



PGIM REAL ESTATE

ANNUAL STEWARDSHIP REPORT

Aligned with the principles of the
UK Stewardship Code 2020

OCTOBER 2024 | FOR THE YEAR ENDED 31 DECEMBER 2023

For Professional Investors only. All investments involve risk, including the possible loss of capital.

PRINCIPLES AT-A-GLANCE

- 1 Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
- 2 Signatories' governance, resources and incentives support stewardship.
- 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
- 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
- 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.
- 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
- 7 Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
- 8 Signatories monitor and hold to account managers and/or service providers.
- 9 Signatories engage with issuers to maintain or enhance the value of assets.
- 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.
- 11 Signatories, where necessary, escalate stewardship activities to influence issuers.
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FOREWORD

PGIM Real Estate has been a trusted partner for decades, navigating challenges and opportunities – and evolving to continually anticipate and meet the objectives of our clients. This longstanding experience across market cycles is what enabled us to enter – and emerge – from recent macroeconomic events from a position of strength.

In 2023, \$21 billion in global transactions were closed while delivering strong risk-adjusted returns to our investors. PGIM Real Estate continues to make significant advancements across three strategic priorities that are critical to PGIM Real Estate’s long-term success: Technology & Innovation, Diversity, Equity and Inclusion (DEI) and Sustainability.

Technology & Innovation

PGIM Real Estate continued to expand and grow its global innovation strategy through key partnerships with three venture capital firms in USA, Europe, and Asia Pacific, as it taps into the technology disruption wave currently transforming the real estate industry. We have consolidated our innovation councils to include five key councils with remits covering a variety of topics globally, encompassing piloting and implementing multiple technologies – including certain technologies focused on reducing energy consumption and carbon emissions and giving better experience to our tenants.

Building on the groundwork laid in prior years, in October 2023 we launched an innovation lab, RealAssetX, to monitor emerging disruptive technologies, and drive innovation through the development of new technologies for the real asset sector. RealAssetX aims to partner with leading universities focusing on the use of artificial intelligence and predictive analytics to create techniques that better harness traditional and non-traditional data sources for investment decision-making and support PGIM Real Estate and the industry in achieving their decarbonisation goals. We have partnered with University College London to launch a centre for sustainability and realtech innovation in London, focusing on the development of these new technologies. Additionally, we partner with tech startups to assist them with R&D, product development, and scale-up strategies. The implementation of the data lake infrastructure project, GOLD, continues to go well, and we have now launched various global dashboards which helps us to track, measure and enhance performance, including sustainability, within existing and future investments.

DEI

PGIM Real Estate has a long-held commitment to advancing DEI, rooted in the belief that this is a pre-requisite for our success and sustainability. Our DEI strategy is championed by our chief executive officers, and permeates each department and team, across every level of talent. It is centred on five areas of impact: talent, culture, industry, investing and community. Our ongoing journey towards fostering an inclusive culture remains a top priority, with leaders and colleagues across the globe dedicated to establishing a culture of belonging. We’re focused on bringing DEI concepts to the ground-level where it has a tangible impact on every employee’s day-to-day experiences.

Key highlights completed in 2023 include: global roll out of focused leadership training for our managers of people and Vice President+ population called “Inclusion Counts”, shared recommendations from five global employee-led workstreams who developed best practices to grow inclusive leadership skills within categories of inclusion, coaching, career development, performance management and accountability; and last but not least, over twenty events hosted by passionate and engaged colleagues within our Inclusion & Leadership Network across all our global offices to promote “an inclusive and equitable workplace for all”.

Sustainability

In 2021, we were proud to align with Urban Land Institute's (ULI) Greenprint Net Zero Carbon goal to reduce operational carbon emissions of our global portfolio of managed properties to net zero by 2050. In 2022, we advanced this goal with the preparation of a Net Zero Strategy report to describe our commitment, our pathway. More recently, in 2023, we have translated this commitment to the “promotion of energy efficiency and/or decarbonisation” in an update of the binding criteria of many of our Sustainable Finance Disclosure Regulation (SFDR) Article 8 funds. Additionally in 2023, we enjoyed the benefits of our more robust Sustainability Due Diligence Assessment tool for Europe, as well as evolving our approach to lending, and underwrote sustainability into almost every equity transaction; informing and creating detailed asset level work plans for ownership. We have also developed and operationalised a more detailed analysis of physical climate risk, designed to achieve EU Taxonomy alignment, and have piloted this across our pan European core fund. We continue to strive for increased education and transparency in all aspects of sustainability.

Looking ahead, our key objectives for 2024 include the ongoing evolution of sustainability tools, including a sustainable development framework and a quantitative portfolio review template, continuing to increase our impact as a leading real estate lender, and ensuring that all our global employees receive the training and incentives necessary to increase stewardship in every aspect of what we do. Given our global scale and footprint, we recognise that we have a significant opportunity to make a positive impact. We're committed to being a part of the solution by helping the world address our biggest climate challenges.

Our entire global platform made great strides across our strategic priorities in 2023 – particularly in technology and innovation – and we are proud to highlight these efforts in this year's Stewardship Code Report. Looking ahead, we are confident in our ability to further our stewardship activities and sustainability objectives with a view to ignite positive environmental and social impact while engaging in activities that strengthen our communities.



A handwritten signature in blue ink, appearing to read 'S. Ferrante'.

Sebastiano Ferrante,
Managing Director, Head of Europe

The publication of this report coincides with the timeline set by the UK Financial Reporting Council (FRC) to comply with the UK Stewardship Code 2020. The Financial Reporting Council sets the UK Corporate Governance and Stewardship Codes and UK standards for accounting and actuarial work; monitors and takes action to promote the quality of corporate reporting; and operates independent enforcement arrangements for accountants and actuaries. See www.frc.org.uk "About the FRC"

The UK Stewardship Code 2020 sets high stewardship standards for asset owners and asset managers, and for service providers that support them. This report covers the period 1 January through 31 December 2023, and provides an indication of our proposed business initiatives. All figures are as at 31 December 2023, unless otherwise stated.

PGIM Real Estate is a business of PGIM Inc., the US\$1.3 trillion global asset management business of Prudential Financial, Inc. ("PFI", NYSE: PRU). This report has been reviewed and approved by members of the PGIM Real Estate European Executive Committee and the Board of PGIM Private Alternatives (UK) Limited, an FCA regulated asset management firm and SEC regulated investment advisor.

Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR

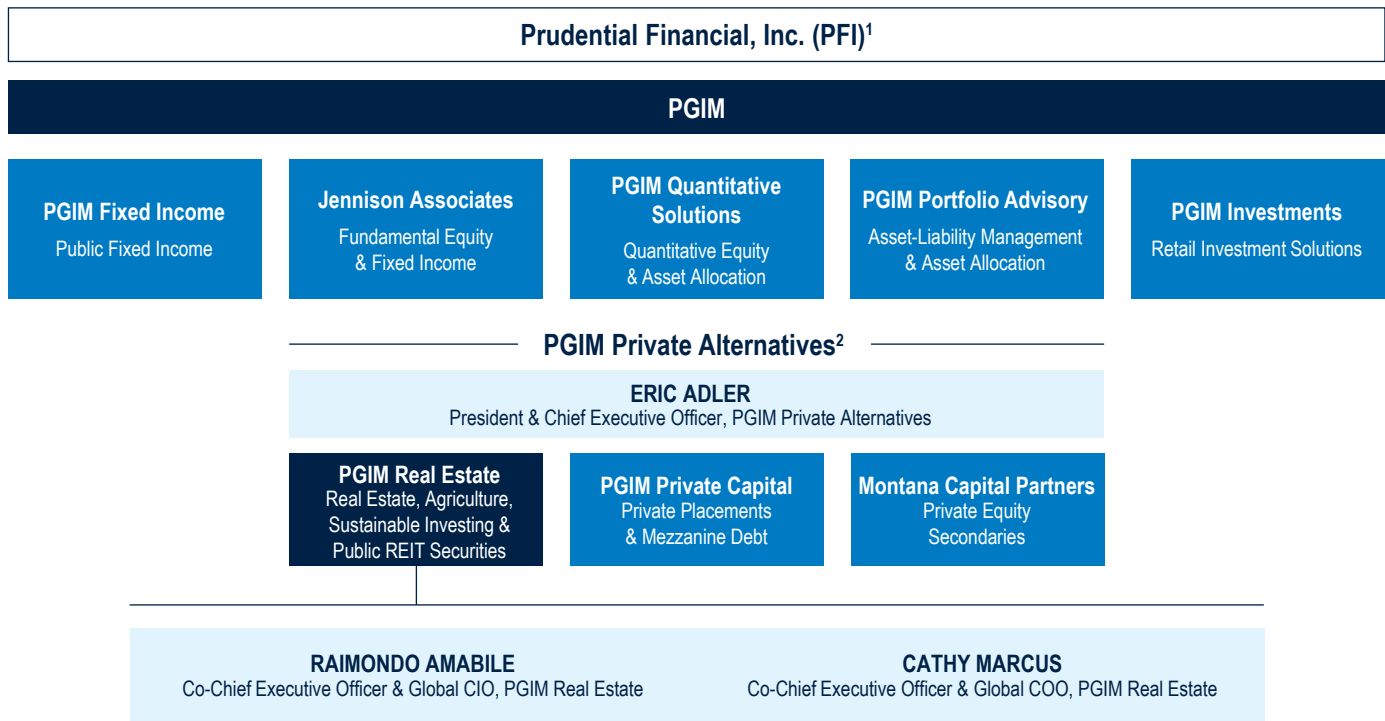
PURPOSE & GOVERNANCE

PRINCIPLE 1:

Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

PGIM Real Estate at a Glance

PGIM Real Estate is the real estate investment management business of PGIM Inc., the \$1.29 trillion* global asset management business of Prudential Financial, Inc. (PFI., NYSE: PRU). As part of PGIM Private Alternatives, PGIM Real Estate manages and finances real estate properties around the world, on behalf of institutional and individual investors.



Backed by a 140-year history of real estate financing and 53-year legacy of investing in commercial real estate, PGIM Real Estate strives to deliver exceptional outcomes for investors and borrowers through a range of real estate equity and debt solutions across the risk-return spectrum and through public REIT securities. With \$210 billion gross assets under management and administration* and +1200 professionals operating out of 31 cities, we are recognised in the industry for our significant global platform.

¹ 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.

² Eric Adler resigned from PGIM effective September 2024.

Past performance is not a guarantee or a reliable indicator of future performance. Note: All figures shown are the most recent global figures available as of December 31, 2023 unless otherwise noted.

\$210B

AUM/AUA¹

#3

Real Estate
Manager Worldwide²

Top 10

Commercial Real Estate
Lender³

#2

Capital Raised for Debt
Strategies⁴

GLOBAL PLATFORM AT-A-GLANCE

50+ Year Track Record Real Estate Investment Experience

21 Countries with equity and debt investments

1,200+ Professionals across 35 cities worldwide

1.6M+ Tenants across owned + financed properties⁶

6,400+ Owned + Financed Properties⁵

1M+ Residential cross owned + financed properties⁶

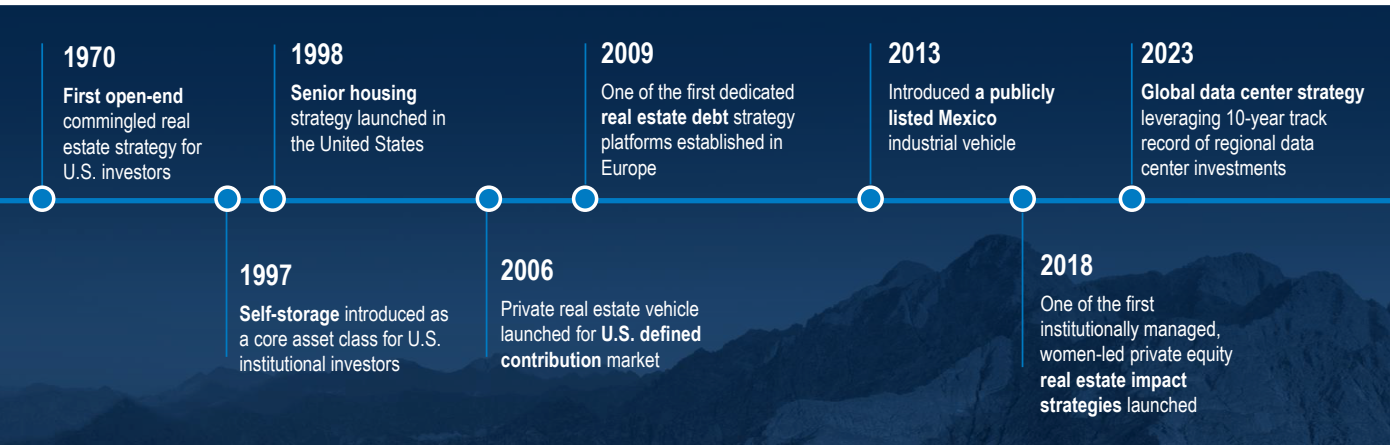
\$21B Transactions, full-year 2023

Net Zero By 2050⁷

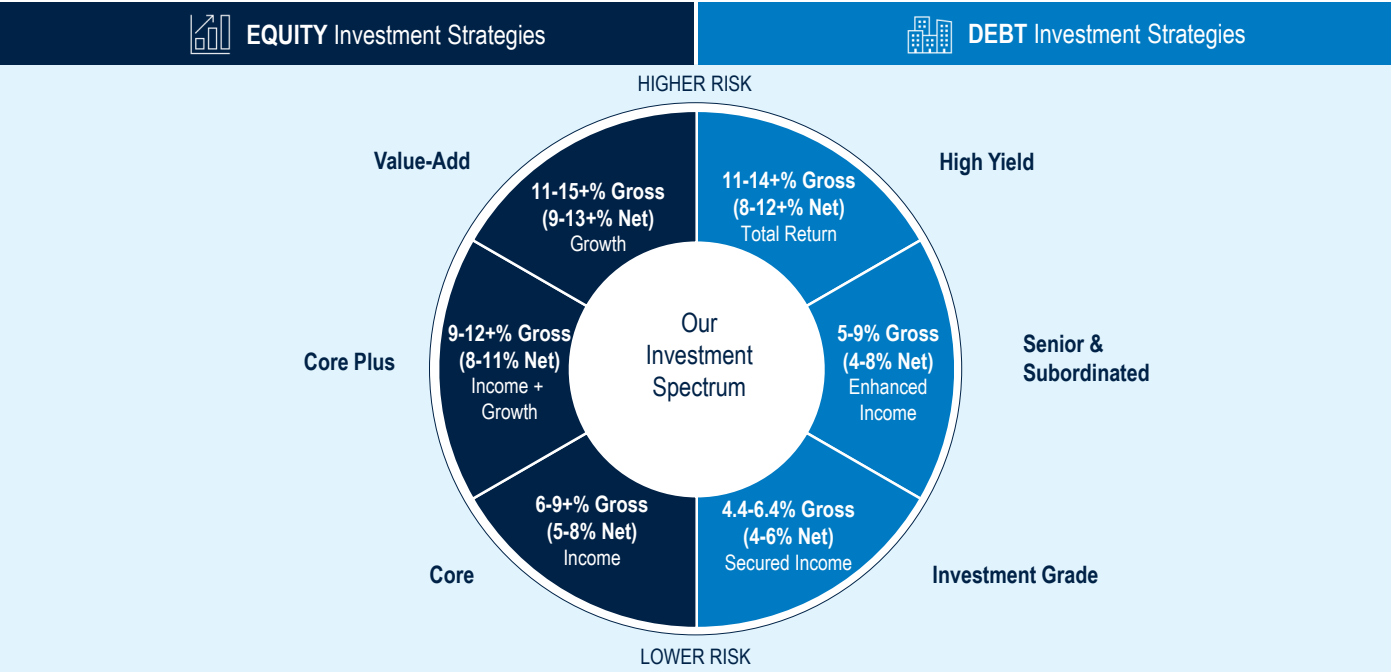
Past performance is not a guarantee or a reliable indicator of future results. Note: All data as of 12/31/2023 and refers to PGIM Real Estate globally unless otherwise noted. 1. Gross AUM/AUA; net AUM is \$132B and AUA is \$47B. 2. PGIM Real Estate is the third largest real estate investment manager (out of 76 firms surveyed) in terms of global real estate assets under management based on 'Pensions & Investments' "The Largest Real Estate Investment Managers" list published October 2023. This ranking represents global real estate assets under management by PGIM Real Estate as of 6/30/23. Participation in the ranking is voluntary and no compensation is required to participate in the ranking. 3. PGIM Real Estate is the fifth largest commercial real estate lender (out of 129 firms surveyed) in terms of production based on the 2023 Mortgage Bankers Association Annual U.S. Origination Rankings published in March 2024. This ranking represents originations production volume from 1/1/23 - 12/31/23. Participation in the ranking is voluntary and no compensation is required to participate in the ranking. 4. PGIM Real Estate is ranked second out of 50 firms published in PERE's Real Estate Debt 50 third-party capital raised survey published in May 2024. This ranking represents third-party capital raised for real estate debt strategies from 1/1/19-12/31/23. Participation in the ranking is voluntary and no compensation is required to participate in the ranking. 5. Does not include properties where we service a loan only. 6. Tenant and resident figures shown are estimates based on industry standard occupancy ratios as of December 31, 2022 (this figure is updated annually). 7. PGIM Real Estate is committed to the Urban Land Institute's (ULI) Greenprint Centre for Building Performance Net Zero Carbon Goal to become Net Zero for our global portfolio of management properties.

Our Business Model and Purpose

PGIM Real Estate, as one of the largest real estate managers in the world, has a history of helping individuals, institutions and communities grow and protect their wealth. Innovation has been a hallmark of our business, as first-movers across sectors and vehicles – and we continue that legacy today.



PGIM Real Estate operates regional strategies and provides exposure to multiple sectors across the risk-return spectrum. As of December 2023, we have 12 active open-ended funds providing broad, strategic, market exposure for longer-term asset allocation and 6 active closed-end strategies focusing on tactical themes and market opportunities through the cycle.



Target returns are not guaranteed. Note: Sample return targets shown may vary by region and specific products offered. All returns are illustrative.

As an investment adviser we act as a fiduciary and our primary responsibility is to add economic value to our client’s portfolios over the long-term, within the constraints of applicable investment management agreements and ongoing market conditions. We are committed to transparency and maintaining a best-in-class risk management environment that is intended to preserve, protect, and enhance investor capital. We have multiple levels of risk management at enterprise, operational and investment levels and apply a consistent approach across the globe. At its core, our investment management business is focused on taking controlled risks to achieve a targeted level of return. We know that taking sustainability factors into consideration can positively impact long-term economic performance and future-proof our assets for a regulatory environment increasingly aligned with decarbonisation.

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

Why PGIM Real Estate?

Our platform provides long-standing investment expertise in every region in which we operate, with extensive track records in the U.S., Latin America, Europe, and Asia. We believe our trusted expertise, unrivalled access to global markets, strong historical outperformance, and an active approach to sustainability uniquely positions PGIM Real Estate to meet the distinct objectives of our clients.

TRUSTED EXPERTISE <ul style="list-style-type: none">• Deep knowledge of local real estate equity and debt markets• Over 51 years of proprietary data and research informing our investment decisions	STRONG³ PERFORMANCE <p>Track record of excellence backed by:</p> <ul style="list-style-type: none">• Rigorous risk management• Best-in-class service• Highly selective investment process	UNRIVALED ACCESS <ul style="list-style-type: none">• Global platform with tenured teams in 35 cities• Enhanced sourcing, structuring and development capabilities	PURSUIING SUSTAINABILITY <ul style="list-style-type: none">• Integrating a robust firm-wide sustainability policy to achieve better results for all stakeholders across investment, asset, risk & talent management• Commitment to Net Zero by 2050⁴
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³ As of 12/31/2023, 100% of benchmarked open-end funds outperformed their benchmark on a 10-year time period based on NAV. 10 years is generally considered a real estate cycle. Excludes open-end strategies with a target return objective, and open-end benchmarked strategies with an inception date of less than 10 years. Outperformance over 1-, 3-, 5-, and 7-year annualized return time periods based on NAV was 33.7%, 96.3%, 96.1% and 98.2%, respectively. Note: No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

⁴ PGIM Real Estate is committed to the Urban Land Institute's (ULI) Greenprint Center for Building Performance Net Zero Carbon Goal to become Net Zero by 2050 for our global portfolio of managed properties.

Our Investment Beliefs

PGIM Real Estate's investing philosophy is to create exceptional value for our investors and partners by uncovering new opportunities within global real estate. We believe that:

- Real estate is a local business and that investment selection decisions should be made locally with accountability and strong risk management oversight.
- An active, top-down and bottom-up approach to portfolio construction helps create value for investors.
- Active management of every portfolio holding can enhance both income and capital value.
- Effective diversification through tactical sector weightings and shifts, market targeting, property selection and pricing can both reduce portfolio risk and enhance returns.

Institutional markets will always evolve and in line with radical changes in technology, society, and climate, we have strong conviction that medium term demand for real estate will be driven by the three following megatrends:

1. Digital Transformation

Digitalisation is fundamentally changing the behaviour and operations of individuals and business everywhere. In the real estate space, digitalisation is primarily driving growth for modern logistics space (including cold storage) and hyperscale data centres.

For many years, the rise of online retail and the expansion of ecommerce platforms has been instrumental to the rise of the modern logistics sector globally. This megatrend will continue with the specifications of logistics assets becoming more sophisticated and the right asset location becoming ever more critical. PGIM Real Estate believes that the next phase of growth for logistics sector will be driven by asset productivity and efficiency, which supports strong rental growth for assets with the right attributes.

Demand for hyperscale data centres is driven by the accelerated adoption of cloud technology across major economic sectors, particularly in the information, communication, and technology (ICT) sectors. Cloud services are forecast to grow significantly in the coming years and hyperscale data centres, as an integral part of the digital infrastructure, play a vital role in supporting this growth.

2. Demographics

From the demographic perspective, the opportunities are two-pronged. On one hand, the young population and growing middle class are driving demand for residential housing, in particular rental housing due to strong household formation and falling housing affordability in major cities. On the other hand, a fast aging population in many developed economies will boost demand for senior housing and health care, which is very much under-supplied in many major markets across the globe.

3. Decarbonisation

Environmental issues are increasingly becoming an important consideration for businesses and individuals when making their choices on where to live, work and play. Buildings which conform with high operational sustainability standards can attract a significant valuation premium, a so called “green premium”. Not only are these buildings able to operate at much lower costs ratios but there is also increasing evidence that they are able to charge higher rents and maintain better occupancy levels. This development, which PGIM Real Estate believes will further accelerate over the coming years, will put significant pressure on owners of older building stock, especially those which lack the scale and expertise to implement complex asset-enhancement plans or redevelopment projects. PGIM Real Estate therefore believes that there is an attractive investment opportunity to acquire older building stock at depressed pricing for upgrade or redevelopment, generating attractive returns while helping the industry to transition to a net-zero future.

Our Commitment to Sustainability

PGIM Real Estate has a Global Sustainability Policy and Mission, which together describe our approach to sustainability for all strategies and assets under management, as well as our net zero carbon and other sustainability-related targets.



Mission: We know that doing the right thing for our people, the environment and our communities leads to better results for all our stakeholders. Throughout our real estate investment, asset management, risk management and talent management processes, we strive to engage in practices that ignite positive environmental and social impact, while pursuing activities that strengthen communities around the world.

PGIM Real Estate’s Global Sustainability Policy outlines our business practices related to the three core pillars of environmental, social and governance. The policy is comprehensive, covering our equity, debt, and securities businesses. The Global Sustainability Policy also covers the components of Responsible Investing that are key to PGIM Real Estate’s Sustainability Strategy. The Global Sustainability Policy is updated annually and approved by the Global Sustainability Council to reflect changes in the Sustainability Programme.

Our Sustainability Strategy

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Our environmental commitment is global and shared by our employees. By applying rigorous sustainability due diligence, responsible resource reduction strategies and consideration of climate-related risks (physical and transition risks) in making our investment decisions, we enhance both our environmental performance and our investment performance. PGIM Real Estate advocates for operating practices, materials and construction methods that protect human health, preserve biodiversity, increase the use of sustainable materials and renewable energy, and reduce greenhouse gas (GHG) emissions.	Building on the strong foundation established by our parent company, PGIM Real Estate has maintained a deep commitment to the global communities we invest and operate in. We are committed to attracting, developing, and retaining the best people in pursuit of our goal to be the real estate employer of choice by focusing on four key areas: i) benefits and wellness, ii) rewards and recognitions, iii) professional and career development and iv) culture and work environment. In addition to corporate grants and charitable contributions, we give back to our communities through an employee volunteer programme that offers skills and resources to community organisations and initiatives that increase human potential and individual self-sufficiency.	Sustainability measures are fundamental to our investment analysis and rigorous due diligence processes, which include an underwriting regime, risk management evaluations and approval processes. By respecting the framework of policies, procedures, principles, and practices established by our parent company, PGIM Real Estate ensures that all businesses embrace corporate responsibility, accountability, ethics, integrity, and transparency in their stakeholder relationship. We benchmark and report the sustainability progress and performance of our funds to our investors on an annual basis.

Our approach to sustainability issues encompasses both internal and external stakeholders – all people and organisations that are subject to our influence and impact or that are identified as part of our value or supply chains. Therefore, we engage across both internal and external stakeholders in initiatives to reduce resource use and waste, as well as improve environmental quality and social inequality.

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none">• Our direct employees• Other PFI employees• PFI Shareholders	<div><ul style="list-style-type: none">• Investors• Borrowers• Joint Venture Partners• Property Managers• Professional Service Suppliers<ul style="list-style-type: none">• Tenants, residents, their employees, and their interests• Contractors, their employees, and their trade unions• Communities where our assets are located and/or where we invest<ul style="list-style-type: none">• Industry Organisations• Property Brokers• Local Government• Society At Large</div>

Over the course of our 50+ year history, PGIM Real Estate has developed solid foundations upon which we have built our sustainability programme. As we look towards the future, we are rolling out plans for programme expansion that are propelled by clear and actionable strategies that accelerate our performance, increase our impact throughout our global portfolio and can be tailored to meet individual fund and client needs. Additional details specific to the completion of regional materiality assessments are presented in Principle 7.

Our Culture and Work Environment

One of PGIM Real Estate's guiding principles is to build a strong and durable organisation, focusing on promoting a culture of interdependence, accountability, and inclusion. PFI's Core Values are the principles that guide us:

- **Worthy of Trust:** We keep our promises and are committed to doing business the right way.
- **Customer Focused:** We provide quality products and services that meet our customers' needs.
- **Respect for Each Other:** We are inclusive and collaborative, and individuals with diverse backgrounds and talents can contribute and grow.
- **Winning with Integrity:** We are passionate about becoming the unrivaled industry leader by achieving superior results for our customers, shareholders, and communities.

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

We believe that having diversity of perspective and experiences at PGIM Real Estate makes us better investors and lenders. PGIM Real Estate's Inclusion & Leadership Network (ILN) is an internally led initiative with the mission of fostering a workplace that attracts, develops, retains, and elevates diverse talent through an inclusive organisational culture. It seeks to fully integrate diversity and inclusion programmes into the talent initiatives and business strategy of PGIM Real Estate to support the career development of employees, and promote training, policies, procedures, and management styles that fully integrate a diverse work environment. PFI is equally committed to diversity and inclusion as evidenced by its Commitment to Diversity statement that has been signed by the senior executives of the company.

PGIM Real Estate actively seeks out employees, vendors, and business associates from a deep and diverse pool of accomplished professionals and strives to make the business an employer of choice through initiatives that support, inform, develop, and increase the awareness and sensitivity of its workforce. Given our global scale and footprint, we believe we have a significant opportunity to influence meaningful change around diversity and inclusion practices within the real estate industry. A number of examples are presented in response to Principle 10.

Case Study: Assessing Our Culture, for improvement

Objective: In 2022, PGIM Real Estate commissioned an independent third-party culture audit. The purposes of the audit were to understand the overall view of culture; identify barriers to progress and retention; and explore ideas for improving the experience, engagement, retention, and support of all employees.

Overview: Data sources included interviews with senior leaders responsible for facilitating overall culture within the firm, existing PGIM Real Estate data, and key insights from several listening and feedback sessions with PGIM Real Estate employees globally. In addition, a third-party review of our Managing Director Leadership Assessment was completed. Following these efforts, PGIM Real Estate aligned on key employee insights and developed recommendations to improve our culture to support all employees.

Outcomes: The Culture Audit recommendations resulted in key action items, which focused on several internally-led initiatives in addition to three additional strategic considerations for 2023. These included additional leadership training and workshops for managers, the establishment of a multi-year strategy and the evolution of the Managing Directors Leadership Assessment to be a more comprehensive leadership assessment of which inclusive leadership behaviors to improve our culture will remain a core element.

Measuring Effectiveness

Measuring the effectiveness of how we meet the interests of clients and beneficiaries requires acknowledgement of our continued strong investment performance, our ability to deliver the investment solutions our investors need, our client satisfaction and our commitment to continue to integrate sustainability to preserve and grow value. To measure our effectiveness, where appropriate, we benchmark the business and our investments respectively through UN's Principles for Responsible Investment (PRI) and GRESB annual reporting, conduct semi-annual reviews of our portfolios, conduct tenant satisfaction surveys, listen to and action feedback from investors and other stakeholders on a regular basis and seek to maintain a culture of continual improvement.

Across market cycles, we have provided consistently strong performance for our investors. As articulated in our "Investment Beliefs", we focus on real estate as a local business - investment selection decisions are made locally with accountability and strong risk management oversight. Active management is implemented at both the portfolio level, and for each individual asset. At the property level, asset managers are focused on enhancing both income and capital value of each asset. Our stable, tenured team of real estate professionals has a demonstrated track record of transparent communication through all economic cycles, and a steadfast commitment to strategic consistency.

Additional information on how we measure client satisfaction, as well as our willingness to develop products that meet client demand has been provided in response to Principle 6.

Measuring the Effectiveness of our Sustainability Programme

Throughout the reporting year, we measure the effectiveness of our sustainability programme through committing and reporting to industry frameworks. We have published our core commitments to sustainability through several industry commitments.

In 2021, PGIM Real Estate Committed to Net Zero by 2050

In 2021, PGIM Real Estate aligned with ULI Greenprint's Net Zero by 2050 Goal, committing to reduce operational carbon emissions of our global portfolio of managed properties (i.e. equity investment only). Greenprint and its members are striving to reduce greenhouse gas emissions by 50 percent by 2030 and to achieve net zero carbon operations by 2050. PGIM Real Estate will look to target to reduce GHG emissions by 50% across 50% of managed properties by 2030 and net zero carbon across 100% of managed properties by 2050. The baseline net zero goal is based on GHG Protocol scope 1 and 2 greenhouse gas emissions, and direct

operational control excluding occupant operations. Collective progress will be published in the ULI Greenprint Performance Report each year to publicly showcase advancements towards both goals. As markets and industry evolve, PGIM Real Estate will consider more stringent and prescriptive net zero commitments and new strategies to adopt.

Since 2021/22, our Sustainability Annual Report has included a Task Force on Climate-Related Financial Disclosures (TCFD) index. The TCFD index is included to ensure our stakeholders have an enhance understanding of the impacts of climate change and better evaluate short, medium, and long-term risks and exposures. Additionally, we have produced a Net Zero Strategy report for our assets under management. The Net Zero Strategy report includes a definition of Net Zero and a Net Zero Pathway, which will serve as a guide to our business as to the steps we intend to take to reach Net Zero. Our pathway is transparent, it is robust, and it allows us to uphold our obligations.

Emission Reduction Targets Support our Net Zero Commitment

In 2017, PGIM Real Estate set 10-year emission reduction targets specific to our global portfolio of managed properties. We track and report on performance relative to these targets for all properties that were fully owned and operational for 24 months and had 24 months of data to generate a like-for-like (“same shop”) data set. The emission reduction targets ultimately support our net zero commitment, with the results published in the Sustainability Annual Report. Progress towards these targets have been accelerated as our key stakeholders work with us to create a better future with less impact on the environment.

10-Year, 2027 Targets from a 2017 baseline



PGIM Real Estate continues to perform positively against the 10-year emission reduction targets and is on track to deliver first results in the long term effort of the Net Zero Commitment. The 2022/23 Sustainability Annual Report outlines the business’ most recent performance against our emission reduction targets. These are also summarized in Principle 9.

We will continue to benchmark and improve the GHG emissions, solid waste production, and energy and water consumption of our properties; identify assets whose environmental performance can be quickly and economically improved; and engage with thought leaders in the field of sustainability so that we can capitalise on opportunities to make our portfolios greener and increase value for our investors. Examples of our engagement are presented in response to Principle 4. Our social initiatives include diversity targets, health and wellbeing initiatives, community engagement, and charitable giving.

We have been a signatory to the UN Principles for Responsible Investment (PRI) for over a decade

As a signatory to the PRI since October 1, 2009, PGIM Real Estate has completed the UN’s Principles for Responsible Investment (PRI) Reporting and Assessment survey annually (with exception to 2022).

In 2021, the PRI module grading was shifted from alphabetical (A+ to E) to numerical (1-5 stars), hence the scores for these latest reporting cycles cannot be directly compared to previous years. In 2021, our UN PRI reporting was also expanded to include our global debt business. Based on data as of December 31, 2023, PGIM Real Estate earned, 4 Star* for “Policy, Governance and Strategy”, “Direct – Real Estate” and “Direct – Fixed Income – Private Debt” and 5 star* for “Confidence-building Measures”. The star ratings have been consistent compared to 2021 reporting, with exception to Direct Fixed Income, which lost a star rating in 2023 reporting. It is noted that Confidence Building measures was new in 2023 reporting.

The PRI Reporting and Assessment survey results indicate that we continue to integrate sustainability best practices throughout our organisation to deliver the highest possible value for our investors.

As a GRESB Participant since 2013, We Continue to See Improved GRESB Results

Since the first GRESB survey in 2010, we have increased the number of participating global funds to 26, equivalent to 87.6% global AUM, and we continue to see improvement in our GRESB scores year after year.

GRESB SECTOR LEADER DESIGNATIONS

FOUR SECTOR LEADER DESIGNATIONS FOR THREE FUNDS

European Core/
Core Plus Fund

Regional Non-Listed Sector Leader

Europe — Mixed Use

U.S. Core
Plus Fund

Regional Non-Listed Sector Leader

Americas — Diversified

Mexico
Industrial REIT

Regional Listed Sector Leader

and Regional Sector Leader

Americas — Industrial

GRESB MANAGEMENT AND PERFORMANCE

3 1st in Peer Group funds/properties

15 of 21 Returning funds/properties increased or maintained their 2022 scores

4 5-Star Funds
European Value-Add Fund, Singapore Investment, European Core/Core Plus Fund, New York City Investment

9 of 21 Returning funds/properties increased their star rating over 2022 ratings

4 4-Star Funds
Asia Pacific Separate Account, European Core Fund, U.S. Core Fund, U.S. Core Plus Fund

GRESB MANAGEMENT AND DEVELOPMENT

4 1st in Peer Group funds/properties

7 of 9 Returning funds/properties increased or maintained their 2022 scores

1 5-Star Fund
Mexico Industrial REIT

4 of 9 Returning funds/properties increased their star rating over 2022 ratings

6 4-Star Funds
U.S. Impact Fund, U.S. Core Fund, U.S. Core Plus Fund, U.S. Value Add Fund, US Separate Account II and U.S. Senior Housing Fund II

PURPOSE & GOVERNANCE

PRINCIPLE 2:

Signatories’ governance, resources and incentives support stewardship.

GOVERNANCE

PGIM Real Estate recognises the importance of robust corporate governance as it strives to deliver exceptional outcomes for investors and borrowers through a range of real estate equity and debt solutions, across the risk-return spectrum. Being part of PFI, our rigorous risk management and due diligence framework is supported by long-standing principles, policies and procedures, and adhered to by our real estate professionals across our offices in 31 cities globally.

Our governance structure was designed to accommodate the needs of a large global real estate investment manager, and with the goal of ensuring centralised oversight that is supported and informed by regional governance structures. At the highest level, global councils and committees provide strategic direction and oversight. Additionally, each region (Europe, U.S., and Asia Pacific) has a governance structure that provides local oversight – including the implementation of new regulation, prioritisation of sustainability issues in our investment activities, and risk management.

As our sustainability and engagement activities have been implemented over the years, they have followed the same model of global oversight supported by on the ground, regional teams. Additionally, due to the nature of sustainability execution in real estate investing, investment professionals play a key role in implementation, and this is formally overseen by regional Investment Committees.

Strategic			Operational			Investment		
Global Management Council						Global Investment Committee		
U.S. Management Council	U.S. Executive Council	U.S. Debt and Agriculture Executive Council	Global Operational Risk Committee (GORC)	GORC - Products	Data Governance Leadership Council	U.S. Equity IC	Global Value-Add Debt IC	U.S. Debt IC
Latin America Executive Council	European Executive Council	Asia Pacific Executive Council		Global Disclosure Council (GDC)	Diversity Advisory Council	APAC Equity IC	APAC Debt IC (Equity)	APAC Debt IC (Core Debt)
						Europe IC	European Debt IC	LatAm IC
						Global Equity Valuation Policy Committee	Debt Valuation Committee	U.S. Debt Allocation Committee
						Agriculture Equity Allocation Committee	Investment Conflicts Council	Global Hedging Committee
Sustainability			Innovation			RealAssetX		

As of December 2023. Please note that this is for illustrative purposes only and is intended to convey PGIM Real Estate's global governance construct. At the regional level there are additional committees or boards as required by local regulations, for example the U.K. Board that reviewed and approved this application. The UK Board has representation on the Global Management Council.

The effectiveness of our governance is continually measured through a variety of internal and external audit and regulatory reviews, described in response to Principle 5. While the results of such audits and reviews are necessarily confidential, we can confirm that there have been no unsatisfactory audit results in the past 5 years.

Strategic: Global Management Council

PGIM Real Estate’s governance structure starts with the Global Management Council, which is responsible for executive oversight and risk governance. Senior leadership focuses their governance efforts in three distinct areas – Structure, Infrastructure, and Talent and Culture. Our sustainability strategy also begins with the Global Management Council, which guides our mission and direction of our programme.

The Global Management Council is comprised of senior leaders with an average of 28 years of Real Estate Investment experience. Please note that outside of our most senior leadership, employee names are withheld for privacy reasons.



RAIMONDO AMABILE
Co-Chief Executive Officer
& Global CIO
Years in Industry: 27



CATHY MARCUS
Co-Chief Executive Officer
& Global COO
Years in Industry: 37



ERIC ADLER
President & Chief Executive Officer,
PGIM Private Alternatives
Years in Industry: 27



MARLENE DELUCA
Chief Marketing Officer
Years in Industry: 27



MARCIA DIAZ
Head of U.S. Core
Years in Industry: 35



ED FARAH
Chief Financial Officer
Years in Industry: 30



SEBASTIANO FERRANTE
Head of Europe
Years in Industry: 25



JEFFREY GNOINSKI
Global Head of
Human Resources
Years in Industry: 25



PETER HAYES
Global Head of
Investment Research
Years in Industry: 20



JEFF JACOBS
Chief Legal Officer
Years in Industry: 27



ENRIQUE LAVIN
Head of Latin America
Years in Industry: 20



FARIS MANSOUR
Head of Business
Development,
Americas & EMEA
Years in Industry: 27



BRYAN MCDONNELL
Head of U.S. Debt &
Agriculture, and
Chair of Global Debt
Years in Industry: 23



ANDREW RADKIEWICZ
Global Head of Private
Debt Strategy & Investor
Solutions
Years in Industry: 34



SOULTANA REIGLE
Head of U.S. Equity
Years in Industry: 30



BENETT THESEIRA
Head of Asia Pacific
Years in Industry: 34



CHRISTY HILL
Global Head of Asset
Management & Sustainability
Years in Industry: 29

As of February 2024

Regional Management or Executive Councils support the Global Management Council

Regional Councils are responsible for setting the region’s strategic direction, making management decisions, and providing platform oversight. The Councils meet quarterly and work in partnership with regional business heads to accomplish their goals. Regional Councils are also responsible for reviewing profitability metrics, new product launches, performance, market views, sustainability and matters related to clients and operating partners.

Operational: Global Operating Risk Committee

PGIM Real Estate has a Global Operating Risk Committee (“GORC”), which is comprised of the firm’s senior global functional heads and all regional Chief Operating Officers, or their designees. The Committee’s role is to identify potential risks to the organisation and to ensure that there is comprehensive coverage of such risks by the appropriate functional groups or persons. The PGIM Real Estate Global Head of Operational Risk Management is accountable for escalating issues or other items (e.g., New Business Activity) raised at the GORC to the PGIM Chief Risk Officer to determine the appropriate level of governance.

Entrance into any new market must be reviewed and approved by the Global Operating Risk Product Committee (GORC Products) and, if new and / or material risk is present (as determined by the Risk Management functional group), the new market must also be approved by the PGIM Global Risk Management Committee. The same process applies to all new strategies where new and / or material risk is determined to be a factor.

Investment: Global Investment Committee

The Global Investment Committee is responsible for formulating PGIM Real Estate’s global view of markets and best investment opportunities, approving transactions which exceed thresholds for specific risk attributes (e.g., size, new market, new partner), and overseeing the Global Watch List.

The Global Investment Committee is comprised of senior leaders with an average of 28 years of Real Estate Investment experience.



ERIC ADLER

President & Chief Executive Officer, PGIM Private Alternatives
Years in Industry: 27



RAIMONDO AMABILE

Co-Chief Executive Officer & Global CIO
Years in Industry: 27



SEBASTIANO FERRANTE

Head of Europe
Years in Industry: 25



PETER HAYES

Global Head of Investment Research
Years in Industry: 20



CHRISTY HILL

Global Head of Asset Management & Sustainability
Years in Industry: 29



ENRIQUE LAVIN

Head of Latin America
Years in Industry: 20



CATHY MARCUS

Co-Chief Executive Officer & Global COO
Years in Industry: 37



BRYAN MCDONNELL

Head of U.S. Debt & Agriculture and Chair of Global Debt
Years in Industry: 23



DANIEL MCKEEVER

Chief Investment Risk Officer
Years in Industry: 22



ANDREW RADKIEWICZ

Global Head of Private Debt Strategy & Investor Solutions
Years in Industry: 34



SOULTANA REIGLE

Head of U.S. Equity
Years in Industry: 30



RICK ROMANO

Head of Global Real Estate Securities
Years in Industry: 32



BENNETT THESEIRA

Head of Asia Pacific
Years in Industry: 34



SARA TRYBUS

Chief Credit Officer
Years in Industry: 23

As of December 2023

Regional Investment Committees

Regional Investment Committees oversee regional risk and portfolio management, investment research, transactions, and other investment activities. The Committees are responsible to:

- Review and approve investment strategies for all funds, including where applicable fund-level sustainability strategies and objectives
- Review and approve all investments and dispositions for portfolios, including material sustainability issues and risks
- Annually review the status, positioning and strategy of each fund

Parent Company Governance

PGIM Real Estate derives significant governance benefits from being part of the global investment management division of a large insurance company.

PFI’s purpose is to make lives better by solving the financial challenges of our changing world and aspires to be a global leader in expanding access to investing, insurance, and retirement security. PFI has a global presence within 40+ countries, with \$1.4T AUM as of 31 December 2023. The PFI board believes that the long-term success of the corporation is dependent upon the maintenance of an ethical business environment. The Board of Directors and the Audit Committee focus on adherence to both the letter and the spirit of regulatory and legal mandates by reviewing reports from internal and external auditors and the General Counsel. The Chief Ethics and Compliance Officer then communicates regularly with the Corporate Governance and Business Ethics Committee and the Audit Committee to maintain cohesion.

Additionally, PFI has an independent Internal Audit Department. The Chief Auditor reports and is accountable to the Audit Committee of PFI’s Board of Directors and reports administratively to PFI’s Chief Executive Officer. The mission of the Internal Audit Department is to provide independent, objective, assurance services designed to add value to the Company by supporting the Audit Committee of the Board of Directors in fulfilling its oversight role as defined by the Audit Committee Charter. The scope of work of Internal Audit is to assess whether the organisation’s risk management, control, and governance processes, as designed, implemented and monitored by management, are adequate and functioning. To do this, the Internal Audit Department applies risk based, control design, control condition and horizontal audits. On a rolling basis, Internal Audit develops a general audit plan identifying the various business units to be reviewed. Annual plans are formalized typically 12 months in advance.

Sustainability Oversight & Staffing

The Global Sustainability Steering Committee

The Global Sustainability Steering Committee, established in 2019, consults on sustainability mission, strategy and policies across the business and addresses client needs and expectations as they progress toward their long-term targets. The committee comprises a global working group and regional working groups that collectively identify opportunities, promote tools to implement initiatives, drive regional level implementation and track and report progress. Members of the Global Sustainability Steering Group are highlighted below.

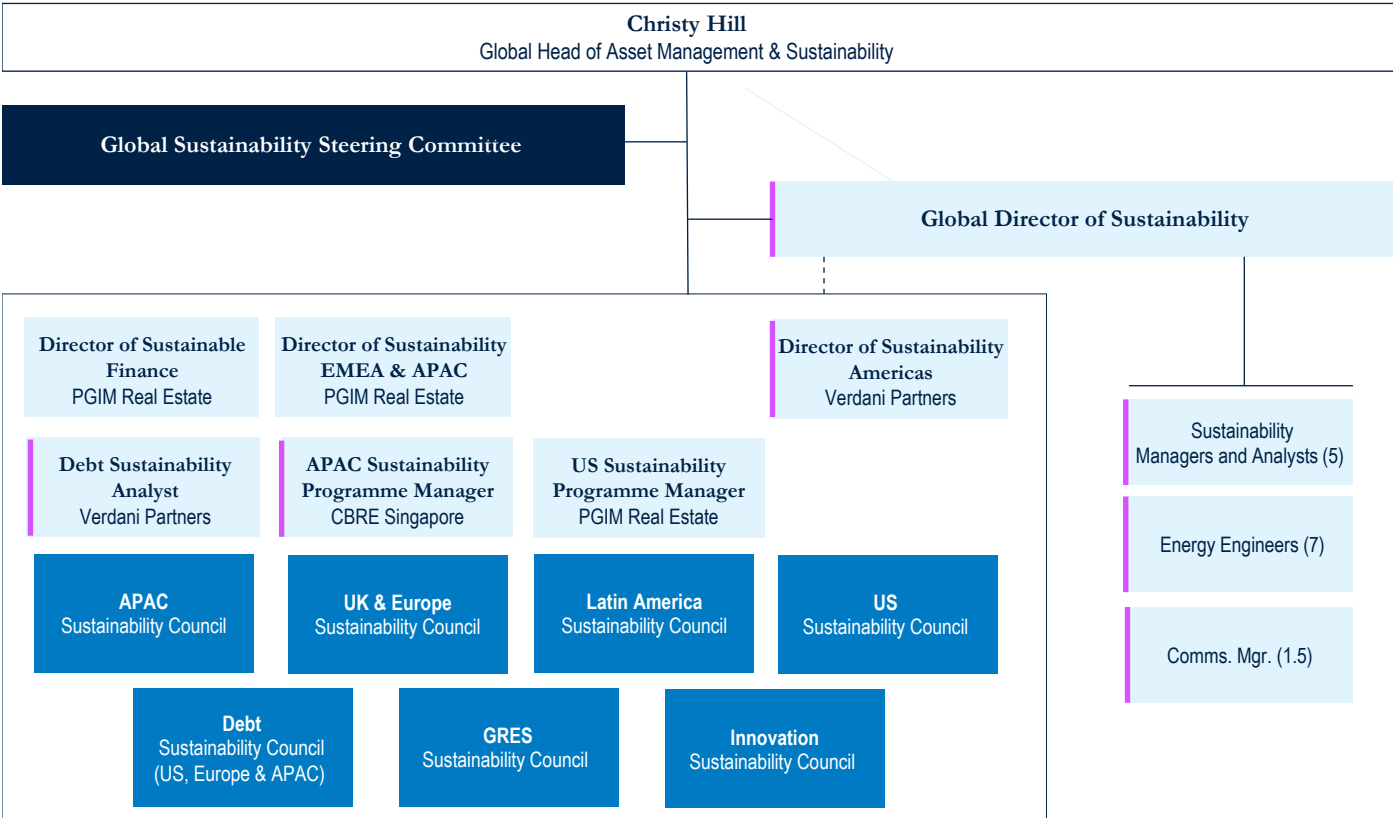
Global Head of Asset Management & Sustainability	Global Director of Sustainability, Consultant	Director of Sustainable Finance
Director of Sustainability, EMEA & APAC	Director of Sustainability, the Americas	Chief DEI Officer
Co-Chief Executive Officer & Global CIO	Co-Chief Executive Officer & Global Chief Operating Officer	Head of US Equity
Head of US Debt & Agriculture	Head of U.S. Core Debt	Head of APAC
Head of Latin America	Head of Europe	Chief Operating Officer, International

⁵ 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.

Chief Operating Officer, APAC & Senior Portfolio Manager	Chief Operating Officer for the U.S. Debt & Agriculture	Global Head of Business Development PGIM Private Alternatives
Global Head of Private Debt Strategy and Investor Solutions	Head of Americas and EMEA Business Development	Global Head of Investment Research
Global Head of Legal	Optional: President and Chief Executive Officer of PGIM Private Alternatives	

As of 31 December 2023

Sustainability Team Structure



As of December 2023

- The Global Head of Sustainability is accountable for overall sustainability strategy and implementation across the platform, overseeing the firm’s sustainability efforts at the business and organisational levels. Our Global Head of Sustainability, brings approximately 30 years of direct real estate experience to the role, and is a member of both GMC and Global Investment Committee. This range of experience, from research, brokerage and sustainability through asset and portfolio management, allows for greater understanding of the core business which facilitates the practical integration of our sustainability strategy into business processes. Additionally, with significant experience building and leading large teams, she is also responsible for staffing and managing the global sustainability team and ensuring the proper expertise is embedded in the programme.
- The Global Director of Sustainability is responsible for coordination of the global sustainability programme, guiding strategy to accelerate the reduction of our worldwide environmental footprint and increase the impact of our social initiatives. Our Global Director brings expertise in firm and fund level strategic sustainability planning, environmental compliance, GRESB, energy waste and water projects and is recognised in the Environment E+E 100 honoree list in 2020 and Hall of Fame Top 100 Asian American exceptional leaders in 2021.

- The Director of Sustainable Finance is responsible for furtherance and implementation of the global Debt and Agriculture sustainability strategy, including working closely with our regional sustainability leads to adopt the firm strategy to our unique debt and agriculture businesses as we grow. Our Director of Sustainable Finance has approximately 30 years of experience in the commercial mortgage industry and real estate finance. She is an active member of CREFC Sustainability Initiative and the Mortgage Banker Association’s Green Lending Roundtable, focusing on the mortgage industry’s efforts to develop standardized questionnaires, scorecards and disclosures for sustainability related metrics and measurements.
- There is a Director of Sustainability, Americas (United States and Latin America) and a Director of Sustainability, EMEA and APAC, both of whom are responsible for programme implementation at the regional level. Our Europe / Asia Pacific Director, brings approximately 23 years of sustainability experience to the role, and is a member of the European Executive Council, and has since September 2023 presented the Sustainability IC Memo for all new acquisitions to European IC. This extensive sustainability experience, from fund level strategic sustainability planning, to the development of acquisition due diligence and sustainable construction tools, to the completion of asset level climate resilience and adaptation projects, allows for the practical integration of our sustainability strategy into the regional businesses. She is an active member of AREF’s ESG Disclosure Working Group and a Co-chair for the Better Building Partnership (BBP) Investor Engagement Working Group.

In addition to the sustainability professionals described above, all PGIM Real Estate investment professionals play a key role in implementing our strategy. The sustainability governing bodies and team set the broad sustainability and responsible investment strategy, then work hand-in-hand with investment professionals who are responsible for implementation.

3rd Party Service Providers

Additionally, we recognise the importance of third-party service providers in implementing our global strategy and programme. This includes property managers, our sustainability consultants Verdani and Evora Global, and other service providers that support our sustainability implementation efforts. Please see Principle 8 for additional detail on our service providers, and how they are monitored.

SYSTEMS

PGIM Real Estate uses a wide variety of systems and process to support our governance structure and sustainability strategy. Our systems architecture is continuously evaluated and upgraded as needed, and Operational Risk Management conducts a risk assessment on PGIM Real Estate IT’s processes and controls on at least an annual basis. It would be challenging to provide a full overview of our systems architecture; however key systems have been described below.

Property Deals Database

Property Deals Database (PDD) is the central system in which all equity and high yield debt transactions are recorded and is currently the basis for our internal and external quarterly reporting. The system is used to monitor deal allocation and approvals following the allocation and investment committees. Key signatories also sign off through PDD before a deal proceeds to signing and closing. As such, it is a powerful management reporting tool for PGIM Real Estate’s senior management and enhances accountability and governance.

All key transactional events are recorded in PDD including:

Acquisitions	Dispositions
<ul style="list-style-type: none">• Deal introduction & deal allocation• Relevant investment committee approvals• Transaction sign off date (i.e., completion of the pre-signing checklist)• Binding date (i.e., exchange of contracts when PGIM is legally committed to the transaction)• Closing date	<ul style="list-style-type: none">• Properties are introduced to PDD when they are first marketed• Estimated closing date• Dispositions are approved in PDD• Closing date

GOLD

GOLD is our proprietary enterprise-wide reporting platform that aggregates debt and equity data across regions for use by the business to gauge a holistic view of our firm data. GOLD data is accessed through interactive user-friendly dashboards from a centralised reporting portal. GOLD modernises the way we access data, creates new efficiencies, and ultimately drives better outcomes for our analysis, reporting and clients. Asset level environmental data is included within GOLD. In the future there will be an application programming interface between GOLD and our sustainability platform (Measurabl, or equivalent).

Measurabl

PGIM Real Estate uses the sustainability platform Measurabl to collect, manage and analyse asset-level environmental data for all equity properties. Measurabl supports connection to ENERGY STAR Portfolio Manager and incorporates a proprietary ‘Utility Sync’ to automate utility data and improve data coverage and quality. Our sustainability consultants provide a data quality control process to ensure that all of the data for our properties are accurate and complete. Measurabl allows the aggregation of asset-level data at the portfolio-level and enterprise-level to track performance targets.

Omnia (formerly LoanConnect)

Omnia is our proprietary analysis and information system that captures data throughout the life of every loan. Omnia supports our governance by recording and storing all relevant information on each loan we make, including property level information, operating statements, rent rolls, valuation data, and vacancy data. Harnessing this proprietary data allows investment teams to look beyond the standard appraisal and broker package to make educated decisions based on actual historic market and comparable property performance.

As of 2023, Omnia is also used to track sustainability metrics such as energy certifications, roofing detail, green certifications, mobility scores, and resilience risk scoring.

Omnia’s Core Functionality

- Party Management – tracks borrowers, sponsors, tenants, property managers, internal parties, and more
- Document Management – upload and index loan, collateral, investor, and pool level documents
- Property Screen – Property level information, sustainability data upload, location data
- Standard Operating Procedures – stores and indexes SOPs
- Origination/Pipeline – timeline, rate lock, fee, disbursement, and loan authorisation
- Servicing – various loan and collateral level info, operating statements, rent rolls, etc.
- Asset Management – case plan preparation
- Workflow and Requests – workflow management tool, loan trigger management (date driven loan tasks)

RESOURCES

PGIM Real Estate believes that our employees are a critical component to delivering exceptional results to our investors. We seek talented and diverse candidates who are looking for a rewarding career – and who want to put their skills and experience to work with teams of like-minded individuals. The company makes significant efforts to assist employees in excelling within their career at the company, and the effectiveness of this is shown by our low employee turnover rates. We believe that effective stewardship involves all employees – not just those dedicated to sustainability – and therefore have added a sustainability component to the talent management process of all employees.

Incentivisation of our employee base is critical to our long- term success, and to promoting a strong culture and low employee turnover. We are committed to attracting, developing and retaining the best people in pursuit of our goal to be the real estate employer of choice by focusing on four key areas: i) benefits and wellness, ii) rewards and recognitions, iii) professional and career development and iv) culture and work environment. Details on iv) culture and work environment were presented in Principle 1.

Benefits and Wellness - Our competitive compensation and benefits programme is designed to align the interests of our people with our clients and our parent company. Our goal is to provide income, long term savings, and health protection for our employees and their families. Our benefits programme offers employees choices and flexibility through unique and diverse programmes to cater to all needs.

Rewards and recognition - Our compensation process focuses on rewarding the performance, skills and behaviors that deliver results. Individual compensation decisions are based not only on an individual's performance but also on regional and group performance as well as PGIM Real Estate's overall financial performance. Recognising and rewarding the accomplishments of our employees and group performance is a key component of our employee engagement strategy and is a powerful way to build an aligned culture that is focused on high performance. We ensure that what we offer our employees remains competitive, relevant and valuable through benchmarking, market research, internal focus groups, and surveys.

Professional and Career Development – Our ongoing talent management process provides our employees with clear objectives and creates a trusted environment for feedback between employees and their managers. It is designed to ensure that employees have the ability to have rewarding and challenging careers.

With binding targets on strategic topics such as sustainability, DEI, data, systems and technical innovation, the company uses the talent management process effectively to set the organisation up for long-term success.

As part of these reviews:

- Employees set objectives at the beginning of the year and are evaluated both on their progress towards these objectives as well as on a set of core competencies.
- Managers are responsible for reviewing and assessing the leadership potential of their direct reports and putting development plans in place to help them reach their full potential.

Formal discussions are conducted to review these standards and development plans, provide specific feedback, and update individual employee development plans.

As part of the Managing Director Annual review programme, Managing Directors are required to conduct a leadership assessment which includes a self- assessments with a focus on DEI matters and are subject to 360 feedback.

In 2023, PGIM Real Estate Europe launched the Next Generation Forum

The Next Generation Forum was born out of feedback from a series of positive reverse mentoring sessions between junior and senior members of staff. The purpose of the forum is to create a two-way dialogue between Senior Executives and the Next Generation of PGIM Real Estate professionals ("Next Gen") to:

- Provide fresh ideas and perspectives to challenges and opportunities faced by the business
- Voice the collective concerns of the wider team(s) and provide potential solutions
- Develop the habit in the Next Gen to engage in long-term strategic thinking.

Over the last year the Next Gen have successfully engaged in launching a number of initiatives including:

- A Quarterly Pan-European Business Call – Rolled out across all European offices, with an emphasis placed on Next Gen to present deals/transactions they have worked on or been involved in.
- The Future of Core – A research segment and presentation, on the Future of Core, which saw the Next Gen collaborate with the research department to present the transformation of the core portfolio.
- Junior Dinner – An annual dinner launched in London, Frankfurt and Luxembourg, to provide a networking event for Next Gen to connect with more senior members in a less formal environment.
- Virtual Coffee Roulette Chats – A social coffee initiative, which seeks to create connections across the business by pairing a senior member of staff with a more junior member, with the aim of starting new conversations or continuing existing ones.

In 2023, PGIM Real Estate launched the Sustainability Primer

The PGIM Real Estate Sustainability Primer is an on-demand, e-learning training programme that provides an understanding of the origins of, meaning of and reasons for a sustainability programme. The Primer educates PGIM Real Estate employees on how sustainability is incorporated into PGIM Real Estate's corporate values, strategies and work, and how it will help PGIM Real Estate achieve its sustainability performance goals and targets.

The Primer is divided into four sections:

- Section 1, discusses how sustainability is defined, what issues it encompasses, and where it came from. It also examines what sustainability means for Prudential.
- Section 2, presents what sustainability means for PGIM Real Estate, and
- Section 3, examines how to implement sustainability in each of PGIM Real Estate's three business areas: Equity, Debt and Securities (to be launched in 2024).
- Section 4 of the Primer is a library of resources that can be referred back to even after completing the Primer, if you have questions about sustainability or how it is implemented (to be launched in 2024).

Each section includes multiple choice questions for employees to complete. In August 2023, we had recorded 423 employees in progress or having completed sections 1 and/or 2 of the Primer.

Between 2023 and 2024, the Sustainability Team also hosted:

- Fund-level Trainings (i.e., for a variety of Core, Core Plus, and Value Add funds),
- Training on Sustainability Regulation (e.g. Biodiversity Net Gain, SFDR, EU Taxonomy)
- Technical trainings (i.e., Evolved Due Diligence, Sustainability IC Memo, CRREM, GRESB etc.)
- Sustainability for Debt (e.g. Acquisition Scorecard, Minimum Energy Performance Standards)

Employee knowledge of sustainability issues is also tested on a regular basis via our daily compliance trainings (Axonify). Further information on Axonify is presented in Principle 5.

Our Commitment to Diversity, Equity and Inclusion

PGIM Inc has a long-held commitment to advancing diversity, equity and inclusion, rooted in the belief that this is not just the right thing to do, but is a prerequisite for the success and sustainability of the business. The PGIM Inc. Global DEI Statement, which was spearheaded by the PGIM Global Office of DEI, is centered on five areas of impact; i) talent, ii) investing, iii) industry, iv) community and v) culture.

The Diversity Advisory Council for PGIM Real Estate, established in 2021, consults on the DEI strategy and goals for the business. The council, which is chaired by Eric Adler, as President & Chief Executive Officer of PGIM Private Alternatives, and co-chaired by Christy Lockridge, Managing Director and Chief DEI Officer at PGIM Real Estate, comprises a global working group of senior leaders that meet bi-monthly. The goal of the council is to collectively ensure the DEI strategy is on the right path for the business, drives accountability for DEI with employees, provides context to DEI efforts and

enhances DEI visibility externally. The Diversity Advisory Council provides periodic business updates to the GMC.

The Chief DEI Officer, and a dedicated team of two professionals, is accountable for the overall DEI strategy and implementation at PGIM Real Estate, driving DEI through every department, team and across every level of talent. Since 2023 and going forward, the DEI strategy has been focused on three opportunity areas, resulting in specific action items to address:

- **Inclusion** - PGIM Real Estate will assess and implement ways to foster and maintain a more inclusive culture.
- **Equity** - PGIM Real Estate will provide more transparency and clearer guidance on decision making around promotions, compensation, and recognition.
- **DEI Future State** - PGIM Real Estate will provide greater transparency of progress, action plans and outcomes.

Case Study: Inclusion – The Roll out of “Inclusion Counts”, a Behavior Change Leadership Programme

Objective: In April 2023, PGIM Real Estate in conjunction with PGIM, launched a multi-year organisational culture change strategy called Inclusion Counts. Recognising that the path to an inclusive culture is paved with small changes to our daily behaviors, leading to better decision-making, which in turn, helps teams and businesses outperform.

Overview: All Vice Presidents and Managers of people globally were invited to voluntarily participate alongside their team members or “cohort” in a training to enhance D&I in the workplace and improve culture. For three consecutive weeks, a cohort was put through a “sprint” where each week they would watch a video and have a discussion as a team. After completing the three videos and team discussions, each individual was encouraged to attend a webinar hosted by the PGIM DEI Office and discuss learnings amongst a larger group of PGIM Real Estate colleagues.

Outcomes: As of year-end, 78% of eligible employees completed Year 1 of Inclusion Counts training (vs. GMC goal set at 70%). 95% favorable response from managers who completed the training. Training emphasis within intact teams enabled robust and specific discussion regarding challenges, and specific strategies to improve inclusion going forward.

Case Study: Inclusion – Leadership Workstreams, for practical ways to be more inclusive

Objective: One of the key initiatives for 2023 involved understanding and communicating “inclusive leadership in action” across our global organisation. Given our organisational structure and culture, the goal of these workstreams was to obtain recommendations from global team members across various business, function, seniority, and tenure with regards to “what’s working” and provide practical strategies and tools to further upskill our managers and leaders.

Overview: In July 2023, PGIM Real Estate launched five employee-led workstreams within categories of Inclusion, Coaching, Career Development, Performance Management and Accountability. Approximately 80 volunteers across our global platform participated to summarize “best practices and tangible ways” for our managers and leaders to be more inclusive. The top takeaways from each workstream were shared with all global employees in December 2023.

Outcomes: Workstream participants provided key takeaways for the following areas: Inclusion – Ways to be both intentional and efficient given increased demands. Coaching – Methods to develop higher emotional intelligence and empathy in our managers. Career Development – Key tools managers should consider in preparing an employee’s career development discussion/plan. Performance Management – Effective strategies successfully utilized by managers to provide constructive feedback. Accountability – Recognising that Leadership Development is a continuous journey.

PGIM Real Estate’s ILN has been a cornerstone of reinforcing our culture and values at the grassroots level, office by office. Originally started as the Women’s Leadership Network (WLN), it was expanded in 2017 to include all employees from different backgrounds and experiences with a mission to create an equitable and inclusive workplace for all. Focused on moving the needle on a local level, the ILN has virtual and in-person programmes open to colleagues in all regions, to discuss challenges faced in the workplace, improve networking and career opportunities, and help the business change for the better. Heather Day, Managing Director and International COO is the global ILN sponsor, along with Marcia Diaz, Managing Director and Head of U.S. Core Debt, has been co-leading the ILN since 2017.

The European ILN encompasses five employee-led working groups who focus on i) Gender Equality, ii) Internal Diversity (Mental Health and Neurodiversity), iii) LGTBQ+, iv) Racial Equity and v) Social Mobility. Further detail specific to Social Mobility is presented in Principle 10.

2023 Highlights of the European ILN

Gender Equality

PGIM Real Estate's annual Women's Networking events at MIPIM, Expo Real, and now Munich and Frankfurt, have become popular industry meet-ups and are open to conference participants. Together with legal counsel, Osbourne Clarke, PGIM also participated in an International Men's Day event on "The Power of Positive Masculinity".

Our traditional MIPIM event was attended by 136 participants in 2023. In Munich, participants were joined this year by Leanne Mair, speaker and author of the book 'Closing the Gap' with a discussion on how removing barriers to black women's career progression can benefit all careers.

LGBTQ+

PGIM Real Estate and ILN again co-sponsored the British Film Industry 2023 Flare event. Flare is the UK's largest queer film event and screens the best in contemporary LGBTQIA+ cinema from around the globe. This year it was the film Winter Boy directed by Christophe Honoré and included a Q&A followed by a party for PGIM Real Estate guests and allies.

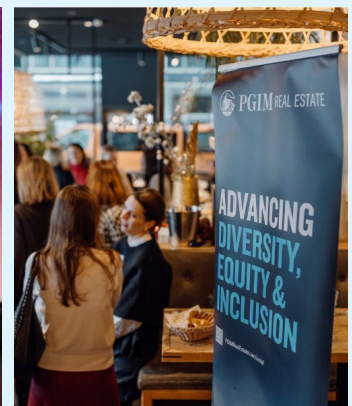
Racial Equality

Celebrating Black History Month in October 2023. A Caribbean luncheon was hosted in the London office by Original Flava, founded by Shaun McAnuff and his brother, who are of Jamaican descent. Original Flava is a Caribbean food and lifestyle platform, sharing delicious, authentic and modern recipes made-easy.

Social Mobility

The ILN and the PGIM local offices continued to actively support Social Mobility in all age groups and across the continent, together with organisations such as YouthBuild (UK), Apprentis d'Auteil (FR) and Joblinge (DE).

At Expo Real, the ILN hosted a breakfast round table to exchange best practice with others in the industry. In the UK, the book club invited British-Ugandan author, Musa Okwonga, to discuss his recent book One of Them, discussing social mobility and the positive influence real estate can have on the community.



Case Study: Workforce Demographics

Objective: In 2018, PGIM Inc. committed to a global “5-over-5” ambition to increase global diverse representation at the senior-most levels (Vice President + population) by 5% over five years.

Overview: Progress was seen through a series of outcome-oriented actions including:

- Build diverse candidate pools to increase our pipeline of talent by activating employee external networks, partnering with talent feeder organisations, mapping key talent markets, and building brand awareness.
- Engage PGIM leaders in developing and retaining internal talent with diverse backgrounds and experiences through development, mentoring and executive sponsorship.
- Develop and maintain an environment that leverages differences and enables success through continuous learning, inclusive practices, and promoting the meritocracy of ideas and diversity of perspective.

Outcomes: We are pleased that as of 31 December, 2023, PGIM Real Estate has met that goal and are committed to continuing our progress.

Global Diversity



U.S. Diversity



Compensation Equivalency

To promote pay equality, a legal review of PFI's compensation decisions is conducted regularly through independent, outside legal counsel to protect against systemic race/ethnicity and gender biased patterns. Compensation decisions may be adjusted as required, in accordance with the results of this review. Employees can raise issues regarding pay equity with the Ethics Office, HR or their manager. Pay discrimination concerns are promptly and thoroughly investigated by trained professionals dedicated to reviewing unlawful discrimination claims.

EMPLOYEE ALIGNMENT WITH SUSTAINABILITY INITIATIVES

Our long-term incentive programmes are designed to retain top talent as well as directly align our investment professionals with the funds that they manage and ultimately fund performance in a meaningful way.

Since 2020, we require all employees to make a commitment to sustainability as a competitive advantage, and to report on their annual sustainability contributions. Employees actively participate in PGIM Real Estate’s sustainability programmes and practices at a corporate and/or property level by:

- 1) Being a steward of the environment by advocating for organisational initiatives, programmes and policies that address sustainability issues.
- 2) Being a catalyst for the company’s internal and external social initiatives, programmes and policies including but not limited to health, wellbeing and safety; diversity, inclusion and equality; professional and personal development; access to education; and community development and engagement.
- 3) Championing our code of conduct by effectively adhering to and upholding positive business relationships, ethical business practices, and corporate governance decision making.

Employees are provided with examples for each of the above categories. This forms a part of our annual review process where at least one objective must be sustainability related and assessed against individual performance and business outcome. Our target is to have 100% of employees participate and contribute to our sustainability programme and initiatives.

PURPOSE & GOVERNANCE

PRINCIPLE 3:

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

We are committed to conducting business with the highest ethical standards and always seek to place the interests of our clients and beneficiaries first. We strive to identify potential risks, including conflicts of interest, that are inherent in our business so that we can efficiently address the downsides and reduce harm to our clients and other stakeholders. Given the breadth of our real estate investment activities, a wide range of actual and potential conflicts of interest may arise from time to time in the ordinary course of our business. Effectively managing conflicts of interest is critical to addressing our fiduciary responsibilities and ensuring we can maintain the trust of our clients, employees, investors, partners and the wide communities in which we operate.

Our parent company, PFI, maintains a Code of Conduct referenced here: www.prudential.com/links/about/code-of-conduct and a Conflicts of Interest Policy that are updated at least annually by the PFI's Chief Ethics and Compliance Officer. These are reflected in specific policies and procedures within our PGIM-wide Compliance Manual and further adopted by local Boards as required. The Part 2 Brochure of PGIM Real Estate's SEC Form ADV referenced here: <https://adviserinfo.sec.gov/firm/summary/171548> is publicly available and summarises how we address conflict of interest scenarios that may arise across our business activities and interactions with various internal and external counterparties (see Item 11 – Code of Ethics). This brochure applies to PGIM Private Alternatives (UK) Limited (the PGIM Real Estate UK Entity) ('Private Alternatives'), as an SEC regulated investment adviser and aligns with the firm's UK FCA regulatory obligations.

Business Process Help Track & Mitigate Conflicts

We are committed to doing business the right way.

To achieve strong governance over our business and wider stakeholder relationships, we have implemented various group-wide and company level policies and processes to guide our management of typical institutional and personal conflicts of interest. We also have business processes for the identification, assessment and mitigation of new and suspected conflict situations that relate to specific investment activities (please refer to Principle 5 for additional detail). When actual or potential conflicts of interest are identified, we seek to address such conflicts through the implementation of effective organisational arrangements to prevent them adversely affecting our clients and counterparties. These include strategies designed to eliminate or manage the conflict through the adoption of appropriate policies, procedures or other mitigants; or to disclose the conflict to enable transparency in decision-making. However, it is not possible to identify every potential conflict that can arise, nor guarantee that our operating practices will ensure avoidance, disclosure and/or mitigation of each and every situation in which a conflict may arise.

We maintain registers of anticipated and actual conflicts and conduct annual conflict of interest reviews across our global business. In addition to the Code of Conduct, we have adopted policies and procedures designed to address personal and institutional conflicts of interest, covering topics such as: business ethics, personal securities trading, information barriers, transaction allocation and gifts and entertainment, among others; and have implemented supervisory and assurance procedures to monitor compliance.

Examples of significant actual or potential conflicts of interest that may arise include affiliate relationships, client relationships and side agreements, investment allocations and warehousing of investments, investment consultants and service providers, outside business activities, personal securities trading, gifts and entertainment, information barriers. In addition, all employees receive regular compliance training and conflict process reminders and are required to provide an annual affirmation that they understand and comply with our Code of Conduct– “Making the Right Choices”, which applies to the whole PFI Group. Employees receive ongoing training on conflicts of interest and are required to attest to our Conflict of Interest Policy annually (see Principle 5 for further detail on our employee training programme).

Avoiding Conflicts Between PGIM Business Units

Managing conflicts between business units is a key element of conflicts management at PGIM. The following case study provides an example of how potential conflicts are managed by PGIM Real Estate.

Case Study: Information Barriers at PGIM's offices

Issue: The Real Estate business in London shares an office location with other PGIM affiliates, and this could potentially create conflicts between PGIM Business units. The example of potential conflicts that could arise include: disclosing confidential information that could be market sensitive, personal conflicts that could conflict with professional responsibilities (including personal account dealing activities).

Resolution: To avoid conflicts between different PGIM affiliates, including PGIM Real Estate, strict information barriers are maintained. For example, between PGIM Real Estate and PGIM Fixed Income, a physical information barrier is in place. Our private team sits on the 6th floor of the building and PGIM Fixed Income is located on the 1st floor behind locked doors. Each department has a separate access door with access rights only for their relevant employees. In the rare occasions, when a PGIM Fixed Income employee would like to access the PGIM Real Estate facilities for a business meeting, the person would be chaperoned by a member of our Compliance team to and from the meeting. These visits are logged into a Compliance register to clearly identify who accessed which location and for what purpose.

Avoiding Conflicts Between Business Lines

To avoid conflicts of interest related to investment transactions, actual and potential conflicts are analysed during the due diligence and approval processes. Recognising we manage both real estate debt and equity funds, as well as a listed REITS business (GRES); we do not lend to PGIM entities, all debt for our direct investments is sourced externally, and our GRES business is maintained in a separate information barrier to avoid conflicts of interest that might arise from voting or engagement issues, and to prevent the disclosure of material, non-public information. In common with our peers PGIM affiliates as well as senior European real estate investment personnel and other members of senior management (through carry and co-investment arrangements) may invest into our co-mingled funds.

Case Study: Market Sounding Process

Issue: Market soundings are an essential tool for businesses when seeking out investor interest, considering a pricing strategy, reviewing transaction terms and more, but there are a number of steps to take to comply with the Market Abuse Regulation when a sounding is made. Real Estate’s employees might occasionally have access to material non-public information. Being in possession of material non-public information, PGIM Real Estate and its employees may be exposed to potential insider trading which is prohibited by the law.

Resolution: PGIM Real Estate, among its affiliates, has a strict market sounding process in place which implements the rules from the UK Market Abuse Regulation (‘MAR’). PGIM Real Estate Market Soundings Process lays out a series of requirements which our business and Compliance team must follow in order to legitimately disclose inside information as part of the market sounding process. For example, when we receive a market sounding related to a new share issue via accelerated book building and a direct call with the management. When we would receive this type of information, we would follow a strict set of rules including:

- Assessing and recording whether a market sounding will involve disclosing inside information
- Before any inside information is released to the business stakeholders, the stock that the inside information relates to is restricted for personal account dealing and also on our PGIM Real Estate’s dealing desks.
- Informing the business recipients that they are prohibited from using the information to trade or attempt to trade relevant instruments
- Making and maintaining a record of all the communications with, and all the information given to business stakeholders.
- Reviewing when the inside information ceases to exist and following a robust cleansing process.
- Regularly reviewing the audit trail of these market soundings by an internal and/or external auditor.

Outcome: Having established this well-functioning process, we are confident that our internal procedure meets the regulatory requirements related to effective conflicts of interest management.

Avoiding Conflicts Between Side-by-Side Funds and Client Accounts

The management of numerous co-mingle funds and client accounts on a side-by-side basis can create conflicts of interest. Some examples of side-by-side management and the related conflicts of interest are as follows:

- **Performance fees:** We manage accounts with asset-based fees alongside accounts with performance-based fees. This creates an incentive for us to favour accounts for which we receive performance fees, and possibly take greater investment risks in those accounts, in order to bolster performance and increase our fees.
- **Affiliated accounts:** We manage accounts on behalf of our affiliates as well as unaffiliated accounts. We have an incentive to favour accounts of affiliates over others.
- **Larger accounts/higher fee strategies:** Larger accounts and clients typically generate more revenue than do smaller accounts or clients, and certain of our strategies have higher fees than others. As a result, a portfolio manager could have an incentive when allocating scarce investment opportunities to favour accounts that pay a higher fee or generate more income for us (or which we believe would generate more revenue in the future).

To address the conflicts of interest with respect to our different types of side-by-side management, we have developed new product and client governance frameworks, transaction policies and procedures, functional management and operational controls, and various oversight frameworks reasonably designed to address the conflict risks in these scenarios; and detect patterns and anomalies in transactions and portfolio management arrangements, to both assess our management of the risk and improve our processes.

Reviews and Monitoring

The PGIM Real Estate Institutional Conflicts of Interest inventory and policy framework are reviewed at least annually, and our compliance programme undergoes independent 3rd party reviews on a rolling annual basis.

Additional information on monitoring has been provided in response to Principle 5.

PURPOSE & GOVERNANCE

PRINCIPLE 4:

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Real Estate's Risk Framework

PGIM Real Estate is committed to maintaining a best-in-class risk management environment that is intended to preserve, protect and enhance investor capital. At its core, the investment management business is focused on taking controlled risks to achieve a targeted level of return.

PGIM Real Estate operates a GIC, headed up by the Global Chief of Investment Risk who reports into the Global CIO. This committee is divided into three regional teams supporting five regional businesses – Europe, Asia Pacific, Latin America, U.S. Equity and US Debt and Agriculture. The Investment Risk Management team ensures that the firm is complying with internal risk policies, regulatory requirements and client obligations. It has developed risk management policies and procedures and communicated them across the company to ensure that adequate controls exist to appropriately manage the business and fulfil our fiduciary duties to our clients. The Risk Management team also evaluates the fund's risk profile and balances risks and resources to meet our long-term goals throughout the investment life cycle.

Operational risks are identified by PGIM Real Estate's GORC and assessed and monitored on a formal and regular basis by the Global Operational Risk Management Group. The operational risk process at PGIM Real Estate entails identification, communication and mitigation of operational risks and monitoring control issues. The operational risk function also provides guidance on certain company-wide initiatives, mainly geared towards compliance with industry best-practices and PFIs guiding principles and policies. Through our practices, we continually strive to improve risk governance and manage operational risk within defined limits, to effectively reduce the frequency and impact of unexpected losses.

PGIM Real Estate Global Risk Groups processes are designed to address the major layers of risk on a macro, portfolio and investment level. Using the best tools and processes in the industry for managing all facets of risk to our assets, we ensure effective risk management — from initial acquisition to disposition as well as for new loans. Further information on the Real Estate Global Investment Committee and the Global Operating Risk Committee is provided under Principle 2.

A Risk Framework Informed by Market Research

PGIM Real Estate incorporates a Global Investment Research Group, which at the broadest level, informs the firm's investment professionals on the state of the markets and emerging investment opportunities and risks.

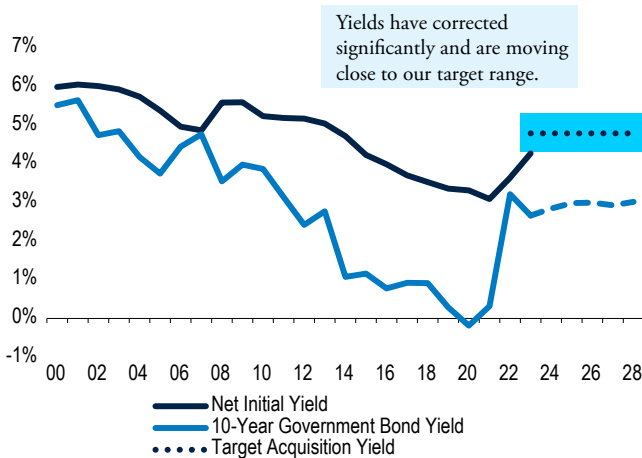
The research team currently employs 14 full-time professionals whose job it is to produce independent, evidence-based research. In addition to in-house knowledge, covering a number of subject areas including economics, finance, geography and urban planning, the research team obtains data from a variety of external sources to ensure the most relevant and accurate data and analysis available. External data resources include leading researchers such as CoStar, JLL, CBRE, GreenStreet Advisors, Property Market Analysis, Oxford Economics, Economist Intelligence Unit and Real Capital Analytics.

An important part of PGIM Real Estate’s Investment Research team is to identify and monitor market-wide and systemic risks to our funds and investments. The internal research team produce Regional Quarterly Insights, bi-annual five year ahead real estate market forecasts for major cities in each region and an Annual Global Outlook, which each present thematic analyses on and around investment opportunities. Some examples of risks identified, monitored and where possible mitigated in the reporting period include:

- **Elevated interest rates:** market interest rates increased significantly, while property yields were adjusting. Leverage was less accretive to borrowers and lenders saw their interest coverage ratios diminish. The Investment Research team developed an internal real estate pricing model to evaluate market and sector pricing risks.
- **Overshooting:** In a downturn it is likely that values overshoot their equilibrium meaning a deeper correction than would otherwise be required. In response, the Investment Research team took a very cautious approach when giving guidance around target pricing and rental growth forecasts for new investments.
- **Denominator effect:** Real Estate is an established asset class but is still vulnerable to outflows back to the larger asset classes especially when major equity and bond investors find themselves overallocated to real estate. Capital outflows then put further pressure on values as assets are sold into a dwindling pool of capital – this liquidity risk was consistently flagged by the Investment Research team in PGIM Real Estate’s Quarterly Investment Strategy Meetings.

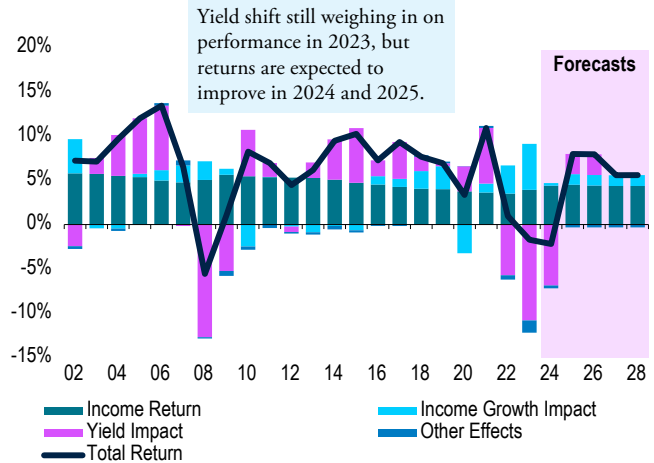
Further to the above, the following graphs provide examples of some of the analysis produced by the Research team during 2023, reflecting the shifting focus from interest rate risk in 2022 to income and income growth for 2023 and beyond:

Europe All Property Prime Net Initial Yield (%)

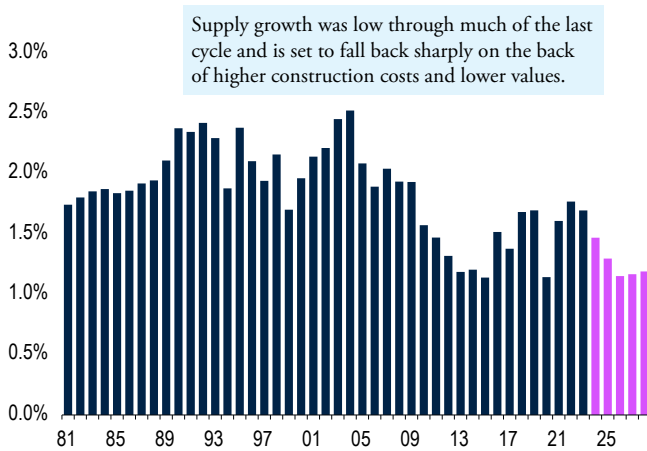


Sources: Cushman & Wakefield, PMA, PGIM Real Estate. As of December 2023.

MSCI Europe Annual Property Index – All Property Total Return (% p.a.)

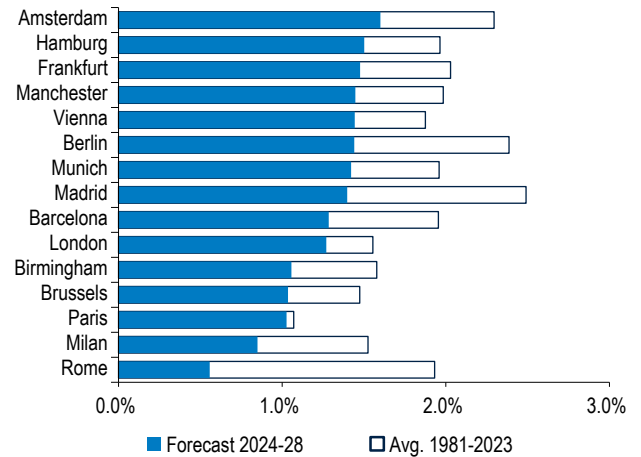


Net Additions to European All Property Supply (% p.a.)

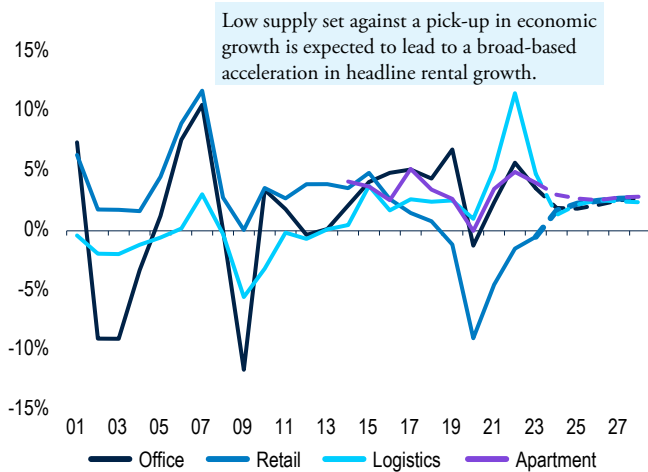


Sources: PMA, PGIM Real Estate. As of December 2023.

Estimated All Property Supply Growth by Major City (% p.a.)

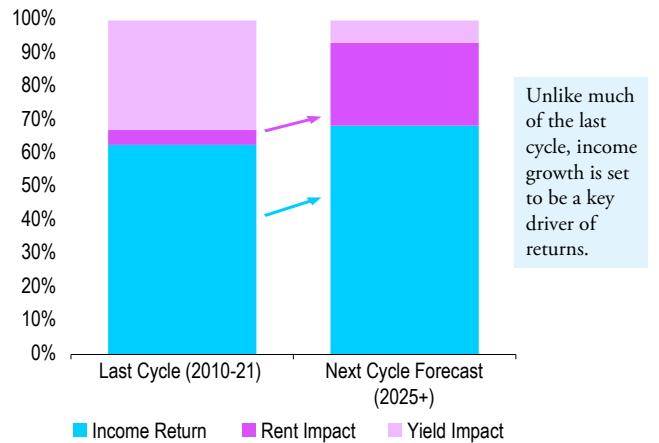


Annual Headline Rental Growth by Sector (%)



Sources: Cushman & Wakefield, PMA, MSCI, PGIM Real Estate. As of December 2023.

Breakdown of MSCI Pan-European Property Index Returns (%)



Risk Management at the Macro, Portfolio and Investment Level

The Investment Risk Group, which also comprises a Global Chief Investment Risk Officer together with a team of regional Chief Underwriters, administer, manage and support Global and Regional Investment Committees as well as the regional allocation processes.

Regarding macro level risks the Investment Risk Group, in conjunction with the Investment Research Group, coordinates quarterly half-day meetings to discuss the state of the investment markets and emerging investment opportunities and risks.

On a portfolio and investment level, the Investment Risk team and Research Group actively participate in regional Investment Committees responsible for the underwriting review and authorisation of investments for PGIM Real Estate-managed funds. This includes providing oversight of prospective investment opportunities to all PGIM Real Estate funds eligible to invest in a region, while applying consistent risk/return evaluation to the underwriting analysis for all investment proposals.

Based on the suitability of a transaction for a portfolio's investment strategy, the Chief Investment Risk Officer can veto the allocation of a transaction to a portfolio. It also includes oversight at the portfolio-level through periodic portfolio reviews where the strategy, risks, and opportunities of each PGIM Real Estate fund are discussed in a meeting between the respective fund management team and the regional Investment Committee.

We continually look for opportunities to enhance our processes and during 2023, the European Equity Investment Committee process was updated to better reflect sustainability factors within our investment decision-making. This included an allocation of time for the presentation of an overview of the material findings of the sustainability due diligence and any proposed underwriting of risks by the Director of Sustainability, EMEA and APAC within IC. Further information on the sustainability due diligence is provided in Principle 7.

We have highlighted members of the European Equity and Debt Investment Committees below, however as previously described each region has its own regional committees.

Members of the European Equity and Debt Investment Committees:

European Equity Investment Committee	
Chairperson	
<ul style="list-style-type: none"> Global Chief Investment Risk Officer 	
Other members	
<ul style="list-style-type: none"> Head of Europe Co-Chief Executive Officer & Global Chief Investment Officer Head of Asset Management UK Head of France, Spain and Portugal Head of Asset Management Germany, Austria and Netherlands Head of European Investment Research Head of Italy 	
European Debt Investment Committee	European Investment Grade Sub-Committee
Chairperson	
<ul style="list-style-type: none"> Global Chief Investment Risk Officer 	<ul style="list-style-type: none"> Global Head of Core Debt Strategies
Other members	
<ul style="list-style-type: none"> Head of Europe Head of European DebtGlobal Head of Private Debt Strategy and Investor Solutions European High Yield Debt Senior Portfolio ManagerHead of U.S. Debt and Chair of Global Debt Global Head of Core Debt Strategies 	<ul style="list-style-type: none"> Head of European Debt European Senior Debt Portfolio Manager Relevant Portfolio Manager Plus, Head of U.S. Debt and Chair of Global Debt for large investments
Secretary	
<ul style="list-style-type: none"> Chief Regional Underwriter, Europe 	<ul style="list-style-type: none"> Regional Credit Officer, Europe
Additional Invitees	
<ul style="list-style-type: none"> Representatives of Business Development, Compliance, Law and Valuations 	<ul style="list-style-type: none"> Not Applicable

As of July 2024

High Yield Debt Investment Committee	
Chairperson	
<ul style="list-style-type: none">Global Chief Investment Risk Officer	
Other members	
<ul style="list-style-type: none">Head of U.S. Debt and Chair of Global DebtGlobal Head of Private Debt Strategy and Investor SolutionsGlobal Head of Core Debt StrategiesPortfolio Manager General AccountHead of European DebtHead of Australia <p>Plus for US Investments:</p> <ul style="list-style-type: none">Senior Portfolio Manager IPERS & PGIM Real Estate US Debt FundCo-Chief Executive Officer & Global Chief Operating OfficerHead of US EquityHead of Americas Investment Research <p>Plus for European Investments:</p> <ul style="list-style-type: none">Head of EuropeEuropean High Yield Debt Senior Portfolio ManagerHead of European Investment Research <p>Plus for Asia/Australian Investments:</p> <ul style="list-style-type: none">Head of Asia PacificHead of Asia Pacific Debt Portfolio Management	
Secretary	
<ul style="list-style-type: none">Member of the Investment Risk Team nominated by the Chairperson	
Additional Invitees	
<ul style="list-style-type: none">Representatives of Business Development, Compliance, Law and Valuations	

As of July 2024

By way of Example

In addition to the risk examples outlined earlier in this chapter, further emerging systematic and market-wide risks were identified and reviewed by the Global Investment Risk Group in 2023. The following case studies outline our response to these risks, including the banking crisis in March and a number of catastrophic weather events.

Case Study: Regional Banking Crisis (US & Europe)

Emerging Risk - In March 2023 markets experienced historic banking failures with the collapse of Silicon Valley Bank (SVB) and multiple others in the US and the collapse of Credit Suisse in Europe. The quick progression of these failures caused significant stress to the wider banking system and a crisis of confidence in bank resiliency.

Response - In response to the historical bank fallouts in 2023, PGIM Real Estate quickly established a Bank Exposure Working Group to complete assessments of our direct and indirect exposure in the banks with significant exposure along with developing a Bank Preparedness and Escalation Framework should further concerns arise. By taking early action, the group were able to manage impacts and avoid material disruption to our ongoing business.

The framework includes Risks, Risk Mitigants, Contingency Plans, Escalation Protocols and Decision-Making criteria to be followed for each identified banking activity used by PGIM Real Estate should banks be flagged with significant stock price and rating decreases.

As part of the framework, a dashboard was created on our central data platform to monitor exposures to banking institutions, alongside key risk indicators such as credit ratings and material stock price movements. This provides a snapshot view of exposures, which allows for quick and manageable risk assessments as concerns emerged.

Ongoing Monitoring - The Dashboard has enhanced our monitoring capabilities and allows us to be proactive and make more timely decisions with the daily monitoring of stock price and rating movements.

For example, in October of 2023, Moody's announced the downgrade of KeyBank, NA on a Monday evening after the market had closed. This was picked up through the dashboard on Tuesday morning, and the team were able to react immediately.

As a result of steps taken during March 2023, PGIM Real Estate was able to quickly identify and manage its exposures to impacted banks and monitor for potential further collapses. This approach ensured the ongoing resiliency of the business and allowed us to provide regular updates to key stakeholders, keeping them apprised of developments during the turbulent period. PGIM Real Estate were able to manage the crisis with no lasting impacts.

Regulators have since taken steps to strengthen the banking system and address the issues that led to the turbulence in March 2023. However, the preparedness framework and dashboard continue to provide a clear resiliency plan should further concerns arise.

Case Study: Response to Catastrophic Weather Events

Emerging Risk - In recent years, the United States has experienced a rise in extreme weather events, highlighting the critical need for robust risk management, emergency preparedness, and close integration with asset management. A key element of this system for PGIM Real Estate has been the alerts provided since 2021 by our insurance partner, FHS. In January 2024, they issued a warning about a severe winter freeze expected to impact Texas, Oklahoma, and the Southern Plains. With temperatures forecasted to plunge 30-40 degrees below average, the alert emphasized significant risks, including potential injury or loss of life, as well as damage to assets such as frozen pipes, increased heating costs, and structural damage.

Response - Using insurance claims data from a 2021 freeze event, we estimated that remediation costs for a similar acute freeze in the region could reach approximately \$6 million. With this insight, we recommended that Asset Managers budget for and implement enhanced pipe insulation, freeze stats, and other mitigation measures.

In addition to proactively budgeting for climate-related risks like freeze events, the Sustainability Team actively monitors preparedness alerts from FHS and follows up with targeted communications to ensure resilience measures are in place as events approach. For the anticipated extreme freeze, they provided specific guidance to all US Asset Management teams in the affected areas. This included ensuring emergency backup systems were operational, updating emergency communication plans, protecting critical assets from moisture, and preparing for the needs of vulnerable occupants. Additionally, the teams were advised to raise awareness of property-level emergency plans, verify emergency lighting, and confirm the availability of essential supplies for sheltering in place.

The Sustainability Team also provided guidance on key preparations for future extreme freezes, including insulating pipes, pruning trees, sealing windows and doors, and inspecting roofs for potential damage. These measures aim to prevent frozen pipes, reduce hazards, and protect property from winter weather impacts.

Ongoing Monitoring - By offering guidance before the storm and allocating budget for mitigation, we substantially reduced the fiscal and physical impacts of an acute deep freeze. This proactive collaboration between Asset Managers and Insurers has enhanced climate risk preparedness, strengthened the resilience of the real estate portfolio, and aligned stakeholders' strategic interests. This partnership underscores how active stakeholder engagement in effective markets leads to resilient assets, favorable insurance terms, and ultimately protects investor interests.

Assessing Effectiveness

While there is no one way to assess the effectiveness of our systemic and market-wide risk management approach, three key components that are helpful to consider include our overall track record, our ability to mitigate risks at the investment level, and an evaluation of how effectively we can adapt our systems and processes in the face of future risks.

- **Track Record⁶** - Our exceptional track record of performance and minimal credit losses in our debt business is in a large part due to our robust risk management approach. Specific examples have been provided above and in response to Principle 12, where we detailed the effectiveness of our teams in positioning our funds for the banking crisis and the increasing frequency of catastrophic climate events.
- **Investment Level** - As described in response to Principle 7, we have long considered environmental risk in the due diligence process and would not invest in an asset where these risks could not be sufficiently mitigated. The success of our approach is evidenced in the fact that we have not suffered any material loss as a result of sustainability-related risks in the UK and Europe. In 2020, all funds reporting to GRESB received #1 in their peer group for "Resilience". Please note that this reporting module was discontinued by GRESB in 2021.
- **Adapting to Future Risks** - As described earlier in the response to Principle 4, PGIM Real Estate invests significantly in our in-house research capabilities and dedicates a meaningful number of resources to evaluating future risks.

Please note that these examples are illustrative, as there are many ways by which effectiveness of risk management can be measured. While risk management is at the core of our approach, there is no guarantee that future risks can be mitigated.

⁶ Past performance is not a guarantee or reliable indicator of future results.

Beyond our Business

Senior personnel of PGIM Real Estate are members of industry bodies such as AREF (Association of Real Estate Funds), CREFC (Commercial Real Estate Finance Council), INREV (European Association for Investors in Non-Listed Real Estate Vehicle), ULI (Urban Land Institute), British Property Federation (BPF) and RICS (Royal Institute of Chartered Surveyors), amongst others. Membership of these bodies enables us to keep apprised of market developments and new legislation and regulations to monitor current and new risks. Our members are also an active part of many of their respective working groups, conferences and market research with an aim to share knowledge, establish industry standards and promote best practice in corporate governance and transparency.

In recent years we have taken on further membership and committee roles to actively contribute to creating and updating sustainability policies and to support the industry in its response to government and regulator consultations. The following case studies go into further specifics on PGIM RE's role and contributions made in 2023.

Case Study: Developing guidelines to integrate Sustainability into the investment process

Objective

To revise the Better Buildings Partnership's Acquisitions Sustainability Toolkit to reflect how the industry has shifted since the original drafting in 2017, with a greater focus on topics including net zero carbon, environmental regulation and climate resilience. The Toolkit provides commercial property owners with practical guidance on how to ensure sustainability risks and opportunities are reviewed as part of the acquisition process.

A key objective of the update was to improve the Toolkit's suitability and overall value to acquisitions teams and their advisors. Additionally, there was a desire to expand the application and usability of the toolkit beyond acquisition teams of direct real estate, to also include lenders and property managers / managing agents.

Overview

PGIM Real Estate has been a member of the Better Building Partnership (BBP) since July 2022. PGIM Real Estate's Director of Sustainability for Europe and APAC has been a Co-Chair of the BBP's Investor Engagement Working Group (IEWG) since relaunch of the group in January 2023. The Working Group exists to support, and engage investors to integrate different aspects of sustainability into their investment and lending decision-making processes, in particular issues around climate. The first output for the working group was an update to the BBP's Acquisitions Sustainability Toolkit.

In February 2023, a diverse group of 17 members, representing asset owners, managing agents and advisors, were brought together with the specific purposes of updating the Toolkit. The group met four times during 2023 and through three subgroups, led by the co-chairs and the BBP, updated the different areas of the toolkit.

Outcomes

The working group expanded the Sustainability Investment Checklist of the Toolkit, added three new investment critical Decisions Trees, and provided further guidance for the asset onboarding process. Together, these changes provide transaction teams and their advisors with a much more comprehensive and relevant resource, empowering them to make informed decisions aligned with their sustainability goals. To support greater alignment and standardisation across the industry, the Sustainability Investment Checklist was also mapped against a host of relevant industry resources. This was a highly collaborative process involving over 50 industry stakeholders including investment, lending, managing agent professionals as well as sustainability experts.

The revised BBP's Acquisition Sustainability Toolkit was soft launched to members in November 2023 and officially launched to the wider industry in February 2024.

Case Study: Solutions paper to applying SFDR to Real Estate

Objective

To input into the ESAs' consultation and European Commission's review for the Sustainable Finance Disclosure Regulation (SFDR) and outline the challenges, and suggest solutions, in applying the regulation to real estate.

Overview

PGIM Real Estate has been a member of the Association of Real Estate Funds (AREF) for over 14 years. PGIM Real Estate's Director of Sustainability for Europe and APAC has been a member of the AREF Sustainability Disclosure Working Group since inception. The Sustainability Disclosure Working Group was established to consider how sustainable finance and climate-related disclosures will affect real estate funds and to respond to the related consultations from the regulators and governments.

In April 2023, the working group were brought together with the specific purpose of responding to the ESA's Joint Consultation Paper: Review of SFDR Delegated Regulation regarding PAI and financial product disclosures. A series of meetings were held over the subsequent weeks, which led to detailed discussions on the ambiguity and challenges the regulation presented when translated to real estate. A small sub-group, led by PGIM Real Estate's Director of Sustainability for Europe and APAC, pulled together a supporting positioning paper.

Outcomes

The main message of the positioning paper was to ensure that any reform of SFDR was appropriate to real estate and to allow international coherence and compatibility with non-EEA jurisdictions. By extension, this could lead to an increased willingness to engage with the SFDR and a better ability for real estate funds to benefit from the upsides of compliance - that is being more attractive to sustainability fund flows.

The positioning paper was endorsed by various Associations (including INREV and the Investment Property Forum) and it was published by IPE Real Assets in June 2023. The paper has since been shared with a Senior Policy Officer at ESMA as well as the policymakers responsible for the upcoming SFDR review in the European Commission. The views will be considered in the context of the review of SFDR Regulation.

Case Study: Developing a GRESB Lender Benchmark

Objective

In 2023, GRESB sought PGIM Real Estate's participation across a 3-year time frame (2024-2026) to provide expert input in the GRESB Americas Real Estate Lender Roundtable. The Roundtable, in an effort by GRESB and market leaders, to build a new peer-based benchmarking tool as part of a founding cohort. Upon receiving support from global portfolio managers within our Sustainability Debt Council, PGIM RE's global debt business committed to support GRESB in this initiative.

Overview

GRESB envisions a benchmark which measures investment managers' sustainability integration policies, procedures, and engagement among other factors. In our role as roundtable members, we will provide GRESB with feedback on current and evolving sustainability practices lenders should consider on key topics such as climate risk, transition risk, borrower governance and KPI measurement of key metrics. Once the survey is built, we have committed to enter private debt loan portfolios, along with other global investment managers, to launch the benchmark.

Outcomes

We aim to submit to the benchmark as part of an ongoing, extensive relationship with GRESB and as a leader in market sustainability stewardship. As we enhance our own capabilities, the Lender Roundtable allows us an opportunity to identify areas for programme growth through the peer-based benchmark.

PURPOSE & GOVERNANCE

PRINCIPLE 5:

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

PGIM Real Estate has governance processes in place to ensure that our policy activities are aligned with our position on sustainable finance and our commitment to robust governance, outlined in response to Principle 2 of the UK Stewardship Code.

POLICY FRAMEWORK AND OVERVIEW

PGIM Real Estate benefits from a strong policy framework that begins with our parent company, PFI. Many policies that promote effective stewardship, including the PFI Code of Conduct, are adopted by all PFI employees.

Global Compliance Programme

PGIM Real Estate's Compliance Group is responsible for the global regulatory compliance programme, and for implementing internal policies. The team provides business specific compliance advisory guidance, and develops, maintains, and monitors compliance within the appropriate policies, procedures, and regulatory requirements.

Compliance also actively supports the asset management and portfolio teams in managing regulatory risk. This includes monitoring the regulatory environment, assessing new regulatory developments, establishing the appropriate policies and procedures, and providing training to ensure business activities are conducted in compliance with all relevant laws and regulations.

PGIM Real Estate's Compliance department is an independent business unit reporting directly to PGIM Inc.'s Chief Compliance Officer and ultimately to PFI's Chief Compliance Office.

Some areas that our compliance department oversees include the following:

- **Conflicts of Interest:** Compliance provides employees with regular mandatory training on conflicts of interest, insider trading, privacy, ethics, whistle blowing, and other policies (refer to Principle 3 for further details).
- **Personal Trading:** PGIM Real Estate Compliance monitors personal trading activity of its employee population and reviews the trading activity against firm trading and restricted list content, and any matches are investigated by our compliance unit. An ethics committee meets regularly to consider possible violations and take disciplinary action where appropriate.
- **Gifts and Entertainment:** Our Gifts and Entertainment policy requires the reporting and preclearance of gifts, meals and entertainment given or received which exceed certain thresholds. In addition, our employees are prohibited from soliciting the receipt of gifts, meals or entertainment. Senior management periodically reviews summaries of gifts and entertainment activity to detect trends of abuse, conflicts of interest, or possible violations of the Policy.
- **Political Contributions:** PGIM Real Estate employees are prohibited from making any political contributions with the intent of influencing a public official regarding the award of a contract to PGIM or its affiliates. Due to the potential for conflicts of interest, PFI and PGIM Real Estate have established policies and procedures relating to political contributions that are designed to comply with applicable federal, state and local law.

Embedding our Policy & Procedures – Ongoing Training Programme

A formal training programme is maintained across PGIM, to maintain awareness of key policy and procedure requirements and to ensure that the latest regulatory obligations and requirements are understood and met by all employees.

The “Axonify” training platform was launched across PGIM in November 2021 and it changed the way the business learn new skills and complete mandatory training. This modern, game-based tool provides short training sessions and personalized modules so all employees can learn and progress at their own pace. The platform offers personalization, scoring and performance leaderboards across teams. Managers also have the ability to relay important messages to their team, encourage or congratulate them on their progress. Staff are required to maintain scores above a minimum threshold, to ensure engagement and completion and this is monitored and tracked by senior leadership within all PGIM affiliates including PGIM Real Estate.

Compliance frequently releases mandatory training and also specific targeted training that is relevant to a group of employees. By way of example, in 2023, Compliance rolled out targeted training on the Senior Managers and Certification Regime and UK Modern Slavery Act following regulatory changes in the UK.

Axonify does not replace our other learning management systems, such as Learning Connection, but acts as an added platform so that completing compliance training can be fun, engaging, convenient and part of our everyday work experience.

Compliance Audit

Our compliance programme is reviewed on an annual basis pursuant to the U.S. Investment Advisers Act of 1940 (“Advisers Act”) and the Investment Company Act of 1940, which impose regulatory requirements on our SEC regulated investment adviser entities, including PGIM Private Alternatives (UK) Limited (the UK Real Estate entity).

PGIM Real Estate Compliance uses a combination of internal and external means to review its compliance function. On an annual basis, we scope our targeted areas for review with an independent third-party firm to conduct our Rule 206(4)-7 (“Compliance Programme Rule”) testing, and to come up with a comprehensive testing plan. The plan is reviewed and signed off by the Chief Compliance Officer of PGIM Real Estate, including PGIM Private Alternatives (UK) Limited, and at a higher level by the PGIM Chief Compliance Officer. In addition to the testing performed by the 3rd-party firm, throughout the year business unit compliance undertake compliance monitoring and assurance activities (such as review of financial promotions and other client communications, and disclosures in our Gifts and Entertainment Tracking System or Personal Securities Monitoring System). Forensic testing may also be used as part of the annual review documentation. The testing results are typically reported to PGIM Real Estate’s Chief Compliance Officer, who presents them to the relevant entity Boards and management forums. There were no material findings in the 2023 reporting period.

Overview of Policies

The table below highlights our policies relating to sustainability, however PGIM Real Estate and our parent company PFI have a comprehensive suite of policies pursuant to regulatory requirements. Additionally, our corporate culture recognises that maintaining the high ethical standards we demand requires more than simply issuing a statement of policy – it requires a commitment to sound ethical principles and PFI’s values. Therefore, our parent company nurtures a culture within PFI and its business units that is highly moral, with decisions and actions based on what is right - not simply what is expedient.

Policies promoting stewardship and other best practices in our investment activities	Policies that set standards for employee conduct
<ul style="list-style-type: none">Sustainability PolicyAnti-Money Laundering (AML)Conflicts of InterestResponsible contractorAllocation & ValuationThird Party Risk Management (in particular relating to the UK Modern Slavery Act)Socially Responsible Investment PolicyProxy Voting Policy (only applicable to listed REITS)Fiduciary Responsibility	<ul style="list-style-type: none">Code of ConductGifts and EntertainmentPersonal TradingInsider TradingConflicts of InterestPrivacyFraud and Market ManipulationAnti-Bribery and Anti-CorruptionSupervision

Review of Policies

PGIM Real Estate reviews its policies on a frequent basis to ensure they are up to date with regulations and best practices and also consistent and effective. To illustrate this, we have provided a case study below on the updating and improvement of our Sustainability policy.

Case Study: Improvement of Sustainability Policies

Project: During 2023, PGIM Real Estate undertook an exercise to ensure compliance with the Minimum Safeguards, as outlined in EU Taxonomy regulation. The Minimum Safeguards ensure that companies engaging in sustainable activities meet certain standards when it comes to human and labour rights, bribery, taxation and fair competition.

As part of this review, a gap analysis was undertaken, to ensure our internal Policies and Procedures aligned with the required standards. This was based on performance criteria against four core topics:

Human Rights	<div><div>1. The company has not established an adequate human rights due diligence (HRDD) process as outlined in the UN Guiding Principles (UNGPs) and OECD Guidelines for Multinational Enterprises (MNEs).</div><div>2. There are signals that the company did not adequately implement human rights due diligence and/or did abuse human rights. These are:<div><div>1. The company has been finally found in breach of labour law or human rights.</div><div>2. OECD or Business and Human Rights Resource Centre (BHRRC) indicators signal that the company does not engage with stakeholders.</div></div></div></div>
Corruption	<div><div>1. The company has no anti-corruption processes in place.</div><div>2. The company or its senior management, including the senior management of its subsidiaries, has been finally convicted in court of corruption.</div></div>
Taxation	<div><div>1. The company does not treat tax governance and compliance as important elements of oversight, and there are no adequate tax risk management strategies and processes in place.</div><div>2. The company or its subsidiaries have been finally found to have violated tax laws.</div></div>
Fair Competition	<div><div>1. The company does not promote employee awareness of the importance of compliance with all applicable competition laws and regulations.</div><div>2. The company or its senior management, including the senior management of its subsidiaries, has been finally convicted of violating competition laws.</div></div>

Outcomes (Policy Enhancements): PGIM Real Estate carefully studied all of these four principles and with the help of an external law firm concluded that our existing policies meet the Minimum Safeguards requirements. The review also identified some areas where our policies could be enhanced and so action plans have been developed in this regard and are being monitored to completion.

PGIM Real Estate continue to actively track the development of various regulations on sustainability – related disclosures in the financial services sector, to ensure we are on course to be compliant with the requirements (including the EU SFDR, UK SDR and the anti-green washing rules, and anticipated SEC updated guidance) and voluntary ESG disclosure frameworks (such as TCFD, GRI) as relevant.

ASSURANCE OF OUR BUSINESSES & STEWARDSHIP PRACTICES

Rationale for our Approach

We have detailed below various ways in which our business practices broadly, and sustainability activities specifically, receive internal and external assurance. The rationale for our approach is based on industry best practice, and our business is subject to multiple lines of both internal and external scrutiny to ensure a robust control environment.

Internal Assurance

PFI Internal Audit

PGIM Real Estate is subject to regular reviews performed by PFI's internal audit department. Routine internal audits are conducted and designed to evaluate the adequacy of management's control consciousness, as well as the existence and effectiveness of internal controls. Each PGIM entity is covered every 3-4 years and audits can be entity- or process- specific. These audits typically include a review of the controls within key processes such as trade execution, processing and settlement, pricing, portfolio administration and compliance with contractual, regulatory and internal requirements and guidelines. Audits typically also include a review of general controls related to the systems supporting investment management activities. All business units are subject to PFI Internal Audit oversight.

Where annual internal audits are required due to local regulations (e.g., Germany and Luxembourg), Internal Audit is outsourced to a local third party. These outsourced internal audits create an additional layer of independent review and take place in addition to PFI's internal audit.

PGIM Inc.

PGIM, Inc. is subject to multiple lines of scrutiny to ensure a robust control environment. These include:

- A dedicated Operational Risk Management function with group and business unit aligned teams that conduct periodic risk assessments, tests internal controls, and monitors key performance metrics and issues management.
- A Group and Business Unit aligned Legal, Compliance, Risk, and Finance team that collaborate to create and modify policies and procedures that enhance internal controls as new regulations are adopted, regulatory guidance is issued.
- Periodic examinations by regulators and self-regulatory bodies that any regulated investment fund manager or registered investment adviser undergo.

External Assurance

Our reporting to industry bodies and frameworks, described in detail in response to Principle 1 and summarised below, provides an additional layer of review of our sustainability programme. Additional information on external assurance has been provided earlier in this section, in our overview of our annual external compliance audit.

GRESB/UNPRI

As previously described, reporting to industry bodies is an important way to assure our sustainability and stewardship activities, and benchmark ourselves against industry best practice.

UNPRI: PGIM Real Estate reports on company activities through the UN PRI's Reporting and Assessment survey. As previously mentioned, in 2021 for the first time we reported on our global debt business in addition to our global equity business. The debt business received a 5 Star rating.

GRESB: At the investment fund level, we use GRESB as our reporting standard. As noted in Principle 1, the number of participating global funds increased to 26 for 2023, equivalent to 87.6% global AUM, and we continue to see improvement in our GRESB scores year after year.

GRESB Data Assurance

In 2023, we increased the amount of data submitted to GRESB that was subject to independent 3rd party verification. The objective of this process is to verify:

- Conformance with applicable verification criteria, including the principles and requirements of relevant standards or Greenhouse Gasses (GHG) programmes, within the scope of the verification
- The organisation's GHG emissions (Scope 1 and 2), energy, water and waste inventory
- Any significant changes in the organisation's GHG emissions (Scope 1 and 2), energy, water and waste inventory since the last reporting period
- The organisation's GHG emission-related controls

Outcomes: The third-party data assurance of GRESB data in 2023 revealed no material misstatements in our data. We are committed to ongoing efforts to increase the integrity and reliability of our GHG data and relevant internal controls to enhance decision-making and transparency.

Ensuring stewardship reporting is fair, balanced and understandable

Reporting and adherence to reporting norms (GRI, TCFD)

Our annual sustainability report is prepared with reference to the standard disclosures in the GRI sustainability reporting guidelines. The preparation of this report considered all GRI principles for sustainability reporting, including guidelines for principles involving the defining of report content and report quality. The process for the defining of content and boundaries reflects our previous sustainability reporting practices, feedback from stakeholders and discussions with subject matter experts

Our resilience risk assessment tools are aligned with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and we have enhanced our sustainability due diligence in the UK and Europe for new acquisitions by using those assessment criteria.

Case Study: Formation of a new Sustainability Team

Issue: Given the ever evolving regulatory landscape with regards disclosure and sustainability for market participants, it is critical for PGIM to ensure that sustainability obligations are appropriately implemented into day-to-day operations.

Resolution: In 2023 the Sustainability Team, working alongside Compliance and Operational Risk teams, developed a framework to review investment products aligned with SFDR. The framework prompts portfolio management, business development, legal and business information partners to consider the operational and reporting capabilities required for products to comply with the promotion of environmental or social characteristics under SFDR. The framework, which consists of a series of questions requiring confirmation by fund teams, is reviewed by senior functional heads and the Sustainability Team as a requirement of the product approval committee process.

Outcome: The added governance has resulted in greater internal integration across working teams for purposes of planning, tracking, and monitoring products that may be suitable for investors seeking to align their investment preferences with sustainability goals.

Ensuring our Stewardship Report is Fair, Balanced and Understandable

In an effort to ensure that this Stewardship report is fair, balanced, and understandable, PGIM Real Estate has:

- Had the full report reviewed by our compliance department, the PGIM Private Alternatives (UK) Limited board, and members of the European Executive committee
- Selected case studies that are balanced among different geographies and asset classes
- Explained outcomes and impact, not just activities
- Focused not just on achievements, but also including detail of challenges where applicable
- Provided forward-looking objectives for stewardship and sustainability beyond specific outcomes and activities in the reporting year

INVESTMENT APPROACH

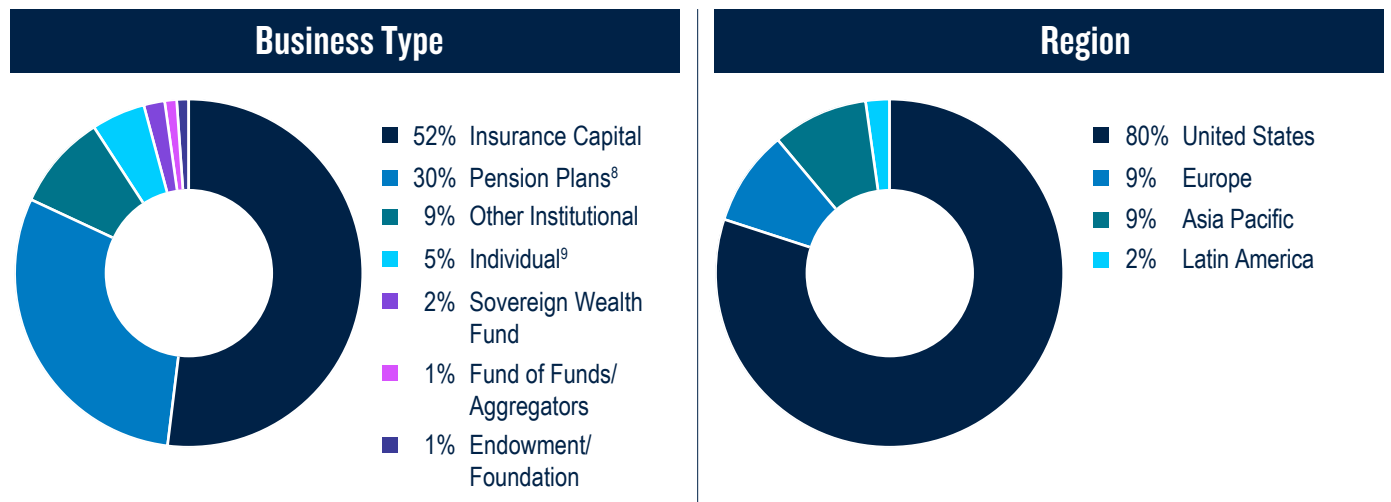
PRINCIPLE 6:

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

CLIENT BASE

PGIM Real Estate pursues exceptional outcomes for our clients through a range of real estate equity and debt solutions across the risk return spectrum. Across market cycles, we have provided consistently strong performance for our investors⁷. We focus on real estate as a “local business” – investment selection decisions are made locally with accountability and strong risk management oversight. Active management is implemented at both the portfolio level, and for each individual asset. Asset managers are focused on enhancing both income and capital value of each asset. Our stable, tenured team of real estate professionals has a demonstrated track record of transparent communication through all economic cycles, and a steadfast commitment to strategic consistency.

Global Client Breakdown as of December 31, 2023



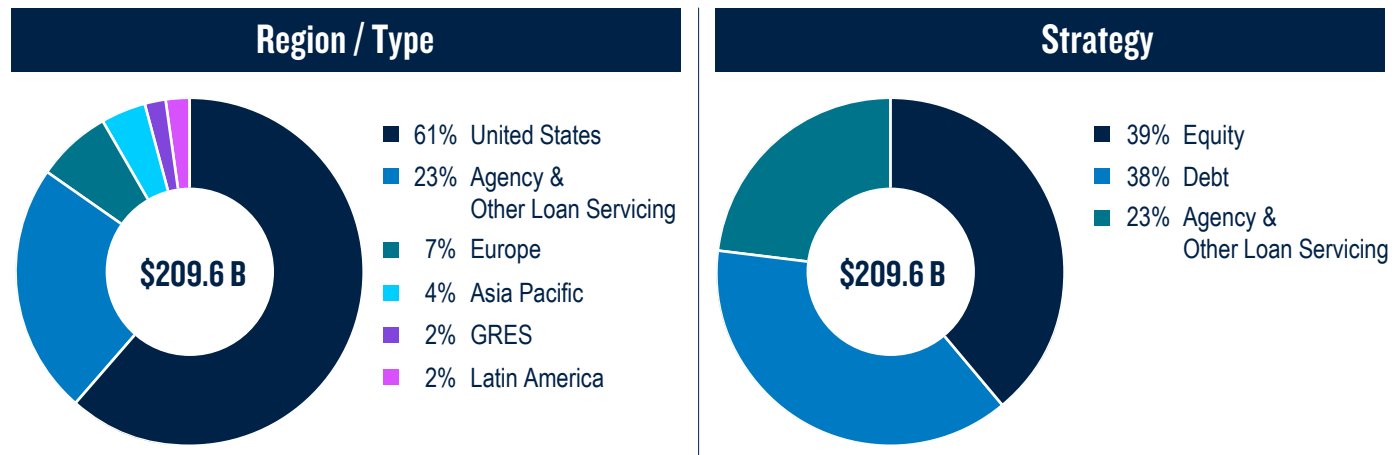
⁷ Past performance is not a guarantee or reliable indicator of future results.

⁸ Comprised of Public Pension (16%), Private Pension (10%), Union Pension (4%).

⁹ Comprised of Retail/Mass Affluent (2%), Defined Contribution (3%), High Net Worth (<1%), Family Office (<1). Note: Percentages may not sum to 100% due to rounding.

ASSETS UNDER MANAGEMENT

Global Assets Under Management: AUM and AUA: \$209.6 Billion¹⁰



Equity includes primarily our direct Real Estate equity investments, and also our listed REITs business.

Debt includes our global private real estate lending business

Agency & Other Loan Servicing represents our Assets under Administration (AUA). Agency loans are generally multifamily loans originated by PGIM real estate on behalf of U.S. Agencies (Fannie Mae, Freddie Mac & FHA). These loans are serviced by PGIM Real Estate’s affiliate loan servicer, PGIM Real Estate Loan Servicing (RELS). Our sustainability integration strategies differ by asset class (as articulated in Principles 7, 9, and 11).

INVESTMENT TIME HORIZON

The precise amount of time required to deliver a client’s requirement will vary, influenced by the nature of the client, the specific strategy pursued and the potential attributional impact the allocation to that strategy has on their overall portfolio level return and other requirements. For a relatively illiquid asset class such as property, even the most value-add type strategy will require a time horizon of at least two to three years, with more usual core type strategies seeing hold periods of a minimum of five years. At the long end of the spectrum, we have held some assets in our US core fund across multiple market cycles dating back to the early 1970s.

All investment decisions are taken within the risk framework outlined in Principle 4. This ensures that our duty as a fiduciary of client investments is discharged with appropriate consideration.

SEEKING AND RECEIVING CLIENTS’ VIEWS

Tools & Forums for Gathering Client Feedback

Ultimately, our clients’ satisfaction – both broadly and in terms of sustainability – is best measured by whether our clients continue to do business with the firm. We actively seek and incorporate our clients views to ensure we are closely aligned with their interests and expectations. Additionally, our ability to attract new investor capital is a key metric of whether our services align with client demand. As is standard throughout the asset management industry, each new client engagement typically begins with a client-led, competitive and thorough due diligence process, where at both the firm and fund level we need to demonstrate our ability to act as a true fiduciary, to protect and preserve client capital, and to deliver upon our commitment to sustainability factors. Typically, this due diligence process continues post investment in the form of ongoing operational and investment due diligence.

¹⁰ As of 31 December 2023, net AUM is \$134B and AUA is \$49B. Note: Percentages may not sum to 100% due to rounding.

In 2023, PGIM Real Estate experienced robust positive third-party capital flows, a success that was made possible by actively considering the views of our clients and beneficiaries and ensuring that our products and way of doing business met their expectations. Our platform broadly has experienced consistent growth since the Firm's inception. At the highest level, these third-party capital inflows are the truest indicator of our ability to deliver value to our clients and beneficiaries.

Outlined below, are specific tools we use to collect and incorporate client feedback, along with specific actions we have taken to integrate this into our business practices. As sustainability issues have become increasingly important to our clients, the measures described in Principle 1 (e.g. our net zero commitment, interim targets, and reporting to GRESB and UNPRI) have been influenced by client preferences.

Frequency	Type	Description
Quarterly	Investor Update Calls	The majority of our Funds host quarterly investor update calls, providing investors with comprehensive updates regarding performance and transaction activity. These sessions are interactive, and investors are encouraged to ask any questions, which are addressed directly by the Portfolio Management team.
Typically Annually	Advisory Council Meetings	Most commingled funds have Advisory Councils made up of investors and their consultants who offer periodic input to management during meetings. These Advisory councils typically convene annually, though the timing and frequency of the meetings are determined by the Council. Advisory Council members receive no compensation from the fund or PGIM Real Estate, although PGIM Real Estate reimburses members for their out-of-pocket costs in attending Council meetings. Council members are asked to comment on such items as the fund's investment strategy and philosophy, diversification strategy, annual business plan, recently completed transactions and client reports. Sustainability topics are included in the agenda of many of the Advisory Council meetings.
Annually or more frequent	Client specific meetings	Our clients usually meet with us at least once a year, and in some cases as often as quarterly. The nature, context and content of these meetings does vary, with some being formal board or trustee presentations, while others may be less formal interactions with client staff. Through these interactions, very specific information will be exchanged, which in some cases can lead to variations in an existing mandate, the introduction of a new offering, or the instigation of a new ongoing discussion of one or more themes which are of mutual importance. Long term one on one engagement is crucial for building and maintaining trust and confidence in client relationships and often provides early insight into specific areas of development that is vital when seeking to enable long term stewardship of a relatively illiquid asset class.
Annually	Client Conference	We hold an annual global client conference in the Spring, as well as regional conferences. Our firm invites clients to meet with portfolio managers, senior staff and industry experts to receive updates about the firm, and industry as a networking opportunity.
Multi-Annually	Client Satisfaction Survey	As part of our continued effort to provide high-quality service to our clients, PGIM Real Estate commissions a leading market research and consulting firm (Kingsley, a Grace Hill Company) to obtain formal feedback on our clients' perceptions of PGIM Real Estate's investment capabilities, products and service delivery. Kingsley has extensive experience evaluating investor feedback in the real estate industry and the information they help us collect enables us to better understand our clients' needs and improve our services. Past survey results, including client views around sustainability, were used to help set our priorities for the following years. We have used the survey results to evaluate the effectiveness of our client engagement methods and inform our focus areas for improvement.

Case Study: Addressing data gaps to enhance climate-related financial disclosures for UK investors

Background: TCFD requires granular “carbon data” to be calculated and disclosed (i.e. scope 1, 2 and 3 greenhouse gas emissions). Although the disclosure was not mandatory for PGIM Real Estate UK Limited, it was for a number of our UK investors. Increasingly due diligence questionnaires received from key UK investors required fund level reporting of TCFD metrics and targets. The challenge for the PGIM Real Estate managed UK separate account, is that the majority of assets are operated on full repairing and insuring terms, where the tenant owns the energy consumption data. A similar situation exists for the UK Affordable Housing Fund, where the portfolio primarily comprises single-family housing (houses or low rise apartment) and the residents own the energy consumption data.

Process and Engagement: To improve the availability and reliability of “carbon data” for investor reporting, as well as a first step to decarbonise these portfolios, PGIM Real Estate utilised the “legitimate interest” lawful basis for accessing tenant / resident energy consumption data for the UK separate account and UK Affordable Housing Fund. A building performance technology company was procured by the business, which has the ability to collect electricity and gas meter data from every UK meter. The software ingests the last 12 months energy consumption from any property and tracks automatically moving forward. The supplier specific carbon emissions / tCO₂e are also reported. The data is aggregated to sector type or scheme to ensure data privacy and security is maintained.

Outcome: Energy data floor area coverage has increased across the UK separate account from 47 – 84% between 2022 and 2023 and for the UK Affordable Housing fund from <2 – 93% between 2022 and 2023. The data, being automated, is also considerably more accurate than previous years. Integrating the data into PGIM Real Estate’s global data platform (Measurabl) has allowed for further analysis and enhanced performance tracking.

Going forward a review will be undertaken of leases across the portfolio to identify and trigger all utility data sharing clauses and allow carbon data to be understood at the property level, as opposed to aggregated at the sector type / scheme. An engagement programme will then be initiated for any remaining commercial tenants i.e. without existing green leases, to continue to identify property level emissions. This disclosure, whilst not required for TCFD, is the first best step to decarbonisation; to ascertain current carbon emissions and where the impact lies.

MANAGING ASSETS IN ALIGNMENT WITH CLIENTS’ STEWARDSHIP AND INVESTMENT POLICIES

Throughout Principle 6, we have demonstrated how we have engaged with clients to understand what good investment management looks like for them. It’s clear to us that a key part of our fiduciary responsibility is to actively integrate sustainability into our investment approach. As outlined in Principle 1 and 7, we view sustainability as a proxy for good management and a contributing factor to long term value preservation across asset classes, which helps to future-proof our funds. As part of our responsibility to align with clients’ stewardship and investment policies we utilize every possible opportunity during the holding period of our direct investment to integrate sustainability factors into decision making. In equity investments sustainability is embedded at every step of the property life cycle: acquisition, active ownership, redevelopment / refurbishment and divestiture. In debt investments our sustainability integration focuses on evaluating borrowers.

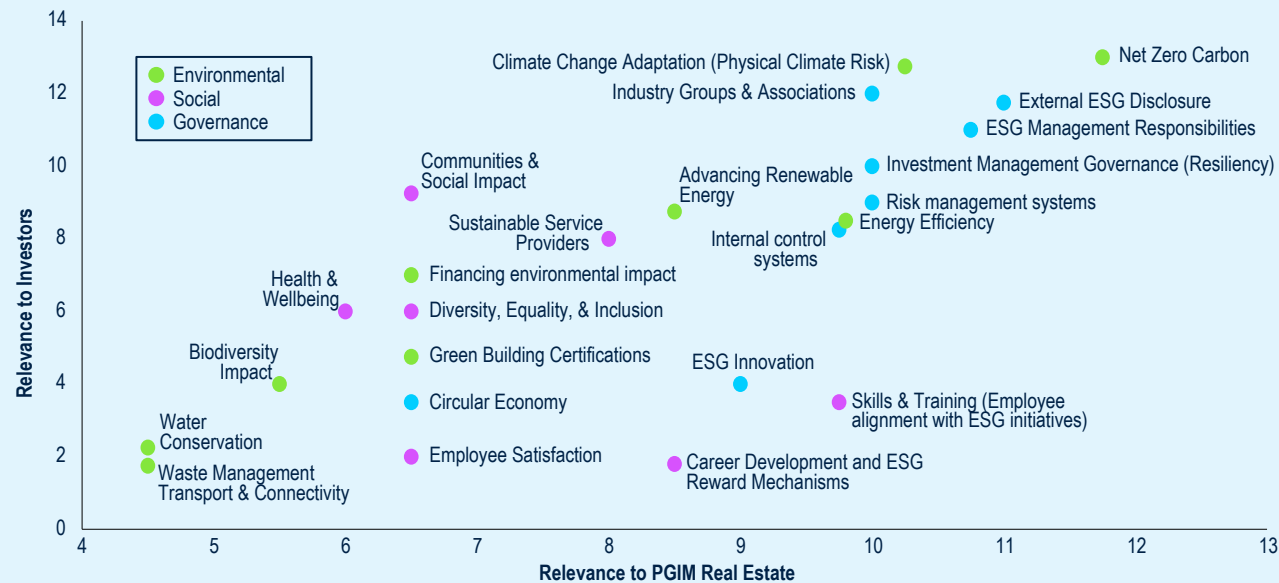
Case Study: Ascertaining Relative Importance of Sustainability and Sustainability Topics to our Investors and Business, Sustainability Materiality Assessment

Background: In response to the ever-increasing frequency and diversity of investor sustainability requests, the continually changing landscape of sustainability regulation and the general rise of sustainability up the business agenda, PGIM Real Estate commissioned a third-party facilitator to complete a sustainability materiality assessment for both the UK and European business and the Asia Pacific business.

Process and Engagement: The materiality assessment was conducted in Europe in 2022 and 2023 and followed a financial materiality approach; to evaluate how sustainability factors affect the business. The APAC materiality, conducted more recently in 2023 and early 2024, followed a double materiality approach; to evaluate both the sustainability factors that affect the business as well as how the business itself affects the world around it. The assessments have primarily been an exercise in stakeholder engagement. A broad range of stakeholders, including investors, employees and in-directly tenants/customers, were interviewed and workshopped. The focus of the engagement was around sustainability issues that contribute to overall sustainable development. In addition to collating direct feedback from stakeholders, a review was also undertaken of internal documentation and processes in order to present a complete picture of the exposure of the business to sustainability.

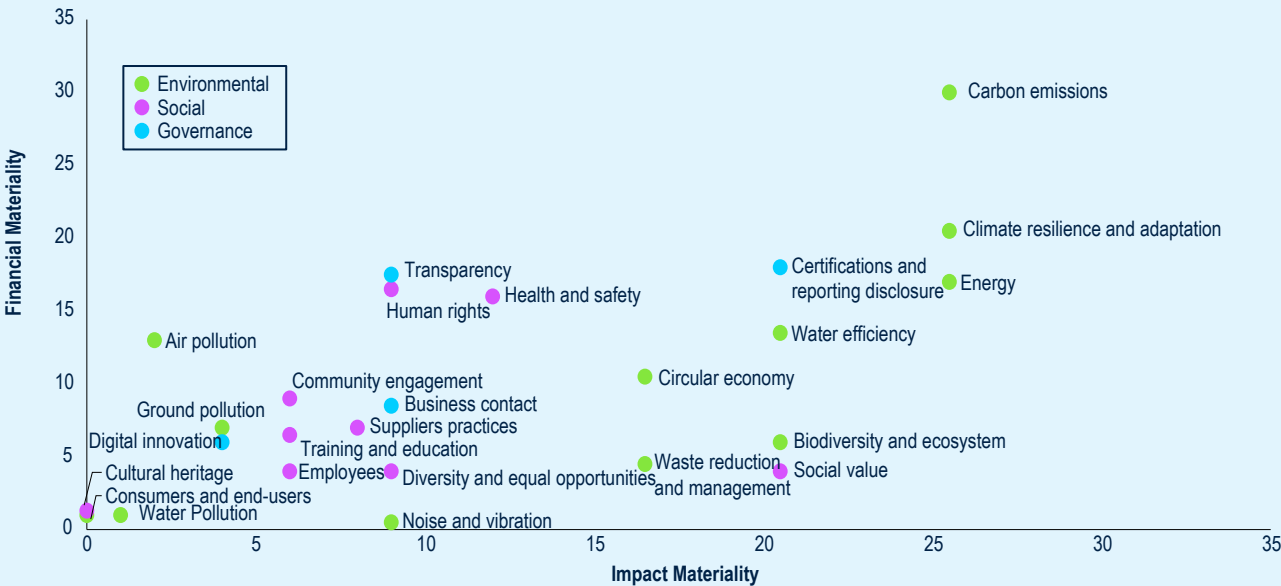
Outcome: The results from the stakeholder engagement were compiled, ranked and visualized in materiality maps. For the UK and European materiality map the x-axis represents the ability of the business to influence on sustainability and the y-axis represents the degree of influence on stakeholder assessment and decisions. For the Asia Pacific materiality map the x-axis represents the significance of the businesses sustainability impacts (on others) and the y-axis represents the degree of influence on stakeholder assessment and decisions (about the company). The topics that fall into the upper right section of both materiality maps are identified as the most significant.

European Sustainability Materiality Assessment



Source: PGIM Real Estate in partnership with EVORA, May 2023.

APAC Sustainability Materiality Assessment



Source: PGIM Real Estate in partnership with Arup, April 2024.

The most significant sustainability factors identified, in addition to providing the foundations for analyzing risks and opportunities, have informed a refresh of the regional approaches to PGIM Real Estate’s Global sustainability strategy. The European Sustainability Strategy is shown in example below.

	ENVIRONMENTAL	SOCIAL	GOVERNANCE
FOCUS AREAS	Carbon	Tenants and Communities	ESG Integration
		Borrowers	Resilient Assets
		Partners and Suppliers	Maximise Power of our Platform
GLOBAL AMBITIONS	Net Zero by 2050. Halve our impact by 2030 ¹¹	Landlord of Choice	Investor of Choice
	20% reduction in energy and water consumption by 2027	Lender of Choice	Employee of Choice
	50% reduction waste-to-landfill by 2027		
GLOBAL FOUNDATIONS	GOVERNANCE AND RISK MANAGEMENT		
	TRANSPARENCY AND DISCLOSURE		
	DATA MANAGEMENT AND INTELLIGENCE		

¹¹ In May 2021, PGIM Real Estate joined up to ULI Greenprint’s Net Zero by 2050. Our goal is to achieve net zero operational carbon emissions by 2050 across all managed assets by accelerating the reduction of carbon emissions produced by buildings under operational control and investigating embodied carbon reduction strategies for inclusion in the planning and construction process. We also have an interim 2030 target of reducing 50% operational carbon emissions for 50% of PGIM Real Estate managed assets.

Case Study: Responding to the increasing investor requirement for funds to be classified as Article 8, under the EU’s Sustainable Finance Disclosure Regulation

Background: As a global firm, we have embraced the EU’s Sustainable Finance Disclosure Regulation (SFDR) and our EU Alternative Investment Fund Managers (AIFMs) are complying with the regulation. Article 8 applies to a fund under SFDR which promotes, among other characteristics, environmental or social characteristics, and that this is a “binding element” of investment selection. In response to an ever-increasing requirement from the European investor for Article 8 funds, in both equity and debt, which we have seen come through in due diligence questionnaires and MIFID II Sustainability Requirements, PGIM Real Estate has expanded its global portfolio of Article 8 funds from a total of 27% AUM marketed in Europe in 2022 to 38% AUM market in Europe in 2023. The expansion of Article 8 products, and funds targeting Article 8, has also led to a review and enhancement of our business governance process in this regard, as detailed in Principle 5.

Process and disclosure: The aim of the EU’s regulation package is not just to classify funds, but to classify funds as a means to request different types of disclosures about their sustainability policies, processes and outcomes. SFDR requires Article 8 funds to not only disclose, through tracking of sustainability indicators, on the promotion of environmental characteristics by investment decisions, but also their main negative effects on the environment, through tracking of principle adverse indicators. Performance against binding criteria and the principle adverse impacts is reported at a fund level annually and is available to clients through the investor portal.

Outcome: All Article 8 funds met their required sustainability indicators in 2023 reporting (based on 2022 data). Performance against principle adverse indicators for all funds marketing in Europe i.e. including both Article 6 and 8 funds, is also aggregated at a business level annually and is publicly available. No exposure was reported to the fossil fuels in 2022 and 2023 and exposure to energy in-efficient European domiciled assets decreased from 57% Gross Asset Value (GAV) in 2022 to 42% GAV in 2023, indicating a 15% reduction and demonstrating progress towards the firm’s goal of reducing exposure to such assets through active ownership. We did however see an increase in exposure from the principle adverse indicator waste, increasing from 5% GAV in 2022 to 14% in 2023, it’s important to note that this trend is partly due to the business efforts to enhance data accuracy and coverage. PGIM Real Estate is committed to improving the accuracy and comprehensiveness of our data and by focusing on improvements to adverse impacts, the business also aims to better assess and manage its environmental footprint.

COMMUNICATING WITH CLIENTS AND EVALUATING EFFECTIVENESS

PGIM Real Estate values transparency and communication, and as such engages frequently with our clients, and provides comprehensive reporting on manager governance, portfolio performance, sustainability, and other topics.

Client Reporting Frequency / Mechanism

We are dedicated to delivering timely and accurate information and reports, maintaining a high transparency and meaningful disclosure to clients. We have developed a secure online Investor Portal where all reports and communications can be accessed.

Frequency	Communication Type	Description
On Request	Investment Due Diligence, Operational Due Diligence, Sustainable Due Diligence	On a regular basis, according to a schedule determined by the investors, consultants and in collaboration with PGIM Real Estate, the firm responds to investor due diligence questionnaires covering all topics of importance to investors. These customised reporting’s provides a high degree of transparency.
Quarterly	Standard Reporting	We provide: <ul style="list-style-type: none">Flash Reports containing preliminary fund level performance highlights and transactions.Quarterly fund reports detailing portfolio results, the Fund managers’ outlook and objectives. The equity fund reports include an overview of the sustainability activity within the fund.Client account statements and fund level financial statements.

Frequency	Communication Type	Description
Quarterly	Quarterly Insights Research Report	Regional coverage of the current investment trends and topics that the investors may find beneficial.
Bi-Annually	Fund Updates	Minutes from the Advisory Council Meetings.
Annual	Global Outlook Research Report	We provide our assessment of the outlook of the global and regional real estate markets, this identifies the opportunities we believe are among the most attractive on a risk-adjusted basis for the upcoming year.
Ad Hoc	Various	Organisational announcements, current reports on market activity or sector-related topics from our research team.

Please note that this is intended to be illustrative and broadly representative of the reports clients receive. Reporting frameworks may vary by fund and client accounts.

Case Study: PRISA Fund-Level Sustainability Report

In our 2022 Annual Stewardship Report we shared plans to develop fund level sustainability reports. This example is a sustainability report we have delivered for our U.S. Core Fund in 2023:

Background: Traditionally, sustainability information has been aggregated at the firm level and presented in the Annual Sustainability Report. While Quarterly Investment Summaries include a brief sustainability-themed page, the increasing request from investors for greater accountability and transparency led the Portfolio Management Team to create the first fund-specific report dedicated to sustainability. The sustainability team developed the report to showcase the PRISA fund's sustainability performance and achievements. As the oldest, and one of the largest funds, in the ODCE index, with over \$30 billion in AUM, understanding its sustainability performance has become increasingly important to investors seeking to make informed decisions based on sustainability criteria.

Process and Engagement: Designed to be released annually alongside the Annual Investment Summary, the inaugural PRISA fund-level sustainability report is organised around the key themes most relevant to sustainability-focused investors. The report combines qualitative insights with quantitative data to highlight the fund's ongoing efforts and achievements during the previous reporting year (2022). The core themes covered include:

- Green Building Certifications and Ratings
- GRESB Performance
- Performance Metrics, including:
 - o Energy, Water & Emissions consumption/intensity
 - o Landfill waste generation
 - o Waste Diversion Rate
- Physical Climate Risk
- Firm level Net Zero Commitment
- Firm level Employee and Community Engagement
- Asset-level Performance Data

Outcomes: Investors have access to more detailed sustainability information, allowing for better-informed decisions. By incorporating the report into quarterly investor presentations and Advisory Council sessions, stakeholders have the opportunity to discuss progress and challenges in real-time, fostering trust and alignment between investors and the Portfolio Management team. This ongoing dialogue will help the fund management team address investor expectations, play a pivotal role in identifying areas requiring increased focus, identify material items to report against in future editions and drive continuous improvement in the fund's sustainability practices. The publication and promotion of the report will encourage active collection of structured feedback from stakeholders.

CLIENT VIEWS AND ACTIONS TAKEN

Case Study: Improving the Onboarding Process for New Investors

Background: Following feedback received from investors about inconsistencies and inefficiencies in the onboarding process across our products and regions, we undertook a global review of the client experience. Initial project objectives were then set to meet the feedback received:

- Introduce a standardized welcome and closing experience: To create a consistent set of welcome and closing materials for all clients. This ensures every client receives a uniformed experience from the outset.
- Develop and implement a global procedural document: To minimize process discrepancies, a comprehensive global procedures document was created. This enabled us to remove regional nuances where possible and create a cohesive approach.
- Launch a digital platform to facilitate onboarding: This platform would serve as a centralised hub for client interactions and to further enhance speed and consistency of the onboarding experience.

Process and Engagement: The ultimately goal was to leverage technology to increase transparency and speed of execution, while ensuring a streamlined and enhanced onboarding experience across all touchpoints. During 2023 the following steps were taken in preparation for the launch of an online platform in 2024:

- Choosing the right platform to meet our objectives: Significant research was completed to understand the technology and platforms available. Demonstrations and testing were completed to assist in the elimination process.
- Creating a strong partnership with our chosen platform provider: We collaborated closely with the platform provider to ensure our goals were mutual. We partnered with the relevant stakeholders to build the necessary logic within the platform ensuring it could facilitate the complexities of the onboarding process.
- Streamlining and digitising the subscription documents: The documents were digitised with a global view to facilitate a uniformed approach within the new platform.
- Building testing teams and conducting extensive testing: We assembled dedicated teams and conducted testing through proof of concept. This was essential to identify and resolve any issues and to aid with a smooth rollout of the platform.

Outcomes: Proof of concept for the first set of products is near completion and the hope is to roll out the platform by the end of 2024. Benefits for the client experience will include universality and international support; workflow document digitisation; in-platform communication capabilities; and reporting and analytics dashboards. The benefits and capabilities position the platform as a key enabler to improve client satisfaction and operational excellence.

INVESTMENT APPROACH

PRINCIPLE 7:

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Overview

Investments may be made through a range of real estate equity or debt solutions across the risk return spectrum. When investing in joint ventures, PGIM Real Estate Funds will usually be the majority owner/stakeholder. With this position, PGIM Real Estate as manager also maintains control over the decision-making processes.

PGIM Real Estate views sustainability as a proxy for good management and a contributing factor to long term value preservation and creation across asset classes, which helps to “future-proof” our funds. We utilise every possible opportunity during the holding period of our direct investment (typically 7 – 15 years for core funds) to integrate sustainability factors into decision making. Given our private real estate debt strategies do not typically have the equity-style rights to influence the decision of our investments post-closing, our sustainability integration focuses on evaluating borrowers through pre-investment due diligence and active monitoring during our holding period (typically upwards of 5 years for senior loans). The information on our holding period provided here should be viewed in the context of our investment time horizons explained under Principle 6.

As a house, we believe it is more constructive to invest in our assets and/or engage and support borrowers in their transition towards sustainability, rather than divest or refuse the loan respectively. Improving the sustainability performance of an asset and engaging to improve borrower’s sustainability practices and focus them on a transition pathway will ultimately create long-term value. Because final investment decisions lie with transaction professionals and portfolio managers (overseen by the relevant Investment Committee), they receive sustainability training and are supported through regular meetings with the sustainability team. As such we have not built a siloed separate sustainability team but have embedded sustainability into our investment approach.

Private Real Estate Equity Investments

Sustainability across the Property Life Cycle



PGIM Real Estate uses every opportunity across the property life cycle to drive sustainability performance improvement.

- 1) **Acquisition** – screening, due diligence, investment critical, underwriting
- 2) **Active Ownership** – asset level work plan, portfolio review, net zero audit, property management agreement, tenant engagement, green leases / memorandum of Understanding / letter of authority, reporting / disclosure (GRESB), technology
- 3) **Redevelopment / Refurbishment** – development checklist, green building certification guide
- 4) **Divestiture** – selling with information

Acquisition

For all new investments, the transaction teams “screen” assets at bid stage from a review of vendor due diligence, where available, and publicly available environmental (“E”) information, which in the UK includes Energy Performance Certificate rating(s), the Environment Agency flood risk rating and any green building certifications held. Once under offer, PGIM Real Estate portfolio managers commission comprehensive and thorough due diligence utilising a standardised scope of works and approved panel of building surveyors, mechanical and electrical engineers and environmental / sustainability consultants.

The scope and extent of the due-diligence undertaken during acquisition, whilst standardised, will tend to vary between regions and dependent on the type, size and desired speed of acquisition; as well as the individual processes each property owner has in place. The due diligence reports are reviewed by the transaction and portfolio managers and the Investment Committee report compiled.

In the UK and Europe, up to seven items of sustainability are considered ‘investment critical’ i.e. could have a material impact on an investment decision from a regulatory or financial aspect, and where a negative appraisal may preclude investment. These include:

- a) Minimum energy performance standard
- b) Energy in-efficient real estate, as defined under SFDR
- c) Binding criteria under SFDR (Article 8 funds only)
- d) Alignment to EU Taxonomy technical screening criteria (Article 8 funds only)
- e) PGIM Real Estate climate path (using CRREM)
- f) Flood risk, including scenario analysis for climate change (using Moody’s ESG Solutions)
- g) Contaminated land.

For each of these items, a decision tree has been developed to support the transaction and portfolio managers in identifying material risks, considering potential impacts and any mitigation measures which might be required.

Each of the investment critical items are allocated a colour key priority status within the Investment Committee report, as below.

Environmental, Social and Governance Elements

- **Critical Issues/Action** – Resolution or clarification required prior to a legal commitment to transact
- **Important Issues/Actions** – To be considered within or following the proposed transaction and addressed when appropriate
- **No Current Issues** – No further action is presently considered necessary within the transaction

The CAPEX cost (up to 10 years) for mitigation works is presented against any material risks within the Investment Committee report. This is with exception to climate adaptation measures which are presented with a CAPEX cost over 5 years.

The investment committee report also includes the output of an asset level sustainability scorecard. The asset level scorecard is utilised across the globe, however similar to the scope and extent of due diligence undertaken during acquisition, it does vary between regions. In the UK and Europe the scorecard is based on 15 questions and calculates environment (65%), social (20%), governance and resilience (25%) into “above average”, “average” and “below average” categories, and also requires the input of commentary on notable risks.

The asset level sustainability scorecard is utilised within the acquisition process across the globe, in the UK and Europe, incorporates the following:

- **Environmental:** physical attributes which promote environmental stability (building certification and level achieved, metering data coverage and automation, presence of energy efficient equipment, energy source, low carbon transport options, water fixtures, and recycling infrastructure)
- **Social:** property attributes that impact the living and social experience (building certification, presence of comfort and wellness measures, and green clauses in leases)
- **Governance and resilience:** property attributes that measure the commitment to sustainability (asset level action plan, managed plan and adaptation to climate change).

Asset Level Sustainability Performance Report

E, S and G	Outcome	Notable Risks	Mitigants / Strategy
Environmental	Below Average	The units do not benefit from green building certifications. The main heating source to the buildings are natural gas. Energy data is not collected.	Allowance has been made for the provision of smart meters, solar PV panels (where not already available) and electric vehicle (EV) chargers.
Social	Below Average	The units do not benefit from health and wellness certifications or measures (e.g. air quality monitoring etc.). There are no green leases.	Plan to implement a tenant engagement app to enhance the sense of community across the sites.
Governance (including Resilience)	Average	The units do not currently benefit from Sustainability Action Plans.	Sustainability Action Plans will be developed for the units. All high risk and red flag issues have been resolved during due diligence.

The “amber” and “red” investment critical items and results of the scorecard are discussed at Investment Committee and the risks underwritten, as required, for example through insurance, a price adjustment etc.

Case Study: Using the Acquisition Due Diligence process to Identify, Benchmark and Underwrite Sustainability Improvements

CDX portfolio

In 2023, the European core-plus fund (EIP) acquired a portfolio of logistics assets in Southern Italy. Enhancements were identified during acquisition through due diligence across the property services. The installation of low or zero carbon technologies were identified to contribute to improved Energy Performance Certificate (EPC) ratings of B and also support the carbon intensity targets set out by the 1.5°C decarbonisation pathways developed by CRREM.

Based on the life cycle of the majority of building services, electrification works were recommended to the assets in 2025/6. Photovoltaics (up to 514 kWp) were also proposed on a similar timeline. The capex was estimated at €2.9 million, which has been budgeted into the property strategy and approved by the European Investment Committee. Our comprehensive due diligence ensured the underwriting of capex at the point of acquisition. This future proofs the assets in terms of climate mitigation and transition risk, and positions the portfolio towards net zero.

A BREEAM In Use gap analysis and roadmap to achieve a rating of Very Good was also completed during due diligence. The roadmap will provide a framework to determine and drive additional sustainable improvements, beyond climate mitigation, in the operational performance of the assets during ownership.

Green leases were negotiated and are held with the tenant. The portfolio has now been onboarded to Measurabl.

E-Claire 75

In 2023, EIP acquired a c.76,000 sqm logistics asset on the outskirts of Paris. Enhancements were identified during acquisition through due diligence across the property services and building fabric. Energy efficiency upgrades to the property services and repairs/insulation to the roofs were identified to contribute to a 40% reduction in energy consumption in line with requirements of the Décret Tertiaire by 2030.

Based on the life cycle of the building services, replacement of the existing A/C and unit heaters with more energy efficient systems and the provision of a building automation control system was recommended for 2024/5. These upgrade works alone were identified to contribute to improved EPC ratings of B. The potential for the provision of photovoltaics was recommended to be completed on a similar 2024/5 timeline. Based on the option of a lease break for the logistics assets, upgrades to the roofs were recommended to be delayed to 2029. The capex for the upgrades to the property services and building fabric were estimated at €3.5M, with an additional €0.17 million allocated for the provision of electrical vehicle chargers, all of which has been budgeted into the property strategy and approved by the European IC. Our comprehensive due diligence ensured the underwriting of capex at the point of acquisition. This future proofs the assets in terms of climate mitigation and transition risk, and positions the portfolio towards net zero.

A BREEAM In Use gap analysis and roadmap to achieve a rating of Very Good was also completed during due diligence. The roadmap will provide a framework to determine and drive additional sustainable improvements, beyond climate mitigation, in the operational performance of the assets during ownership.

A green lease was negotiated and is held with the tenant. The asset has now been onboarded to Measurabl.

Active Ownership

Post investment, we use the GRESB assessment and the BREEAM In Use certification framework to evaluate our sustainability progress and identify opportunities for improvement. During 2023, \$73.6 billion assets under management (AUM) as of December 31, 2022 were evaluated by GRESB. During ownership we create detailed asset-level work plans for GRESB reporting funds (i.e. \$73.6 billion AUM), which include asset-by-asset assessments that prioritise and identify areas of improvement, such as green certifications or properties that could benefit from net zero energy audits. The asset level workplans create a baseline of current implementation status across a portfolio as well as allow more targeted implementation measures for future budget cycles.

In the UK & Europe, we also look to utilise the BREEAM In Use certification standard to provide a framework to determine and drive sustainable improvements in the operational performance of our assets, leading to benchmarking, assurance and validation of operational asset data. The business has also now looked to utilise BREEAM In Use, amongst new construction and refurbishment green building certifications, as a sustainability indicator to promote environmental characteristics and target a % of Gross Asset Value coverage for SFDR Article 8 funds. The table below presents an example of how we are utilising BREEAM In Use for the French assets within our core fund. To note, as of January 2024, the core fund has a target for 70% GAV to be green building certified.

Asset	Fund	Sustainability Performance Improvement using BREEAM In Use (BIU)
Prime residential asset (1,703sqm) in the 16th Arrondissement, Paris	Core	Asset achieved BIU (Part 1) rating of “good” in 2023. Action plan generated and programmed to achieve “very good” rating by 2026.
Prime residential asset (5,404sqm) in the 16th Arrondissement, Paris	Core	Asset achieved BIU (Part 1) rating of “good” in 2023. Action plan generated and programmed to achieve “very good” rating by 2026.
Affordable residential asset (3,473sqm) for families in the 17th Arrondissement, Paris	Core	Asset achieved BIU (Part 1) rating of “good” in 2023. Action plan generated and programmed to achieve “very good” rating by 2026.
Grocery-anchored logistics asset (99,934sqm), Salon-de-Provence	Core	Asset achieved BIU (Part 1) rating of “good” in 2022. Action plan generated and programmed to target “very good” rating by 2025.
Multi-tenant office/retail asset in a prime location in the 8th Arrondissement, Paris	Core	Asset achieved BIU v6 (Part 1) rating of “good” in early 2024. Action plan generated and programmed to achieve “very good” rating by 2027.

Case Study: Using BREEAM to Identify, Benchmark and Validate Sustainability Improvements

Project: Our Core Pan-European fund holds three logistics warehouses in the Netherlands, which are located in key transport hubs of the Rotterdam and Eindhoven regions. Utilising the BREEAM New Construction (NC) and BREEAM In Use (BIU) standard frameworks, sustainable improvements have been identified specific to the operational performance of each of the three assets.

Actions: For the two newest assets (2021), sustainability improvements were identified to include the provision of PV installations to the roofs, in order to target BREEAM construction “Very Good” and “Excellent” ratings. The PV installations were together calculated to generate up to 12.48 GWh of energy, which will be used by the tenants as well as being delivered back to the grid. For the built asset (2013), sustainability improvements were identified to include the provision of low carbon transport options and the upgrade of the tenant fit out and solar shading, in order to target a BIU “Good” rating.

The assets boast in many cases from storm water retention systems, native landscaping and biodiversity initiatives to enable them to enhance their resilience to climate change and minimise their impact on local ecosystems. To further improve the accuracy of utility consumption data for the three assets, in addition to automated energy meters and waste management, the fund also prioritised the provision of smart water reading meters. With the application of the smart meters, “Smartvatten”, both landlord and tenants are now able to monitor water use and detect leakages online and in real time.

Outcomes: For the 2021 assets, the PV installations were completed in March and April 2023 respectively. As well as achieving a top level of performance under the BREEAM certification framework, the assets were awarded EPC of A+++. Sustainability improvement works were also completed at the 2013 asset, which allowed the asset to increase from BIU Pass rating to a Good rating in February 2024.

In 2024 the three assets, amongst other Dutch assets, will be connected to E-view (a portal of Innax). This will allow energy consumption data to be automatically collected from the meter / utility provider and will allow, amongst other monitoring and reporting capabilities, individual monitoring of energy generated from the PV, energy sourced from the grid and energy supplied to the grid.

This case study was selected to show an example of the benefit of green certification at property level in relation to quantifiable sustainability improvements

Sustainability is a material consideration of the portfolio review process globally, where the sustainability strategy, risks and opportunities of each PGIM Real Estate fund are discussed in a meeting between the respective portfolio management team and the Regional Investment Committee. The portfolio review is in a process of evolution, with physical climate risks incorporated into the review process in 2023.

Case Study: A Pathway to Climate Resilient Assets

Project: Establishing a pathway for PGIM Real Estate’s Core Pan-European fund to Climate Resilient Assets

Sustainability Considerations: Since 2021, physical risks associated with climate change have been reviewed globally via the use of 427 Moody’s Physical Climate Risk tools, which includes individual risk reports for New Acquisition and New Developments, and the Physical Climate Risk Exposure (PCRX) module in Measurabl (our sustainability data management software platform) for standing assets. Existing standing assets are reviewed bi-annually as part of Portfolio Reviews, and the Sustainability Team makes budget recommendations for further assessment of assets flagged as High Risk and/or Red Flag from one or more physical climate risks.

Actions: The fund has prioritised high risk / red flag assets, typically on the basis of investment value, to be subject to a climate risk and vulnerability assessment by an independent, climate analyst. The scope of the assessment aligns with the requirements of the EU Taxonomy Appendix A: Generic Criteria for “Do No Significant Harm” to Climate Change Adaptation and uses the highest available resolution climate projections across existing Representative Concentration Pathways (2.6, 4.5, 6.0 and RCP8.5) and including, as a minimum, 10 to 30 year climate projection scenarios. On the basis of the further assessment, where one, or more, physical climate risks remained elevated, mitigation measures were identified and the associated Capex mapped. To note, nature based solutions will always be prioritised within any mitigation measures recommended.

Outcomes: The original PCRX screen identified 42% of GAV for EuroCore to be High Risk and/or Red Flag from one or more physical climate risks. Climate risk and vulnerability assessments, including one assessment specific to flood risk, have been commissioned for eight assets over two years, which have confirmed that the risks are overestimated, or that the assets / local areas benefit from adaptations that reduce the overall risks to manageable levels. No mitigation measures have been identified to date, beyond the need to prepare Flood Risk Management Plans and/or register for Flood Warnings. Any recommendations are to be included within the ALWP and implemented on an appropriate time frame. 25% of GAV for EuroCore remains to be assessed in 2024.

This case study was selected to show how PGIM Real Estate has implemented a Climate Resilient pathway for an established European fund product.

As part of our asset management protocol, we have also implemented Sustainable Standard Operating Guidelines (SSOG). The guidelines, which are updated periodically, are intended to assist our property managers to identify opportunities to cut costs, address human health and improve efficiencies by “greening” their operations. We have sustainability clauses included in our property management agreements, which require the provision and collection of data, and going forward will also require the reduction of the environmental impact of our properties (see Principle 8).

Improving the performance of our assets under management requires collaboration on many different levels and working closely with our tenants is vital to do this. We look to include green clauses in all of our new leases as a minimum to ensure compliance and data share at our assets.

Our assets under management are typically multi-let or operated by a single tenant until full repairing and insuring (FRI) lease terms. Under FRI lease terms the tenant is responsible for maintenance of the asset, including energy usage, and the landlord input is limited. This ultimately makes it hard for the landlord to influence the sustainability characteristics of the asset. To counter this, we have initiated an occupier engagement programme, which aims to develop relationships with tenants to encourage data sharing and energy saving improvements to the building. The ideal being that through this engagement we are able to adopt either letters of authority or memorandums of understandings.

Development/Refurbishment

The development/refurbishment stage of the property lifecycle is the key intervention point to improve the sustainability performance of our assets, in particular energy performance. All new developments and refurbishment follow our best practices for new construction and major renovation projects, supported ideally by high level green building certifications.

A green building certificate, such as BREEAM, DGNB or LEED, provides an independently verified rating scheme to showcase the standard of sustainability performance attained. PGIM Real Estate is committed to trying to push the sustainability performance of their new developments and major refurbishments to a minimum of BREEAM Very Good (or global equivalent). This is generally indicative of the top 25% of new buildings within the UK market. Green building certifications cover a range of environmental and social aspects. A rating of Very Good can be achieved through a total score across all of the aspects of the certification but does not necessitate an equivalent level of performance within each individual aspect. By way of example, whilst a building may achieve a rating of very good, it does not mean that the building achieved a very good performance in the energy aspect specifically.

In 2023, PGIM Real Estate developed and rolled out a Green Building Certification Guide. The guide, which includes the main certifications used within the UK and Europe, set pre-requisite criteria within the energy and pollution aspect of the certifications. The intention of the guide being to ensure that not only did the business look to target a rating of at least Very Good within the certification schemes, but also looked to achieve a minimum standard of energy efficiency and a design to limit the use / loss of refrigerant gases within developments and major refurbishments. To note, the green building certification guide also includes BREEAM In Use and therefore also applies to performance improvements at existing assets.

The green building certification and the use of the green building certification guide are now being used as sustainability indicators by the majority of SFDR Article 8 funds within the business to facilitate the promotion of energy efficiency and decarbonisation respectively. The green building certification guide is available for the UK and Europe and for APAC and is awaited for the US and Latin America.

Case Study: Re-positioning towards Net Zero

Project: Refurbishment of three light industrial units, one in Trafford Park, Manchester (GIA 2,465m²), and the other two in Trans Pennine Trading Estate, Rochdale (GIA 2,112m²) to align to net zero (using the [UK Net Zero Carbon Buildings Standard](#)).

Sustainability Considerations: PGIM Real Estate is committed to meet its sustainability goal of reducing portfolio-wide landlord-controlled carbon emissions by 100% by 2050 and of reducing 50% of the portfolio-wide landlord controlled carbon emission by 50% by 2030. The lease expiry and vacancy of three light industrial units within a UK Separate Account Group in 2022 provided a prime opportunity during the refurbishment of the units to target net zero carbon in both construction and future operation.

Action: In depth analysis, including whole life carbon assessments (using One Click life cycle assessment software) and dynamic simulation modelling of operational energy use (using CIBSE TM54 methodology) was completed for each of the units. This included analysis of operations for the identified incoming tenant in Trafford Park. The analysis identified a fabric first approach at each of the units, to improve the thermal performance, alongside the electrification of the heating and cooling systems and the provision of PV panels. The analysis identified a saving of 905tCO₂e and 1,192tCO₂, over 60 years, at Trafford Park and Trans Pennine Trading Estate respectively.

Outcome: The refurbishment of Trafford Park was undertaken in line with the recommendations of the analysis. A solar panel meter, with landlord access, was also installed at the unit. Trafford Park will soon be occupied as a vehicle body shop, on a net zero lease. The embodied carbon for the refurbishment and tenant fit-out works will be off-site using a recognised off-setting framework. The building's in-use energy will also be measured and reported annually by the tenant going forward to accurately address the operational carbon impacts. The refurbishment of the Trans Pennine Trading Estate is currently on hold.

This case study was selected to show an example of the approach to sustainability measures adopted across a large portfolio of properties to align towards net zero.

Private Real Estate Debt Investments

Due Diligence

For all new debt, the lending team operate a similar screening stage to the equity business. As part of the due diligence stage, other than commissioning a suite of appropriate building, mechanical and electrical and environmental / sustainability reports from our approved suppliers, we also look to complete a proprietary Sustainability Loan Assessment that was rolled out globally in 2021. Data for the loan assessment is collected through the issue of a borrower questionnaire, sustainability specific sections of the due diligence reports and Moody’s Sustainability Solutions.

In Spring 2023, the Sustainability team launched an updated version of the Sustainability Loan Assessment with various enhancements and new functionalities to wholly capture risks outlined in PGIM RE’s Sustainability policy. The new assessment offers specific regional and property type functionality to best capture sustainability risks and upsides in the global markets that PGIM RE transacts in, alongside a modernized set of questions to evaluate property-level physical resilience and environmental risk parameters.

The global launch of the updated assessment was accompanied by an enhancement to the property condition consultant’s minimum scopes of work (see Principle 8), which raised the standard for understanding physical and energy transition risk.

The Sustainability Loan Assessment incorporates the following:

- **Environmental:** physical risks and attributes which promote environmental stability (high-efficiency HVAC equipment, lighting, and fixtures; electric vehicle charging stations; recycling infrastructure; etc.),
- **Social:** risks and property attributes that impact the living and social experience at a property (affordability; walk scores; contaminants; accessibility),
- **Governance:** risks and attributes that measures the asset’s compliance with regulatory mandates for energy performance and the borrower’s commitment to sustainability (green certifications; Energy Performance Certifications; policies, disclosures, alignment to sustainability organisations etc.). and
- **Resilience:** climate related physical risks at the asset level (using Moody’s sustainability Solutions, see Principle 4).

The Sustainability Loan Assessment will generate an overall “Sustainability Loan Score” (0 to 100) with Environmental, Social, Governance and Resilience sub-scores. Certain risks logged in the assessment may also trigger risk “stoplights” to alert deal teams to key risk parameters, ranging from topics of interest such as physical climate resilience, energy performance, property-level contaminants, and more.

The findings from the due diligence assessments, risk stoplight discussion, and Sustainability loan score are presented in the Investment Committee paper. Any material risks identified are discussed at Investment Committee and underwritten, through a deferred maintenance reserve (if applicable) or a post-closing obligation. For the post-closing obligation, the borrower is typically given 60-90 days to complete the work, but a shorter time period may be required if appropriate.

PGIM Real Estate’s Proprietary Sustainability Loan Assessment:	Information for the Sustainability Loan Assessment is sourced from a wide variety of sources Including:
<ul style="list-style-type: none">• Contains over 30 attributes which are scored• Results in a standardised 0 to 100 score• Is integrated into the Investment Committee Approval process	<ul style="list-style-type: none">• Borrower Questionnaire• Building, mechanical and electrical and environmental/ sustainability reports• Moody’s Sustainability Solutions

Sustainability in Loan Documents

PGIM Real Estate’s standardised loan documentation also addresses environmental considerations. Examples include:

- Requirements to comply with environmental laws, regulations, and orders.
- Requirements to disclose to PGIM Real Estate, as the lender, any contamination or violation of environmental laws, regulations, and orders, and to conduct remediation at the borrowers sole expense.

The loan asset management team and loan servicer (described below) will monitor compliance with the environmental and financial covenants as applicable, throughout the life of the loan to ensure that there is continued knowledge and understanding of the assets.

Loan Servicing

PGIM Real Estate uses an affiliate servicer, PGIM Real Estate Loan Services (“RELS”). Because borrowers interact frequently with the loan servicer over the life of the loan, borrowers prefer to work with lenders that retain servicing. Thus, the borrower knows that it will continue to work with PGIM Real Estate for the life of the loan, and not a third-party servicer. From an investment perspective, PGIM Real Estate values the risk management benefits of retaining loan servicing to allow us to closely monitor the loans, mitigate any potential risks and act quickly if loans should become troubled. Investors directly benefit from the reporting capabilities and seamless integration of process and technology from an integrated loan servicing platform.

Case Study: Default for Failure to Adhere to Condition of Loan

Project: Multifamily Residential Complex, California, US

Sustainability Considerations: The property, located in an active seismic zone, was discovered during standard loan diligence by the engineering team that the property had experienced moderate-severe soil erosion on a natural coastal bluff. Standard diligence also includes analysis of the Moody’s Sustainability Solutions climate report, which noted that the asset was at a high risk for earthquakes. After property-level investigation, the engineering team recommended that the borrower promptly commence the preparation of plans and specifications for the construction of caissons (pylons) to mitigate seismic risk. After engaging and reaching agreement with the borrower the needed physical risk remedies to move forward with the loan, language was inserted into legal documentation requiring borrower to implement the recommended mitigation measures within 180 days of loan closing.

Action: Our servicing team revisited the loan 6 months after loan closing to ensure mitigation measures were being constructed. It was discovered that the borrower had not commenced the necessary physical risk mitigants. The servicing team issued a non-monetary default notice for failure to address the documented risk.

Outcome: After further engagement with the borrower, an agreement was reached to provide sufficient evidence of mitigation construction. The borrower also agreed to provide quarterly reporting of their slope monitoring programme, including geological reconnaissance and visual documentation for quarter-over-quarter comparisons. These engagement actions improved the safety and security of the collateral property and reduced the downside exit risk of the loan by mitigating known physical risk.

Case Study: Agency Lending

Our Agency lending due diligence process differs from private real estate debt lending, as each agency has its own underwriting standards and requirements. However, PGIM Real Estate has a unique opportunity to help finance multifamily and affordable housing in the U.S. via our Agency business.

With over 20 years of experience working with Fannie Mae, Freddie Mac and the Federal Housing Administration, we are committed to leveraging our deep multifamily, affordable housing and healthcare expertise to maintain a leadership position and advance the future of our communities. We work with our clients to craft the appropriate financing solution for their diverse needs. We are well-versed in structuring loans around various affordable programmes including LIHTC, Section 8, as well as other local and state-wide regulatory agreements. PGIM Real Estate can, and has, executed affordable loans in all 50 states, plus D.C. and Puerto Rico.

PGIM Real Estate also offers an expanded line of multifamily property financing options through Fannie Mae, Freddie Mac, and FHA. Each of these capital sources offers different multifamily Green financing programmes for qualifying properties based on energy and water savings requirements via green improvements or green building certifications. PGIM Real Estate U.S. Agency green programme production totaled \$128 million under designated programmes such as Fannie Mae Green Rewards, Fannie Mae Green Building Certification, and Freddie Mac Green Up in 2023.

Global Real Estate Securities Investments

For our Global Real Estate Securities (GRES) business investing in listed real estate company or REIT securities, Sustainability is an important part of our multi-factor valuation model. We include a proprietary Sustainability score in our buy/hold/sell company analysis, which has a material effect on our price target output. Our Sustainability approach incorporates Sustainability data provided by GRESB and is weighted so it is consistent with PGIM Real Estate’s environmental and social priorities. Below are the various factors that drive a proprietary Sustainability score for each company in our universe:



Environmental: Sustainability case studies, building certifications, greenhouse gas emissions, waste and water consumption rankings and an overall resilience score for each Real Estate Investment Trust (REIT’s) portfolio.

Social: a companies’ disclosures with regards to diversity, stakeholder satisfaction and community engagement. We also assess REITs’ portfolio social standings, looking at affordable housing benefits and walkability measures.

Governance: independent versus non-independent board composition, lengths of tenure of board members, proxy access, insider ownership of stock, non-staggered board, anti-takeover provisions and business conflicts of interest with executive management teams.

To create a comprehensive Sustainability score for each company, we use a weighted average system, and work continually with the REITs’ executive management teams to refine our process and increase transparency. This scoring activity yields powerful new insights through peer performance comparisons and gives us a meaningful way to effectuate change in Sustainability throughout the industry.

INVESTMENT APPROACH

PRINCIPLE 8:

Signatories monitor and hold to account managers and/or service providers.

Our Service Providers & Governance Structure

To support our investment activities, PGIM Real Estate relies on our network of carefully selected vendors and service providers, all of whom are appointed on a “best-in-class” basis on market terms. All engagements are governed through the Prudential Third Party Risk Management (“TPRM”) standards, which set out requirements for assessing and managing third party risk. These standards follow the complete third party lifecycle, from planning for a new relationship, engagement, ongoing monitoring and finally through to termination. Where applicable, local regulations and requirements are also integrated into this process.

In line with PGIM Real Estate’s TPRM process, we conduct inherent risk rating and due diligence prior to awarding contracts including checks on compliance and litigation, dependency and reliability, information security and data.

- For discrete, time-limited tasks, for example transaction related tasks, the required standards are set out in the contract. These tasks are either commissioned based, which tends to incentivise strong performance, or are based on a fixed fee/hourly rate.
- For core, and enduring tasks, for example valuers, property managers and fund administrators that are key to our investment and asset management approach, the required standards including performance expectations, are set out in a Service Level Agreement (“SLA”). The performance expectations within the SLA include relevant Key Performance Indicators (“KPIs”), appropriate monitoring requirements and details on remedies and penalties. Such SLAs are subject to a prescribed, regular monitoring process. The SLAs are based on a fixed or tiered fee. Termination is normally stated at three months.

An example of the typical KPIs and monitoring regime for our UK property management agreements (PMA) are set out below.

A typical UK Property Management Agreement	
Key Performance Indicators	Monitoring Regime
<ul style="list-style-type: none">• Targeted and timely rent, service charge and insurance collection• Timely payment of supplier invoices• Timely account reconciliation• Regular inspection of buildings• Timely issue of quarterly management report• Timely update of tenant information• Collection of sustainability data	<ul style="list-style-type: none">• Attend a quarterly meeting to review the Quarterly Management Report and to monitor KPIs• Right to appoint external consultants to conduct / review account reconciliation

We continually look for opportunities to improve and enhance our procedures and the following case study provides an example from 2023, where the due diligence process for our environmental/ engineering engagements was enhanced to include additional sustainability considerations.

Case Study: Evolving our Due Diligence Process and Approved Suppliers in Loan Orientation

PGIM Real Estate conducts a thorough review of environmental risks as part of standard due diligence, including physical and transitional risks related to climate change. As part of our sustainability policy, we also internally review our due diligence processes to best actively monitor risks during the life of the loan. In 2023, following an update of our technical due diligence processes and tools for equity in Europe, we globally updated our processes and tools for debt. This included a refresh of our proprietary Sustainability Loan Assessment, sustainability data screens, and engineering forms. Environmental due diligence is assisted by a select group of technical consultants, who complete a thorough property-level risk assessment, including key sustainability risks and a related property-level questionnaire.

Our in-house sustainability team reviewed region-specific physical and transition risks ahead of a refresh of the property-level questionnaire issued to consultants, and updated the minimum scoping requirements in Europe to address commonly identified risks in the region, including:

1. Identification of Principle Adverse Impacts for annual disclosure through SFDR (Sustainable Finance Disclosure Regulation)
2. EU Taxonomy alignment
3. Minimum energy performance standards, including Energy Performance Certificate (EPC) transition risk and CRREM modeling
4. Greater review of flood risk

Our sustainability team engaged with previously-enlisted European technical due diligence firms to update the minimum scoping requirements and due diligence forms. Through this process, we determined that four out of five of our existing approved consultants were qualified to meet the minimum requirements. We engaged further with the consultant who initially did not meet approval requirements to determine how they planned to gain capabilities needed to meet the new standards set by PGIM Real Estate. Through our engagement process and upon further review of the new scope standards, the fifth consultant, in time, evidenced changes in their capabilities to meet the higher standard review of physical and transition risks we required.

Ethical Conduct and Responsible Contracting

At a global level, PFI maintain a Vendor Code of Conduct and Terms of Engagement document which requires that suppliers maintain ethical, humane, socially responsible and legally compliant business practices. It covers subjects such as regulatory compliance, business practices, health and safety, employment practices and sustainability practices.

In the US, where PGIM Real Estate controls the appointment/retention of service providers, we have also adopted a Responsible Contracting Policy, which seeks to promote responsible practices including fair wages and benefits. We endorse small business development, including minority and women-owned businesses, market competition and control of operating costs. Our deep commitment to diversity and inclusion are foundational to the primary goal of our supplier diversity programme: Fueling the financial growth and development of diverse supplier communities.

In the UK, PGIM Real Estate is subject to the Modern Slavery Act, a leading piece of legislation which sets out a range of measures to combat modern slavery and human trafficking. Additionally, our funds reporting SFDR and EU Taxonomy aligned sustainable investments, must adhere to the EU Minimum Social Safeguards, as set out under SFDR, EU Taxonomy Regulation. In line with this legislation, PGIM Real Estate maintains risk-based processes to ensure identification and management of associated risks across our supply chain:

- The business has established categories to identify heightened risk of modern slavery and human trafficking, based on industry and type of service provided.

- European Service Providers are screened to identify involvement with these heightened risk categories, prior to onboarding.
- Service providers associated with these categories are subject to additional due diligence requirements.

Every year, PGIM Financial Ltd issues a Modern Slavery Act Statement for the UK Group, which is approved by the UK Board and published on the PGIM website. We also provide appropriate training to staff about expected standards and behaviours.

Ongoing Review Programme – Property Managers & Joint Venture Partners

As reported in our 2022 submission, PGIM Real Estate continues to monitor property manager performance globally through a Property Manager Review (“PMR”) programme. In 2023, this programme was extended to cover operational Joint Venture (“JV”) Partners in Europe, now known as the JV Partner Review (“JVPR”).

The PMR and JVPR are intended to assess and to reduce operational risk across PGIM Real Estate’s property managers and JV Partners. They demonstrate responsible oversight of our third party property managers and operating partners and aim to strengthen the trust and confidence of PGIM Real Estate’s investors and other stakeholders. It also provides direct and independent insights into daily operations and associated controls of PGIM Real Estate’s property managers and operating partners. The programme is conducted by an external audit firm and overseen by the Operational Risk team, to ensure the involvement of all relevant stakeholders.

For PGIM Real Estate Europe, the PMR and JVPR consist of two building blocks: (1) a risk assessment and (2) on-site visits; which are updated annually to reflect emerging risk areas and changes in regulation and the environment. For example, in 2023, the programme was updated to incorporate coverage around EU Taxonomy defined Minimum Social Safeguards.

Following the reviews a workshop is held with key stakeholders to discuss the findings and recommendations identified by the advisory firm. For issues identified, action plans are created and followed up. An overview of the annual European PMR results is presented to the relevant Boards and European Executive Council by Operational Risk.

Through these programmes, we are able to identify and manage operational risks across some of our key third party relationships and partnerships.

Further Examples

Responding to External Risk Events



As part of the Operational Risk Framework, the Risk Event and Quality Control (“QC”) Error programme is designed to identify and review events resulting in actual or potential impacts, within our businesses. This includes events that occur through our third party providers which have a material impact to our business (e.g. third party performance or control issues, data breaches etc.).

Upon identification of an error, the business will follow up with the third party to understand the root cause of the issue / error, any steps taken to address the impacts and actions taken to implement immediate and long term control enhancements. All errors are documented centrally with remedial action plans logged and tracked to completion through Prudential’s Governance Risk & Compliance (“GRC”) tool.

Operational Risk also review Risk Event / QC Error data to identify trends or emerging risks. All events are reported through to relevant Real Estate Boards and where emerging third party risks are identified (e.g. high volume of operational errors), these will be discussed with the relationship owner to determine if further action is required.

Through this process, and our other monitoring controls, we are able to address situations where third party actions fall short of our expectations. This provides an opportunity to “learn from mistakes” and continually improve our control environment (both internally and through our third party providers) to ensure errors do not re-occur.

Sustainability Consultants

Verdani Partners continue to support PGIM Real Estate as a full-service sustainability consulting firm and the primary service provider supporting our global sustainability programme. As a direct service provider based in the United States the contract falls under the requirements of our Responsible Contracting Policy and it is noted that Verdani Partners is certified as a Women/Minority Business Enterprise (WMBE) by the Supplier Clearinghouse.

The contract includes KPIs based upon specified timebound deliverables which are arranged across an annual programme of works. These are monitored by Christina Hill as the Global Head of Asset Management and Sustainability at PGIM Real Estate through weekly calls/meetings with the PGIM Real Estate Global Director of Sustainability employed by Verdani Partners.

There were many instances of Verdani Partners sufficiently meeting the needs of the business in 2023. Examples include:

- Submitted 26 funds, c. \$73.6 billion in AUM (87.6% of global equity AUM), to the 2023 GRESB Real Estate Assessment. Ten funds earned 4-Star, five funds earned 5-Star, seven funds ranked First Place in peer group designations.
- Assisted in completing the Firm's 2023 UN PRI Report, which earned 4-Star for Policy, Governance & Strategy, Real Estate, and Fixed Income (Debt) and 5-Star for Confidence Building Measures (new in 2023).
- Assisted in publishing a public-facing GRI and TCFD aligned Annual Sustainability Report.
- Hosted sustainability communications with US portfolio managers (fund level sustainability strategies), asset managers (asset-level work plans), PGIM Real Estate employees (sustainability highlight newsletters and Global and Regional Sustainability Council meetings and updates), property managers (sustainability highlight newsletter), and tenants (energy, water and waste awareness campaigns).
- Assisted in drafting summary and detailed views of our roadmap to achieve net zero carbon emissions by 2050.

In doing so, Verdani Partners served our investors, our employees, our tenants and the wider local communities well.

KPI Monitoring - Fund Administrators

PGIM Real Estate actively engages with fund administrators as an essential external service provider to support our direct investment activities. The assertive management of our fund administrators is fundamental to our investment and asset management approach.

We appoint fund administrators on a “best-in-class” basis on market terms and monitor their service delivery through legal management agreements, which include SLAs and KPIs. The KPIs set within the SLA relate to timeliness, accuracy and quality of deliverables. The KPIs are monitored by the vendor engagement manager on a quarterly basis.

Overall, fund administrator services provided in 2023 met PGIM Real Estate's needs. However, we have identified issues historically, for example one instance in 2021 where business expectations were unmet. This was followed by engagement and escalations with the fund administrator and senior executives at PGIM Real Estate over multiple months, concluding with termination of relationship with the service provider. A competitive tender process was subsequently run to market and a replacement fund administrator appointed.

ENGAGEMENT

PRINCIPLE 9:


Signatories engage with issuers to maintain or enhance the value of assets.

Our Approach and Selection Process

Our approach to engagement ties back to the core objectives that we seek to achieve through our commitment to responsible investing (as explained under Principle 1), namely to:

- Deliver enhanced risk-adjusted returns for our investors
- Become a landlord and lender of choice
- Maintain our position as a practitioner of good global citizenship to all our stakeholders – investors, partners, borrowers, employees, and the communities in which we reside and invest.

Stakeholder engagement is the foundation of the social pillar for our Sustainability framework. We have subsequently set out key themes and objectives and measured and recorded our activities/progress for both our people and our communities (including tenants).

 ENVIRONMENTAL	 SOCIAL	 GOVERNANCE
Sustainable Investing	Stakeholder Engagement	Responsible Investing
Operations & Resilience	Our People	Policy & Governance
Environmental Data Management Operating Efficiencies Certifications Health and Wellness Resilience & Business Continuity	Diversity, Equity & Inclusion Rewards & Recognitions Benefits & Wellness Career Development	Governance Framework Risk Management Throughout the Investment Life Cycle
Investment Process	Communities	Business Engagement
Due Diligence Sustainability Assessment Investment Committee Climate Risk Assessment	Community Betterment Charitable Activity Tenant Retention Resident Engagement	Standardization of Best Practices Measurement & Reporting of Sustainability Progress

The process to select and prioritise engagement themes and objectives is informed by a range of factors, including:

- Market research, e.g., considering the regulatory landscape, peer analysis and data driven quantitative evidence
- Client engagement on interest and preferences
- Alignment with the Sustainable Development Goals (SDGs) – PGIM Real Estate’s Sustainability programme aligns with all 17 of the SDGs adopted by the United Nations Member States in 2015 as part of the 2030 Agenda for Sustainable Development.

ENVIRONMENTAL



SOCIAL



GOVERNANCE



Alignment with the Sustainable Development Goals

The implementation of our stewardship, including in respect of engagement, is guided by our Global Sustainability Council and tactically implemented with the support of our Regional Sustainability Councils. Our engagement approach is global, but we consider regional nuances when applying them. This means that certain issues are emphasised, depending on the market or region. For example, in Europe when engaging with tenants, in respect of data collection, we are mindful of the more stringent data privacy laws in the region, relative to the USA.

Similar to Principle 7, our response to this principle will be divided into three sections to address our engagement approach as it applies to Private Real Estate Equity Investments; Private Real Estate Debt Investments; and GRES Investments.

Private Real Estate Equity Investments

On the private real estate equity side, we define “engagement” as the interactions we have with our investors, property managers, tenants and partners on Sustainability.

Investor Engagement

PGIM Real Estate proactively engages with investors through quarterly interactive investor update calls, bi-annual advisory council meetings, annual investor specific meetings, our annual investor conference and a multi annual client satisfaction survey. Examples of how feedback received from our investor engagement influenced our decision-making in 2023 are set out under Principle 6.

Property Management Engagement

Outside of the Property Manager Review and quarterly meetings, as presented in Principle 8, PGIM Real Estate also undertakes a global property management survey through the Sustainability programme. The “Sustainability Attributes Survey” has been issued every 3 years since 2019. The survey is completed to identify key property issues, trends and opportunities regarding tenant and community engagement, procurement and sustainability. In 2022, we received responses from 968 properties with a gross floor area of over 218m sqft, across four continents, or 90% of operational assets.

In 2023, aggregated survey results were organised into 13 opportunities for installations, upgrades and implementation for each responding asset. This resource was incorporated into the Asset Level Work Plan (ALWP) so that Asset Managers can engage directly with Property Managers during the annual budget process.

Data points collected included the use of energy-saving window technology, LED lighting, irrigated landscaping, onsite waste separating/sorting and air quality technologies. The results of the Sustainability Attributes Survey provide a snapshot of global, regional and fund-level sustainability performance from which key recommendations in each category are shared with portfolio management teams.

Tenant Engagement

As discussed in Principle 7, we utilise Sustainable Standard Operating Guidelines (SSOGs) to encourage PGIM Real Estate Asset Managers and our property managers to engage tenants. The SSOGs are focused to the provision of asset level advice to reduce environmental impact (and operational expenditures). This advice covers lighting, water and HVAC efficiency, amongst other topics.

Optimising buildings environmental performance while ensuring the health, safety and wellbeing of building occupants is central to our tenant engagement strategy at PGIM Real Estate. Engagement varies across properties / regions but some examples are provided below:

- **Green Leases:** Sustainability clauses that address the tenant-landlord relationship, investment in efficiency, tenant fit-outs, building operations, and tracking and reporting. Based on the submission of PGIM Real Estate’s green leasing templates and sustainability policies to Green Lease Leaders in 2022, the global business was awarded Green Lease Leader Silver status in the 2023 cohort of landlord recipients.

- **Tenant Satisfaction Surveys:** To understand our tenants' needs, PGIM Real Estate gains important insights by conducting annual tenant surveys that review green certifications, green cleaning, green pest management, indoor environmental quality and occupant comfort with regard to HVAC, workspace ergonomics and lighting. We also evaluate important tenant topics such as property management, leasing, maintenance, property features and sustainability to ensure we meet or exceed our tenants expectations. Further details of the tenant satisfaction survey and outcomes for the PGIM UK Affordable Housing fund are detailed in a case study, later in this section.
- **Annual Awareness Campaigns & Events:** In 2023, PGIM Real Estate engaged tenants through various sustainability campaigns, including Earth Hour, Earth Day, Energy Water Waste Awareness Month, Bike to Work Week, Resiliency Week, and Pollinator Week. These programmes are implemented annually and globally at the property level. For Earth Day, property managers are encouraged to host awareness and education activities for their tenants, document examples of engagement to share-back with PGIM.

Additionally, PGIM Real Estate through our Sustainability Strategy are focused on certifications such as Fitwel and BREEAM In Use (BIU) – which works towards improving occupant health and wellbeing (see Principle 7) amongst other aspects of sustainability. To note, Fitwel and BIU will not only deliver health and wellbeing-related infrastructure improvements, but will also typically push the boundaries of an overall management strategy at the asset level facilitating general improvements in tenant engagement management practices, which may ultimately lead to increases in tenant satisfaction.

Case Study: Optimising Building Management Systems (BMS) to enhance Sustainability strategy and improve relationships with our occupiers

Project: C Space is a fully let, modern office building, constructed in 2013 and located in the heart of London. In May 2023, a review of the property's Building Management System (BMS) was undertaken to explore opportunities to optimise the buildings performance, reduce energy consumption and carbon emissions.

Actions:

Stage 1 – Discovery: In conjunction with the Asset Manager, Property Manager, Facilities Manager and occupiers, the base line of the building was reviewed, BMS data was collected and inputted into a Digital Twin Model to find control and low-cost optimisations. The proprietary algorithmic engine analysed the data and established control issues within the building and devised a list of control fixes, which were then reviewed with all parties for viability. The variations were analysed further to set out the savings that could be achieved together with the potential impacts on reducing costs, operational energy and carbon.

Stage 2 – Optimisation: During 2023, implementation of the viable variations were undertaken ensuring optimal efficiency:

- Team engagement
- Upgrading and realigning the building controls via a two-way control.
- Alerts set to identify any movements in alignment, allowing for reactive adjustments.
- Quarterly reviews of building in conjunction with FM and seasonal realignments undertaken.

Outcomes:

Measured Deliverables: We are still analysing the results of the optimisations but the property continues to be on the right road to net zero. Savings are forecast and quarterly reports are issued showing carbon, cost and energy savings based on scientific methodology. The Digital twin model is continuously reviewed and updated with current information allowing regular reconfiguration to continue maximisation.

Case Study: Collaboration on Electric Vehicle (EV) Charging Stations

Project: Landlord and tenant collaboration for the roll out of Electrical Vehicle (EV) charging infrastructure across eight assets within the Marston's plc hospitality portfolio. This included the installation of a 'charging hub', which provides six 150kw ultra-fast charging points, at one of the assets (Queen of the Lock in Balloch).

Sustainability Considerations: PGIM Real Estate strives to embed sustainability best practices throughout real estate investment, asset management, risk management and talent management processes. The provision of EV chargers in the car parking areas of the pubs and inns, has both environmental and social benefits, as it assists Marston plc employees and their guests with accessibility and makes a just transition to lower carbon transport.

Actions: Marston plc, who have the biggest private network of electric vehicle chargers in hospitality, approached PGIM Real Estate, as the landlord to over a dozen of their pubs, to collaborate and support in the installation of EV chargers across eight of the portfolio.

Outcome: Licenses to underlet have been granted through PGIM Real Estate's lawyers on a rolling basis since 29 November 2022, with the latest license concluded in early 2024. As a minimum a 50kW rapid charging station has been installed at each of the assets, which provides an 80% charge in 30 – 60 mins. Each charging point is powered using 100% renewable electricity and is compatible with every EV on the market today. Data for the use, dwell time etc. of the EV chargers will be requested from Marstons on an annual basis going forward.

Case Study: 2023 European Tenant Satisfaction Surveys

Project: During 2023, two Tenant Satisfaction surveys were undertaken for UK commercial assets. More targeted engagements including Earth Day and Earth Hour promoting the concept of investing in our planet and healthy communities were also undertaken either by way of email or posters displayed in shared spaces.

The surveys looked at areas such as businesses commitment to location/building, satisfaction levels, their sustainability strategy and which sustainability issues they prioritise, the level of investment in energy efficiency and green energy and any travel to work initiatives.

Outcome: Engagement and response levels were largely positive and some of the key observations were as follows:

- Identification of specific tenants who would benefit from future targeted engagement. In these cases, property managers will work to build positive relations and deal with individual concerns.
- 11 sites where businesses are willing to engage on sustainability initiatives and at a minimum to share their utility data, thereby enhancing engagement and data availability.
- Poor insulation was the second highest response from tenants, when asked what they liked least about their buildings. Roof improvements, new windows and doors and better lighting were all listed as ways that tenant satisfaction could be improved. This provides a focus for property repairs and upgrades, and allowed us to open conversations around how to improve satisfaction levels and retention rates.
- Over the course of the year the survey was reviewed and updated. Looking at better ways to engage and open conversations including the idea of carrying out the survey in person to allow wider conversations to be conducted in person.

Next steps: The business are now looking at how to link this exercise with any lease events, taking the opportunity to include green clauses in renewal leases. We also continue to look at ways to improve engagement and ensure conversations are more targeted to areas which are higher priority (to both parties). Additionally, we will continue to investigate the initiatives within buildings, to enhance tenant engagement across UK funds and to promote customer satisfaction and the concept of digital connectivity.

Case Study: Tenant Engagement within the UK Affordable Housing Fund

Project: As part of the ongoing initiative for tenant engagement across the PGIM UK Affordable Housing Fund (“PUKAHF”), Wise Living, the property manager for PUKAHF plan and carry out a calendar of tenant events spread across the year. Throughout 2023 6 events were held both virtually and in person across the 11 operational sites managed by Wise Living.

Activity:

February - A Valentine’s Day Promotion was launched inviting tenants to share a photograph of their Valentine on Wise Living’s social media page, with the winner receiving a £100 restaurant voucher. This initiative saw a 61% Open Rate with a 6% engagement rate.

April saw over 500 Easter gifts delivered to residents across 11 sites.

May - Springfield Brewery tenants celebrated the Coronation of King Charles III by sharing competition details with other tenants to win a £100 M&S food and drink hamper. To win, tenants needed to confirm who they would invite to share their Hamper with. This initiative saw a 79.7% engagement rate.

June – A pizza evening was held across 7 locations. Over 365 free pizzas were served with a 49% attendance rate.

October saw a Halloween Competition launched in which tenants were asked to share on Wise Living’s socials page, photos of their families Halloween inspired artwork, with a chance to win a £50 art and craft voucher.

December saw tenants encouraged to nominate their neighbours for being a “great neighbour”. If selected, the nominated neighbour would receive a Christmas Hamper and the Nominator would select a Charity where Wise Living would donate £250. 57 entries were received across all 11 sites, showing a 10% engagement.

Wise Living shared, via social media, their Christmas Competition where tenants were encouraged to upload a photo of their decorated home. The photo receiving the most “likes” received a £100 shopping voucher.

Outcomes:

Having drawn upon learnings and feedback from the 2022 calendar of events, the 2023 calendar saw a boost in tenant engagement and satisfaction. In particular, the in person pizza evening was well received. All feedback and engagement statistics have been collated to improve the 2024 calendar of events and allow management to roll out more targeted events that tenants enjoy.

Looking forward, 2025 will see an improvement in communication through the dedicated resident portal and events will be rolled out across all 27 operational sites. The resident portal will also facilitate a more streamlined feedback process and more effective engagement statistics.

Private Real Estate Debt Investments

On the private real estate debt side, we focus on both “Borrower Engagement”, advancing loan-specific considerations to the benefit of our investors today, and “Industry Engagement”, driving change to move the real estate and lending communities forward on topics that will affect our investors in the future.

Borrower Engagement encompasses the interactions we have with investors and borrowers on sustainability and other issues throughout the life of the loan. Investor engagement is discussed above under equity. For borrowers engagement initiatives may include:

- Seeking to educate borrowers in the reduction of their portfolio’s environmental impact and where relevant, promote sustainable design and construction methods

- Engagement with and educating of borrowers regarding physical, building-specific risks as a consequence of our rigorous and comprehensive due diligence processes, for example with respect to fire-safety, climate-related physical risks, for example from flooding, sea level rising or heat stress
- Encouraging borrowers to develop sustainability expertise on topics such as energy ratings, green building certification as well as to develop their own sustainability strategy and industry affiliations
- The determination, monitoring and enforcing of suitable sustainability covenants established in the lending documents
- Reviewing and approving borrower consents, engaging directly with, borrowers on their business plans and plans for efficiency enhancements throughout the life of investments. Encouraging the consideration of future sustainability factors and the reporting standards required to deliver change.

“Industry Engagement” targets a multi-faceted approach to achieving broader industry consistency for lending through engagement with the most highly recognised organisations from across the real estate finance community, including:

- CREFCE - ESG Consultation with the Better Buildings Partnership, furthering industry standards for lender due diligence checklist
- LMA – Loan Markets Association – Review and further engagement regarding ESG standards for Green Lending
- Urban Land Institute – “C-Change”, initiative focused on transition risks for real estate lenders
- INREV Debt Focus Group – ESG Workstream, focused on sustainability metrics for the lending community (see principle 10).

Case Study: Performance improvement delivered through the Loan Agreement

Project and background: £48M loan to a serviced office operator (4 London office assets) – this sits within one of our high yield debt funds. Loan was provided to the sponsor to “buy-out” their assets from a REIT and they have subsequently taken forward ownership and asset management responsibilities.

EGS Considerations: The borrower’s plan was always to improve the EPC rating and they have now managed to achieve an EPC B rating (from C) across all assets as well as a PlanetMark certification which included an 89% year-on-year reduction in “market-based carbon footprint” (due to procuring 100% renewable energy) and with it the generation of c.£13k of social value.

PGIM Influence: During the negotiation of the financing, specific clauses were inserted in the covenants stipulating specific actions to be taken by the borrower to improve the EPC rating.

Outcome: The sponsor obtained the EPC B rating through taking the following specific actions:

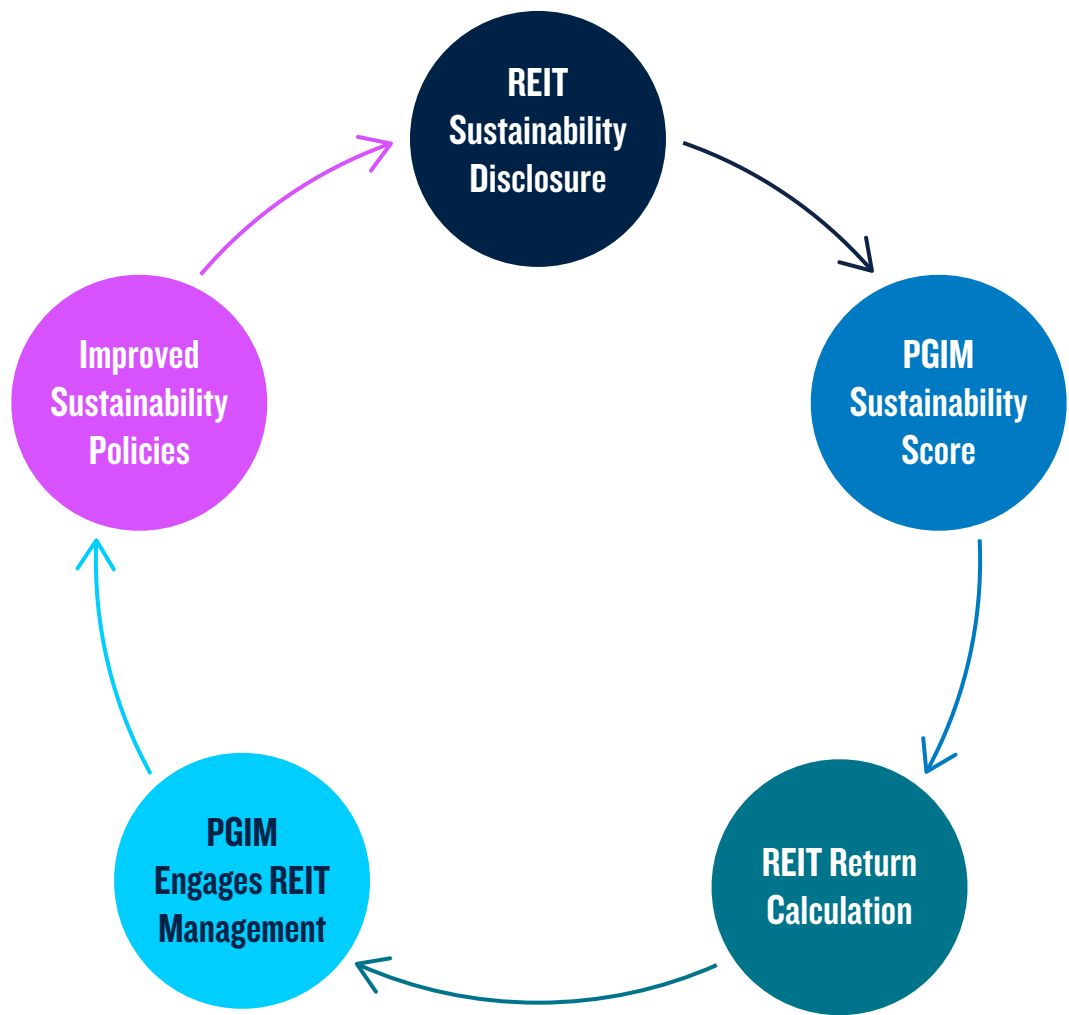
- Replaced gas boilers with electric calorifiers
- Adjusted timings on aircon to suit occupancy
- Installed aerated taps & showers, low-flush toilets and self-stop taps to reduce water usage
- Installed LED lighting

Global Real Estate Securities

For our GRES business, we define “engagement” as the interactions we have with the real estate company’s management team on sustainability.

As significant shareholders, we are in a strong position to influence sustainability-related decisions for these REITs. We estimate that each member of the analyst team meets with the senior management of a REIT roughly a hundred times each year, which gives us ample opportunities to discuss our sustainability priorities and methodologies. Throughout these management meetings we advocate for thorough and transparent disclosures on relevant policies

GRES – Sustainability Virtuous Cycle



REITs that elect to improve their sustainability focus will see a corresponding increase in projected returns in our valuation methodology (see Principle 7), thereby increasing the potential for increased ownership in their shares by our strategies.

ENGAGEMENT

PRINCIPLE 10:

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Although there are no issuers in the traditional sense for direct real estate investors, there are many collaborative engagements with other investors and wider stakeholders that we participate in to create sustainable outcomes for clients and beneficiaries, as well as the economy, environment and society.

PGIM Real Estate is a signatory/member to numerous industry bodies including AREF, CREFC, INREV, ULI, BPF and RICS, amongst others (see also Principle 4). A number of senior personnel within our business are also actively involved in many of their respective working groups and executive boards / councils with an aim to not only share knowledge, establish industry standards and promote best practice in corporate governance and transparency but also ultimately to look to influence positive change.

As a business we acknowledge the depth and breadth of environmental, social and governance challenges across the real estate sector and are also mindful of our ability to make a significant impact. Many of the challenges we have looked to invest both capital and resource into are driven out of our sustainability strategy, which considers key stakeholder requirements, the strength of our business and the opportunities we are presented with in the market.

As a business we recognise and looked to respond to the following environmental, social and governance challenges:

- There is a lack of diversity within the commercial real estate industry, which impacts its ability to be equitable and inclusive;
- There is a vast need for climate technology, innovation and tools within commercial real estate, which impacts its ability to achieve decarbonisation goals; and
- There is a lack of industry consensus on metrics, frameworks and disclosure standards specific to real estate, which limits the inflow of capital into sustainability performing funds.

Environmental, social and governance investment related memberships and initiatives are summarised below. For the sake of brevity, we have provided an overview of collaborative engagements that primarily focus on UK employee participation, however other regions have similar engagements with relevant regional or global industry bodies.

Promoting Social Mobility

In addition to seeking to hire and promote talent from a diverse range of backgrounds, PGIM Real Estate's outward looking Social Mobility initiatives are currently built around three pillars: "youth and society", "schools and secondary education", "universities and tertiary education". High-level details on the programmes and outcomes are provided in the plan below, and presented with additional context in the following table:

Universities and tertiary education	Pathways to property 1 Scholarship	PGIM RE Summer Interns (8-10 wks) Member of 10k internship programme Partner with BLK Capital Management
Schools and Secondary education	Academy of Real Assets Full Year outreach programme of events (over 30 PGIM volunteers)	PGIM Inspire 1 week work experience, 50 students
Youth and Society	Youth Build Full year programme of events (over 35 PGIM volunteers)	

Additionally in Europe we partner in similar programmes, which include Apprentis D'Auteuil in France who support 40,000 young people with education and training and Joblinge in Germany who prepare disadvantaged young people for the job market.

Organisation	Level of Involvement (basic / moderate / advanced)	Detail
Pathways to Property Since 2022	Moderate	<p>Purpose: The Pathways to Property project aims to widen access to the real estate and planning profession by raising awareness of and aspirations about a vast range of careers available within the sector.</p> <p>Role and contribution: PGIM Real Estate has partnered with the Worshipful Company of Chartered Surveyors since 2022 to support its Pathways to Property programme in the UK.</p> <p>Outcome: We are currently sponsoring a student at Cambridge University via the Bursary programme. The support also includes mentoring and a summer intern placement within the London office. The student is entering the third year of their degree.</p>
10,000 Interns Foundation Since 2021	Moderate	<p>Purpose: The 10,000 Interns Foundation provides paid internships, training and mentoring for students and graduates through the 10,000 Interns Programme.</p> <p>Role and Contribution: PGIM Real Estate has partnered with 10,000 Interns in the UK since 2021.</p> <p>Outcome: The UK offices has placed eight interns, on a fixed-term basis, out of the programme since pledging our support. Four of these interns were placed into the London office in the summer of 2023.</p>
BLK Capital Management Since January 2023	Moderate	<p>Purpose: BLK Capital Management is a 100% black owned and student run non-profit that strives to promote the financial education of black college students through mentorship and active money management.</p> <p>Role and Contribution: PGIM Real Estate has partnered with BLK Capital Management to pilot their European programme, which will enable a deeper pool of candidates and introduce new talent into the real estate industry.</p> <p>Outcome: Ongoing</p>

Organisation	Level of Involvement (basic / moderate / advanced)	Detail
Academy of Real Assets Since 2021	Advanced	<p>Purpose: The Academy is focused on promoting diversity and helping under-served and under-privileged schools learn about a career in real estate.</p> <p>Role and contribution: PGIM Real Estate was an inaugural member of the Academy of Real Assets and has representation on their Advisory Board and is chair of their membership committee. The Academy now organises over 70 in-person events for members, partners and student each year, reaching some 1,920 school students and increasing awareness of careers in real estate from 5% to +50%.</p> <p>Eric Adler, President and Chief Executive Officer at PGIM Private Alternatives “<i>The academy is industry wide and that is very important to us. Of course we have our own ‘S’ initiatives, but we all want to ensure as a sector that we are open to all talent. We must introduce ourselves to those that would not typically consider real estate or real assets as a career. Via the breadth and calibre of its members, this is what the academy does uniquely.</i>”</p> <p>Outcome: In 2023, over 30 PGIM Real Estate employees volunteered their time to support five events held in schools including workshops, mock interview days and career fairs. PGIM Real Estate employees also supported in the annual essay writing, where this year’s topic ‘In 2050, cities will be...’ resulted in over 40 submissions being published.</p>
Youth Build Since 2019	Advanced	<p>Purpose: YouthBuild supports young people ages 16 to 29 who are not employed or in school – learn construction skills to find pathways to meaningful employment and achieve financial wellness, through a series of practical and supportive training programmes and at the same time address the skills gap in the construction industry.</p> <p>Role and Contribution: Our parent company PFI first supported YouthBuild in the United States over thirty years ago and since 2019 PGIM Real Estate employees in London have supported YouthBuild students on a quarterly basis. The PGIM Real Estate team deliver an extensive series of practical training programmes, including mock interviews, financial management training, personal development and employability sessions each year - all helping to build a strong talent pipeline. Where possible, our staff also work alongside YouthBuild students on community projects.</p> <p>Outcome: In 2023, over 35 PGIM Real Estate employees volunteered their time to:</p> <ul style="list-style-type: none"> • Provide 3x full day workshops delivering employability /personal development sessions for over sixty YouthBuild participants; • Develop a comprehensive leadership insights programme for the YouthBuild management team delivering topics to support their development; • Support YouthBuild leadership with mentoring opportunities. • Organise YouthBuild Awards evenings and attended student graduations, celebrating the achievements of students and partner organisations. <p>YouthBuild are looking to expand beyond London in the coming years, so PGIM Real Estate are making it a priority to ensure that development companies on construction projects in the UK are introduced to YouthBuild to determine whether there is scope for a partnership. We hope that this yields practical support for YouthBuild when the time comes to initiate schemes in different cities.</p>
PGIM Inspire	Advanced	<p>Purpose: PGIM Inspire aims to raise awareness of careers in financial services and provide training in business skills to a diverse range of secondary education students.</p> <p>Role and Contribution: PGIM Inspire partner with Catalyst – a Diversity Project Programme, which is focused on social mobility, to ensure students came from a diverse range of schools across socio economic backgrounds.</p> <p>Outcome: The 2023 PGIM Inspire work experience programme brought together c.50 young people age 16 – 18 for an intensive week long immersion programme in the London office. The programme provided exposure to core asset management topics as well as selective workshops such as sustainability or business development.</p>

In addition to the above illustrated partnerships we wanted to further highlight some of our collaborative activities that took place in 2023 and beyond through a couple of new case studies with a focus on social mobility, climate technology and innovation:

Case Study: Social Mobility Breakfast at EXPO Real 2023

Objective: EXPO Real is one of the largest international trade fairs for property and investment held in Europe, which was attended in 2023 by 40,000 participants. PGIM Real Estate's ILN hosted a focused and intimate breakfast discussion at EXPO in 2023 to push the social mobility agenda forward. The breakfast had the sole purpose of looking to explore how social mobility could be improved across the industry and at the property level.

Overview: The breakfast, which secured full attendance, was organised into five separate table discussions. Three of the table discussions were specific to the three pillar approach adopted by PGIM Real Estate in the promotion of social mobility i.e. youth and society, schools and secondary education and universities and tertiary education. Discussions on the other two tables extended the outlook to include “hiring and identifying new talent” and “national and international mobility”.

Outcome: Key deliverables from each discussion were memorialised into a follow-up flyer, shared with all attendees. Following the success of the event, PGIM Real Estate's ILN are looking to host similar focused and intimate discussion events.

Promoting Climate Technology, Innovation and Tools

Case Study: PGIM Real Estate launches RealAssetX to drive innovation

Objective: In October 2023, PGIM Real Estate launched RealAssetX; an innovation lab to research, develop and invest in technology that aims to accelerate advancements in the real asset industry. Underpinned by data from PGIM Real Estate and third-party data sources, RealAssetX will partner with leading universities around the world – working in the fields of sustainable tech, artificial intelligence (AI) and deep tech – to research and develop new technologies that can be incubated and eventually adopted by owners, operators and managers of real assets.

Overview: The ecosystem of RealAssetX comprises of three interconnected pillars:

- 1) **Data Intelligence:** Building unique datasets and advanced analytics that combine unstructured third-party data with data accumulated by PGIM Real Estate over 50 years through the firm's investment activities.
- 2) **Research & Development:** RealAssetX is partnering with leading universities and technology companies globally to drive projects through from conception to incubation, funding and/or launch. This includes establishing an accelerator program for early-stage technology companies with research-led intellectual properties.
 - In the UK, RealAssetX is partnering with UCL (University College London) to launch the UCL Centre for Sustainability and RealTech Innovation, focusing on research projects in sustainability, AI, and innovation in real assets.
 - In the US, a partnership with the University of Chicago Data Science Institute will focus on big data analysis and AI for predictive analytics to improve investment decisions and portfolio construction processes.
 - In Asia-Pacific, a partnership with the National University of Singapore explores research data and AI for predictive analytics, whilst a second partnership in the region with University of New South Wales focuses on deep tech and sustainability.
- 3) **Investments:** Developing strategic partnerships with venture capital firms to invest and deliver modern technologies for the industry. RealAssetX will partner with Taronga Ventures, a leading global real asset technology manager, to enable third-party capital to invest in early and later stage technology companies.

Outcome: Ongoing however over time, RealAssetX will form new strategic partnerships globally as its work develops across all three pillars.

“The profound impact that the fast-moving technology wave is having on the real asset industry means that investment managers' success will be defined by their ability to be tech-enhanced through every stage of the investment lifecycle. By partnering with leading universities and technology companies, RealAssetX is building an ecosystem to develop new technologies that don't exist today – leveraging forward-thinking research and development to drive transformation within PGIM Real Estate and the broader real asset industry.”

Raimondo Amabile, Co-CEO and Global Chief Investment Officer at PGIM Real Estate

Additionally in the UK / Europe, PGIM Real Estate by way of representation, are actively involved across various industry working groups to further push the agenda for climate technology, innovation and tools in real estate, as summarised in the table below:

Organisation	Level of Involvement (basic / moderate / advanced)	Detail
Urban Land Institute's (ULI) Europe Technology and Real Estate Product Council Since end of 2021	Moderate	<p>Role and contribution: PGIM Real Estate by way of representation is co-chair to the ULI Europe Technology and Real Estate Product Council. The ULI Product Council's are designed for industry leaders to meet, exchange ideas, share best practice and foster thought leadership in the real estate market. The Technology and Real Estate Product Council has the purpose of exploring how technology and innovation in real estate and urban development can enhance customer experience and quality of life.</p> <p>Outcome: In addition to designing the Technology and Real Estate Product Council Day in Madrid, including two site visits and four roundtable discussions we moderated, we held a webinar on 'Cyber Security in Smart Buildings, the next frontier for the Real Estate Industry'.</p>
UK PropTech Association (UKPA) Since end of 2021	Moderate	<p>Role and Contribution: PGIM Real Estate by way of representation holds a board position at UK PropTech Association. The association aims to drive the digital transformation agenda within the UK property industry by promoting engagement between PropTech and Property businesses, and creating a conducive environment for PropTech innovation.</p> <p>Outcome: Guided the strategy and direction of the association, helped curate events and networking opportunities, mentored startups and provided input into financial matters and recruitments. Acted as an ambassador for UKPA to support the growth of membership and ultimately assisted in the acquisition of the UKPA by the British Property Federation (BPF).</p>

Continuing the Sustainability Conversation

In addition to integrating a sustainability strategy across the PGIM Real Estate business, we are also looking to harness the “power our platform” to work across the industry and try and gain consensus on sustainability metrics across the various disclosures regulations/ standards but also to try and define metrics which are appropriate to the real estate asset class.

Organisation	Level of Involvement (basic / moderate / advanced)	Detail
European Association for Investors in Non-Listed Real Estate Vehicles (INREV)	Advanced	<p>Role and Contribution: PGIM Real Estate was an inaugural and data contributing member to the INREV Asset Level Index (ALI), which launched in 2017, and by representation are an active member of the Performance Measurement Committee, since January 2021, which has specially involved the review of appropriate ALI sustainability metrics. In 2023 PGIM Real Estate continued to be an active member of the INREV Debt working group and have actively participated in focus groups centered around finalising KPIs to be collected and disclosed through INREV's ESG Standard Data Delivery Sheet (SDDS) which aims to standardise the way ESG KPI's are reported for real estate investment vehicles.</p> <p>Outcome: Since 2022 PGIM Real Estate has been sharing asset level sustainability data for our European core equity fund. Additionally, PGIM Real Estate by way of representation, are actively involved in the INREV European ODCE focus group, since the launch of our European core equity fund in 2019, which provides a test case for piloting new initiatives (inc. the ALI sustainability metrics and asset to fund level reconciliation).</p>

Organisation	Level of Involvement (basic / moderate / advanced)	Detail
Association of Real Estate Funds' (AREF) SUSTAINABILITY Disclosure Working Group Since inception of the group in 2021	Moderate	<p>Role and Contribution: Amongst other working groups for AREF, PGIM Real Estate by representation are an active part of the SUSTAINABILITY Disclosure Working Group.</p> <p>Outcome: Input on real estate sector responses to the following regulatory consultations:</p> <ul style="list-style-type: none"> FCA consultation (CP22/20) on Sustainability Disclosure Requirements (SDR) and investment labels, which included the update of a paper on SUSTAINABILITY Real Estate Metrics (13 January 2023). The paper aims to encourage the adoption of sustainability reporting standards that are appropriate to the real estate asset class and create consistency of disclosures for the UK and Europe as well as internationally where TCFD recommendations will apply. ESAs' Joint Consultation Paper: Review of SFDR Delegated Regulation regarding PAI and financial product disclosures (12 April 2023), which included the drafting of the SFDR Solutions Paper discussed in case study in Principle 4. EC Consultation on SFDR, which recommended the adoption of a labelling regime that would better support transition strategies and sustainability efforts of real estate asset class (06 Dec. 2023).
Better Building Partnership's (BBP) Investor Working Group Since February 2023	High	<p>Role and Contribution: PGIM Real Estate by way of representation is Co-chair of the BBP Investor Working Group. The co-chair is an appointed position to the working group and lasts for a period of two years. The working group meets on a regular basis to share knowledge and practical experience of sustainability.</p> <p>Outcome: In 2023 the working group updated and evolved the BBP Sustainability Acquisition Toolkit as discussed in Principle 4, alongside hosting the annual members GRESB roundtable. The roundtable provides the real estate sector with an opportunity to provide sector wide feedback on the annual GRESB assessment, channel queries to GRESB and provide practical guidance so all benefit from their feedback.</p>
ULI's CRREM North American Project Since May 2023		<p>Role and Contribution: Amongst other working groups for the ULI, PGIM Real Estate, by way of representation through Verdani Partners, is an active part of the ULI CRREM North American Project. The project was initiated with the sole purpose of engaging with industry and academic stakeholders to enhance the use and relevance of the Carbon Risk Real Estate Monitor (CRREM) in North America. Despite the introduction of 15 U.S. pathways in CRREM Version 2, dated January 2023, the region faced challenges in achieving widespread use, application, and confidence in CRREM.</p> <p>Outcome: The project included five virtual working group sessions between May 2023 and April 2024, engaging stakeholders to refine the U.S. pathways. These sessions began with an introduction to CRREM and the identification of improvement opportunities. Subsequent meetings focused on exploring and prioritising these opportunities, followed by discussions on stakeholder feedback related to Energy Use Intensity (EUI). The final session will take place in April 2024 and will include a presentation of the evolved draft CRREM curves for North America and the start of a public consultation.</p>

ENGAGEMENT

PRINCIPLE II:

Signatories, where necessary, escalate stewardship activities to influence issuers.

Private Real Estate Equity Investments

48.9% of AUM as at 31 December 2023

For Private Real Estate Equity there are no issuers, as our funds own real estate assets directly. As described in response to Principle 7, for our equity assets sustainability objectives are generally set at the time of investment, or in the annual asset level work plan process, and monitored on an ongoing basis via scheduled asset and portfolio reviews.

Engagement priorities align closely with the overarching objectives outlined in response to Principle 1, including our Net Zero Commitment, our 10-year reduction targets, and our goal to improve our GRESB scores.

Escalation of stewardship activities in private real estate equity can take numerous forms. In this year's report we have provided four case studies that follow below that illustrate the following examples of escalation of stewardship activities:

- Escalating issues with respect to building safety and ensuring leaseholders and tenants are aware and fulfilling their obligations
- Escalation where there are changes to existing or new legislation with respect to building safety
- Escalation where the existing data platform in support of evolving and expanding sustainability goals does not meet company requirements
- Engagement of our inspecting consultants to help us rapidly address emerging energy regulations in the US, resulting in improved reporting and enhancement to our DD process and loan documentation with borrowers.

Case Study: Potential Presence of Reinforced Autoclaved Aerated Concrete (RAAC) in Buildings

Issue: Concerns emerged Summer 2023 around the use/presence of Reinforced Autoclaved Aerated Concrete (“RAAC”) in buildings, particularly buildings constructed in late 1990s and often in quasi government uses (schools, medical etc.)

Escalation Measures: To address investor concerns, review building safety and ensure long leaseholders and tenants are fulfilling their relative obligations, this issue was escalated to a third party surveyor who conducted a portfolio-wide review with initial focus on the higher risk categories by way of a desk top study to i) rule out presence of RAAC or ii) identify locations that required an inspection.

In parallel, the desktop study was completed for the remainder of assets, again identifying locations that required a site visit.

Outcome: Following these visits, and depending on the leasehold relationship and repairing obligations for each party, PGIM Real Estate escalated this to the tenant or to the managing agents for further action.

A legal review was also undertaken for all English-domiciled PUKGLF assets to confirm where responsibility for any remediation would lie. For any assets where further investigation is required or RAAC has been identified, a letter has been provided setting out the concerns and requesting that this is escalated to effectively control, mitigate or eliminate risk.

Case Study: New Residential Building Safety Legislation

Issue: Following various changes/new legislation regarding fire and building safety in residential buildings, our asset management team undertook an exercise to identify relevant buildings and responsible persons within our English property portfolios.

This resulted from the Independent Review of Building Regulations and Fire Safety following the Grenfell tragedy and largely relates to residential buildings standing 11m and over with further increased requirements for those that are 18m tall.

Specifically, the legislation requires enhanced safety measures for 11m + buildings, such as fire door inspections, and for 18m + buildings there is an obligation to identify the Principle Accountable Person (PAP) and to register the building with the newly formed Building Safety Regulator, submitting structure and fire safety information about the building.

Escalation Measures: We have escalated these changes by raising awareness of the new legislation to leaseholders of the relevant buildings within our portfolios with the specific purpose of:

- Identifying or reaffirming responsibility for building safety;
- Providing in-depth specifics around the new regulations that have come into force including objectives, registration requirements as applicable and effective dates.
- Highlighting that there are serious legal consequences for our clients who without reasonable excuse contravene a relevant requirement;
- Seeking confirmation from the leaseholder that all relevant reviews have been undertaken to identify all buildings where this legislation applies. For all qualifying buildings we also aim to receive confirmation that all relevant inspection regimes and registrations have been put in place together with confirmation of the identity of each Principle Accountable Person where required.

Outcome: Our leaseholders and managers are now fully aware of the legislative changes that came into effect in 2023 and we have taken steps to ensure their leased or managed building complies with the new regulations.

Case Study: Piloting of data platform that will best serve our future needs

Issue: A robust and comprehensive data platform is essential for meeting PGIM Real Estate’s complex data needs and managing our high volume of data effectively. It became clear that the platform was unable to keep pace with industry developments and support PGIM Real Estate’s evolving sustainability goals.

Our review of the issues revealed key areas for improvement, defining what we need in a data platform that better aligns with our requirements. To address these needs, we required enhanced capabilities in several critical areas:

- **Advanced GHG Emission Tracking and Reporting:** To meet increasingly complex regulatory and voluntary reporting/disclosure frameworks.
- **Sophisticated Decarbonisation Management:** Including CRREM analytics, transition risk analytics at asset, fund, and portfolio levels, and Capex scenario planning. These features are vital for tracking and reporting progress toward our Net Zero commitment and for making informed investments and action plans at the asset level.
- **Data Automation:** To improve the efficiency and accuracy of data collection across our large and diverse global portfolio.
- **Enhanced Data Quality Controls:** To ensure the accuracy of our metrics.
- **Improved Tracking and Process Management:** To enhance data collection and coverage.
- **Centralised Repository:** For various sustainability-related data types, consolidating multiple databases.
- **Global Platform Compatibility:** Ensuring the platform is suitable for all our global regions (Americas, Europe, and Asia-Pacific).
- **Stakeholder Integration and Coordination:** Supporting streamlined collaboration between various stakeholders across our organisation, including portfolio/asset/property management and sustainability specialists.

Escalation Measures: Since 2019, the global sustainability team has maintained a log of issues, challenges, requests, and feedback related to our current global data management platform. As it became evident that the platform could not meet our evolving needs, we spent 2023 evaluating various sustainability data management platforms, ultimately identifying one as the leading candidate. In Q3 2023, we participated in Solution Development Workshops with market research firm, QRS, and by Q4, we had defined 73 success criteria necessary to meet our requirements. From November 2023 to January 2024, we piloted the platform across approximately 40 assets, spanning all global regions and various property types.

The pilot included preliminary onboarding and asset qualification with at least one property management company in each region, incorporating tenant information where available. We also established proof of concept for data automation with at least one utility supplier per region. We also evaluated connections with region-specific data platforms, such as ENERGY STAR Portfolio Manager.

During both the workshops and the pilot, we gathered feedback from key stakeholders, including portfolio, asset, and property managers, as well as sustainability and sustainability leads across all global regions.

Outcome: Based on the pilot, we concluded that the new platform is suitable, contingent on it demonstrating satisfactory progress toward further improvements and customizations in Q3 2024, as well as the ability to scale up their solution for our large portfolio and complex organisation.

Since the pilot in 2023 and continuing on throughout 2024, we’ve dedicated significant time and effort to drive progress and address challenges. Key challenges included clearly identifying our needs, balancing feedback from various regions and stakeholders, assessing the risks of transitioning from a familiar platform, and designing and executing a year-long transition plan. This plan involved all property and asset management teams and required clear communication and flexibility to adapt as circumstances evolved.

To facilitate progress, we’ve held weekly meetings with sustainability leads from each region, and the chosen platform has provided training and guidance to all property management companies. Property managers are now actively configuring their assets and data import methods within the platform, with regional contacts helping to drive progress with asset and property management teams.

The sustainability Team has been liaising across departments, addressing a high volume of questions from asset and property management teams. The contingent transition to the new platform has been communicated across our organisation via monthly regional Sustainability Council meetings. We continue to work closely with the platform on improvements and customizations, often requiring multiple iterations to achieve satisfactory outcomes.

Private Real Estate Debt Investments

48.8% of AUM as at 31 December 2023

As described in response to Principle 7, our ability to escalate sustainability issues is primarily determined during the initial investment and underwriting process for our debt investments. We conduct a thorough analysis of sustainability issues as part of due diligence, and where applicable impose sustainability-related requirements through either mitigation of risks prior to loan closing, or where appropriate, expanding loan requirements through loan covenants.

Depending on the nature of the loan, we will also structure loan terms and parameters to address pre-determined sustainability requirements.

As with our private real estate equity business, the issues we prioritise when considering structuring loans are closely aligned with our broader Firm goals outlined in Principle 1.

Case Study: Addressing Energy Regulations in the United States

Issue: PGIM Real Estate reviews physical and transitional risks related to climate change as part of standard due diligence for each loan. Sustainability risks are unified under a global “house view” but may slightly differ regionally due to local laws, regulations, and ordinances that influence energy transition risk (see Principle 8 “Monitoring Managers and Service Providers”). Our global refresh of technical due diligence processes in 2023 involved the creation of a Loan Assessment that offered unique questions and answers depending on the property type and region selected. To accommodate this, we created separate property-level questionnaires for U.S., European, and Asia Pacific transactions, mainly due to differentiation of energy efficiency laws in each region/country and their unique effect upon our risk tracking processes.

Escalation Measures: The U.S. property-level questionnaire was expanded to include an Ordinance Review component, which requested technical due diligence consultants to review asset applicability to any regional energy ordinances that may request our borrowers to annually report energy benchmarking data or adhere to energy performance standards. Similar to EPC transition risk for European properties, non-compliance with U.S. energy performance standards (i.e. Local Law 97 in New York City) could result in significant monetary fines, which increases risk of borrower loan default and can negatively affect our financial exit position. The Ordinance Review, together with our Environmental Engineering Report (completed by our in-house engineering team) describe asset compliance with energy ordinances and inform our legal team if any post-closing obligations or annual reporting requirements need to be implemented into our loan documents.

Outcome: The identification of applicable energy regulations to both our early-stage loan diligence process and post-closing loan monitoring process allowed us to safely continue transactions in markets across the U.S.

Global Real Estate Securities Investments

2.3% of AUM as at 31 December 2023

sustainability considerations are an integrated component in our investment process. We assign a justified premium/discount to NAV (a price target output) for every REIT under our coverage based on a number of factors, including a proprietary sustainability score and a management score. Corporate governance considerations have been a major component of our management score for years, with a focus on board independence, non-staggered boards, etc. More recently we’ve integrated “Environment and Social” through our subscription to GRESB. Our management scores are now influenced by how REITs score in the GRESB annual survey. We expect to continue to review how sustainability is incorporated into our investment approach. The integration of the GRESB results has led to numerous sustainability conversations with REIT management teams that we expect to result in further information and increased industry focus. In addition, appropriately discounting our target stock price for REITs with poor corporate governance has allowed our team to avoid investment in apparent “value traps” that have materially underperformed peers.

EXERCISING RIGHTS AND RESPONSIBILITIES

PRINCIPLE 12:

Signatories actively exercise their rights and responsibilities.

The reporting requirements set forth by the FRC do not directly apply to our private real estate equity and debt businesses that comprise the majority of our AUM and AUA (i.e. 98% coverage), however there are clear rights and responsibilities that we have as a real estate investor. Therefore, we have interpreted the FRC's request broadly and outlined below the ways in which we seek to exercise our rights and meet our responsibilities as a real estate investor.

As previously noted, PGIM Real Estate investment teams exercise the rights and responsibilities associated with the assets they manage in line with their respective investment strategies, having regard to factors such as the type of assets, identified risks and opportunities and investment convictions. At the forefront of this is our collective PFI level core values; to be customer focused and worthy of trust, and our Global Sustainability Policy and mission that doing the right thing for our people, the environment and our communities leads to better results for all our stakeholder (Principle 1). Throughout this report, we have outlined how our business allows investment teams to approach stewardship through our Purpose and Governance (Principles 1-5), Investment Approach (Principles 6-8), and Engagement (Principles 9-11) across different investment teams, asset classes and geographies (although as active owners, our approach in exercising our rights and responsibilities does not generally vary by region).

Rights and Responsibilities

As asset owners we play a key role in setting the direction of markets and therefore promoting and embedding sustainability throughout the real estate investment cycle – from acquisition to disposition. As lenders, we are well placed to encourage investee businesses to improve disclosure and action on climate as determined in loan documents. As such we do detailed due diligence to ensure appropriate enforcement mechanisms are in place before a loan is finalised. We continue to seek ways to expand our impact in measurable ways, such as by advancing towards our net zero target, our consumption reduction targets, utilizing CRREM decarbonisation pathways, our stated goal to improve fund-level GRESB scores and SFDR/EUT disclosures.

Our responsibilities to all our stakeholders – including tenants, investors, and beyond – have been outlined throughout this report, and include:

- Appropriately aligning employees with our business and client objectives, while incentivising sustainable activities (Principle 2).
- Maintaining a robust governance structure and policies to support and ensure appropriate controls and reviews are in place (Principles 2, 3 and 5).
- Ensuring our risk management practices are effective and support well-functioning financial markets (Principles 3-5).
- Considering our client needs and proactively soliciting and responding to client feedback (Principle 3 and 6).
- Integrating Sustainability practices into our investment process across all asset classes, and where applicable throughout the asset holding period (Principle 7).
- Engaging with all stakeholders to raise awareness of how they can support our sustainability emissions reductions, as well as engaging with all stakeholders to raise awareness around critical matters concerning the environment and our communities and how we can collectively drive
- Toward our reduction targets, reach our net zero goal and deliver positive outcomes for all of the parties we influence (Principles 8-11).
- Enforcing our rights through appropriate monitoring of service providers and counterparties (Principles 8 and 11).

Global Real Estate Securities Investments

PGIM Real Estate’s GRES business, which accounts for 2% coverage of our AUM/AUA, has a Proxy Voting Policy that is available to investors on request.

Our Proxy Voting Policy and Procedures

Our proxy voting policy contains detailed voting guidelines on a wide variety of issues commonly voted upon by shareholders. These guidelines reflect our judgment of how to further the best interest of our clients through the shareholder or debt-holder voting process.

We generally vote with management on routine matters such as the appointment of accountants or the election of directors. From time to time, ballot issues arise that are not addressed by our policy or circumstances may suggest a vote not in accordance with our established guidelines. In these cases, voting decisions are made on a case-by-case basis by the applicable portfolio manager taking into consideration the potential economic impact of the proposal. To note, the majority of our real estate securities clients invest via commingled funds and do not have the ability to override our proxy voting policy.

How to Obtain Information Regarding Proxy Voting

Any client may obtain a copy of our proxy voting policy, guidelines and procedures, as well as the proxy voting records for that client’s securities, by contacting the client service representative responsible for the client’s account. Our proxy voting record is not currently publicly available, and therefore a link has not been provided.

Securities Lending and Proxies

PGIM Real Estate does not engage in securities lending.

2023 Voting Record

As part of the sustainability engagement process, GRES meets with senior management of a REIT each year to discuss sustainability scores, priorities and progress. REITs that elect to improve their sustainability focus will see a corresponding increase in projected returns and raise the potential for increased ownership in their shares by GRES strategies.

In 2023, our GRES business voted 1746 out of 1751 potential proxy votes. GRES maintains a proxy voting policy, and has engaged a proxy agent to execute proxy votes in accordance with the policy.

The following summary outlines our voting record from January 1 to December 31, 2023:

Total Proposals					
1,751					
Management			Shareholder		
1,746			5		
99.7%			0.3%		
Supported	Opposed	ABST/Other	Supported	Opposed	ABST/Other
1,584	52	110	1	3	1
90.7%	3.0%	6.3%	20%	60%	20%

IMPORTANT INFORMATION

This report is for informational and educational purposes only and should not be construed as investment advice or an offer or solicitation in respect of any products or services to any persons who are prohibited from receiving such information under the laws applicable to their place of citizenship, domicile or residence.

All data is accurate as at submission date unless otherwise state.

PGIM Real Estate is the real estate investment management business of PGIM, Inc. the principal asset management business of Prudential Financial, Inc. (“PFI”) of the United States. PGIM is a trading name of PGIM, Inc. and its global subsidiaries. PGIM Limited is a subsidiary of PGIM, Inc., and both are registered investment advisors with the US Securities and Exchange Commission (“SEC”). Registration with the SEC does not imply a certain level of skill or training. PGIM Private Alternatives (UK) Limited is authorised and regulated by the Financial Conduct Authority (the “FCA”) of the United Kingdom (Firm Reference Number 181389). 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.

PGIM Real Estate is headquartered in Newark, New Jersey and also includes the following businesses globally: (i) PGIM Private Alternatives (UK) Limited with registered office: Grand Buildings, 1-3 Strand, Trafalgar Square, London, WC2N 5HR; (ii) PGIM Real Estate Luxembourg S.A. with registered office: 2, boulevard de la Foire, L1528 Luxembourg; (iii) PGIM Real Estate Germany AG with registered office: Omniturm Große Gallusstraße 18 60312 Frankfurt, Germany; (iv) PGIM (Australia) Pty Ltd with registered office: Deutsche Bank Place 126 Philip Street, Sydney, NSW 2000 Australia; (v) PGIM (Hong Kong) Limited with registered office: Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong; (vi) PGIM Real Estate (Japan) Ltd. with registered office: The Prudential Tower, 2-13-10 Nagata-cho, Chiyoda-Ku, Tokyo 100-0014, Japan; (vii) PGIM (Singapore) Pte. Ltd. with registered office: 88 Market Street #43-06 CapitaSpring, Singapore 048948.

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Past performance is not a guarantee or a reliable indicator of future results.

SUSTAINABILITY: PGIM Real Estate’s overarching sustainability mission is doing the right thing for our people, the environment, and our communities. While a financial product mentioned in this Stewardship Report may not seek to implement a specific sustainability strategy, these considerations are embedded through various stages of PGIM Real Estate’s investment processes that target efficiency and screen for risks and is applied to some degree across most of the funds’ investments.

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