PGIM FIXED INCOME

ESG ENGAGEMENT POLICY

MAY 2025

ENGAGING WITH ISSUERS

As an active, bottom-up, fixed income asset manager, PGIM Fixed Income views active stewardship as a fundamental part of our investment process. Through constructive and ongoing dialogue with issuers, we believe that ESG engagements can enable us to achieve better investment outcomes and, where applicable, positive environmental and/or societal outcomes for our clients.

FOCUS

Our engagement efforts are rooted in our fiduciary duty towards our clients. As such, our 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 the relevant analyst considers to be 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 focussed on issuers of debt and include listed and unlisted companies as well as securitised products, municipals, and sovereigns.

PRIORITISATION

We prioritise our efforts on engagements that we believe will add the most value to our investment process. This generally means prioritising engagements with issuers where:

- we have identified a material issue that is impacting or could impact the issuer;
- we find the issuer to be attractive from a relative value perspective; or
- we believe the issuer is likely to be receptive to engagement

However, as an active manager we may engage with other issuers as circumstances warrant.

APPROACH

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

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.

To facilitate constructive discussions and leverage PGIM Fixed Income's robust research capabilities, our engagement approach is fundamentally bottom-up. We will engage when an analyst identifies what they consider to be a material issue, they believe could benefit from communication with the issuer. The engagement aims to offer valuable insights into the issuer's capability and readiness to address the issue, as well as inform our investment perspective of the issuer. Such material issues could either be issues that we have identified through research or be specific event-driven. We believe that engagements should be dialogues that are informative and meaningful to both parties. This means, that while dialogue will often entail our analysts probing management on relevant, material ESG issues and assessing an issuer's plans to address them, we also believe in sharing – where practical – how the information from our dialogue is used in investment decision making, and how this may vary across strategies due to clients' differing sensitivities to risks and impacts.

While our engagements are inherently bottom-up, we may also organise certain engagements around thematic research priorities, which we deem to be material across one or more sectors from either a credit or an impact perspective. To inform our views on these thematic priorities, we may engage with issuers excelling in these areas to learn how they have overcome challenges and instituted best practices. In turn, we may also engage with issuers in the same industry to share some of these findings.

Furthermore, our proprietary ESG Impact Ratings[1] can offer additional tangibility and context across our engagements. These ratings are assigned to all issuers in our standard coverage universe and assess negative and positive impacts of issuers on the environment and society. They are therefore used to determine an issuer's eligibility in many of our ESG strategies. As such, they can be helpful in engagements, as they allow our analysts to discuss with issuers how we rate them on ESG impacts for the subset of our accounts that include an impact lens, while also providing the rationale and factors behind the ratings.

Irrespective of the topic or rationale for our engagement, our approach to engagement 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.

This also means that 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 about the ESG objectives and risk-return implications of an engagement. Given that we see engagements as a part of our investment process, we see great value in this collaboration across teams.

Once a meaningful engagement has taken place, a summary and assessment of the engagement is

[1] ESG Impact Ratings are proprietary internal ratings designed to assess issuers' environmental and social impacts, rather than risk. They are applied, to the extent permitted by applicable law, to certain portfolios whose investors have expressed an explicit double-materiality objective. More information can be found here.

recorded in an internal cloud-based tool, which can be accessed by portfolio managers, credit analysts and other authorised users within PGIM Fixed Income. These write-ups facilitate monitoring of our ESG-related interactions with issuers, provide helpful insights to our investment process and are used to inform clients of our engagement efforts. The insight from the engagements are reflected in our ESG Impact Ratings and/or fundamental credit ratings, as appropriate, both of which must be updated at least annually, or more frequently as events warrant.

ESCALATION

We believe our most effective escalation tool is our decision to reduce holdings or refrain from investing in the issuer's debt in accounts where this would be in line with a client's guidelines and as permitted by law, especially when combined with direct feedback to the issuer about our investment decision.

Where we learn through engagement that the issuer is not addressing issues that affect our assessment of its credit profile or outlook, it may alter our perception of the issuer's relative value. As such, if we feel the added risk is not adequately compensated for, our escalation might involve reducing holdings across various strategies.

Separately, if we lose confidence that the issuer is addressing its most significant ESG impacts (which are not always credit-material), the escalation action will typically be reflected by a downgrading of the ESG Impact Rating. Such downgrades are significant, as they can lead to reducing or exiting positions in ESG strategies with explicit ESG Impact Rating rules.

Since we generally lack equity ownership rights, we cannot use proxy voting—a key escalation tool for equity holders. However, as a leading fixed income asset manager, we have effective mechanisms at our disposal. Unlike equity, debt has maturity dates, requiring issuers to frequently raise new debt. Even if we don't currently hold an issuer, our insights can still impact future debt issuances. Considering these factors, our decisions to buy, divest, or refrain from investing in relevant accounts can be useful escalation tools, particularly when accompanied by direct communication to the issuer about our investment reasoning.

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. As we do with all public policy matters that impact our business and our clients, 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). 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.

ENGAGEMENT WITH INDUSTRY ORGANISATIONS

While the majority of our engagements with issuers are done bilaterally, collaboration across the industry is another important aspect of good stewardship. The pooling of resources by investors through collaborative initiatives enables the sharing of a breadth of insights and expertise on ESG-related topics, as well as the sharing of best practices around the world. It enables investors to focus on areas of consistency, and can add weight and emphasis to the issues of common concern while enhancing the likelihood of catalysing a positive, value-enhancing change in the market. Many ESG industry initiatives exist worldwide, often with broad remits. On an annual basis, each of PGIM and PGIM Fixed Income carefully reviews the ESG initiatives in which it participates to ensure we play an active role in organisations that we believe will benefit our investment process, and to which we are able to make a positive contribution. We are also careful to join initiatives only if we believe they closely align with the principles of this engagement policy, including (among other things) a focus on quality over quantity and constructive dialogue based on thoughtful research. Examples of our current memberships in collaborative initiatives related to ESG topics is below:

Directly as PGIM Fixed Income

- Signatory to the UN Principles for Responsible Investment (UN PRI) (Securitised Products Advisory Committee)
- Signatory to the Financial Reporting Council's UK Stewardship Code
- Partnership for Carbon Accounting Financials (PCAF)
- Partnership for Biodiversity Accounting Financials (PBAF)
- Climate Bonds Initiative
- Center for Real Estate Finance Council (CREFC) (Sustainability Steering Committee, Transparency Subcommittee)
- European Leveraged Finance Association (ELFA) (ESG Committee)
- Structured Finance Association (SFA) (Auto ABS Working Group, CMBS Working Group, ESG Task Force Steering Committee, Structured Finance Disclosure Framework Working Group)
- Signatory to Access to Medicine Foundation
- Emerging Markets Investor Alliance (EMIA)
- The FAIRR Initiative (FAIRR)
- Loan Syndications and Trading Association (LSTA)
- Association for Financial Markets in Europe (AFME)
- Loan Market Association (LMA)

Indirectly via PGIM

- The Council of Institutional Investors (CII)
- International Corporate Governance Council (ICGN)
- The Institutional Investors Group on Climate Change (IIGCC)
- International Financial Reporting Standards (IFRS) Sustainability Alliance
- Research Funding Partner of Transition Pathway Initiative (TPI)

NOTICE: IMPORTANT INFORMATION

Source(s) of data (unless otherwise noted): PGIM Fixed Income, as of 12 May 2025.

For Professional Investors only. Past performance is not a guarantee or a reliable indicator of future results and an investment could lose value. All investments involve risk, including the possible loss of capital.

PGIM Fixed Income operates primarily through PGIM, Inc., a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and a Prudential Financial, Inc. ("PFI") company. Registration as a registered investment adviser does not imply a certain level or skill or training. PGIM Fixed Income is headquartered in Newark, New Jersey and also includes the following businesses globally: (i) the public fixed income unit within PGIM Limited, located in London; (ii) PGIM Netherlands B.V., located in Amsterdam; (iii) PGIM Japan Co., Ltd. ("PGIM Japan"), located in Tokyo; (iv) the public fixed income unit within PGIM (Hong Kong) Ltd. located in Hong Kong; and (v) the public fixed income unit within PGIM (Singapore) Pte. Ltd., located in Singapore ("PGIM Singapore"). PFI 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. Prudential, PGIM, their respective logos, and the Rock symbol are service marks of PFI and its related entities, registered in many jurisdictions worldwide.

These materials are for informational or educational purposes only. The information is not intended as investment advice and is not a recommendation about managing or investing assets. In providing these materials, PGIM is not acting as your fiduciary. PGIM Fixed Income as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Investors seeking information regarding their particular investment needs should contact their own financial professional.

These materials represent the views and opinions of the author(s) regarding the economic conditions, asset classes, securities, issuers or financial instruments referenced herein. Distribution of this information to any person other than the person to whom it was originally delivered and to such person's advisers is unauthorized, and any reproduction of these materials, in whole or in part, or the divulgence of any of the contents hereof, without prior consent of PGIM Fixed Income is prohibited. Certain information contained herein has been obtained from sources that PGIM Fixed Income believes to be reliable as of the date presented; however, PGIM Fixed Income cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. PGIM Fixed Income has no obligation to update any or all of such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy.

This material may contain examples of the firm's internal ESG research program and is not intended to represent any particular product's or strategy's performance or how any particular product or strategy will be invested or allocated at any particular time. PGIM's ESG policies and procedures, rankings and factors may change over time, in PGIM Fixed Income's discretion. ESG investing is qualitative and subjective by nature; there is no guarantee that the criteria used or judgment exercised by PGIM Fixed Income will reflect the beliefs or values of any investor. Information regarding certain ESG practices may be obtained through third-party reporting, which may not be accurate or complete, and PGIM Fixed Income depends on this information to evaluate a company's commitment to, or implementation of, ESG practices. ESG norms differ by region. Accounts managed by PGIM Fixed Income may or may not hold instruments issued by any of the issuers that may be discussed herein. Nothing contained herein should be construed as limiting the investments or strategies that PGIM Fixed Income can pursue when managing a client account. There is no assurance that PGIM Fixed Income's ESG investing techniques will be successful.

Any forecasts, estimates and certain information contained herein are based upon proprietary research and should not be interpreted as investment advice, as an offer or solicitation, nor as the purchase or sale of any financial instrument. Forecasts and estimates have certain inherent limitations, and unlike an actual performance record, do not reflect actual trading, liquidity constraints, fee. These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services and should not be used as the basis for any investment decision. PGIM Fixed Income and its affiliates may make investment decisions that are inconsistent with the recommendations or views expressed herein, including for proprietary accounts of PGIM Fixed Income or its affiliates.

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be suitable for all investors. **Diversification** does not ensure against loss.

In the **United Kingdom**, information is issued by PGIM Limited with registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR.PGIM Limited is authorised and regulated by the Financial Conduct Authority ("FCA") of the United Kingdom (Firm Reference Number 193418). In the **European Economic Area** ("EEA"), information is issued by PGIM Netherlands B.V., an entity authorised by the Autoriteit Financiële Markten ("AFM") in the Netherlands and operating on the basis of a European passport. In certain EEA countries, information is, where permitted, presented by PGIM Limited in reliance of provisions, exemptions or licenses available to PGIM Limited including those available under temporary permission arrangements following the exit of the United Kingdom from the

European Union. These materials are issued by PGIM Limited and/or PGIM Netherlands B.V. to persons who are professional clients as defined under the rules of the FCA and/or to persons who are professional clients as defined in the relevant local implementation of Directive 2014/65/EU (MiFID II). In **Switzerland,** information is issued by PGIM Limited, London, through its Representative Office in Zurich with registered office: Kappelergasse 14, CH-8001 Zurich, Switzerland. PGIM Limited, London, Representative Office in Zurich is authorised and regulated by the Swiss Financial Market Supervisory Authority FINMA and these materials are issued to persons who are professional or institutional clients within the meaning of Art.4 para 3 and 4 FinSA in Switzerland. In certain countries in **Asia-Pacific**, information is presented by PGIM (Singapore) Pte. Ltd., a regulated entity with the Monetary Authority of Singapore under a Capital Markets Services License to conduct fund management and an exempt financial adviser. In **Japan,** information is presented by PGIM Japan Co. Ltd., registered investment adviser with the Japanese Financial Services Agency. In **South Korea**, information is presented by PGIM, Inc., which is licensed to provide discretionary investment management services directly to South Korean investors. In **Hong Kong**, information is provided by PGIM (Hong Kong) Limited, a regulated entity with the Securities & Futures Commission in Hong Kong to professional investors as defined in Section 1 of Part 1 of Schedule 1 of the Securities and Futures Ordinance (Cap.571). In **Australia**, information is issued by PGIM (Australia) Pty Ltd ("PGIM Australia") for the general information of its wholesale clients (as defined in the Corporations Act 2001). PGIM Australia is an Australian financial services ("AFS") licence holder (AFS licence number 544946). In **Canada**, pursuant to the international adviser registration exemption in National Instrument 31-103, PGIM, Inc. is informing you that: (1) PGIM, Inc. is not registered in Canada and is advising you in reliance upon an exemption from the adviser registration requirement under National Instrument 31-103; (2) PGIM, Inc.'s jurisdiction of residence is New Jersey, U.S.A.; (3) there may be difficulty enforcing legal rights against PGIM, Inc. because it is resident outside of Canada and all or substantially all of its assets may be situated outside of Canada; and (4) the name and address of the agent for service of process of PGIM, Inc. in the applicable Provinces of Canada are as follows: in **Québec**: Borden Ladner Gervais LLP, 1000 de La Gauchetière Street West, Suite 900 Montréal, QC H3B 5H4; in **British Columbia**: Borden Ladner Gervais LLP, 1200 Waterfront Centre, 200 Burrard Street, Vancouver, BC V7X 1T2; in **Ontario**: Borden Ladner Gervais LLP, 22 Adelaide Street West, Suite 3400, Toronto, ON M5H 4E3; in **Nova Scotia**: Cox & Palmer, Q.C., 1100 Purdy's Wharf Tower One, 1959 Upper Water Street, P.O. Box 2380 -Stn Central RPO, Halifax, NS B3J 3E5; in **Alberta**: Borden Ladner Gervais LLP, 530 Third Avenue S.W., Calgary, AB T2P R3.

© 2025 PFI and its related entities. 2025-4124