PGIM FIXED INCOME

ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) INVESTMENT POLICY STATEMENT

January 2025

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I. Overview: PGIM Fixed Income ESG Philosophy and Approach

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 an inclusive & collaborative environment centred around mutual respect, intellectual honesty and an unwavering commitment to our clients.

This policy statement sets forth our views and general approach with respect to the incorporation of environmental, social and governance ("**ESG**") factors, risks/opportunities and impacts into our investment process.

In summary:

- We believe that ESG factors can impact investment performance, and we therefore integrate relevant, credit-material factors into credit analysis – which is then incorporated into our relative value assessment –across all of our credit strategies.
- For an effective relative value process, 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 credit risk factors, to reflect our overall fundamental credit view of the issuer. This is done for all credit strategies that we manage and is consistent with our fiduciary obligations.
- Separately, we have observed that an issuer's ESG 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—irrespective of credit materiality—and determine their eligibility for investment by our ESG strategies. We offer clients the choice (but not the obligation) to apply this additional "impact" lens to their portfolios.
- 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 as part of credit analysis. We have also developed ESG Impact Ratings (as later defined) as a proprietary tool to help our clients invest in line with their ESG/sustainability preferences.
- We see issuer engagement as an important tool in our investment process insofar as it helps us gain a more holistic understanding of the issuers, from both the fundamental credit 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, provided that in all cases, they engage only where this would be consistent with our fiduciary duties to all clients.. 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.
- PGIM Fixed Income has been a signatory of the UK Stewardship Code since 2022. We believe that the 12 Principles laid out by the UK Stewardship Code set a high standard for responsible stewardship, and we seek to disclose the relevant information necessary to maintain our signatory status on an annual basis.

As a global business, we endeavour to implement this policy with respect to each of our accounts to the extent permissible under the applicable laws and regulations of each market in which we operate and in accordance with our agreements with clients.

As described more fully in section VIII below, PGIM Fixed Income has established an ESG policy committee (the "ESG Policy Committee") that is supported by an ESG ratings sub-committee (the "ESG Ratings Sub-Committee". Together, these committees are referred to as the "ESG Committee", and are further supported by dedicated ESG working groups as required.

II. Integration of ESG Factors into Credit and Relative Value Analysis

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.

Together, 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 our evaluation of issuers' credit profiles in the management of all credit portfolios.

As part of the credit research process, PGIM Fixed Income analysts review information related to ESG factors, which may be provided by the issuer, 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. 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 a key factor in our relative value assessments and the primary means through which our portfolio managers consider material sustainability risks when assessing the overall relative attractiveness of potential investments. Equally, ESG factors considered to be materially positive will also be reflected in our fundamental analysis and therefore considered in relative value assessments. Although our views are often informed by quantitative metrics, our ultimate assessment on how ESG considerations should influence our investment decisions is largely qualitative, as with other types of idiosyncratic risks and opportunities.

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 specific and may include (but is not limited to) 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.

The **environmental and social** factors considered during our research assessment, including ESG 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, the industry and/or individual issuer. Credit analysts bear responsibility determining which ESG factors are most relevant for each issuer that is evaluated. These could potentially include, but are not limited to, the following:

a. **Environmental risks**, which may materialize through various channels, including but not limited, to reputational damage, litigation, policy costs, input costs, remediation costs, physical damage, and operational disruptions. These risks and potential costs/disruptions may be related to issues such as climate change; pollution of air, water and land; harm to biodiversity, 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. Climate and other environmental risks are considered both from a "transition" risk perspective, which focuses on the risk to investments as the world moves towards a more sustainable environmental and social model, and a "physical" risk perspective, which considers tangible risks due to physical changes in the natural environment, including but not limited to, hurricanes, flooding, droughts, heatwaves, soil degradation, loss of ecosystem services, and water shortages.

b. **Social risks**, which may also materialize through various channels, including but not limited to, reputational damage, litigation, policy costs, recalls, labour costs, operational disruptions, and reduced productivity. These risks and potential costs/disruptions may be related to issues such as 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.

An important focus of our sovereign research is on macroeconomic stability and debt sustainability. ESG issues feature 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 an assessment of qualitative aspects that guide policy making. These aspects include institutional strengths and weaknesses, and potential governance issues, as well as social and environmental issues that we believe could affect relevant macroeconomic variables. Nevertheless, while we carefully consider the risks such ESG issues may present, we believe such risks should always be considered within a broader macroeconomic context and the issuer's overall risk profile.

We do not evaluate issuers' ESG risks and opportunities in isolation, but instead integrate them directly into our fundamental credit ratings, and thus into our relative value assessments. In addition, there is often not a clear demarcation of what could be an 'ESG risk' versus a 'traditional risk'. ESG issues that relate directly to the business model could be considered financially-material and may be considered 'business risks', which is why ESG issues cannot be evaluated separately from fundamental credit analysis. So, while our portfolio managers are provided with information on ESG risks and opportunities and take ESG factors into account when making an investment decision, ESG risk would not by itself prevent PGIM Fixed Income from making any investment. Instead, ESG risk/opportunity forms part of our overall assessment of an issuer's credit risk, and thus of our assessment of its relative value. We do not apply any absolute risk limits or risk appetite thresholds which relate exclusively to ESG risk as a separate category of risk.

For the avoidance of doubt, if a client specifically asks us to take non-economic ESG considerations into account in portfolio construction, we will accommodate such requests as consistent with the client agreement and applicable law.

III. ESG Impact Assessment and Ratings

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. This ESG impact assessment is distinct from our assessment of the effects that ESG events could impact the financial/economic value of our clients' investments.

The ESG Committee considered a wide range of sustainability issues on an industry, activity and asset class basis, including principal adverse impacts. The sustainability issues and principal adverse impacts deemed relevant to the particular type of asset class and/or industry and/or individual activity were then identified and built into the ESG Impact Rating framework such that analysts are guided to consider these across asset classes and sectors; however, these should be seen as a guide and analysts may choose to use a different indicator or piece of information, where appropriate, to assess performance and assign their ESG Impact Ratings.

The ESG Committee then provided detailed guidance to the analysts on the most likely environmental and social impacts of issuers and/or issues for 150+ GICS[1] sub-industries, as well as sovereigns, and structured products and frequently provides further supplemental guidance for specific activities within those GICS sub-industries. The ESG Committee also provided detailed governance guidance covering major governance factors, including relevance for credit risk analysis and ESG Impact Ratings. Analysts use this guidance to rate issuers based on the severity of the negative sustainability impacts and the issuers' efforts to reduce and minimise negative, as well as enhance positive impacts. Although often informed by quantitative metrics, these ratings ultimately reflect the qualitative judgement of our credit analysts regarding sustainability impacts. ESG Impact Ratings for corporate issuers and structured products are not relative to an industry, but rather have specific definitions that apply equally to issuers across all industries.

Using the guidance provided by the ESG Committee, the investment analysts seek to assign an ESG rating to an issuer on a 100-point scale in 5-point increments, with 0 as the lowest and 100 as the highest ESG rating ("ESG Impact Rating"). 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 UNGC principles); provide information regarding ongoing litigation; review performance data for a variety of environmental, social and governance key performance indicators; or otherwise analyse various ESG issues. 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, in rare circumstances, may identify the investment as unrated. In the former case, where reasonable assumptions are used, the ESG Committee has instructed analysts to ensure that these assumptions are conservative and err on the side of lowering the ESG Impact Rating.

In assigning an ESG Impact Rating, the environmental and social topics, characteristics and indicators considered by our investment analysts vary depending on the asset class, industry and/or individual issuer but generally may include, but are not limited to those described in Annex A.

While certain corporate governance considerations (such as, for example, ownership structures or board effectiveness) are generally not considered to directly affect an issuer's and/or issue's impacts on the environment and society, they are an important part of the overall evaluation of an investment opportunity and in determining the credibility of stated targets and initiatives put forth by the issuer and thus are considered by the investment analysts as part of the credit research and the initial evaluation of an investment. They also can play an important role in assessing the credibility of an issuer's efforts to reduce its negative impacts and/or enhance its positive impacts. These potential indirect effects on environmental and social impacts are also evaluated under our ESG Impact Ratings framework.

An **ESG Impact Rating between 40-100** generally means that, with respect to the economic activities, products/services and practices of an issuer (or financed by an issue), in our view the issuer:

a. Generates some meaningful, inherently positive impacts for either the environment or society; and
b. Has already reduced and/or minimised the associated key negative environmental and/or social impacts or is making credible efforts to do so.

An **ESG Impact Rating between 20-35** generally means that, with respect to the economic activities, products/services and practices of an issuer (or financed by an issue), in our view the issuer generates some inherently positive impacts for either the environment or society but has made only limited efforts (if any) to reduce associated key negative environmental and/or social impacts.

[1] Global Industry Classification Standard

An **ESG Impact Rating below 20** generally means that, with respect to the economic activities, products/services and practices of an issuer (or financed by an issue), in our view the issuer generates significant negative environmental or social impacts and there are no credible efforts to minimise these negative impacts; or generates significant negative impacts to the environment and/or society that cannot be outweighed by any other potential positive contributions to the environment and/or society.

The ESG impact assessment generally applies to all asset classes.

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 and actual achievements by issuers to reduce their negative impacts is the key driver of our ESG Impact Ratings, while efforts to enhance their positive impacts will serve as an additional differentiator yielding higher ESG Impact Ratings.

Corporate ESG Impact Ratings are assigned by credit research analysts. Research analysts review the sector-specific ESG Impact Rating framework, which was approved by the ESG Committee, to help identify material environmental and social impacts, and include any additional impacts they deem relevant for the particular issuer. Next, they assess an issuer's performance across those topics using information produced by the issuer themselves and/or other third-party sources. The ESG Impact Rating framework should be seen as a guide and analysts may choose to use a different indicator or piece of information, where appropriate, to assess performance and assign their ESG Impact Ratings. While analysts may look to quantitative data to support their assessment of an issuer's performance on an ESG topic, the overall assessment is largely qualitative in nature.

Sovereign ESG Impact Ratings include quantitative data to assess performance across the specific environmental, social and governance topics and metrics that were approved by the ESG Committee, and then include a qualitative assessment by economists to determine a final ESG impact rating. The methodology to derive a final ESG Impact Rating was approved by the ESG Committee.

Structured Products receive their own guidance on likely environmental and/or social impacts depending on the specific sub-asset class. In order to assign an ESG Impact Rating to a structured product, guidance will vary by the type of product (e.g. ABS, CMBS, RMBS). Depending on the type of structured product:

a. Some receive their own specific guidance on environmental and/or social impacts that are likely.
b. Some first assign a preliminary rating to the issuer following the framework provided for corporate bonds, and then adjust this upwards or downwards after assessing any incremental environmental and/or social impacts from the underlying asset pool.

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. The ESG Impact Rating assigned to these contracts and swaps must be above the ESG Impact Rating threshold for the relevant product to be considered eligible for investment.

For currency and derivative contracts (such as a Euro or High Yield CDX contract) that reference multiple underlying investments, an ESG Impact Rating is applied to the contract that is based on the weighted average ESG Impact Rating for the underlying constituents within that contract for which an ESG Impact Rating is available. That ESG Impact Rating assigned to the contract must be above the ESG Impact Rating threshold for the relevant product to be considered eligible for investment.

IV. ESG Screening and Client Driven Constraints/Exclusions

PGIM Fixed Income is committed to providing clients and investors with strategies and solutions that help them express their policies, views and beliefs through their investments. These portfolios may be managed using our proprietary ESG Impact Ratings (as described above), client-specified guidelines and constraints or a combination thereof. These non-economic considerations would be reflected in the applicable fund documents or client agreement. Certain portfolios that utilize our ESG Impact Ratings will permit investment in a specified percentage of assets for which we have not assigned an ESG Impact Rating.

We recognise that many of our clients and investors do not wish their investments to be associated with issuers engaging in certain economic activities (e.g., related to weapons, alcohol, tobacco, thermal coal, etc.) or violating certain specified standards of conduct based on international norms (e.g., UNGC, OECD Guidelines, etc.). To meet our clients' needs we implement a range of negative screens and exclusions according to specific exclusion criteria requested by our clients. For certain clients, we use specialist third-party screening providers to implement such exclusionary screens; however, these screens may at times offer low coverage for particular asset classes and/or many not always be relevant for all asset classes. If you have questions about the coverage of particular screens for your funds, please reach out to your Client Manager. For other clients, we exclude investments contained on detailed "restricted lists" provided by the applicable client.

As an illustrative example, exclusions may be based on violation of UNGC Principles or involvement in the production of nuclear and controversial weapons, tobacco, thermal coal, gambling, oil sands, Arctic oil, etc.

In addition, we comply with laws and regulations in markets where we conduct our business activities and will implement all exclusions required by applicable laws and regulations.

V. Climate Risk and Stewardship

We consider climate change and associated investment risk to be an important factor that should be incorporated in our credit assessment, especially where we deem the issuer's exposure to climate risk to be high. Consideration of climate risks and opportunities is part of our approach in 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 where material.

In measuring climate risks, we aim to 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 each case to the extent we believe they are likely to be material to the overall credit rating. In addition, we view 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 likely climate-related risks on our investments. This is achieved by a combination of approaches as applicable to different asset classes, including:

- Incorporating climate risk assessment in fundamental analysis. Where they believe these risks to be material, our analysts may evaluate an issuer's exposure to climate related risks by considering their exposure to climate regulations, consumer demands, technological risks/opportunities, and/or whether their key assets are located in areas exposed to increased physical climate risks. They also may consider the issuer's management and plans to reduce their climate risk exposures going forward. 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 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), industrials (e.g., producing or using products like steel, cement and aluminium), as well as the agricultural sector, our research involves (where relevant):
  - Monitoring regulatory developments and analysing their potential impact on issuers
  - Incorporating the risk of an increase in carbon prices, or lower demand for fossil fuels and higher-emissions products
  - 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)

Furthermore, 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. In addition to their ESG Impact Rating criteria, certain of our ESG funds / client accounts have exclusions on some of the most carbon intensive activities such as thermal coal extraction, thermal coal power generation and oil production in the Arctic and from tar sands, as well as limitations on an issuer's overall carbon intensity.

Additionally, in order to give us greater insights into an issuer's low-carbon transition, we have developed a proprietary Temperature Alignment Tool. This tool supports us in assessing the ambition and credibility of corporate issuers' alignment with several key temperature rise levels, subject to data availability. Where significant, we also endeavour to raise our concerns over an issuer's climate impacts via engagement (in line with the principles for engagement described in this policy), noting how those concerns impact our credit assessment and ESG Impact Ratings, as well as, where applicable and appropriate, how this could impact our clients' demand for the issuer's bonds. Our large size and global coverage of fixed income markets also allow us to provide issuers constructive insights into how such concerns could affect demand for their debt more generally, as well as how they compare to their peers with regards to climate performance, strategy and disclosure.

We strive to ensure that we have adequate access to resources, including staff, data and analytical tools, to assess, implement and monitor climate-related risks/opportunities and measures. We believe that this bottom-up approach to climate risks provides us with more useful information that we can integrate into our credit research analysis. We also dedicate resources to exploring and testing new sources of data, including emerging methodologies to calculate climate value at risk, implied temperature rise, and similar metrics, and can report on such metrics to clients. However, for many climate risk metrics, we currently believe there remain significant flaws in their methodology and assumptions, which is why we do not rely on them to manage climate risks in our portfolios today.

We actively engage with our clients to understand their views and preferences with regard to climate change. As a steward of our clients' assets and consistent with the goals of the Paris Agreement, we recognise our role in helping any clients with decarbonisation targets to meet such goals at the portfolio level. Accordingly, we are committed to working in partnership with our clients to develop decarbonisation solutions for their portfolios, while reflecting their bespoke return expectations, risk appetite and timeframes. This may include, among other things, measuring and reporting on the carbon intensity or footprint of certain portfolios, as well as setting absolute or relative targets based on such metrics. With the aim of helping improve the standards for such disclosures, PGIM Fixed Income became a member of the Partnership for Carbon Accounting Financials ("PCAF") in 2024.

Additionally, PGIM Fixed Income has publicly supported the Task Force on Climate-Related Financial Disclosures ("**TCFD**") recommendations, which are a set of voluntary, climate-related financial risk disclosures. In our engagements with relevant issuers, we may encourage climate related disclosures and reporting aligned with the TCFD principles. PGIM Fixed Income's UK entity published its own TCFD Report, as required by the UK's Financial Conduct Authority (FCA), in 2024. We have also disclosed key TCFD metrics in our ESG Annual Report and other TCFD-related information in both that report and our most recent UN PRI reporting.

VI. ESG-labelled Investments

We have developed a proprietary framework to evaluate the quality and impact of Green, Social, Sustainability and other ESG-labelled use-of-proceeds bonds. Our framework considers the credibility of the issuer's ESG strategy and the issuance, the specific terms of the bond, and the potential incremental positive environmental and social impacts, or additionality, related to the issuance in order to assess the overall impact of an ESG-labelled bond. The overall impact assessment may lead to an uplift to the bond's ESG Impact Rating relative to that of its issuer and informs our view on the attractiveness of the bond.

VII. ESG Engagements

PGIM Fixed Income publishes a standalone ESG Engagement Policy, which sets out our approach to engagement: ESG Engagement Policy (pgim.com).

Additionally, PGIM Fixed Income is a member of the PGIM ESG Council, which enables coordination and collaboration on certain ESG activities where appropriate across the PGIM affiliates. As a member of the PGIM ESG Council, PGIM Fixed Income, together with the other PGIM affiliates, will also respond to certain regulatory consultations where we believe we have valuable insights and feedback to share. We participate in these consultations with a view to ensure that the interests of our clients are best represented in the development of new ESG and sustainability related regulations. Also through memberships held by PGIM (rather than directly by PGIM Fixed Income), PGIM Fixed Income has access to the resources within the following initiatives:

- Institutional Investor Group on Climate Change
- Council of Institutional Investors
- IFRS Sustainability Alliance
- Transitions Pathway Initiative
- International Corporate Governance Network

In addition, PGIM licenses the SASB Standards Disclosure Topics, Accounting Metrics, SICS and Engagement Guide Questions.

VIII. ESG Governance and Senior Management Responsibility

PGIM Fixed Income has established an ESG policy committee (the "ESG Policy Committee") that is supported by an ESG ratings sub-committee (the "ESG Ratings Sub-Committee", and together with the ESG Policy Committee, the "ESG Committee"). The ESG Committee is supported by focused ESG working groups as required. These ESG working groups are formed and meet as needed and consider ESG issues from their respective perspectives. The ESG Policy Committee, which is Chaired by John Vibert (President and CEO of PGIM Fixed Income), 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. The ESG Policy Committee is composed of senior leaders and department heads across various regions. The ESG Ratings Sub-Committee is Chaired by Brian Barnhurst (Head of Credit Research) and 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. The ESG Ratings Sub-Committee is composed of senior representatives of research teams across Investment Grade, High Yield, Emerging Markets, Municipals, Securitized Products, Macroeconomic and ESG across various regions.

IX. ESG Disclosures

We believe in the importance of transparency and communication with our clients, investors and other stakeholders. We strive to provide clients with relevant and timely ESG reports tailored to our clients' needs. The information about ESG investing at PGIM Fixed Income, including our ESG philosophy and approach, policies, references to our adherence to responsible business codes and other documents can be accessed at https://www.pgim.com/fixed-income/environmental-social-governance.

X. Appendix

Annex A

ESG Topic	ESG Characteristics	Indicators Potentially Considered[2]
GHG Emissions/ Energy Use	Credible plan to reduce emissions	Greenhouse gas emissions (Scope 1, 2 and/or 3); Carbon Intensity; Consumption of energy from non-renewable sources; Use of or revenues from renewable energy; Practices that improve energy efficiency; 1.5C or 2C alignment and/or credible targets in place; Modern technologies reducing emissions impact; Contribution to climate solutions; Emissions of F-gases / ozone-depleting substances
Ecosystem/ Biodiversity Damage	Responsible management of ecosystems and biodiversity	Actions negatively impacting bio sensitive areas; Deforestation policies; Fertilizer and pesticide usage practices; Fishery management policies; Antibiotic use and practices; Overall land use policies; Land restoration plans; Remediation activities; Forestry management programs; Emissions of air pollutants (metric tons); Emissions to water
Waste Management (including hazardous waste)	Responsible management of waste	Generation of and management of non-hazardous waste; % of waste to landfill; plastic pollution; Business models to transport and incinerate waste; Waste reduction initiatives
	Responsible management of hazardous waste	Generation of and management of hazardous waste (including radioactive waste, where applicable); % of hazardous waste relative to overall waste; Hazardous waste disposal programs; Spills/ contamination and related remediation activities; Spill recovery rate
	Circular economy initiatives	Waste recycling practices; Waste management processes; Product lifecycle management; E-waste management programs; Recyclability of products and recycled content used in products
Water Consumption/ Contamination	Responsible management of water use	Freshwater withdrawals and consumption; Water recycling rate; % of assets in water stressed areas; Exposure to areas of high-water stress; Water management policies
	Water contamination management	Emissions to water; Water contamination reduction program
Human Rights	Responsible treatment of vulnerable workers and populations	Relations with indigenous communities; Assets located in contested/tribal lands; UNGC violations; Policies to eliminate child/slave labour, including (where material) with respect to supply chains; Modern slavery or forced labour; Exposure to controversial weapons
Labour Management	Strong worker health and safety management	Occupational health & safety performance, including accident and fatality rates; Policies and controls to prevent accidents; Presence of worker training programs
	Fair wages and working conditions	Total compensation of median compensated employee; Executive compensation; Percent of employees not earning a living wage; Violations of minimum wage laws; Non-compensation benefits offered; UNGC violations; Modern slavery or forced labour; discriminatory practices
Unethical/ Illegal Business Practices	Governance to avoid illegal business activities	FCPA violations; Bribery/corruption scandals and policies to avoid this; UNGC violations; Illicit international trade; AML and terrorist financing violations; Litigation and fines
	Governance to avoid unethical business practices	Anticompetitive practices; Unfair trade practices within supply chain; SFDR Good Governance compliance; Effective tax rate
Quality of Products and Services	Safe products and services	Product recalls; Effective content moderation; Product safety record; Data breaches and data privacy & security practices
	Non-discriminatory pricing and sales practices	Unfair pricing practices; Misleading marketing and sales practices; Financial inclusion/exclusion; Responsible lending practices
Projects and Initiatives	Financing of green projects	Credibility of project or initiative; Additionality of project or initiative
	Financing of social projects	Credibility of project or initiative; Additionality of project or initiative

[2] Not every topic, characteristic and/or indicator listed is always assessed as the assessment only considers material impacts, which can vary by asset class, industry and the issuer's specific activities. The list is not exhaustive and actual analysis may include other indicators and/or topics not listed here. Consideration of indicators is usually a qualitative assessment informed by those indicators, rather than via a quantitative framework. In some cases, the indicators may be considered indirectly (e.g. via consideration of policies likely to affect performance on the indicator). For the avoidance of doubt, analysts are not required to directly score each indicator listed.
Note: Indicators may also be relevant within supply chains.

NOTICE: IMPORTANT INFORMATION

Source(s) of data (unless otherwise noted): PGIM Fixed Income, as of **May 2024**.

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.

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