of debt and include listed and unlisted companies as well as securitised products, municipals and sovereigns.

Our approach to engagement is rooted in constructive dialogue with our issuers, collaboration internally between fundamental research analysts, economists and ESG specialists, and quality engagements over quantity.

We believe that by asking informed questions, raising our concerns and sharing industry best practice, we can positively influence issuer ESG practices over the long-term. While we find that it is usually difficult to attribute changes made by an issuer to a single investor or engagement, we believe that issuers hearing the same concerns from multiple investors on the same ESG points can lead to change and contribute to long-term value creation. As a result, we believe that it is our responsibility to contribute to such dialogue, even if we may not be able to claim full credit for the outcomes.

Engagement with policymakers and regulators

As a large, global asset manager, PGIM Fixed Income is affected by regulation in many jurisdictions, both where this applies to issuers and investors. And in recent years, there has been rapid growth in regulation worldwide that is specifically ESG-related. Where proposals for such regulation are particularly relevant to PGIM Fixed Income, we actively engage with policymakers, either directly or via collaboration with other PGIM businesses at the PGIM level (and, at times, via our trade association partners). This is mostly achieved through responses to open regulatory consultations, such as the SEC's proposals on climate disclosures and ESG fund disclosures. It may also involve consultations with standard setters, such as on the ISSB's proposed sustainability disclosure standards. We also engage with policymakers on proposals that may negatively impact our investments to make sure they understand the implications of their actions on both the economy and our investors.

STEWARDSHIP: ESCALATION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 37	CORE	Multiple, see guidance	N/A	PUBLIC	Stewardship: Escalation	2

For your corporate fixed income assets, what escalation measures did your organisation, or the external investment managers or service providers acting on your behalf, use in the past three years?

- (A) Joining or broadening an existing collaborative engagement or creating a new one
- (B) Publicly engaging the entity, e.g. signing an open letter
- (C) **Not investing**
- (D) **Reducing exposure to the investee entity**
- (E) **Divesting**
- (F) Litigation
- (G) Other

- (H) In the past three years, we did not use any of the above escalation measures for our corporate fixed income assets

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 38	PLUS	OO 8, OO 5.3 FI	N/A	PUBLIC	Stewardship: Escalation	2

Describe your approach to escalation for your internally managed SSA and/or private debt fixed income assets.

(A) SSA - Approach to escalation

We believe that the most effective method of escalation is to reduce our holdings of the issuer’s debt with the expectation that this will, over time, impact the issuer’s cost of capital.

Investors in SSA debt do not have equity ownership rights, and so there is no option to use proxy voting, which is one of the primary escalation mechanisms available to investors in corporate equity. As a leading fixed income asset manager, we do, however, still have effective mechanisms available to us. Unlike equity, debt matures, requiring SSA issuers to raise new debt regularly. As a result, our decision to invest in an issuer can affect its cost of capital in a way an equity investor cannot. To this end, our divestment in the secondary market may contribute to widening an issuer’s market spreads, which in turn can also impact the future cost of capital, when the issuer comes back to market with a new issue. Even if we do not currently hold an issuer, our views, as one of the largest global active fixed income managers, can be impactful if the issuer intends to issue future debt. On the back of these considerations, we see our decision to buy, divest or not invest as our most effective instrument of escalation, especially if it is done in combination with direct feedback to the issuer regarding our investment decision.

The primary example of this is with respect to our ESG Impact Ratings. Investments in our ESG strategies are informed and guided by our ESG Impact Ratings. Our research analysts and economists assign issuers under their coverage an ESG Impact Rating, which assesses the issuer’s impact on the environment and society. Should our analysts conclude that the issuer isn’t adequately addressing its most material impacts or making progress the way it was expected to, the analyst would generally downgrade the ESG Impact Rating. These downgrades are meaningful because, depending on the resulting ESG Impact Rating, it can trigger us to reduce or even exit the position in our ESG strategies. It should be noted, though, that even if we divest an issuer, we may continue to engage with them as they continue to issue new debt.

STEWARDSHIP: ENGAGEMENT WITH POLICY MAKERS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39	CORE	OO 8, OO 9	PGS 39.1, PGS 39.2	PUBLIC	Stewardship: Engagement with policy makers	2

Did your organisation, or the external investment managers or service providers acting on your behalf, engage with policy makers as part of your responsible investment approach during the reporting year?

- (A) Yes, we engaged with policy makers directly
- (B) Yes, we engaged with policy makers through the leadership of or active participation in working groups or collaborative initiatives, including via the PRI
- (C) Yes, we were members of, supported, or were in another way affiliated with third party organisations, including trade associations and non-profit organisations, that engage with policy makers, excluding the PRI
 - (D) We did not engage with policy makers directly or indirectly during the reporting year beyond our membership in the PRI

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.1	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, what methods did you, or the external investment managers or service providers acting on your behalf, use to engage with policy makers as part of your responsible investment approach?

- (A) We participated in 'sign-on' letters
- (B) We responded to policy consultations
- (C) We provided technical input via government- or regulator-backed working groups
- (D) We engaged policy makers on our own initiative
- (E) Other methods

Describe:

At the PGIM level, we also engaged, indirectly, with policy makers via trade associations of which PGIM is an active contributor. These include the UK Investment Association, ICI and SIFMA.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 39.2	CORE	PGS 39	N/A	PUBLIC	Stewardship: Engagement with policy makers	2

During the reporting year, did your organisation publicly disclose details of your engagement with policy makers conducted as part of your responsible investment approach, including through external investment managers or service providers?

(A) We publicly disclosed all our policy positions

Add link(s):

<https://www.sec.gov/comments/s7-10-22/s71022-20132230-302751.pdf>

<https://www.sec.gov/comments/s7-17-22/s71722-20136266-307309.pdf>

(B) We publicly disclosed details of our engagements with policy makers

(C) No, we did not publicly disclose details of our engagement with policy makers conducted as part of our responsible investment approach during the reporting year

STEWARDSHIP: EXAMPLES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 40	PLUS	OO 8, OO 9	N/A	PUBLIC	Stewardship: Examples	2

Provide examples of stewardship activities that you conducted individually or collaboratively during the reporting year that contributed to desired changes in the investees, policy makers or other entities with which you interacted.

(A) Example 1:

Title of stewardship activity:

US Consumer Loan ABS engagement

(1) Led by

(1) Internally led

(2) External service provider led

(3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

(1) Environmental factors

(2) Social factors

(3) Governance factors

(3) Asset class(es)

(1) Listed equity

(2) Fixed income

(3) Private equity

(4) Real estate

(5) Infrastructure

(6) Hedge funds

(7) Forestry

(8) Farmland

(9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Objective: After hearing PGIM Fixed Income speak at a Structured Finance Association conference, the issuer contacted us seeking advice on how best to integrate ESG into their ABS offerings as they are currently exploring green-labelled issuances. We used this engagement to introduce our approach to ESG investing, share our list of aspirational ESG disclosure indicators with the issuer, and describe how we view green-labelled debt from a credibility and additionality aspect.

Outcome: We learned that the issuer has made no ESG disclosures to date and explained that a first step for the company would be to start disclosing both at the corporate and security level. We suggested they disclose information including tailpipe emissions and safety ratings and explained that from an ABS perspective the more granular the data the better. The issuer seemed genuinely interested in understanding how we view ESG in securitisation offerings, and what is important from an investor's point of view. They were confident that they could obtain most of the information we suggested. Following our initial engagement call, the issuer provided us with a list of ESG data they currently track versus that which they do not. Getting this information was a positive first step and should help them identify which data disclosures they could prioritise. The issuer offered to begin thinking about how they could start disclosing this data, which is also a sign that they are taking this request seriously. Additional disclosures would allow us to conduct a better ESG risk and ESG impact analysis on the company/ABS level.

(B) Example 2:

Title of stewardship activity:

High Yield Multinational Chemicals Company engagement

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Objective: Following a public earnings call where we flagged the need for the company to improve its ESG disclosures, we met with the CFO and investor relations representatives in order to share PGIM Fixed Income's approach to assessing issuers on ESG risk and impact; discuss the company's current level of ESG disclosures; and reiterate our request that the company publish funding entity-level ESG data, including Scope 1 and 2 emissions, in order to enable a more accurate ESG assessment of its business activities.

Outcome: The company is attuned to the significant business opportunities linked to the low carbon transition, but also recognises the need to improve its ESG disclosures. Management indicated that they aim to increase the scope and granularity of the company's ESG disclosures in line with our requests. At the time of engagement, the company's ESG Impact Rating was weighed down by its lack of disclosure. It later published a Sustainability Report, which included silo-by-silo emissions reporting. The increased disclosure levels led us to upgrade the company's ESG Impact Rating.

(C) Example 3:

Title of stewardship activity:

High Yield European Telecoms Company engagement

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Objective: The company's investor relations and reporting quality significantly deteriorated over the 12 months since it was taken private. We still have a positive view on the company's fundamentals and earnings trajectory; however, the bonds sold off in recent days, which we believe stems from its poor market communications strategy, rather than being driven by operational performance. The objective of the call was to rectify these issues and get an update on the company's strategy.

Outcome: The CFO advised us that as a result of feedback from PGIM Fixed Income, it is making changes to its investor relations strategy. Going forward it will offer Q&A calls with lenders on a one-to-one basis, will run live Q&A on results calls and will reintroduce quarterly KPI/revenue stats. The company is currently recruiting a new dedicated investor relations person. We provided additional areas where the company could improve further, including providing an overview on the shareholder strategy, and how to present certain financial items better. The CFO welcomed our feedback and said the company would look into actioning these points. The company is taking the issues we raised seriously, and we are satisfied they are taking necessary steps and appropriately engaging with lenders. However, we will await delivery on the action points before increasing the issuer's ESG Impact Rating back to its previous level (which did not include the current Governance handicap). We will also continue to provide feedback on its investor relations strategy, praising the positive aspects while also offering advice for areas which can be further improved.

(D) Example 4:

Title of stewardship activity:

Inconsistent application of vendor's methodology engagement with ESG data provider

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Summary: PGIM Fixed Income's ESG Research team discovered that one of our data vendors was reporting Total Recordable Injury Rate (TRIR) inconsistently across companies. After comparing the vendor's data with the companies' self-disclosed data contained in the sustainability reports of two oil and gas issuers, we became aware that the vendor was showing full-time employee TRIR for one issuer and contractor TRIR for the other, despite both forms of TRIR being disclosed by both issuers. We engaged with the data vendor to highlight the discrepancy and get more information on its process for pulling health and safety performance metrics. The vendor acknowledged the error was due to a recent methodology change and a manual error by a data analyst, prompting it to clarify its process for prioritising data scraped from TRIR tables. The data vendor also fixed the data discrepancy, which is now being pulled correctly across its platform.

(E) Example 5:

Title of stewardship activity:

SEC climate disclosure regulation consultation

(1) Led by

- (1) Internally led
- (2) External service provider led
- (3) Led by an external investment manager, real assets third-party operator and/or external property manager

(2) Primary focus of stewardship activity

- (1) Environmental factors
- (2) Social factors
- (3) Governance factors

(3) Asset class(es)

- (1) Listed equity
- (2) Fixed income
- (3) Private equity
- (4) Real estate
- (5) Infrastructure
- (6) Hedge funds
- (7) Forestry
- (8) Farmland
- (9) Other

(4) Description of the activity and what was achieved. For collaborative activities, provide detail on your individual contribution.

Summary: In 2022, the SEC proposed regulations that require detailed, climate-related disclosures for listed companies in the United States. These rules would have a material effect on a large portion of PGIM Fixed Income's investee companies, as well as indirectly on PGIM Fixed Income itself via its parent, Prudential Financial, Inc. As a result, PGIM Fixed Income partnered with other PGIM businesses to produce a response to the SEC's consultation on proposed climate disclosure rules. Although this was a collaborative effort, PGIM Fixed Income was heavily involved in reviewing the SEC's proposals and provided significant input into the firm's response. In PGIM's submission, we generally supported the SEC's proposals, but made several recommendations for improvements.

CLIMATE CHANGE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41	CORE	N/A	PGS 41.1	PUBLIC	Climate change	General

Has your organisation identified climate-related risks and opportunities affecting your investments?

(A) Yes, within our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

Transition Risks

For sectors and asset classes particularly exposed to a low carbon transition, we consider the most likely channel through which the stress could manifest itself during our investment horizon – for example, lower fossil fuel prices for energy companies and petrostates, tighter emissions restrictions for automakers coupled with fines for non-compliance, higher carbon pricing for certain industrial firms and lower demand for carbon intensive exports from manufacturing-heavy countries, etc. Where relevant and financially material, this is then incorporated in our fundamental credit ratings, which in turn feed directly to our relative value process and risk management frameworks.

Physical Risks

We take a similar bottom-up approach to physical risk analysis. To assess our risk, we first consider what the most likely physical hazards are over our investment horizon for issuers based on external research and our own research and/or conversations with issuers. We then consider how prepared issuers are for these potential hazards. As noted above, an important consideration in this regard is the financial flexibility and resources available to issuers, as well as the overall quality of their leadership. This is because it is impossible to predict with great certainty all of the physical hazards a region may face, and even harder still to anticipate the ripple effects this will produce. Therefore, overall financial stability, and ability to react appropriately in the face of significant, unexpected events are key.

In both cases, we devote our greatest focus to the issuers and sectors where potential risks are most direct and acute. The results of these analyses are incorporated into our internal credit rating at an issuer level.

(B) Yes, beyond our standard planning horizon

Specify the risks and opportunities identified and your relevant standard planning horizon:

Climate change and GHG emissions are a significant factor in our 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 portfolios that include criteria based on our ESG Impact Ratings.

Although the ESG Impact Ratings focus on longer-term impacts, they are also used to monitor issuers' performance on ESG factors that could evolve into credit risks or become a long-term opportunity or contribute to market technical for the issuer in future. This helps to guide our relative value analysis when it comes to security selection and portfolio construction, which weighs up fundamental factors (including ESG) and valuations. In this regard, our analysts consider not only the end ratings, but also the data underpinning them, again combined with their insights into the issuers they cover.

There are many ways that ESG impacts could translate into risks and opportunities. For example, the effectiveness of a country's response to climate change could alter potential growth – an important consideration for debt sustainability – by driving technological improvement or shifting consumer preferences. Conversely, failure to address climate change might necessitate resource allocation towards handling physical and transition risks. Investor perceptions may also be influenced by a country's willingness to meet global environmental standards, which could alter capital flows needed to finance projects and service debt burdens. In this context, relevant components within our ratings framework could include Climate & Energy, Air Pollution, and Air Quality.

- (C) No, we have not identified climate-related risks and/or opportunities affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 41.1	CORE	PGS 41	N/A	PUBLIC	Climate change	General

Does your organisation integrate climate-related risks and opportunities affecting your investments in its overall investment strategy, financial planning and (if relevant) products?

● (A) Yes, our overall investment strategy, financial planning and (if relevant) products integrate climate-related risks and opportunities

Describe how climate-related risks and opportunities have affected or are expected to affect your investment strategy, financial planning and (if relevant) products:

We consider climate change and associated investment risk to be an important factor that should be incorporated in our credit assessment, especially where the issuer's exposure to climate risk is deemed high. Consideration of climate risks and opportunities is part of our approach of integrating credit material ESG factors into credit analysis and investment decision-making and is consistent with our fiduciary duty to our clients and investors. The impact that issuers have on climate change via GHG emissions generated by operations, products or value chain is also a significant consideration under our ESG Impact Rating framework.

In measuring climate risks, we 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 addition, we treat climate risk as both a "standalone" risk, and also a "cross-cutting" risk, which manifests through many other established principal risk types (such as operational risks, credit risks, litigation risks, reputational risks, etc.).

We seek to identify, understand and manage the impact of climate-related risk on our investments. This is achieved by a combination of approaches, including:

- Incorporating climate risk assessment in fundamental analysis. Our analysts evaluate an issuer's exposure to climate related risks by considering their GHG footprint and intensity and, where applicable, the physical location of key assets. They also consider the issuer's targets and plans for reducing their climate risk exposures and impacts. This is in keeping with our general focus on fundamental, bottom up analysis, which we feel is core to our ability to add value.

- Focusing climate risk assessment in fundamental analysis. Our analysts evaluate an issuer's exposure to climate related risks by considering their GHG footprint and intensity and, where applicable, the physical location of key assets. They also consider the issuer's targets and plans for reducing their climate risk exposures and impacts. This is in keeping with our general focus on fundamental, bottom up analysis, which we feel is core to our ability to add value.
- Monitoring regulatory developments and analysing potential impacts on issuers
- Incorporating the risk of an increase in carbon prices or lower demand for fossil fuels
- Identifying sub-industries and issuers with higher mid-term resilience and long-term adaptation capacity
- Identifying issuers with a credible strategy for transitioning towards lower-carbon business models
- Exploring indirect climate risk vulnerabilities (e.g. physical and transition risks in supply chains)
- Identifying issuers with lower carbon risk exposures, but similar yields as peers that would potentially be less affected when the market starts to demand more compensation for greater exposure to carbon risk.
- For issuers with larger carbon risk exposures, requiring what we consider to be sufficient spread premium for the risk of bearing carbon costs or future stranded assets costs (e.g., due to potential regulatory action). We evaluate the magnitude of a spread premium based on an issuer's current business model, the effectiveness and feasibility of its future operational goals, and management's commitment to and delivery against these goals.
- For sovereigns, analysing climate risk exposure and mitigation/adaptation capacity of individual countries to consider the potential impact of the future repricing of sovereign debt around climate risk.
- For securitised assets, understanding climate risk associated with underlying assets/asset pools, as well as the extent to which investors are exposed to/shielded from physical and/or transition risks through the deal structure.
- Considering the timeframe over which climate risks are likely to materialise, while also recognising that the expectation of future climate risks may also impact asset valuations well before they have fully unfolded.
- Identifying and monitoring sectors and issuers that we believe are likely to be beneficiaries of and/or contribute to a low-carbon transition.

We are working with many of our institutional clients on decarbonisation strategies for their portfolios. Furthermore, GHG emissions and climate impact are a significant factor in our ESG impact assessment and ratings, and certain of our ESG funds / mandates have exclusions on the worst carbon intensive activities such as thermal coal extraction, thermal coal power generation and tar sands, as well as a limitations on a company's overall carbon intensity.

- (B) No, our organisation has not yet integrated climate-related risks and opportunities into its investment strategy, financial planning and (if relevant) products

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 42	PLUS	N/A	N/A	PUBLIC	Climate change	General

Which sectors are covered by your organisation's strategy addressing high-emitting sectors?

- (A) Coal
- (B) Gas
- (C) Oil
- (D) Utilities
- (E) Cement
- (F) Steel
- (G) Aviation
- (H) Heavy duty road
- (I) Light duty road
- (J) Shipping
- (K) Aluminium
- (L) Agriculture, forestry, fishery
- (M) Chemicals
- (N) Construction and buildings

- (O) Textile and leather
- (P) Water
- (Q) Other
- (R) We do not have a strategy addressing high-emitting sectors

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 43	CORE	N/A	N/A	PUBLIC	Climate change	General

Has your organisation assessed the resilience of its investment strategy in different climate scenarios, including one in which the average temperature rise is held to below 2 degrees Celsius (preferably to 1.5 degrees Celsius) above pre-industrial levels?

- (A) Yes, using the Inevitable Policy Response Forecast Policy Scenario (FPS) or Required Policy Scenario (RPS)
- (B) Yes, using the One Earth Climate Model scenario
- (C) Yes, using the International Energy Agency (IEA) Net Zero scenario
- (D) Yes, using other scenarios
- (E) No, we have not assessed the resilience of our investment strategy in different climate scenarios, including one that holds temperature rise to below 2 degrees

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 44	CORE	N/A	N/A	PUBLIC	Climate change	General

Does your organisation have a process to identify, assess, and manage the climate-related risks (potentially) affecting your investments?

- (A) Yes, we have a process to identify and assess climate-related risks

(1) Describe your process

We seek to identify, understand, and manage the impact of climate-related risk on our investments. This is achieved by a combination of approaches applicable to different asset classes, including 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), carbon-intensive industrials (e.g., producing or using products like steel, cement, and aluminium), as well as the agricultural sector. Our research involves monitoring regulatory developments and analysing potential impact on issuers, incorporating the risk of an increase in carbon prices or lower demand for fossil fuels, identifying sub-industries and issuers with higher mid-term resilience and long-term adaptation capacity, identifying issuers with a credible strategy for transitioning towards lower-carbon business models, and exploring indirect climate risk vulnerabilities (e.g. physical and transition risks in supply chains) We undertake additional, bottom up risk analysis on issuers where we have large, longer-tenored exposures and that we feel are particularly exposed to climate risks, both for corporates and sovereigns. This involves a deeper dive into the issuers' exposures, strategies, and their buffers relating to climate risks.

(2) Describe how this process is integrated into your overall risk management

As already noted, climate change is often highly relevant to our fundamental credit ratings. In key sectors, we model the potential impacts of key climate risks as described in the questions above. In addition, we undertake a more qualitative assessment of an issuer's targets and strategies around climate change, as well as how their overall financial stability and management quality can affect their ability to react to unexpected events linked to climate change. All such concerns and assessments must be explicitly documented in the credit write ups available to portfolio managers and others. Where relevant, such factors also feature meaningfully in relative value discussions between portfolio managers and analysts in a variety of forums (evaluation of new issues, daily credit meetings, quarterly sector roundtables).

(B) Yes, we have a process to manage climate-related risks

(1) Describe your process

Our credit analysts are required to consider, analyse and document key ESG risks – including those related to climate change – for every issuer they cover. This includes an assessment of how climate risks impact an issuer's fundamental credit rating. On top of this, our dedicated ESG research team assists analysts in identifying additional, relevant risks and trends at the thematic or sector level.

(2) Describe how this process is integrated into your overall risk management

Climate risks then feed to our overall risk framework via their incorporation into our fundamental credit ratings. Our risk management system sets limits and runs stresses based on these ratings. The risk management system further imposes requirements for geographical and sectoral diversification. Risk limits are closely monitored by our dedicated, 70-person risk management team, who rapidly engage with portfolio managers should a limit be breached. We feel strongly that the high unpredictability of climate risks, and the continued imprecision of models meant to measure them, means that a solid overall risk management system is all the more indispensable. We then aim to compliment this more general risk framework through the specific climate risk analyses outlined above (e.g. hot spot and sensitivity analyses).

- (C) No, we do not have any processes to identify, assess, or manage the climate-related risks affecting our investments

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 45	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, which of the following climate risk metrics or variables affecting your investments did your organisation use and disclose?

- (A) Exposure to physical risk
- (B) Exposure to transition risk
- (C) Internal carbon price

(D) Total carbon emissions

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

(3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

https://cdn.pficdn.com/cms/pgim-fixed-income/sites/default/files/2021%20ESG%20Annual%20Report_Final.pdf

(E) Weighted average carbon intensity

(1) Indicate whether this metric or variable was used and disclosed, including the methodology

- (1) Metric or variable used
- (2) Metric or variable used and disclosed

(3) Metric or variable used and disclosed, including methodology

(2) Provide link to the disclosed metric or variable, including the methodology followed, as applicable

https://cdn.pfcdn.com/cms/pgim-fixed-income/sites/default/files/2021%20ESG%20Annual%20Report_Final.pdf

- (F) Avoided emissions
- (G) Implied Temperature Rise (ITR)
- (H) Non-ITR measure of portfolio alignment with UNFCCC Paris Agreement goals
- (I) Proportion of assets or other business activities aligned with climate-related opportunities
- (J) Other metrics or variables
- (K) Our organisation did not use or disclose any climate risk metrics or variables affecting our investments during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 46	CORE	N/A	N/A	PUBLIC	Climate change	General

During the reporting year, did your organisation disclose its Scope 1, Scope 2, and/or Scope 3 greenhouse gas emissions?

(A) Scope 1 emissions

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed

(2) Metric and methodology disclosed

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.prudentialesg.com/sustainability/default.aspx>

(B) Scope 2 emissions

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed

(2) Metric and methodology disclosed

(2) Provide links to the disclosed metric and methodology, as applicable

<https://www.prudentialesg.com/sustainability/default.aspx>

(C) Scope 3 emissions (including financed emissions)

(1) Indicate whether this metric was disclosed, including the methodology

- (1) Metric disclosed

(2) Metric and methodology disclosed

(2) Provide links to the disclosed metric and methodology, as applicable

https://cdn.pfcdn.com/cms1/pgim-fixed-income/sites/default/files/2021%20ESG%20Annual%20Report_Final.pdf

- (D) Our organisation did not disclose its Scope 1, Scope 2, or Scope 3 greenhouse gas emissions during the reporting year

SUSTAINABILITY OUTCOMES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47	CORE	N/A	Multiple indicators	PUBLIC	Sustainability outcomes	1, 2

Has your organisation identified the intended and unintended sustainability outcomes connected to its investment activities?

- (A) Yes, we have identified one or more specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet identified the sustainability outcomes connected to any of our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.1	CORE	PGS 47	N/A	PUBLIC	Sustainability outcomes	1, 2

Which widely recognised frameworks has your organisation used to identify the intended and unintended sustainability outcomes connected to its investment activities?

- (A) The UN Sustainable Development Goals (SDGs) and targets
- (B) The UNFCCC Paris Agreement
- (C) The UN Guiding Principles on Business and Human Rights (UNGPs)
- (D) OECD frameworks: OECD Guidelines for Multinational Enterprises and Guidance on Responsible Business Conduct for Institutional Investors
- (E) The EU Taxonomy
- (F) Other relevant taxonomies
- (G) The International Bill of Human Rights
- (H) The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the eight core conventions
- (I) The Convention on Biological Diversity
- (J) Other international framework(s)
Specify:
SASB
- (K) Other regional framework(s)
- (L) Other sectoral/issue-specific framework(s)
Specify:

All the above frameworks have been used in developing our ESG Impact Ratings methodology, as identifying key negative and positive impacts at the GICs sub-industry level.

- (M) Our organisation did not use any widely recognised frameworks to identify the intended and unintended sustainability outcomes connected to its investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 47.2	CORE	PGS 47	PGS 48	PUBLIC	Sustainability outcomes	1, 2

What are the primary methods that your organisation has used to determine the most important intended and unintended sustainability outcomes connected to its investment activities?

- (A) Identify sustainability outcomes that are closely linked to our core investment activities
- (B) Consult with key clients and/or beneficiaries to align with their priorities
- (C) Assess which actual or potential negative outcomes for people are most severe based on their scale, scope, and irremediable character
- (D) Identify sustainability outcomes that are closely linked to systematic sustainability issues
- (E) Analyse the input from different stakeholders (e.g. affected communities, civil society, trade unions or similar)
- (F) Understand the geographical relevance of specific sustainability outcome objectives
- (G) Other method
- (H) We have not yet determined the most important sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48	CORE	PGS 47.2	PGS 48.1, SO 1	PUBLIC	Sustainability outcomes	1, 2

Has your organisation taken action on any specific sustainability outcomes connected to its investment activities, including to prevent and mitigate actual and potential negative outcomes?

- (A) Yes, we have taken action on some of the specific sustainability outcomes connected to our investment activities
- (B) No, we have not yet taken action on any specific sustainability outcomes connected to our investment activities

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 48.1	PLUS	PGS 48	N/A	PUBLIC	Sustainability outcomes	1, 2

Why has your organisation taken action on specific sustainability outcomes connected to its investment activities?

- (A) We believe that taking action on sustainability outcomes is relevant to our financial risks and returns over both short- and long-term horizons
- (B) We believe that taking action on sustainability outcomes, although not yet relevant to our financial risks and returns, will become so over a long-time horizon
- (C) We have been requested to do so by our clients and/or beneficiaries

(D) We want to prepare for and respond to legal and regulatory developments that are increasingly addressing sustainability outcomes

- (E) We want to protect our reputation, particularly in the event of negative sustainability outcomes connected to investments
- (F) We want to enhance our social licence-to-operate (i.e. the trust of beneficiaries, clients, and other stakeholders)
- (G) We believe that taking action on sustainability outcomes in parallel to financial return goals has merit in its own right
- (H) Other

HUMAN RIGHTS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49	PLUS	PGS 47	PGS 49.1	PUBLIC	Human rights	1, 2

During the reporting year, what steps did your organisation take to identify and take action on the actual and potentially negative outcomes for people connected to your investment activities?

- (A) We assessed the human rights context of our potential and/or existing investments and projected how this could connect our organisation to negative human rights outcomes
- (B) We assessed whether individuals at risk or already affected might be at heightened risk of harm
- (C) We consulted with individuals and groups who were at risk or already affected, their representatives and/or other relevant stakeholders such as human rights experts
- (D) We took other steps to assess and manage the actual and potentially negative outcomes for people connected to our investment activities

Specify:

Our ESG Impact Ratings address the impacts our investments have on the environment and society, including potentially negative outcomes for people.

Explain how these activities were conducted:

In assigning an ESG Impact Rating, the social issues and negative impacts considered by our investment analysts vary depending on the asset class, industry, individual issuer and/or issue, but may include (but are not limited to) 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; and UNGC violations. Our ESG Impact Framework provides guidance to analysts on which such impacts are most likely to be material for their industries.

ESG labelled PGIM branded accounts, and certain other accounts with ESG related investment guidelines prohibit investments in issuers with ESG Impact Ratings below a certain threshold, and some accounts (including ESG labelled PGIM branded accounts) also prohibit investing in issuers that violate the UNGC Principles.

- (E) We did not identify and take action on the actual and potentially negative outcomes for people connected to any of our investment activities during the reporting year

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
PGS 49.2	PLUS	PGS 47	N/A	PUBLIC	Human rights	1, 2

During the reporting year, what information sources did your organisation use to identify the actual and potentially negative outcomes for people connected to its investment activities?

(A) Corporate disclosures

Provide further detail on how your organisation used these information sources:

Our credit analysts regularly assess ESG factors, including those related to human rights, using company sustainability reports, annual reports, presentations and other materials, these are the primary sources for filling ESG monitors and reports and the starting point for analysis.

(B) Media reports

Provide further detail on how your organisation used these information sources:

Our analysts track news on covered companies daily and discuss credit and ESG relevant items with portfolio managers in the daily morning meeting.

(C) Reports and other information from NGOs and human rights institutions

Provide further detail on how your organisation used these information sources:

Our analysts use sector relevant NGO and multilateral institution reports as well as activist analysis to inform our ESG views and help provide information on areas where company disclosure is insufficient.

(D) Country reports, for example, by multilateral institutions, e.g. OECD, World Bank

Provide further detail on how your organisation used these information sources:

Please see our response to (C), above.

(E) Data provider scores or benchmarks

Provide further detail on how your organisation used these information sources:

Analysts follow ESG scores from multiple ESG data providers, including MSCI Sustainalytics, ISS, Clarity AI and others, and use them to inform their analysis and they also consider more specific scores such as green bond assessments, these are helpful in reaching our own scores although there are significant differences in methodology.

(F) Human rights violation alerts

Provide further detail on how your organisation used these information sources:

We use monitoring services such as MSCI, Sustainalytics and ISS to alert us to human rights violations by covered companies. In addition, our analysts cover their issuers closely (as described in (B)), and so often learn about such violations in their ongoing research.

(G) Sell-side research

Provide further detail on how your organisation used these information sources:

We receive large amounts of sell-side research and have regular contact with sell-side analysts which helps us test and verify our analysis

(H) Investor networks or other investors

Provide further detail on how your organisation used these information sources:

PGIM analysts will occasionally attend investor roundtables on sustainability, these are useful in understanding different perspectives on issues and issuers. We use these events as opportunities to argue PGIM's position and influence industry consensus

- (I) Information provided directly by affected stakeholders or their representatives
- (J) Social media analysis
- (K) Other

FIXED INCOME (FI)

OVERALL APPROACH

MATERIALITY ANALYSIS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 1	CORE	OO 21	N/A	PUBLIC	Materiality analysis	1

Does your organisation have a formal investment process to identify and incorporate material ESG factors across your fixed income assets?

	(1) SSA	(2) Corporate	(3) Securitised
(A) Yes, our investment process incorporates material governance factors	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Yes, our investment process incorporates material environmental and social factors	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(C) Yes, our investment process incorporates material ESG factors depending on different investment time horizons	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(D) No, we do not have a formal process; our investment professionals identify material ESG factors at their discretion	○	○	○

(E) No, we do not have a formal or informal process to identify and incorporate material ESG factors

MONITORING ESG TRENDS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 2	CORE	OO 21	N/A	PUBLIC	Monitoring ESG trends	1

Does your organisation have a formal process for monitoring and reviewing the implications of changing ESG trends across your fixed income assets?

(1) SSA

(2) Corporate

(3) Securitised

(A) Yes, we have a formal process that includes scenario analyses

(B) Yes, we have a formal process, but does it not include scenario analyses

(1) for all of our AUM

(1) for all of our AUM

(1) for all of our AUM

(C) We do not have a formal process for our fixed income assets; our investment professionals monitor how ESG trends vary over time at their discretion

(D) We do not monitor and review the implications of changing ESG trends on our fixed income assets

(B) Yes, we have a formal process, but it does not include scenario analyses - Specify: (Voluntary)

As a fundamental bottom-up fixed income investor, we believe that ESG-related risks, opportunities and trends are best assessed at the issuer level rather than at the portfolio level. For example, in a thought leadership piece published in December 2021, our Co-Head of ESG, John Ploeg, explains Three Flawed Assumptions about Climate Risk Models which assume that: 1) the energy transition will be smooth; 2) climate risks can be isolated; and 3) climate risk models are precise.

That being said, we have run some of our strategies through data vendors' Climate Value at Risk (VaR) tools in the past and, upon analysing the results, concluded that the results are oversimplified and unhelpful in decision making for bottom-up, active investors like ourselves. Besides confirming some of the weaknesses laid out in our blog post on climate risk models, it is also evident that these models are backwards looking in the sense that they do not adequately capture an issuer's capacity and willingness to adapt. Additionally, the results inevitably bias certain industries based on whether the concentration of their emissions are in Scope 1, 2 or 3 and don't take a holistic view of the company's situation, targets, and market share into consideration.

In our issuer-level approach to ESG trends, credit-material ESG risks and opportunities are assessed as an integral part of our credit analysis and embedded in our bottom up investment process. We incorporate ESG risk assessments in all our investment decisions by incorporating them into our credit ratings and considering them through our relative value frameworks, as we believe these risks can be financially material. As demonstrated above, scenario analyses may form part of our fundamental credit analysis.

Furthermore, PGIM Fixed Income uses our proprietary ESG Impact Ratings which apply to issuers we cover and hold across all asset classes.

PRE-INVESTMENT

ESG INCORPORATION IN RESEARCH

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 3	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

For the majority of your fixed income investments, does your organisation incorporate material ESG factors when assessing their credit quality?

	(1) SSA	(2) Corporate	(3) Securitised
(A) We incorporate material environmental and social factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) We incorporate material governance-related factors	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

(C) We do not incorporate material ESG factors for the majority of our fixed income investments

○ ○ ○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 4	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

Does your organisation have a framework that differentiates ESG risks by issuer country, region and/or sector?

(1) SSA (2) Corporate (3) Securitised

(A) Yes, we have a framework that differentiates ESG risks by country and/or region (e.g. local governance and labour practices)

(1) for all of our AUM (1) for all of our AUM (1) for all of our AUM

(B) Yes, we have a framework that differentiates ESG risks by sector

(1) for all of our AUM (1) for all of our AUM (1) for all of our AUM

(C) No, we do not have a framework that differentiates ESG risks by issuer country, region and/or sector

○ ○ ○

(D) Not applicable; we are not able to differentiate ESG risks by issuer country, region and/or sector due to the limited universe of our issuers

○ ○ ○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 6	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

How do you incorporate significant changes in material ESG factors over time into your fixed income asset valuation process?

	(1) SSA	(2) Corporate
(A) We incorporate it into the forecast of financial metrics or other quantitative assessments	(1) for all of our AUM	(1) for all of our AUM
(B) We make a qualitative assessment of how material ESG factors may evolve	(1) for all of our AUM	(1) for all of our AUM
(C) We do not incorporate significant changes in material ESG factors	○	○

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 7	CORE	OO 21	N/A	PUBLIC	ESG incorporation in research	1

At what level do you incorporate material ESG factors into the risks and/or returns of your securitised products?

- **(A) At both key counterparties' and at the underlying collateral pool's levels**

Explain: (Voluntary)

ESG factors are core to PGIM Fixed Income's evaluation of securitised credit. When we look at securitised products, we consider ESG issues both at the issuer level as well as the collateral in the securitised pool level. Governance is particularly relevant to our credit view, both in terms of the deal's sponsor or originator, as well as the terms of the deal itself. But environmental and social considerations are also important. For instance, environmental hazards and transition risks can have significant impact on the analysis of products backed by real estate. Specific to social considerations, the quality of servicing, as well as the fair treatment of borrowers, are often key components in deals backed by consumer-facing loans.

- (B) At key counterparties' level only
- (C) At the underlying collateral pool's level only

ESG INCORPORATION IN PORTFOLIO CONSTRUCTION

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 8	CORE	OO 21	N/A	PUBLIC	ESG incorporation in portfolio construction	1

How do material ESG factors contribute to your security selection, portfolio construction and/or benchmark selection process?

	(1) SSA	(2) Corporate	(3) Securitised
(A) Material ESG factors contribute to the selection of individual assets and/or sector weightings within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Material ESG factors contribute to determining the holding period of individual assets within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(C) Material ESG factors contribute to the portfolio weighting of individual assets within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(D) Material ESG factors contribute to the country or region weighting of assets within our portfolio construction and/or benchmark selection process	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(E) Material ESG factors contribute to our portfolio construction and/or benchmark selection process in other ways	(3) for a minority of our AUM	(3) for a minority of our AUM	(3) for a minority of our AUM

(F) Our security selection, portfolio construction or benchmark selection process does not include the incorporation of material ESG factors

o o o

(E) Material ESG factors contribute to our portfolio construction and/or benchmark selection process in other ways - Specify:

PGIM Fixed Income uses our proprietary ESG Impact Ratings in the construction of our ESG-focused portfolios. Our ESG Impact Ratings focus on the negative and positive impacts that issuers have on the environment and society. This gives us a much more holistic view of the issuer and helps us identify those that are actively reducing their adverse impacts and increasing their positive impacts, which is particularly important for ESG strategies and ESG-minded clients, who use our ESG Impact Rating to determine the eligibility of an issuer and their debt for investment.

POST-INVESTMENT

ESG RISK MANAGEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 11	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

How are material ESG factors incorporated into your portfolio risk management process?

	(1) SSA	(2) Corporate	(3) Securitised
(A) Investment committee members, or the equivalent function or group, can veto investment decisions based on ESG considerations	(1) for all of our AUM	(1) for all of our AUM	(1) for all of our AUM
(B) Companies, sectors, countries and/or currencies are monitored for changes in exposure to material ESG factors and any breaches of risk limits	(3) for a minority of our AUM	(3) for a minority of our AUM	(3) for a minority of our AUM

(C) Overall exposure to specific material ESG factors is measured for our portfolio construction, and sizing or hedging adjustments are made depending on the individual issuer or issue sensitivity to these factors

(3) for a minority of our AUM

(3) for a minority of our AUM

(3) for a minority of our AUM

(D) We use another method of incorporating material ESG factors into our portfolio's risk management process

(1) for all of our AUM

(1) for all of our AUM

(1) for all of our AUM

(E) We do not have a process to incorporate material ESG factors into our portfolio's risk management process

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(D) We use another method of incorporating material ESG factors into our portfolio's risk management process - Specify:

Our risk management framework combines monitoring risk of individual credit and risk of the overall portfolio. ESG factors are incorporated in identification and monitoring of individual credit risks.

Relative value decisions, including sizing and hedging are made by portfolio management in coordination with credit research analysts. Credit research analysts are responsible for ESG research as part of credit analysis.

ESG constraints are considered when constructing portfolio risk budgets, which are used in our daily risk surveillance. Guideline constraints for ESG dedicated accounts and accounts with specific ESG related restrictions are monitored by compliance as part of their daily process.

Market Implied Rating curves that drive our risk analytics are recreated each night based on market spread levels. These curves are then used to assign CUSIP specific ratings based on the spread and tenor of each bond. In this framework, if an individual credit, industry or country trades with a spread premium due to ESG or other factors, it would be assigned a lower credit rating in our risk system. The lower rating would result in tighter thresholds and/or bigger stress shocks being applied to those credits. While not a specific ESG filter, if market forces cause names with less favourable ESG characteristics to trade with wider spreads they will be assigned lower ratings and higher risk weights in our system.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 12	CORE	OO 21	N/A	PUBLIC	ESG risk management	1

For the majority of your fixed income assets, do you have a formal process to identify and incorporate material ESG risks and ESG incidents into your risk management process?

	(1) SSA	(2) Corporate	(3) Securitised
(A) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents and their implications for individual fixed income holdings	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(B) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for other fixed income holdings exposed to similar risks and/or incidents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(C) Yes, our formal process includes reviews of quantitative and/or qualitative information on material ESG risks and ESG incidents, and their implications for our stewardship activities	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(D) Yes, our formal process includes ad hoc reviews of quantitative and/or qualitative information on severe ESG incidents	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
(E) We do not have a formal process to identify and incorporate ESG risks and ESG incidents; our investment professionals identify and incorporate ESG risks and ESG incidents at their discretion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(F) We do not have a formal process to identify and incorporate ESG risks and ESG incidents into our risk management process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PERFORMANCE MONITORING

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 14	PLUS	OO 5.3 FI, OO 21	N/A	PUBLIC	Performance monitoring	1

Provide an example of how the incorporation of environmental and/or social factors in your fixed income valuation or portfolio construction affected the realised returns of those assets.

EXAMPLE 1: Participation in high yield bond

Description:

The issuer is a leading producer and supplier of sustainable cement alternatives. The company's Green Cement technology utilises fly ash and other pozzolans as a partial substitute for cement in the production of concrete.

- Approximately 77% of concrete's CO2 footprint comes from the production of cement, and fly ash, a by-product of coal, offers the potential to serve as a substitute for 20% of cement mix and decrease its water intensity of production. The company's products not only help mitigate hazardous waste streams, but they also help to reduce the substantial carbon emissions associated with cement production and concrete usages. Its fly ash products reduce the water intensity of concrete, improve end product quality, divert waste from landfills and reduce CO2 emissions of concrete.
- Fly ash is ~30% cheaper than cement per ton, making fly ash an attractive zero carbon and high quality alternative for Portland cement. With the increased focus on sustainability, we expect the demand for fly ash to remain solid/strong going forward.
- Additionally, market tailwinds surrounding increased new housing starts, the rebound in commercial construction and increased infrastructure spend following the government's agreement on an infrastructure bill should drive healthy growth for the company.
- The company has several growth projects in place, including natural pozzolan mining, that should help insulate the business against the eventual shut-down of coal-fired utilities (and the associated virgin fly ash supply).
- There were no material social and governance issues that we felt impacted the company negatively.

Assessment:

We felt the company's business model was well positioned to capitalise on a projected increase in demand for sustainable inputs in cement production like fly ash in the future. Strong long-term growth potential enabled by the company's pursuit of ESG opportunities encouraged our participation in the new issue. Spreads meaningfully tightened, and attribution in our active position in the name was positive.

EXAMPLE 2: Decision to pass on leveraged loan offering

Description: The issuer, a large provider of real-time event captioning services and language interpreting, is heavily regulated by the Federal Communications Commission (FCC). A history of FCC and other regulatory fines due to misconduct have caused an increase in the company's operating expenses in recent years. Heightened regulatory scrutiny is likely to further impact the ability of the company to maintain or increase its current growth rate.

Assessment: Despite the company's poor track record, the ESG risks mentioned above were not priced into the new loan deal offered by the company according to our analysis. Therefore, we passed on the offering. The spreads of the loan have since widened. To this end, by not participating in the deal (hence being underweight versus the index), our attribution in the name has been positive.

DISCLOSURE OF ESG SCREENS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
FI 18	CORE	OO 17 FI, OO 21	N/A	PUBLIC	Disclosure of ESG screens	6

For all your fixed income assets subject to ESG screens, how do you ensure that clients understand ESG screens and their implications?

- (A) We share a list of ESG screens
- (B) We share any changes in ESG screens
- (C) We explain any implications of ESG screens, such as any deviation from a benchmark or impact on sector weightings
- (D) We do not share the above information for all our fixed income assets subject to ESG screens

CONFIDENCE-BUILDING MEASURES (CBM)

CONFIDENCE-BUILDING MEASURES

APPROACH TO CONFIDENCE-BUILDING MEASURES

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 1	CORE	N/A	Multiple indicators	PUBLIC	Approach to confidence-building measures	6

How did your organisation verify the information submitted in your PRI report this reporting year?

- (A) We conducted independent third-party assurance of selected processes and/or data related to the responsible investment processes reported in our PRI report, which resulted in a formal assurance conclusion
- (B) We conducted a third-party readiness review and are making changes to our internal controls or governance processes to be able to conduct independent third-party assurance next year
- (C) We conducted an internal audit of selected processes and/or data related to the responsible investment processes reported in our PRI report
- (D) Our board, trustees (or equivalent), senior executive-level staff (or equivalent), and/or investment committee (or equivalent) signed off on our PRI report
- (E) We conducted an external ESG audit of our holdings to verify that our funds comply with our responsible investment policy
- (F) We conducted an external ESG audit of our holdings as part of risk management, engagement identification or investment decision-making
- (G) Our responses in selected sections and/or the entirety of our PRI report were internally reviewed before submission to the PRI
- (H) We did not verify the information submitted in our PRI report this reporting year

THIRD-PARTY EXTERNAL ASSURANCE

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 2	CORE	OO 21, CBM 1	N/A	PUBLIC	Third-party external assurance	6

For which responsible investment processes and/or data did your organisation conduct third-party external assurance?

(A) Policy, governance and strategy

Select from dropdown list:

- (1) Data assured
- (2) Processes assured**
- (3) Processes and data assured

(D) Fixed income

Select from dropdown list:

- (1) Data assured
- (2) Processes assured**
- (3) Processes and data assured

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 3	PLUS	CBM 1	N/A	PUBLIC	Third-party external assurance	6

Provide details of the third-party external assurance process regarding the information submitted in your PRI report.

(1) Description of the third-party external assurance process

PGIM Fixed Income obtains an annual external review which results in the issuance of a SOC1 Type 2 report. The review is conducted by PricewaterhouseCoopers in accordance with American Institute of Certified Public Accountants (AICPA) AT-C Section 320 Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting ("AT-C 320") and the International Standard on Assurance Engagements (ISAE) 3402, "Assurance Reports on Controls at a Service Organization" issued by the International Auditing and Assurance Standards Board.

The report covers PGIM Fixed Income's investment advisory operations with respect to the management of advisory accounts, which are comprised of single client advisory accounts, single client and pooled insurance company separate accounts and trust accounts and PGIM Fixed Income's hedge funds (referred to as "Funds"). The report covers key business objectives within PGIM Fixed Income, including the account onboarding/set-up, trade execution and allocation, security set-up, guideline monitoring, and operational processing activities, along with the corresponding control activities.

In addition, to comply with Rule 206(4)-7 of the Investment Advisers Act of 1940, PGIM annually obtains an independent review of the efficacy of its compliance program which is performed by the ACA Compliance Group.

In 2022, the ACA Compliance Group performed a gap analysis on PGIM Fixed Income's ESG Program to assess compliance with the current expectations of the US Securities and Exchange Commission (SEC), along with industry best practices. As a result of the ACA ESG Program review, there were no significant findings.

(2) Assurance standard(s) used by the third-party assurance provider

- (A) PAS 7341:2020
 - (B) ISAE 3000 and national standards based on this
 - (C) Dutch Standard 3810N (Assurance engagements regarding sustainability reports)
 - (D) RevR6 (Assurance of Sustainability)
 - (E) IDW AsS 821 (Assurance Standard for the Audit or Review of Reports on Sustainability Issues)
 - (F) Accountability AA1000 Assurance Standard (AA1000AS)
 - (G) IFC performance standards
 - (H) **SSAE 18 and SOC 1**
 - (I) Other national auditing/assurance standard with guidance on sustainability; specify:
 - (J) Invest Europe Handbook of Professional Standards
 - (K) **ISAE 3402 Assurance Reports on Controls at a Service Organisation**
 - (L) AAF 01/20
 - (M) AAF 01/06 Stewardship Supplement
 - (N) ISO 26000 Social Responsibility
 - (O) ISO 14065:2020 General principles and requirements for bodies validating and verifying environmental information
 - (P) ASAE 3410 Assurance Engagements on Greenhouse Gas Statements
 - (Q) PCAF
 - (R) NGER audit framework (National Greenhouse and Energy Reporting)
 - (S) Auditor's proprietary assurance framework for assuring RI-related information
 - (T) Other greenhouse gas emissions assurance standard; specify:
- (3) Third-party external assurance provider's report that contains the assurance conclusion

INTERNAL AUDIT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 4	CORE	OO 21, CBM 1	N/A	PUBLIC	Internal audit	6

What responsible investment processes and/or data were audited through your internal audit function?

- (A) **Policy, governance and strategy**
Select from dropdown list:
 - (1) Data internally audited
 - (2) **Processes internally audited**
 - (3) Processes and data internally audited
- (D) **Fixed income**
Select from dropdown list:
 - (1) Data internally audited
 - (2) **Processes internally audited**
 - (3) Processes and data internally audited

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 5	PLUS	CBM 1	N/A	PUBLIC	Internal audit	6

Provide details of the internal audit process regarding the information submitted in your PRI report.

PGIM Fixed Income is subject to routine reviews by PFI's Internal Audit department. The extent and frequency of coverage is determined by macro risk assessments performed by the Internal Audit department. In 2022, Internal Audit performed a review of Fixed Income's processes and governance over ESG practices. Internal Audit prepares audit plans which require the approval of the PFI Board of Directors' Audit Committee. Internal Audit uses a risk-based approach in developing its plan. PFI's Internal Audit Department is a professional Audit Group that conforms to standards set by The Institute of Internal Auditors and benchmarks itself against leading financial services firms. It is subject to periodic independent reviews as well as an ongoing internal quality review process. Each audit includes the evaluation of risks and controls and the development of specialised audit programs to address the areas of greatest risk. Risks are continually monitored, and the audit plan is adjusted as necessary to remain focused on the highest risks within the Company. We are unable to disclose specific audit information externally; however, there have been no significant audit results within PGIM FI.

INTERNAL REVIEW

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
CBM 6	CORE	CBM 1	N/A	PUBLIC	Internal review	6

Who in your organisation reviewed the responses submitted in your PRI report this year?

- (A) Board, trustees, or equivalent
- (B) Senior executive-level staff, investment committee, head of department, or equivalent**
 - Sections of PRI report reviewed
 - (1) the entire report**
 - (2) selected sections of the report
 - (C) None of the above internal roles reviewed selected sections or the entirety of the responses submitted in our PRI report this year