

Disclosure statement about PGIM's role as the asset manager

Background

The Shareholder Rights Directive II (“**SRD II**”) is a European Union directive which seeks to promote investor stewardship and encourage long-term engagement by shareholders in the decision-making process of listed companies. The UK implemented the requirements of SRD II while the UK was a member of the European Union, and they continue to remain in force in the UK today.

SRD II seeks to achieve its aims by enhancing transparency of engagement policies and investment strategies across the institutional investment community. Asset managers are required to develop and disclose publicly a policy on how they integrate shareholder engagement in their investment strategies or explain why they have chosen not to adopt such a policy.

Our Approach to Shareholder Engagement – Explanation

As an asset manager, PGIM Limited (“**we**” or “**us**”) is subject to the requirements of SRD II applicable in the UK to the extent that it invests (or has invested) on behalf of investors in shares traded on regulated markets. In this statement, we explain the reasons why we have chosen not to adopt a shareholder engagement policy for the purposes of SRD II requirements applicable in the UK.

Shareholder engagement refers to how a shareholder engages in corporate governance of the companies in which it holds shares, including monitoring of these investee companies on relevant matters, engagement in dialogue with those companies, exercising voting rights in connection with any shares it holds, cooperating with other shareholders, communicating with stakeholders of investee companies and managing any conflicts of interest that the shareholder might have.

Our strategy, as a fixed income asset manager managing our clients' assets, is focused on investing in fixed income asset classes rather than shares. It is possible that circumstances may occasionally arise which may result in our clients holding listed shares or where we believe it is in the best interests of our clients to hold investments in listed shares, but we consider that such cases will be exceptional. For example, we may invest our clients' assets in bonds issued by a company which later experiences financial distress, at which point the bonds may be capable of being converted into shares as part of a restructuring process and we may choose this option if it is in the best interests of our clients. Depending upon the relevant circumstances at the time, we may decide that the best approach is to continue to hold those shares rather than immediately selling them.

In the exceptional instances where we decide it is in the best interests of our clients to hold investments in listed shares, our general investment approach in the UK will be that we will not seek to exercise voting rights as a shareholder in relation to the shares held by our clients or cooperate with other shareholders. We anticipate that we will only deviate from this general approach on rare occasions (for example, where we are instructed to by our clients) and in a manner which serves the best interests of our clients. Furthermore, our broader investment strategy will remain focused on investing in asset classes other than shares.

In our view, the alternative investment approach described above does not involve us engaging in stewardship in the UK in relation to listed shareholdings and is consistent with our usual mandates from our clients. Therefore, given these considerations, we have decided not to adopt a shareholder engagement policy for the purposes of SRD II requirements applicable in the UK.

Engagement other than as a Shareholder

As a fixed income manager focused on investing in fixed income asset classes, we may engage with companies other than in relation to investing in their shares that we hold. Our engagement with companies is reflective of our belief that value for clients is linked to thorough integrated research and understanding of long-term business fundamentals.

We may receive reports on the performance of the relevant companies and in relation to other matters. We may or may not choose to liaise with an issuer, or their representatives, to discuss the performance of, and other issues relevant to, that issuer. We will in all cases determine the relevant course of action based on the best interests of our clients.

Monitoring the companies in which we invest is an integral part of our investment approach. As an active manager, we are committed to conducting bottom-up, fundamental research when pursuing investment opportunities for our clients. We employ teams of research analysts that have worldwide reach and generate independent research on companies for the portfolio managers to use.

In addition to meeting with the management of certain companies themselves, our analysts and portfolio managers conduct further research to determine the investment potential of target companies. Corporate governance is one of the important factors that we consider when evaluating and monitoring issuers. Other examples of factors that we may take into consideration include business strategy, risk management, environmental and social concerns, compliance, performance and capital structure.

For certain mandates, we also have an internal evaluation process designed to analyse securities based on the ESG criteria established by our environmental, social and governance committee. We believe that certain environmental, social, and governance factors can be relevant and material to long-term business fundamentals, and therefore important to all investors. Relevant issues vary by sector, geography, asset class, and company context. Therefore, fundamental research that is tailored to different settings has potential to add meaningful value.

We may actively engage with companies and issuers about their ESG practices by, for example, arranging in-person meetings with senior management of companies and other issuers to address issues including but not limited to: labour considerations, environmental policies or governance issues. We have adopted separate ESG policies which are available on our website.

Review

Our decision not to have a shareholder engagement policy in place will be kept under review, and will be reconsidered to the extent, in due course, we believe our business model has changed such that a shareholder engagement policy for the purposes of SRD II requirements applicable in the UK becomes necessary.