

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) POLICY

2022

*Updated as of 2022*

## Background and Rationale

PGIM Real Estate is the real estate investment management business of PGIM, Inc., the global investment management business of Prudential Financial, Inc. ("PFI"). As one of the largest real estate managers in the world, PGIM Real Estate strives to deliver exceptional outcomes for investors and borrowers through a range of real estate equity and debt solutions across the risk-return spectrum.

PGIM Real Estate's rigorous risk management, seamless execution, and extensive industry insights are backed by a 50-year legacy of investing in commercial real estate, a 140-year history of real estate financing, and the deep local expertise of professionals in 32 cities globally. Through its investment, financing, asset management, and talent management approach, PGIM Real Estate engages in practices that ignite positive environmental and social impact, while pursuing activities that strengthen communities around the world.

As an investment adviser, we act as a fiduciary, and our primary responsibility is to add economic value to our clients' portfolios over the long-term, within the constraints of applicable investment management agreements and ongoing market conditions. PGIM Real Estate's investing philosophy is to create exceptional value for our investors and partners by uncovering new opportunities within global real estate. At PGIM Real Estate, we believe that taking into consideration environmental social and corporate governance (ESG) factors can positively impact this long-term economic performance. Throughout our real estate investment, asset management, risk management and talent management processes, we strive to engage in practices that ignite positive environmental and social impact, while pursuing activities that strengthen communities around the world.

## Our ESG Mission Statement

PGIM Real Estate believes that doing the right thing for our people, the environment and our communities leads to better results for all our stakeholders. We strive to embed environmental, social, governance and resilience (ESG) best practices throughout our real estate investment, asset management, risk management and talent management processes.

Through our commitment to responsible and sustainable real estate investing and management, we seek to deliver enhanced risk-adjusted returns for our investors, become a landlord and lender of choice and maintain our position as a practitioner of good global citizenship to all our stakeholders – investors, partners, borrowers, employees, and the communities in which we reside and invest.

## Scope of Policy

This policy will apply to the global investment management business of PGIM Real Estate and the investments that we manage as part of that business. This policy is subject to all applicable local laws and regulations, including our obligations as a fiduciary to our clients. In cases where PGIM Real Estate does not have a controlling interest in the fund or a particular investment, PGIM Real Estate will use its position to influence and encourage appropriate ESG practices. This ESG Policy will be updated annually and approved by the Global ESG Council to reflect changes in the ESG Program.

## Our Environment

At PGIM Real Estate, our environmental commitment is a global one, shared by all associates in all regions and reinforced through training. We are committed to discussing opportunities to improve our performance, challenging each other to come up with new and better ideas, and exchanging best management practices across regions. We take climate-related risks (physical and transition risks) into consideration in our investment decisions on both existing assets as well as new development, with property resiliency being top of mind.

As a subsidiary of PFI, we subscribe to Prudential's Global Environmental Commitment, which maintains operational and investment goals surrounding environmental reporting, responsible use of natural resources, resiliency preparation, and education and engagement. PGIM Real Estate is responsible for implementing this environmental commitment with the support of PFI's Environmental Task Force and Sustainability Council; progress against the goals is subject to rigorous annual review.

We continue to strategically advance our ESG program. We were proud to align with Urban Land Institute's (ULI) Greenprint's Net Zero Carbon goal to reduce operational carbon emissions of our global portfolio of managed properties to net zero by 2050. With the future in mind, and through our expanded ESG program, we've accelerated efforts to significantly mitigate our impact on the environment by creating a multi-year plan for our assets, which includes deep energy retrofits, on- and off-site renewable energy, green utility power, and climate risk assessments. We continually engage with thought leaders in the field of sustainability so that we can collaborate and inspire opportunities to make our portfolios greener and increase value for our investors.

Further, we seek to locate our offices in buildings with an environmental certification where it is practicable and reasonable to do so. We advocate for the use of materials, products, construction methods and operating practices that consider the impacts of human health and safety, diminish the quantity of resources used and waste generated over the life cycle of the property, and preserves biodiversity.

#### ■ Equity Investments

Within our real estate equity holdings, we and our business partners are committed to reducing our energy and water use, waste production and greenhouse gas emissions. By applying responsible resource reduction strategies, we strive to enhance both our environmental and investment performance. Given our global scale and footprint, we recognize that we have a significant opportunity to make a positive impact. With the future in mind, and through our expanded ESG program, we've accelerated efforts to significantly mitigate our impact on the environment and decarbonize through a multi-year plan for our assets.

- For all new investments, assets are "screened" at bid stage from a review of vendor due diligence, where available, and publicly available environmental ("E") information. Once under offer, comprehensive and thorough due diligence is completed by independent specialist consultants. ESG is a material consideration of the investment committee process globally. The Investment Committee report includes key findings of the due diligence assessments and the output of an asset level ESG scorecard (based on 20 questions and including Moody's ESG Solutions Climate on Demand risk analytics). The ESG scorecard calculates environment (40%), social (15%), governance (15%) and resilience (30%) into "above average", "average" and "below average" categories, and requires the input of commentary on notable risks. Data representing Principle Adverse Impacts, as defined under the Sustainable Finance Disclosure Regulation (SFDR), are also presented within the Investment Committee report. Any material risks identified are discussed at committee and underwritten as required, such as through insurance or price adjustment.
- Post investment, we use the GRESB assessment to evaluate ESG progress and identify opportunities for improvement. Detailed asset-level work plans are created for GRESB reporting funds (I.e., 84% of our assets under management), which include asset-by-asset assessments that prioritize and identify areas of improvement, such as green certifications or properties that could benefit from a Green Property Condition Assessment (effectively a net zero/energy audit). As part of our asset management protocol, we have also implemented Sustainable Standard Operating Guidelines (SSOG). The guidelines, which are updated annually, are intended to assist the property managers identify opportunities to cut costs, address human health and improve efficiencies by "greening" their operations. Improving the performance of our assets under management requires collaboration on many different levels and working closely with our property managers and tenants is vital to do this. We look to include green clauses in all our property management assessments and lease regears, as a minimum to ensure compliance and data share at our assets.
- We submit a large number of our buildings and developments to voluntary green certifications such as ENERGY STAR, LEED, NGBS, DGNB, BREEAM, HQE, CASBEE, Greenmark and other platforms.

## ■ Debt Investments

Within our real estate debt businesses, we promote environmental sustainability and resource reduction strategies. We actively originate loans under multifamily green lending programs sponsored by Fannie Mae, Freddie Mac, and the Federal Housing Association (FHA), and strive to increase our production over time. Given our private real estate debt strategies do not typically have the equity-style rights to influence the decision of our investments post-closing, our ESG integration focuses on evaluating borrowers through pre-investment due diligence and active monitoring during our holding period. Engaging to improve borrower's sustainability practices and focus them on a transition pathway will ultimately create long-term value.

- A screening stage similar to the equity business has been rolled out and completed at point of borrower enquiry. As part of the due diligence stage, other than commissioning a suite of appropriate assessments, a proprietary ESG Loan Assessment has also been part of the global rollout. Data for the loan assessment is collected by a borrower questionnaire, ESG specific sections of the due diligence reports and Moody's ESG Solutions Climate on Demand risk analytics.

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

- PGIM Real Estate's standardized loan documentation also addresses environmental considerations. The loan asset management team and loan servicer will monitor compliance with the environmental and financial covenants throughout the life of the loan to ensure that there is continued knowledge and understanding of the assets.
- In addition, we track green certifications across our debt portfolios. In agriculture, PGIM Agricultural Investments played a role in developing the Leading Harvest sustainability standard for farmland. In addition to Leading Harvest, the Agriculture Debt business tracks sustainable forest certifications (Forest Stewardship Council) held by our borrowers.

## ■ Securities

Within Global Real Estate Securities (GRES), ESG is an important part of our multi-factor valuation model. We include a proprietary score in our buy/hold/sell company analysis, which has a material effect on our price target output. Our ESG approach incorporates ESG data provided by GRESB and is weighed so it is consistent with our businesses' environmental and social priorities.

To create a comprehensive ESG score for each company, we use a weighted average system, and work continually with the executive management teams of REITs to refine this process. As we refine the process and transparency from REITs is increased, we will increase the weighting of ESG in our price target methodology.

## Our Communities

Our parent company, Prudential Financial (PFI), engages with internal and external stakeholders to support its achievement of purpose, helping people to grow and protect their wealth. PFI has always maintained a strong commitment to the communities where it operates and invests, and through its Corporate and Community Engagement team, has a long history of dedication to growing and supporting communities both domestically and globally. PFI and PGIM Real Estate employees volunteer time, skills and resources to community organizations and initiatives that increase human potential and individual self-sufficiency.

PGIM Real Estate is committed to prioritizing diversity and inclusion efforts and taking actionable steps to make not only our company, but the wider real estate industry, a more accepting and diverse space. PGIM Real Estate encourages its employees to participate and invest in their communities by taking advantage of important benefits provided by PFI. In each region, there is an annual paid volunteer day for employees. In the United States, there is a Matching Gifts Program through which Prudential matches eligible employee gifts, one-to-one, up to \$5,000 per employee per calendar year.

Within our real estate equity holdings, we strive to meet the needs of a diversity of users in our communities and investments, and to incorporate their feedback into how we conduct our business. In the United States, we comply with the Americans with Disabilities Act (ADA), providing appropriate access to people with disabilities, and other laws as applicable. Outside of the United States, we strive to apply Universal Design Principles and other laws as applicable. We annually survey a segment of our tenants in our office, industrial and retail properties using a professional third-party research and performance benchmarking organization. In addition to the valuable ESG data obtained, these surveys provide our portfolio managers and asset managers with independent feedback regarding tenant satisfaction and perspective on our property manager's performance.

Responsible Investing is a key component of PGIM Real Estate's ESG framework. In the day-to-day operations of our business, there may be certain decisions that should be considered in the context of the ESG framework and not just in accordance with the standard regional investment Delegation of Authority. These matters can be raised by any of our stakeholders including our employees, tenants, partners, clients, and the broader communities in which we operate. The matters are escalated for further review by the Global Management Council of PGIM Real Estate and are resolved with appropriate consideration of the community and societal issues, as well as the financial consequence.

## **Our Staff**

At PGIM Real Estate, our people are at the heart of what we do. Each employee plays a vital role in furthering our legacy of innovation and strengthening our culture of performance excellence. We are committed to attracting, developing, and retaining the best people in pursuit of our goal to be the real estate employer of choice. We measure employee satisfaction and collect employee feedback through an annual Employee Engagement survey called EQ, which is used to shape the company's agenda, improve our culture, and drive better outcomes for our employees and the company overall.

Our talent engagement programs are organized into four main categories: i) Rewards and Recognition, ii) Benefits and Wellness, iii) Culture and Work Environment, and iv) Professional and Career Development.

### **■ Rewards and Recognition**

Effectively recognizing and rewarding the accomplishments of our employees is a key component of our talent engagement strategy. We have established and articulated philosophies as well as clear and transparent merit-based processes for promotion and compensation. We actively promote the recognition of our staff members through both internal and external programs, including our annual "PGIM Real Estate Rock Star Awards."

### **■ Benefits and Wellness**

We believe that we have a responsibility to provide our employees and their families with a competitive benefits package that delivers flexibility and financial security. We also provide programs which encourage employees to make healthy choices and achieve their best across all five dimensions of health – physical, emotional, social, spiritual, and financial. Work-life effectiveness is actively promoted to support individuals in balancing work and personal commitments through programs and benefits such as flexible working arrangements and our fully paid parental leave for both mothers and fathers.

## ■ Culture and Work Environment

One of PGIM Real Estate's guiding principles is to build a strong and durable organization, focusing on promoting a culture of interdependence, accountability, and inclusion.

PFI's Core Values are the principles that guide us. Prudential's Code of Conduct, "Making the Right Choices," holds all employees accountable for demonstrating a strong moral compass in every aspect of their work in every part of the world. All PGIM Real Estate employees are regularly trained and refreshed on the policies, guidelines, and procedures relevant to their business function. Additionally, employees have access to a 24/7 Global Business Ethics Help Line and an anonymous online reporting form to which they can escalate any legal or ethical concerns. We are committed to providing equal employment opportunity as well as creating and maintaining a climate of professionalism, mutual respect, and trust, free of any form of discrimination or harassment.

We believe that having diversity of perspective and experiences at PGIM Real Estate makes us better investment managers. PGIM Real Estate's Inclusion & Leadership Network (ILN) is an internally led initiative whose mission is to foster a workplace that attracts, develops, retains, and elevates diverse talent through an inclusive organizational culture. It seeks to fully integrate diversity and inclusion programs into the talent initiatives and business strategy of PGIM Real Estate to support the career development of employees, and promote training, policies, procedures, and management styles that mitigate unconscious biases.

PFI is equally committed to diversity and inclusion as evidenced by its Commitment to Diversity statement which has been signed by the senior most executives of the Company. PFI actively seeks out employees, vendors, and business associates from a deep and diverse pool of accomplished professionals and strives to make Prudential an employer of choice through initiatives that support, inform, develop, and increase the awareness and sensitivity of its workforce.

Given our global scale and footprint, we believe we have a significant opportunity to influence meaningful change around diversity and inclusion practices within the real estate industry.

## Professional and Career Development

Supporting the ongoing growth and development of our employees is key to driving the engagement and job satisfaction of our employees. At PGIM Real Estate, our environmental commitment is a global one, shared by all associates in all regions and reinforced through training. We are committed to discussing opportunities to improve our performance, challenging each other to come up with new and better ideas, and exchanging best management practices across regions. At the core of our employee development programs is a performance management program which focuses on ensuring expectations are clear and properly linked to reward. Embedded in this is a clear definition of the skills and competencies required to effectively perform various job functions at different levels, as well as a forum for feedback and coaching focused on employee development.

PGIM Real Estate provides ongoing training and development opportunities for our employees which include a range of options from web-based and in-person training courses offered by PFI, tuition reimbursement, hosting external training vendors with specific industry and/ or functional expertise; sponsoring employee attendance at industry conferences and seminars; and developing our own business lead custom training solutions. ESG Training has also been made available to all investment professionals at PGIM Real Estate. Topics include Basic ESG Training, Fund-level Trainings, Net Zero Training, and technical trainings.

Our culture of mobility – enabling us to provide formal development opportunities for our staff members each year - is one of our greatest competitive advantages. In addition to formal training opportunities, internal transfers and rotations, international assignments and geographic relocation, networking and community involvement enable employees to strengthen current performance and develop skills that prepare them for broader roles within the company.

## Our Vendors

The PFI Vendor Code of Conduct and Terms of Engagement document outlines our expectations for businesses and individuals wishing to do business with PGIM Real Estate. We are committed to doing business with firms that align with our values and adhere to our policy standards.

Construction contractors providing services to our real estate equity investments are retained by PGIM Real Estate, our partners, or other general contractors. In circumstances where we control the retention either directly or indirectly, we have adopted a Responsible Contracting Policy which seeks to promote responsible practices by our contractors in the United States including fair wages and benefits. We endorse small business development, including minority and women-owned businesses, market competition, and control of operating costs.

## Our Governance

PGIM Real Estate operates within a framework of policies, procedures, principles, and practices that were established by our parent company, PFI, to ensure that all PFI companies embrace corporate responsibility, accountability, fairness, and transparency in their stakeholder relationships. Both PFI and PGIM Real Estate support the Task Force of Climate-related Financial Disclosures ("TCFD") disclosure recommendations.

ESG issues are an important part of PGIM Real Estate's investment analysis and due diligence processes, including a robust and rigorous underwriting regimen, risk management evaluation and approval processes. We assess our investments for climate-related risks and anti-money laundering concerns. We require background checks on our partners and borrowers, and any potential conflicts of interest are identified and vetted. Additionally, we undertake a regulatory review to ensure every property will comply with all local and national laws, including sustainability standards.

We provide accurate and relevant information to our stakeholders about our products and services and deal promptly, respectfully, and appropriately with client requests and concerns. On a regular basis, on a schedule determined by investors and consultants in collaboration with PGIM Real Estate, the firm will respond to investor due diligence questionnaires that cover all topics important to investors. This customized reporting provides a high degree of transparency. We avoid, mitigate, and/or disclose potential, actual, and apparent conflicts of interest, including by disclosing potential conflicts annually in the Form ADV filings for our SEC regulated investment advisory business.

## Human Rights

PFI (inclusive of PGIM Real Estate) is committed to the protection and promotion of human rights throughout our company, and in all aspects of our business dealings around the world.

Our policies address anti-discrimination, anti-harassment, non-retaliation, human trafficking and slavery, fraud prevention, data security, and data privacy, the company does not tolerate discrimination, harassment, retaliation, human trafficking/slavery, or corruption in any form. Our culture of respect extends beyond our employees, and includes all individuals, including but not limited to independent contractors, interns, volunteers, agents, vendors, clients, and customers. Prudential's policies require compliance with all local laws regarding employment and labor, and the rights of both employees and the individuals with whom we conduct business around the globe. The company provides multiple avenues to report any concerns of inappropriate conduct without fear of retaliation, including an Anonymous Global Business Ethics and Integrity Help line which is available to both internal and external parties.

Consistent with our dedication to human dignity for all, PFI acknowledges and adheres to the UN Human Rights Council's Guiding Principles on Business and Human Rights. Specifically, Prudential is fully committed to supporting and respecting the protection of internationally proclaimed human rights, and in ensuring the company is not complicit in any abuse of human rights around the globe.

PFI works to ensure its policies and practices foster a work environment that upholds the highest standards of integrity, promoting responsible citizenship globally. Simply put, we are committed to always making the right choices.

## Our Progress and Reporting

PGIM Real Estate is transparent with our stakeholders in outlining our ESG program and its progress across our investment strategies. We report annually to our investors on our ESG progress in the following ways:

### ■ Principles for Responsible Investment – PRI

We have been a signatory to the PRI since 2009. We report annually on our progress in achieving compliance with PRI. The PRI Reporting and Assessment Survey allows our clients and stakeholders to review our progress in implementing the PRI Six Principles.

### ■ Global Real Estate Sustainability Benchmark – GRESB

Within our real estate equity holdings, we report our ESG performance at the vast majority of our assets under management annually. Our reporting criteria states that the fund must be actively marketed, have assets under management (AUM) of more than \$US1 billion, or be the subject of an individual investor request to be applicable. We aim to report on at least two funds from each of our global regions. Our clients and stakeholders can review our ESG performance and compare us to those of our industry peers that also report.

### ■ PGIM Real Estate Annual ESG Report

This report highlights our efforts to operate environmentally responsible and sustainable real estate investments while managing our business. Where relevant, PGIM Real Estate has embedded the United Nation (UN) Sustainable Development Goals (SDGs), and the report is prepared in accordance with Global Reporting Initiative (GRI).

### ■ Our stakeholders can read and learn about our ESG performance using our website at <https://www.pgim.com/real-estate/esg> where we publish our ESG materials.

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