Prudential

IMPACT AND RESPONSIBLE INVESTMENTS (IRI)

Impact Management Policies (IMP)

Operating Principles for Impact Management Disclosure Statement

We make lives better by solving the financial challenges of our changing world.

Prudential was founded on the belief that financial security should be within reach for everyone. It's a challenge we've embraced for more than one hundred and forty years. A strong sense of social responsibility remains embedded in the company, guiding our efforts to help people now and in future generations achieve peace of mind and a more secure future.

Prudential Financial, Inc. ("PFI") is an original signatory to the Operating Principles for Impact Management ("Impact Principles"), a set of 9 best practices for the management of impact investments. These Principles were developed by the International Finance Corporation (IFC) in consultation with global asset owners and managers. More than 160 institutional investors have signed on to the Impact Principles.

We signed on to the Impact Principles based on our values and the belief that we need to be accountable not only to financial standards, but also to standards that guide our mission orientation.

Impact Management Policy

Prudential's impact portfolio is a subset of assets within the company's general account (referred to as the "Impact Portfolio"). The Impact Portfolio is managed by a dedicated team ("IRI Team") of investing professionals that sit within PGIM, the investment management business of Prudential. The management of Prudential's Impact Portfolio is guided by an Impact Management Policy (the "Policy") that translates Prudential's corporate purpose into strategies designed to support the needs of underserved communities in the U.S. and globally.

The Policy consists of three key elements:

- **Impact Themes & Goals –** The overarching themes and social goals for the program. Impact themes are reviewed regularly but typically are intended to be consistent and maintained across multiple years.
- **Impact Management Policies –** These are key policies regarding the day-to-day operationalizing of impact management.
- **Permissible Impact Considerations** – These are factors above and beyond financial considerations that may be taken into consideration when making investment decisions and reflect the overarching goals of the program to drive both impact and financial objectives and where needed take on additional risk and permit additional flexibility to drive impact.

Disclosure Statement

The following Disclosure Statement applies to:

Prudential Financial Inc., Impact Portfolio

The total Assets under Management in alignment with the Impact Principles is US $1,046 million as of March 31, 2022.

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Andrea Kaufman
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Andrea Kaufman

Head of Impact & Responsible Investments

on behalf of Prudential Financial acting as its investment manager

July 20, 2022

DocuSigned by:
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Paul Curcio

Managing Director, Impact & Responsible Investments

on behalf of Prudential Financial acting as its investment manager

July 20, 2022

Impact Mandate

The Impact Portfolio is managed to drive institutional capital to pressing societal challenges, scaling solutions for underserved stakeholders and strengthening market infrastructure. Consistent with that mandate, the Impact Portfolio is explicitly permitted to take impact factors into consideration and those factors are integrated into its Investment Policy Statement (“IPS”). It also manages all investments to promote and enhance their impact. Our existing approach for managing impact is summarized in the graphic below.

What is managing for impact?

Intentional impact sourcing	Impact diligence	Impact value-add	Mission safeguard	Impact reporting
Strong, research driven thesis on how a certain sector or approach generates social impact. Investments are selected for their positive impact attributes.	Formal analysis that the company is creating impact and that products and services are appropriately designed, particularly for underserved communities. Diligence process examines co-investors, sponsors, and board to ensure there are individuals with mission-oriented backgrounds and genuine focus on impact embedded in the organization.	During investment period, active managers will work with company or sponsor to improve level of impact. Investors seek to identify relationships, partners and systems that can boost impact of underlying investment	Safeguards on exit, capital raising and other corporate processes to preserve and enhance mission orientation. Sensitive mission preserving practices during workouts and restructuring.	Measuring and reporting impact using both external benchmarks and customized measures that related to core KPIs. Ensure impact assessment and improvement is built into practices of investee.

Ultimately, we believe managing for impact provides important domain knowledge, preferential sourcing relationships, and risk awareness that drives positive financial returns.

The approach above is compatible with the Operating Principles for Impact Management.

Enhancements: The IRI team developed a comprehensive Impact Management (“IM”) System that incorporates relevant frameworks and standards representative of best in class impact management practices. The IM system integrates impact throughout the investment process, operationalized with a set of activities and tools for consistent execution at each step.

As part of the IM system, the IRI team will use an impact assessment tool during the due diligence process for all new transactions going forward. The tool evaluates the expected impact of each prospective investment across four dimensions that encapsulate the priorities and DNA of Prudential’s impact investing strategy. The four dimensions are: access, quality, stewardship, and representation. Underpinning the four dimensions is also an evaluation of Prudential’s contribution or a documented assessment of Prudential’s active value creation.

The IM system also helps the investment team identify Key Performance Indicators (“KPIs”) aligned with third party standards. As part of this work, the team enhanced templates for authorization and monitoring progress against expected impact.

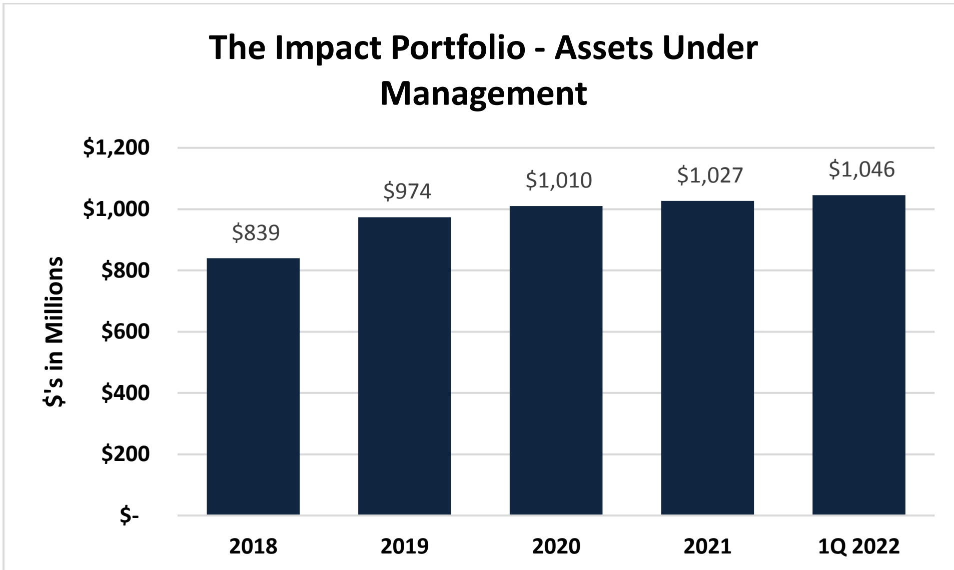
Finally, the IM system includes an Impact Data Manager Tool, that allows the team to collect, monitor, and report data.

Permitted investment types: While the majority of investments have market rate attributes, the Impact Portfolio may also invest in a broader range of stage, geography and size of investment than is typically invested in by Prudential’s general account so long as the portfolio is consistent with the requirements set forth in its IPS. This includes, but is not limited to:

- Early-stage and start-up entities with a limited track record of past performance where such investments deliver novel solutions addressing key impact objectives and themes;
- Smaller transactions that may be inefficient to manage but provide outsize impact benefits;
- Small businesses and smaller real estate development firms that may have less robust liquidity and access to capital;
- First and second-time fund managers;
- Non-profits, social enterprises and benefit corporations.

To assist in risk management related to its investments, the IRI team has designated certain investments as part of a “Catalytic Portfolio”. Catalytic investments will include those investments where (1) there may be a significant trade-off between financial performance and impact; (2) the stage or size of the investment is inherently high risk, (3) there is less data to make an evaluation on the anticipated performance of the investment, or (4) where the company may want greater latitude to forgive or adjust terms (e.g., nonprofit borrowers).

The Impact Portfolio: Size[1]



[1] This reflects the Covered Portfolio under the Impact Principles. The AUM number is based on unaudited internal data; AUM data excludes unfunded commitments

Operating Principles for Impact Management Disclosures

PRINCIPLE 1:

Define strategic impact objective(s), consistent with the investment strategy.

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

Approach: Impact objectives are designated *ex ante* rather than *ex post* and reflect an intentional approach to finding and creating impact as opposed to measuring the impact of pre-existing investments.

Implementation:
The IRI team has established clear, research-based impact strategies that are explicitly aligned to the UN Sustainable Development Goals (SDGs) and documented in the Impact Management Policy.

At the transaction level, explicit impact objectives are stated for all investments alongside overarching Impact Themes (listed below), in the investment approval memorandums ("Investment Memo") that accompany each investment. These Impact Themes are research driven, reviewed by the governance body for the program, align with the UN Sustainable Development Goals and indexed in the IPS and Impact Management Policy. Investment Memos have a specific section titled "Impact Analysis" which includes an impact assessment summary. The summary provides the results of IRI's impact assessment tool, states the impact objectives, aligned with the Impact Theme and further defined by KPIs. The memo indicates how KPIs will be assessed and what data and reporting the investee must provide to facilitate that evaluation and/or if third party or other external sources will be used. If a proposed investment is not being made in one of the designated Impact Themes, the authorization process provides additional detail regarding the rationale for the transaction, impact objectives and relevant KPIs. These metrics are aligned with IRIS+[2] and other third-party standards.

[2] IRIS+ is the generally accepted system for measuring impact and is managed by the GIIN(https://iris.thegiin.org/)

Impact Theme	Key Impact Objectives	Aligned SDGs	Illustrative KPIS
Financial Inclusion	Increase access to affordable banking, credit and wealth-building solutions for individuals and micro, small and medium enterprises	No Poverty Decent Work & Economic Growth Reduced Inequalities	- Number of customers provided new access to financial services on an annual basis - Percent of customers who are low to moderate income as defined in the context - Percent of customers retained, disaggregated by income
Education and Skills	Improve programs and systems in the preK-12, postsecondary, and workforce sectors to drive improved career outcomes for underserved populations.	Quality Education Decent Work & Economic Growth	- Number of students or program participants enrolled on an annual basis - Percent of students and program participants graduating or receiving a marketable certificate - Percent of graduating students or program participants who are low to moderate income as defined in the context
Affordable Housing	Increase availability and quality of affordable housing.	No Poverty Sustainable Cities & Communities	- Number of affordable units created or renovated - Number of individuals housed - Resident satisfaction score
Transformative Development	Promote real estate developments that intentionally create quality places to live, work, learn and play in areas that have experienced distress or relative underinvestment with an emphasis on diverse partners and communities.	Industry Innovation & Infrastructure Sustainable Cities & Communities	- Public or private dollars allocated - Number of jobs created or maintained, annual - Measures of indirect/catalytic follow-on investments
Sustainability/ Resiliency	Climate Action, Sustainable Living; ESG Tech focused on environmental reporting and analytics; Sustainable construction; building systems management; Carbon capture and reporting;	Clean Water & Sanitation Responsible Consumption & Production	- Carbon reduction - Water usage reduction - Wellness of stakeholders - Reduction of negative impacts on underserved populations

	Water usage and waste management		
Impact Innovation/ Outcomes Financing	Supporting the growth of new tools, financing approaches and products that will increase the scale and integrity of Impact Investing opportunities	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Industry Innovation & Infrastructure	- Measures of social outcomes - Qualitative measures of how products and approaches differ from traditional investments - Measures of scale and capital attraction

PRINCIPLE 2:

Manage strategic impact on a portfolio basis.

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

Implementation:
Impact Objectives are evidence-based and established based upon depth of experience, historical lessons learned and current and compelling definitions of the challenge. These objectives guide the development of thematic investment strategies and the selection of underlying assets. Impact returns are managed at the level of the Impact Themes in alignment with explicit impact objectives. Performance is reported regularly to internal stakeholders as specified in the reporting requirements with standardized templates to ensure consistency in reporting.

All transactions are assessed using a standardized framework that allows the team to evaluate and compare impact performance across four key impact dimensions and over a diverse array of asset types and impact themes. The framework is also used to compare impact performance between investments in each portfolio and across portfolios. In addition, the IRI team leverages a bespoke tool (i.e., the Impact Assessment Tool) to capture the expected impact for each investment and intends to use its Impact Data Manager Tool to capture and aggregate impact performance results across the portfolio.

Additional Implementation Steps:

- Staff performance review and incentive systems are conducted on a holistic basis and impact outcomes are considered. Documented Annual Performance Reviews include specific objectives for ESG and Diversity, Equity & Inclusion (DEI) for all employees.
- The IRI team has created distinct portfolios of investment (Main, Catalytic, and Foundation program related investments) with distinct risk, return and impact expectations.
- Investees are generally selected for field leadership in the sector as well as commitment to mission and a vision in alignment with our Impact Management Policy.
- Investments are assigned a lead investment manager who meets regularly with investees and reviews quarterly and annual reporting.
- A portfolio review committee comprised of subject matter experts in investments, legal, compliance and valuation monitors performance on a quarterly basis with special attention paid to investments that are failing to meet expectations.

PRINCIPLE 3:

Establish the Manager's contribution to the achievement of impact.

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.[3] The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Approach: Investor's contribution is one of the main drivers of asset selection and is assessed on an investment specific basis. The concept refers to positive impact contributed by the investor in addition to the impact of the project or enterprise.

Implementation: The IRI team evaluates all new investments under a contribution framework (embedded in IRI's impact assessment tool) which reviews factors such as active engagement, flexibility of capital, signaling that impact matters, etc. The review is documented in investment memos. Supporting documentation is saved in a dedicated folder alongside other key transactional documents.

IRI has also compiled a snapshot of the portfolio's impact and contribution highlights over the last ten years. The analysis assessed subset transactions against IRI's Impact Management Framework's four dimensions of impact as well as the contribution framework. Furthermore, the review consolidated key metrics across the impact themes.

[3] For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

PRINCIPLE 4:

Assess the expected impact of each investment, based on a systematic approach.

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact[4] potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?[5] The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards[6] and follow best practice[7].

Approach: Expected impact refers to investor expectations of impact at origination and provides a useful baseline for measuring actual impact over the lifecycle of an investment.

Implementation: The IRI Team utilizes the Impact Assessment Tool for initial screening during the due diligence process and carried through to ex-ante impact assessment activities. The tool establishes a systematic process to assess each investment's expected impact. A summary of the assessment is integrated into the investment memo and reviewed by the portfolio's investment committee. The IRI team also determines preliminary KPIs for each transaction aligned with IRIS+.

[4] Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.
[5] Adapted from the Impact Management Project (www.impactmanagementproject.com)
[6] Industry indicator standards include HIPSO (https://indicators.ifipartnership.org/about/); IRIS (iris.thegiin.org); GIIRS (http://b-analytics. net/giirs-funds); GRI (www.globalreporting.org/Pages/default.aspx); and SASB (www.sasb.org), among others.
[7] International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

PRINCIPLE 5:

***Assess, address, monitor, and manage potential negative impacts of each investment*.**

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)[8] risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.[9] As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

Approach***:*** The Impact Portfolio is exclusively focused on impact investments and will actively screen out sectors and companies that do not meet those objectives or have heightened potential for negative impact. Impact risks can also occur from shifts in market conditions or investee behavior and need active management throughout the investment lifecycle.

Implementation: The IRI team uses the following practices to minimize the risk of negative effects:

- Sourcing & Diligence: Carefully focus investments in areas and partners with strong alignment between impact and financial motivations. For each new potential investment being considered, the investment team will send an "Impact and ESG Due Diligence Questionnaire" to understand a potential investee's impact strategy, impact management, ESG approach and operations.
- Active management: Throughout the investment lifecycle it is critical to engage with management and identify impact risks and ensure these are addressed in a timely manner and identify any need for course correction. Where needed, structuring impact covenants and reporting to ensure that impact considerations are appropriately disclosed and managed. As part of the annual data collection process, going forward, the IRI team will also ask investees to provide updates against select diligence questions related to ESG and impact risk management.
- Responsible exits: Careful structuring including requiring mission safeguards as well as specified criteria for acquirers to mitigate risk of a drop-off in impact after exit.

[8] The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.

[9] Examples of good international industry practice include: IFC's Performance Standards (www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/ themes/human-rights.htm).

PRINCIPLE 6:

Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action.[10] The Manager shall also seek to use the results framework to capture investment outcomes.[11]

Implementation:
Through the Impact Data Manager tool, the IRI team will monitor and track impact progress on each new investment going forward. The IRI team will include impact monitoring within its asset management procedures and can use portfolio review meetings to discuss and identify impact risk/weakness that may arise. Where necessary, reporting and covenants may include explicit impact requirements. In situations where there is a significant gap between expectation and progress, the situation is documented and reported by the IRI team, including steps taken to mitigate the situation.

[10] Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.

[11] Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).

PRINCIPLE 7:

Conduct exits considering the effect on sustained impact.

When conducting an exit,[12] the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

Background/Policy: Impact Investors objectives extend beyond financial results to include the continued success and positive impact of the investment after formal exit.

Implementation: The IRI team's Impact Data Manager Tool will help the team assess sustainability of impact at exit. In addition to a formal analysis on exit, the IRI team will also focus on certain aspects of the investment lifecycle in order to maximize positive impact upon exit. These investment specific safeguard steps may include the following:

- Pre-investment: Select investees based on the degree to which impact is embedded in the business model as well as leadership commitment to mission.
- Structuring: Structure the investment to support sustainable growth, ensure alignment with co-investors, and include legal protections in LPAs, debt covenants and side letters as appropriate.
- Monitoring: Work closely with investees to strengthen ESG policies and practices governing supply chains, environmental impact, employment, and governance.
- Exit timing: Timing of exit needs to take into consideration the company's continued access to sufficient resources and expertise to maintain growth and impact.
- Criteria for acquirers: Acquirers should be selected based upon commitment to mission, access to resources and expertise and a time horizon supportive of growth and continued impact.

[12] This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

PRINCIPLE 8:

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

Implementation: The IRI team maintains a regular rhythm of internal and external communications for continuous improvement and sharing lessons learned. Impact policies are reviewed and updated annually. The IRI team reviews the impact performance of each investment as part of the portfolio review process using standardized documentation. The impact performance is also discussed as part of the investment exit process.

PRINCIPLE 9:

Publicly disclose alignment with the Principles and provide regular independent verification[13] of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

Policy/Background**:** Annually, PFI will verify and publicly disclose the degree of alignment of the impact management of the covered assets with each of the 9 Impact Principles.

Implementation: Public disclosure should take the form of a signed and completed disclosure statement and an independent verification in alignment with the Impact Principles guidance. Verification may be performed by an external third party or by an internal unit of the Signatory. If the verification is performed by an internal unit, the Signatory must provide a description of the verification process and how it is separate from the operational units.

2021 Independent Verifier
BlueMark was launched by Tideline, a leading impact investing consultancy. Since its founding in 2014, Tideline has become a recognized leader in impact measurement and management, focused on the design and verification of IM systems with leading asset owners and managers. In 2020, Tideline established a subsidiary (BlueMark) with a separate, dedicated team focused on impact management verification.

Tideline has offices in New York, NY and San Francisco, CA and is headquartered at 915 Battery St, San Francisco, CA 94111, USA.

Last Verification Date: 10 December 2021

Next Verification Date: December 2022

[13] The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.