



**COMBINED
SUSTAINABILITY RISKS INTEGRATION AND
PAI SUSTAINABILITY DUE DILIGENCE POLICIES**



PGIM FIXED INCOME

(A) ESG Investment and Sustainability Risks Integration Policy (the “Sustainability Risks Integration Policy”)

The EU Sustainable Finance Disclosure Regulation (“SFDR”) requires PGIM Netherlands B.V. to disclose certain information on the integration of sustainability risks in our investment decision-making process. PGIM, Inc. (which is domiciled in the United States) and PGIM Limited (which is domiciled in the United Kingdom), in each case with respect to its PGIM Fixed Income business unit, are electing to voluntarily provide such disclosure. The Sustainability Risks Integration Policy is the sustainability risk policy for each of the foregoing entities in respect of its PGIM Fixed Income business unit for the purposes of SFDR.

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

PGIM Netherlands B.V. is electing to comply with the SFDR requirement to consider the principal adverse impacts of investment decisions on sustainability factors for certain client accounts. PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, are electing to voluntarily consider the principal adverse impacts of investment decisions on sustainability factors for certain client accounts. The PAI Sustainability Due Diligence Policy reflects how and under what circumstances PGIM Fixed Income considers the principal adverse impacts of investments on certain sustainability factors and is the principal adverse impacts due diligence policy for each of the foregoing entities in respect of its PGIM Fixed Income business unit for the purposes of SFDR.

The most updated version of these policies is available from the following website: <https://www.pgim.com/fixed-income/sfdr-information>.



PGIM FIXED INCOME

SUSTAINABILITY RISKS INTEGRATION POLICY

JUNE 2, 2021

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

1. Introduction

- 1.1 PGIM Fixed Income is a global asset manager primarily focused on public fixed income investments. Our mission is to provide consistent superior risk-adjusted returns and excellent service to our clients, and to generate value for our stakeholders. Our culture is that of a safe and inclusive environment centred around mutual respect, trust in each other, collegiality, teamwork, meritocracy, intellectual honesty, transparency, and an unwavering commitment to our clients.
- 1.2 PGIM Fixed Income adheres to certain responsible business codes and has been a signatory of the Principles for Responsible Investment since February 2015. We believe that environmental, social and governance (ESG) factors impact the performance of investment portfolios, and we have integrated them into our investment analysis and decision-making processes across all of our strategies. We believe that analysing credit-material ESG factors leads to higher risk adjusted excess returns.
- 1.3 PGIM Fixed Income has established an ESG committee (the “**ESG Committee**”) to act as the governing body for directing and overseeing PGIM Fixed Income’s ESG-related activities, including establishing and overseeing an internal ESG rating framework and establishing and maintaining the ESG considerations applicable to various ESG-specific strategies.
- 1.4 In order to help our clients achieve their environmental and social objectives, we have developed proprietary ESG impact ratings (“**ESG Impact Ratings**”). ESG Impact Ratings are designed to assess the negative and positive impacts issuers have on the environment and society, whether those impacts are immediately credit material or not. These ESG Impact Ratings are an added layer of ESG analysis on top of the ESG risk integration we conduct for investments we make. They are intended for use in products managed for clients who would like to direct capital to issuers with stronger environmental, social and governance practices or minimize the adverse ESG impacts of their portfolios.
- 1.5 PGIM Fixed Income’s investment approach and decision-making processes are based on clearly defined performance objectives, investment guidelines and constraints as agreed with our clients.
- 1.6 PGIM Netherlands B.V., PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, has each separately adopted and implemented this Sustainability Risks Integration Policy (voluntarily, in the case of PGIM, Inc. and PGIM Limited).

2. Integration of Sustainability Risks

- 2.1 The SFDR requires PGIM Netherlands B.V. to disclose certain information on the integration of sustainability risks in our investment decision-making process. PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, are electing voluntarily to provide such disclosure. This Sustainability Risks Integration Policy has been adopted to constitute the sustainability risk policy for each of the foregoing entities in respect of its PGIM Fixed Income business unit for the purposes of SFDR.
- 2.2 Under SFDR, “**sustainability risk**” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment. This is consistent with the definitions of “**ESG risk**” and credit-material ESG factors that PGIM Fixed Income uses in our research and investment process for all client portfolios. The terms “sustainability risk” and “ESG risk” will be used interchangeably in this Sustainability Risks Integration Policy.
- 2.3 This Sustainability Risks Integration Policy therefore approaches sustainability/ESG risk from the perspective that certain events or conditions related to ESG factors might cause a material negative impact on the financial/economic value of our clients’ investments. This is distinct from a policy based on the values of our clients, where we consider the principal adverse impacts our investments may have on certain sustainability factors (see the PAI Sustainability Due Diligence Policy at Section B). PGIM Netherlands B.V., PGIM, Inc. and PGIM Limited, in each case with respect to its PGIM Fixed Income business unit, has each separately adopted and voluntarily implemented the PAI Sustainability Due Diligence Policy.

3. ESG Factors in the Investment Process for All Portfolios

- 3.1 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. Our approach to integrating ESG into our investment process therefore views ESG risk/opportunity from the perspective that certain events or conditions related to ESG factors might cause a material negative or positive impact on the financial/economic value of investments. These credit-material ESG factors are incorporated into the management of all client portfolios.
- 3.2 As part of the credit research process, PGIM Fixed Income analysts review -information related to ESG factors, which may be provided by the issuer or obtained from third-party ESG research providers or alternative data sources (e.g., NGO analyses, governmental and inter-governmental studies, etc.). PGIM Fixed Income analysts may supplement this information through engagement with the issuer.
- 3.3 To the extent an ESG factor is considered by the analyst to have a material or a potentially material adverse impact on the financial value of the issuer, our analysts will incorporate such risks into their fundamental credit ratings. Fundamental credit ratings are in turn a key factor in our relative value assessments, and our portfolio managers will consider material sustainability risks when assessing the overall relative attractiveness of potential investments. Equally, ESG factors that are considered to be materially positive will also be reflected in our fundamental analysis and considered in relative value assessments.

Although our views are often informed by quantitative metrics, our ultimate decision on how ESG issues should influence our investment decisions is largely qualitative, as with other types of risks and opportunities.

- 3.4 The quality of governance can be an important investment consideration and it is incumbent on our analysts to assess governance structures and practices at the issuers we consider for investment as part of the credit research process. Our governance analysis is asset class and sector specific and may include the following issues: alignment of interests between management, controlling shareholders and other providers of capital; related party transactions; board quality, effectiveness and oversight; management incentives; audit and accounting issues; quality of risk management; business ethics and conduct issues (e.g., bribery and corruption; anti-competitive practices; and advertising/sales practices); and supply chain sustainability practices.
- 3.5 The environmental and social factors considered during our research assessment, including sustainability risks which may cause a material negative impact on the value of potential investments should those risks occur, will vary depending on the asset class, industry and/or individual issuer. These include, but are not limited to, the following:
- (a) **Environmental risks** may include climate change (both from a transition and physical risk perspective); pollution of air, water and land; harm to biodiversity through changes in land use, deforestation and ecosystem damage; energy inefficiency; generation and poor management of hazardous and non-hazardous waste; and high water consumption/withdrawal needs, especially in water stressed areas.
 - (b) **Social risks** may include poor occupational health and safety and process safety; poor product safety and quality; privacy and data security weaknesses; poor labour relations and/or human capital management, including diversity and inclusion; breaches of employee rights/ labour rights; human rights violations; child labour/ forced labour; and infringements of rights of local communities/ indigenous populations.
- 3.6 In measuring climate risks, PGIM Fixed Income takes account of the “physical” or tangible risks of a sustainability event (for example, the impact of severe climate events leading to business disruption or losses for its investment positions). In addition, PGIM Fixed Income also takes account of the “transition” risk, which focuses on the risk to investments as the world moves towards a more sustainable environmental and social model. In addition, PGIM Fixed Income treats sustainability 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.).
- 3.7 An important focus of PGIM Fixed Income’s sovereign research is on macroeconomic stability and debt sustainability. ESG issues feature prominently in this analysis and, in particular, the sovereign credit ratings process. In addition to a fundamental macroeconomic score that captures pertinent macroeconomic strengths and vulnerabilities, PGIM Fixed Income’s sovereign ratings framework is also based upon a comprehensive assessment of qualitative aspects that guide policy making. These aspects include institutional strengths and weaknesses, and potential governance issues, as well as

social issues that could affect relevant macroeconomic variables. Nevertheless, while we carefully consider the relevant ESG issues, we believe these factors should always be considered within a broader macroeconomic context.

- 3.8 Debt investors are a critical stakeholder for corporate and sovereign issuers reliant on debt financing markets. We see issuer engagement as an important tool in our investment process insofar as it helps us to gain a more holistic understanding of the issuers, from both the fundamental and ESG impact perspectives. We believe that this, in turn, helps us achieve better investment and, where applicable, ESG outcomes for our clients and investors. As a result, our analysts are encouraged to initiate discussions with issuers should an ESG issue surface during the research process.
- 3.9 During these discussions, our analysts probe management on the ESG issues we see as material and assess the issuer's plans to address them. We point 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, and where applicable discuss the implications these may have for their funding costs and future market demand for any new issue bonds.
- 3.10 The issues on which we engage from a sustainability perspective as described above are largely the same as those factoring into our fundamental credit analyses.
- 3.11 Feedback from these meetings is used to inform our fundamental credit ratings and ESG Impact Ratings. The ESG issues, as well as management's response to the comments (when applicable), are then noted in our engagement notes, which are available to portfolio managers.
- 3.12 In line with our bottom up, fundamental credit approach, we view issuers' credit profiles from a holistic perspective, rather than separating them into distinct components that must then be reconciled. Therefore, we do not evaluate issuers' sustainability risks in isolation, but instead integrate them directly into our fundamental credit ratings, and thus into our relative value assessments. So, while PGIM Fixed Income's portfolio managers are provided with information on sustainability risks and take sustainability risks into account when making an investment decision, sustainability risk would not by itself prevent PGIM Fixed Income from making any investment. Instead, sustainability risk forms part of our overall assessment of an issuer's credit risk, and thus of our assessment of its relative value. Generally, a higher potential return or credit spread would be required for issuers with credit material ESG risks.
- 3.13 PGIM Fixed Income does not apply any absolute risk limits or risk appetite thresholds which relate exclusively to sustainability risk as a separate category of risk.



PGIM FIXED INCOME

PAI SUSTAINABILITY DUE DILIGENCE POLICY

JUNE 2, 2021

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

1. Introduction

- 1.1 The SFDR requires certain EU entities such as PGIM Netherlands B.V. to make a decision as to whether they will “comply” and, as a consequence, consider the principal adverse impacts of their investment decisions on sustainability factors or “explain” why not. PGIM Netherlands B.V. has decided to voluntarily comply with that regime. As a non-EU entity, each of PGIM, Inc. and PGIM Limited is not required to make this decision but have, in each case with respect to its PGIM Fixed Income business unit, voluntarily elected to provide such disclosure but only in respect of certain products (as further described below).
- 1.2 “Sustainability factors” are defined in the SFDR as meaning environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters.
- 1.3 This PAI Sustainability Due Diligence Policy sets out the Firm’s sustainability due diligence policies in respect of the principal adverse impacts of our investment decisions on sustainability factors, as set forth in Article 4 of the SFDR. This PAI Sustainability Due Diligence Policy applies in respect of all portfolio management services, investment advisory services, and AIF management services carried on by the Firm, but subject to the product-specific exceptions noted in section 3 of this PAI Sustainability Due Diligence Policy.
- 1.4 For reference, the Firm maintains other policies and documentation related to sustainability, including:
 - (a) Sustainability Risks Integration Policy (see Section A); and
 - (b) UCITS ESG Policy Statement.
- 1.5 Article 4 of the SFDR requires that regulatory technical standards will be published to supplement the high-level requirements of Article 4. As at the date of this policy, those regulatory technical standards have not yet come into force. As such, this PAI Sustainability Due Diligence Policy adopts the approach of principles-based compliance with the requirements of Article 4 of the SFDR. This PAI Sustainability Due Diligence Policy will be reviewed and updated before the regulatory technical standards come into force.

2. Purpose of this PAI Sustainability Due Diligence Policy

- 2.1 The Firm’s investment professionals must apply the due diligence measures specified in this PAI Sustainability Due Diligence Policy, whenever they are making any investment decision, subject to the exceptions described below in section 3. This is to enable the Firm

to identify and prioritise principal adverse sustainability impacts and related indicators. In other words, this is to ensure that the Firm understands the impacts our investments have on the environment and society, and to help the Firm ensure we take these into consideration on behalf of and/or as instructed by our clients, as applicable. This PAI Sustainability Due Diligence Policy approaches sustainability from the perspective of the harm that our investment positions might do externally to sustainability factors, and what steps we take to mitigate that harm. This is based on the Firm's sustainability values.

- 2.2 For the purposes of SFDR, the regime around principal adverse impacts is not concerned with the risk that ESG events could impact on the value of our clients' investments. In other words, this PAI Sustainability Due Diligence Policy covers "values" rather than "value". The impact of sustainability risks on the value of our clients' investments is covered by the Firm's Sustainability Risks Integration Policy (see Section A).

3. Product-specific exceptions

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

- 3.2 The Firm will comply with this PAI Sustainability Due Diligence Policy for a product where such compliance is explicitly provided for in the investment management agreement or fund offering documents, as applicable, for the relevant product (an "**in-scope product**"). We have been managing client directed ESG portfolios for a number of years, and are committed to providing clients and investors with strategies and solutions that help them express their policies, views and beliefs through their investments.

- 3.3 Products that are excepted from the application of this PAI Sustainability Due Diligence Policy include, for example:

- (a) products for which the PGIM Fixed Income business unit of each of PGIM, Inc. or PGIM Limited are providing investment management services for non-European clients;
- (b) products where the client has not expressly instructed us to follow this PAI Sustainability Due Diligence Policy or products that the Firm has decided to except from this PAI Sustainability Due Diligence Policy as a matter of the Firm's commercial preference; and
- (c) products for which it would be unlawful or contrary to applicable regulation to follow this PAI Sustainability Due Diligence Policy, for example a legal regime which requires the Firm to prioritise only economic factors when investing for certain types of client.

- 3.4 Clients may request confirmation from the Firm as to whether their account is an in-scope product.

4. Governance and senior management responsibility

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

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

5. Principal adverse indicators – diligence phase

5.1 This section of the PAI Sustainability Due Diligence Policy applies to all products managed by the Firm, except for those products which have been excluded as described in Section 3.

5.2 We strive to understand the impacts our investments have on the environment and society. This is generally achieved by assessing investments against negative and positive ESG impacts relevant to the industry and/or issuer including (for the purposes of this PAI Sustainability Due Diligence Policy) an assessment of how the investment position is assessed against sustainability indicators relevant to the industry and/or issuer. This ESG impact assessment is distinct from our assessment of the risk that ESG events could impact the financial/economic value of our clients' investments.

5.3 After conducting this assessment, our investment analysts seek to assign an ESG rating on a 100-point scale in 5-point increments, with 0 as the lowest and 100 as the highest ESG rating ("**ESG Impact Rating**"), to an issuer. In assigning an ESG Impact Rating, investment analysts review information which may be provided by the issuer or obtained from third-party ESG research providers and may also consider information from alternative data sources (e.g., NGO analyses, governmental and inter-governmental studies, etc.). This third party research may, among other things, be used to screen our investable universe for specified economic activities and controversies (including violations of the United Nations Global Compact (UNGC) principles); provide information regarding ongoing litigation; review performance data for a large number of environmental, social and governance key performance indicators; or otherwise analyse various ESG issues and risks. In certain instances, it may not be possible or practical to obtain or analyse the information needed to assess and rate each investment and where this is the case our analysts may either make reasonable assumptions in order to rate the particular investments based on, for example, information relating to the particular industry of an underlying issuer or identify the investment as unrated. For the avoidance of doubt, references to "issuers" in this policy means issuer and/or issues, where applicable.

5.4 In assigning an ESG Impact Rating, the environmental and social issues "**Sustainability Indicators**" and the negative and positive impacts on such Sustainability Indicators considered by the Firm's investment analysts vary depending on the asset class, industry and/or individual issuer but generally may include, but are not limited to:

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

¹ For purposes of reporting related to the principal adverse impacts regime, the Firm considers only the negative/adverse impacts.

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

5.5 While corporate governance considerations (such as, for example, ownership structures or board effectiveness) are not considered to directly affect an issuer's impacts on the environment and society, they are an important part of the overall evaluation of an investment opportunity and are considered by the investment analysts as part of the credit research and the initial evaluation of an investment.

5.6 The ESG Committee provides detailed guidance to the analysts on the environmental and social impacts of issuers and/or issues for 150+ GICS² sub-industries. The PGIM Fixed Income ESG Committee also provides a detailed governance guidance covering major governance factors and relevance for credit risk analysis and ESG Impact Ratings. Analysts rate issuers based on the severity of the negative sustainability impacts and the issuers'

² Global Industry Classification Standard

efforts to reduce and minimise negative, as well as enhance positive impacts. Although often informed by quantitative metrics, these ratings ultimately reflect the qualitative judgement of our credit analysts regarding sustainability impacts.

- (a) **An ESG Impact Rating between 40-100** requires that the economic activities, products/services and practices of an issuer (or financed by an issue):
 - (i) are inherently positive for either environment or society; and
 - (ii) associated key negative impacts are being reduced and/or minimised.
- (b) **An ESG Impact Rating below 40** generally means that the economic activities, products/services and practices of an issuer (or financed by an issue):
 - (i) are inherently positive for either environment or society, but there are only limited efforts to reduce associated key negative impacts; or
 - (ii) come with significant environmental or social costs and there are no credible efforts to minimize these negative impacts; or
 - (iii) have such significant negative impacts to environment or society that they cannot be outweighed by any other potential positive contributions.

- 5.7 An assignment of a high ESG Impact Rating is generally based on the credibility and ambition of an issuer's strategy to reduce negative environmental and social impacts, and their actual achievements at the time of our analysis. Accordingly, the extent and quality of efforts by issuers to reduce their negative impacts, and to enhance their positive impacts will serve as a differentiator yielding higher ESG Impact Ratings.
- 5.8 Sovereign ESG Impact Ratings have been developed by our Global Economics team, using a quantitative approach with a qualitative overlay to determine a final ESG Impact Rating.
- 5.9 The ESG Impact Rating for currency and derivative contracts referencing a single investment will reflect the ESG Impact Rating of that investment (e.g., U.S. treasury future or U.S. interest rate swap would get the same ESG Impact Rating as the corresponding U.S. treasury). Similarly, a single name sovereign or corporate credit default swap would get the same ESG Impact Rating as the corresponding sovereign or corporate issuer that it references.
- 5.10 For currency and derivative contracts (such as a Euro or High Yield CDX contract) that reference multiple underlying investments, the analysts will assign an ESG Impact Rating to the contract that is based on the average ESG Impact Rating for the underlying constituents within that contract for which an ESG Impact Rating is available.
- 5.11 The due diligence assessment described in this Section 5 generally applies to all asset classes and then feeds into the investment phase, as outlined at section 6 of this PAI Sustainability Due Diligence Policy, below.

6. Principal adverse impacts – investment phase

- 6.1 The Firm uses the Sustainability Indicators as described in Section 5.4 above and/or equivalent mechanics to create thresholds that it will apply to in-scope products as described below in sections 6.4 and 6.5.
- 6.2 In relation to each of the Sustainability Indicators, we have identified “adverse impacts” that investments may have on such Sustainability Indicators (as set out in Section 5.4).
- 6.3 In order to consider, manage, prioritise and mitigate the “adverse impacts” that our investment position may have on the Sustainability Indicators we have set certain thresholds which we generally use to measure whether an investment in such position would exceed our permitted tolerance and, as a consequence, adversely impact a Sustainability Indicator. In setting these thresholds, the Firm has taken into account its intent to prioritise the adverse impacts which generally most strongly conflict with the applicable ESG priorities and objectives. In addition, through our ESG Impact Ratings we will consider whether an investment also has any off-setting positive impacts (e.g., where an issuer has demonstrated clear efforts to reduce and minimise the adverse impacts, as well as enhance positive impacts) and this analysis then feeds into certain of our permitted tolerance thresholds (see Section 6.4 (e) below).
- 6.4 The “**adverse impact**” thresholds that are generally applied to in-scope products include, but are not limited to:
- (a) Investments in corporate issuers that violate the UNGC, a principles-based framework for businesses, stating ten principles in the areas of human rights, labour, the environment and anti-corruption.
 - (b) Investments in corporate issuers that are involved in the production of nuclear or other controversial weapons (including landmines, cluster weapons and biological/chemical weapons).
 - (c) Investments in corporate issuers that are tobacco manufacturers deriving at least 5% of revenues from such activities.
 - (d) Investments in corporate issuers exceeding certain revenue thresholds from thermal coal generation or thermal coal extraction.
 - (e) Investments that do not have an ESG Impact Rating, or have an ESG Impact Rating below a specified level which will vary by investment strategy and may vary based on client preference.
- 6.5 Notwithstanding the foregoing, a client may elect to impose its own specific thresholds in lieu of or in addition to the thresholds described in Section 6.4 above, as may be agreed on a case-by-case basis between the client and the Firm in the investment management agreement, or if applicable, as provided in the fund offering document, for the product.
- 6.6 The Firm may rely on third party screens to determine if an investment is in breach of the thresholds described in Section 6.4 above or others that may be imposed by a client.
- 6.7 In respect of in-scope products we will generally not make investments that breach the above thresholds described in Section 6.4 or others that may be imposed by a client, as applicable. In addition to not making investments in these issuers, we may take the

additional mitigating action of engaging with management of issuers to understand what actions they are taking to improve their business from a sustainability perspective.

7. Disclosure of this PAI Sustainability Due Diligence Policy

- 7.1 SFDR requires that the Firm must publish on our website information about this PAI Sustainability Due Diligence Policy, along with certain other information relating to the actions we are taking in relation to sustainability impacts, summaries of our engagement policies, and references to our adherence to responsible business codes. The Firm satisfies this requirement by disclosing this PAI Sustainability Due Diligence Policy itself on our website, along with those other documents.
- 7.2 The Firm may also disclose a separate summary of this PAI Sustainability Due Diligence Policy in pre-contractual disclosures of in-scope products.
- 7.3 For any financial product which is excepted from this PAI Sustainability Due Diligence Policy under Section 3, we may also include an explanation that the relevant financial product does not consider the principal adverse impacts on sustainability factors, and the reasons for that approach.
- 7.4 For these purposes, “pre-contractual disclosures” means the prospectus or offering document for a fund, and the investment management agreement or other terms and conditions for a portfolio management service.