

Second-Party Opinion

Prudential Financial, Inc. Green Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Prudential Financial, Inc. Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2018. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that investments in these areas will lead to positive environmental impacts, in particular decreased greenhouse gas emissions, and advance the UN Sustainable Development Goals, specifically Goals 6, 7, 9, 11, 12 and 15.



PROJECT EVALUATION / SELECTION Prudential has established a Green Bond Council, comprised of members from its Treasury, Chief Investment Office, and Corporate Governance/Sustainability teams. Prudential's Chief Investment Office will first evaluate and determine which projects are eligible for inclusion in the portfolio of Eligible Green Assets. The Green Bond Council will review and validate the projects compiled by the Chief Investment Office. This Council will also be in charge of reviewing and validating allocation and impact reporting. This is in line with market practice.



MANAGEMENT OF PROCEEDS Prudential's Green Bond Council will be in charge of monitoring the allocation of proceeds. Prudential will adjust the tracked projects on a quarterly basis to match allocations to eligible assets. Prudential will, on a best efforts basis, substitute additional green assets for any assets that are no longer eligible, and unallocated proceeds will be invested either in green bonds that are in line with the company's investment guidelines or in cash, cash equivalents and/or other liquid marketable instruments. This is in line with market practice.



REPORTING Prudential has committed to undertaking annual allocation reporting until full allocation of any green bond as well as impact reporting where feasible. Allocation reports will contain information such as net proceeds raised from each Green Bond, aggregate amounts of funds allocated to each of the Eligible Categories as well as the balance of unallocated proceeds. Impact reporting will include relevant quantitative performance indicators. Allocation and impact reporting will be made available publicly. This is in line with market practice.

Evaluation date	February 21, 2020
Issuer Location	New Jersey, United States

Report Sections

Introduction.....	2
Sustainalytics' Opinion	3
Appendices	10

For inquiries, contact the Sustainable Finance Solutions project team:

Zach Margolis (Toronto)

Project Manager
zach.margolis@sustainalytics.com
(+1) 647 695 4341

Winnie Toppo (Toronto)

Project Support
winnie.toppo@sustainalytics.com
(+1) 647 317 3648

Paramjot Kaur (New York)

Client Relations
susfinance.americas@sustainalytics.com
(+1) 646 518 9623

Introduction

Prudential Financial, Inc. (“Prudential”, or the “Company”) is a financial wellness leader and premier active global investment manager that offers a wide array of financial products and services, including life insurance, annuities, retirement-related products and services, mutual funds and investment management. Headquartered in Newark, New Jersey, Prudential, through its subsidiaries, serves institutional and individual customers in more than 40 countries and employs about 50,000 employees and sales associates worldwide. As of December 31, 2019, Prudential had approximately USD \$1.3 trillion in assets under management and approximately \$4 trillion of gross life insurance in force worldwide.

Prudential has developed the Prudential Green Bond Framework (the “Framework”) under which it intends to issue green bonds and use the proceeds toward existing or future investments that finance assets, businesses or projects that reduce emissions and improve resource efficiency. The Framework defines eligibility criteria in seven areas:

1. Renewable Energy
2. Green Buildings
3. Environmentally Sustainable Management of Living Natural Resources and Land Use
4. Energy Efficiency
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Pollution Prevention and Control

Prudential engaged Sustainalytics to review the Prudential Green Bond Framework, dated February 2020 and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles (GBP) 2018.¹ This Framework has been published in a separate document.²

As part of this engagement, Sustainalytics held conversations with various members of Prudential’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Prudential’s Green Bond Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Prudential Green Bond Framework and should be read in conjunction with that Framework.

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>

² The Prudential Financial Green Bond Framework is available on Prudential Financial, Inc.’s website at: <http://www.investor.prudential.com/home/default.aspx>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Prudential Green Bond Framework

Sustainalytics is of the opinion that the Prudential Green Bond Framework is credible and impactful and aligns with the four core components of the GBP 2018. Sustainalytics highlights the following elements of Prudential's Green Bond Framework:

- Use of Proceeds:
 - The seven eligible categories, Renewable Energy, Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management and Pollution Prevention and Control, are aligned with those recognized by the GBP 2018.
 - Prudential considers general-purpose financing to be eligible for businesses that derive 90% or more of their revenue from activities from the projects that meet the eligibility criteria listed in the Green Bond Framework. Sustainalytics considers this definition of “pure play” to be aligned with market practice.
 - Under the Renewable Energy category, Prudential may finance assets that are aligned with green bond market practice, including offshore and onshore wind, concentrated and photovoltaic solar power, tidal, geothermal and biomass energy. Sustainalytics additionally highlights the following:
 - All renewable energy sources must adhere to a threshold of 100g of CO₂ per kWh generated. Sustainalytics views the inclusion of this emissions threshold positively, in particular as it relates to geothermal and biomass power.
 - The Framework specifies that all biomass feedstock will be sourced from waste, which, together with the emissions threshold, provides reasonable assurance of sustainability across most environmental and social dimensions.
 - Under the Green Buildings category, Prudential may provide financing for residential and commercial buildings with third-party sustainability certifications: LEED (Gold or Platinum), Energy STAR (minimum score of 75), BOMA BEST (Gold or Platinum), BREEAM (Excellent or Outstanding), or equivalent internationally recognized standards. Sustainalytics views these certifications as credible, and the levels selected as impactful. See Appendix 1 for further description of the referenced building standards.
 - Sustainalytics views positively Prudential's intention to use recognized sustainability certifications to determine the eligibility of assets in the areas of Environmentally Sustainable Management of Living Natural Resources and Land Use. The following sustainability certificates (please see Appendix 2 for further details) have been considered in the Framework:
 - Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI), to determine eligibility of sustainable forest management activities.
 - Rainforest Alliance, USDA Organic, Canada Organic or EU Organic certification, to determine eligibility of sustainable agriculture activities.
 - The Framework has defined eligibility criteria within the Energy Efficiency category that are aligned with market practice. Specifically, Sustainalytics notes positively that minimum 30% improvements will be required for building refurbishment projects. Additionally, specific technologies which are understood to provide environmental benefits on a stand-alone basis can be considered without threshold.
 - With regards to Clean Transportation projects, Prudential may finance public and private passenger transport. Sustainalytics notes the following:
 - All private vehicles must be either electric, or hybrids that comply with an emissions threshold of <50g of CO₂ per passenger kilometer, while transit buses may also be hydrogen-powered. Sustainalytics views positively the use of an emissions threshold, and notes its alignment with market practice.

Prudential Green Bond Framework

- Supporting infrastructure, including private vehicle charging stations and public transit infrastructure such as rail networks or stations. Sustainalytics considers these assets to promote clean transportation.
 - The Framework defines eligibility criteria for Sustainable Water and Wastewater Management assets in line with market practice, in particular by specifying that “improved efficiency” should be an objective of water distribution systems and that appropriate assessments should be carried out for flood and storm water management assets.
 - Under the Pollution Prevention and Control category, Prudential’s Green Bond Framework allows for investment in recycling infrastructure as well as facilities to collect, sort, and divert waste from landfills. Sustainalytics views positively that this category focuses on recycling and material re-use, noting the importance of the waste hierarchy in advancing a circular economy.
- Project Evaluation and Selection:
 - Prudential has established a Green Bond Council (the “Council”) which will be responsible for reviewing and validating eligible projects and the annual report for investors, reviewing the Post Issuance External Verification Report, as well as monitoring on-going development of Green Bond market practices.
 - The Council, a sub-council of Prudential’s Sustainability Council, will be comprised of members from the Treasury, the Chief Investment Office, and the Corporate Governance/Sustainability teams.
 - The inclusion of projects in the portfolio of Eligible Green Assets will be determined by the Chief Investment Office, and this compiled portfolio will be reviewed and validated by the Green Bond Council.
 - Based on the establishment of a formal council with cross-departmental representation which validates the eligibility determinations of the department charged with initial identification of eligible assets, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
 - Prudential’s Green Bond Council will be in charge of monitoring the allocation of proceeds as well as reviewing and validating the portfolio of Eligible Green Assets. Prudential will track the use of proceeds quarterly and adjust the portfolio as needed to ensure that the aggregate amount in the portfolio is equal to or greater than the aggregate amount raised by Green Bonds, and will use reasonable efforts to substitute any projects that are no longer eligible with an eligible project as soon as possible
 - Proceeds from the Bond will be used to invest in, or finance Eligible Green Assets completed up to 36 months before the issuance of the Green Bond.
 - Prudential commits to investing unallocated proceeds either in labeled green bonds aligned with the GBP, or in cash and/or cash equivalents and/or other liquid marketable instruments. Sustainalytics views positively the intention to hold unallocated proceeds in other green instruments on a temporary basis.
 - Overall, Sustainalytics considers Prudential’s process to manage proceeds to be in line with market practice based on the commitment of ongoing matching of green bond proceeds to eligible green assets.
- Reporting:
 - Prudential commits to undertaking allocation reporting on an annual basis, until full allocation of the bond. The company will also report on relevant environmental impact metrics where feasible. Both reports will be made available publicly on its website.
 - In its Allocation Report, Prudential will make available information such as: net proceeds raised from each Prudential Green Bond, aggregate amounts of funds allocated to each of the Eligible Categories, and the balance of unallocated proceeds at the end of the reporting period
 - Impact reporting will contain information on metrics such as - CO₂ emission avoided (tCO₂e), totally installed capacity of renewable energy (MW), floor space of green real estate (m²) etc. Prudential will also, where possible, disclose measurement methodology for quantitative indicators

Prudential Green Bond Framework

- Based on Prudential’s commitment to publicly make available annual allocation and, where feasible, impact reporting, Sustainalytics considers the reporting process to be in line with market practice.

Alignment with Green Bond Principles 2018

Sustainalytics has determined that the Prudential Green Bond Framework aligns to the four core components of the GBP 2018. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Prudential

Contribution of framework to Prudential’s sustainability strategy

Prudential has developed a sustainability strategy based upon its core values and principles, which highlight the importance of “doing the right thing” and having a long-term perspective while conducting its business; the four building blocks of this strategy are financial sustainability, customer focus, investing in people and responsible impact.³ Sustainalytics is of the opinion that Prudential’s Green Bond Framework is aligned with the objectives enshrined in the Company’s sustainability strategy, based specifically on the following:

Under the ‘Responsible Impact’ area of Prudential’s sustainability strategy, the Company aims to invest in sectors that have a positive environmental and social impact, and in 1976 established an Impact and Responsible Investing group to manage investment across a broad range of impact assets.⁴ These sectors include those which are cited in the Use of Proceeds section of the Framework. As of December 2018, Prudential has invested USD 4.2 billion in renewable energy investments and managed 30.9 million square feet of LEED certified U.S. real estate totaling USD 13.9 billion through its asset management arm PGIM, Inc.⁵ In addition to ensuring that its investment activities meet important societal needs, Prudential also incorporates sustainability within its operations by proactively quantifying and managing its GHG emission, waste, water use and recycling.

The Company introduced the 2019 Global Environmental Commitment to ensure it continues to meet its environmental and social objectives through a wide range of operational and investment goals. These goals include, but are not limited to:⁶

- Operational goals: Reducing domestic emission by 65% by 2050, achieving 65% waste diversion by 2025, implementing water efficiency measures, encouraging its suppliers to support its Global Environmental Commitment and report on climate change KPIs by 2022, and improving its level of transparency and disclosure.
- Investment goals: Allocate 10% of its Impact Investing portfolio by 2025 to companies and projects that promote sustainability and resiliency, invest in business and projects that support resiliency, and grant USD 25 million by 2025 to support responses to climate-related natural disasters.

Sustainalytics is of the opinion that the Prudential Green Bond Framework is aligned with the company’s overall operation and investment sustainability strategy and initiatives and will further the Company’s action on its Global Environmental Commitment.

Well positioned to address common environmental and social risks associated with the projects

While Sustainalytics recognizes that the investments defined by the Framework will be directed towards projects that are anticipated to have positive environmental impacts, it is recognized that by activity or activities, especially ones related to large infrastructure projects, may be associated with environmental and/or social risks. Some key risks associated with the eligible green assets include: land use change at the

³ Prudential Financial, Inc. 2018 Sustainability Report, at:

http://s22.q4cdn.com/600663696/files/doc_downloads/sustainability_reports/2018_Sustainability-Report-FINAL.v2.pdf

⁴ Idem

⁵ Idem

⁶ Prudential Financial, Inc. Global Environmental Commitment, (accessed on February 2020), at: [https://www.prudential.com/links/about/our-commitment-](https://www.prudential.com/links/about/our-commitment-environment/)

[environment/?pswid=Z7_K8HEHHG0LGL000AFTDVKLU9EI7&uril=wcm%3Apath%3A%2Fwps%2Fwcm%2Fconnect%2Fportal%20site%2Fz6_00000000000000000a0%2Fz6_9a0i18c0l0po80am2vkmno2g20%2Fz6_9a0i18c0lqos30a6cm62v52085%2Fz6_k8hehhg0lgsqe0aer96u6e3k75%2Fz6_k8hehhg0lg6540ae77n16l00t5%2Fz6_k8hehhg0lgkv70avkid90409j0](http://s22.q4cdn.com/600663696/files/doc_downloads/sustainability_reports/2018_Sustainability-Report-FINAL.v2.pdf)

Prudential Green Bond Framework

site of construction and related biodiversity loss, impacts related to construction processes (namely air, water, and soil pollution), risks related to workers' health and safety as well as public opposition by or impacts to local communities.

Although Prudential has a limited role in the development of specific eligible projects which they are financing, Sustainalytics considers that the following mechanisms, systems and procedures which Prudential has put in place will help mitigate the associated risks:

- Prudential's Board-level Corporate Governance and Business Ethics Committee oversees the Company's risk management approach related to several key areas identified above, including environmental stewardship, sustainability, and corporate social responsibility.⁷ As per its 2019 Global Environmental Commitment, Prudential commits to maintaining an internal ESG investment policy.⁸
- Prudential commits to complying with the Occupational Safety & Health Act of 1970 and other applicable codes and regulations of the area. Its Occupational Health and Safety programs and initiative include - ten on-site health and wellness clinics, environmental health and safety program, Emergency Preparedness Program, and a Pandemic and Emerging Health Concerns Program etc.⁹
- Prudential has created a robust human rights policy that extends to suppliers, vendors, and business partners. To promote compliance with this policy, it has set up an Ethics Help Line for its suppliers, vendors and business partners to report any potential violations.¹⁰
- Prudential states that it proactively engages with its stakeholders, including shareholders and institutional investors, customers, employees, suppliers, intermediaries, communities and local as well as national governments to ensure its long term viability. It conducts in-person meetings, calls, conference calls, social media, and events to engage with local leaders, neighbors, NGOs, and advocacy groups on several issues.¹¹
- The majority of the assets to be financed under the Framework are located in jurisdictions which have been assessed by the Equator Principles to have robust regulatory safeguards which serve to mitigate key environmental and social risks.¹²

Based on the environmental, social and governance policies, programs and initiatives that Prudential has in place, Sustainalytics is of the opinion that the Company is well positioned to manage the environmental and social risks commonly associated with the eligible project categories.

Section 3: Impact of Use of Proceeds

All seven eligibility categories are aligned with those recognized by the GBP, and are considered by Sustainalytics to deliver environmental benefits. The section below elaborates on the importance of financial institutions, and particularly Insurance Companies, directing their financial assets towards projects that help mitigate the effects of climate change.

The role of Insurance Companies in financing climate transition

Insurance firms are both highly impacted by and well-positioned to take action on climate change. One of the consequences of climate change is the increase in frequency and severity of extreme weather related disasters (droughts, flooding, wildfires, severe storms etc.).¹³ The number of natural disasters that cause more than USD 1 Billion in damages has been steadily rising in the last decade.¹⁴ In addition, studies have

⁷ Prudential Financial, Inc. 2018 Annual Report, (accessed on February 2020), at: <http://www3.prudential.com/annualreport/report2019/annual/HTML1/tiles.htm>

⁸ While Sustainalytics views positively the implementation of such a policy, this document has not been reviewed, and therefore cannot comment on the contents of the policy. Prudential reserves the right to maintain this as a confidential document.

⁹ Prudential Financial, Inc. Occupational Health and Safety Statement, (accessed on February 2020), at: <https://www.prudential.com/links/about/health-safety>

¹⁰ Idem

¹¹ Prudential Financial, Inc. 2018 Sustainability Report, at:

http://s22.q4cdn.com/600663696/files/doc_downloads/sustainability_reports/2018_Sustainability-Report-FINAL.v2.pdf

¹² Equator Principles, Designated Countries, December 2019, at: <https://equator-principles.com/designated-countries/>

¹³ National Oceanic and Atmospheric Administration, Billion-Dollar Weather and Climate Disasters: Time Series, January 2020, at: <https://www.ncdc.noaa.gov/billions/time-series>

¹⁴ Deloitte, Climate risk: Regulators sharpen their focus, 2019, at: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/financial-services/us-fsi-climate-risk-regulators-sharpen-their-focus.pdf>

linked climate change to have considerable impacts on insurers' mortality and morbidity as a result of the increased probability of natural disasters, extreme weather events as well as favorable conditions for the spread of vector borne diseases.^{15,16} Therefore, effects of climate change not only result in an increase in third-party liability claims for insurance companies, but also results in a rise of insurance premiums which may undermine affordability or even availability of coverage to consumers.¹⁷ In this context, financing initiatives that mitigate environmental, and in particular climate risk, are naturally aligned with the business objectives of large insurance companies.

In addition to being highly exposed to climate change risks, insurance companies are well placed to support investments that enable climate resilience. Being large institutional investors, these entities are uniquely positioned to reallocate capital and scale up long-term green investments. According to estimates by the Organisation for Economic Co-operation and Development, in order to meet the Paris Agreement goals investments of USD 6.9 trillion a year are required through 2030.¹⁸ With more than USD 24 trillion in assets under management¹⁹, the global insurance industry can redirect the flow of finance towards building socio-economic resilience to mitigate and better cope with the effects of climate change.

The environmental impact of the projects funded by Prudential's Green Bonds

Sustainalytics is of the opinion that Prudential's investments to finance projects under the seven eligible categories will help decarbonize their investment portfolio and will help facilitate a low carbon economy. Sustainalytics has highlighted below a few areas where the impact is specifically relevant based on the markets in which the Company operates and its potential priority areas for allocation.

- With CO₂ emissions from electricity accounting for about 28% of GHG emissions in the U.S.²⁰, decarbonizing the electricity sector by way of increasing investments in the renewable sector and improving efficiency to reduce energy consumption is an impactful way to meet the climate goals.
- The commercial and residential building sector accounted for 12% of U.S. emissions in 2017.²¹ To reduce emissions from the building sector in order to align with the reduction targets of the Paris Agreement, UNEP estimates that the energy intensity per unit of floor area in the buildings sector needs to improve by 30%.²² It is estimated that on average, LEED-certified green buildings use 25% less electricity than non-certified buildings²³, therefore, financing of certified green buildings has a potential to reduce emissions from the building sector and help achieve the Paris Climate goal.
- The transportation sector generates the largest share of GHG emissions in the U.S. contributing 29% of its total emissions, with over 90% of fuel used for transportation being petroleum based. Therefore, in order to reduce emissions from the transportation sector, it is essential that there is a shift towards cleaner fuels as well as improved mass transit. Prudential's investment in electric or hydrogen vehicles as well as expansion of public transit vehicles will help the U.S. move towards a cleaner transportation sector.
- The agriculture sector is the fourth largest emitter of GHG in the U.S. contributing to about 9% of total emissions²⁴ and accounting for about 80% of the country's consumptive water use²⁵. Soil management is the largest source of agricultural GHG emissions, mostly in the form of nitrous oxide (N₂O), with most N₂O emission stemming from use of synthetic fertilizer.²⁶ Although requirements to obtain organic certification vary from country to country, generally to confirm to organic production standards requires a reduction / avoidance of the use of synthetic fertilizer, pesticides and antibiotics. Therefore, Prudential's support to finance agriculture and forestry activities that

¹⁵ Andrew Peara and Evan Mills, Global Climate Change and its Implications for Life Insurance and Health Organizations, January 1999, at: <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.174.1901&rep=rep1&type=pdf>

¹⁶ Institute and Faculty of Actuaries, A Practical Guide to Climate Change for Life Actuaries, 2019, at:

<https://www.actuaries.org.uk/system/files/field/document/A%20Practical%20Guide%20to%20Climate%20Change%20%20for%20Life%20actuaries%20-%20Oct%20v7a.pdf>

¹⁷ Idem

¹⁸ OECD, The World Bank, UN Environment, Financing Climate Futures, 2018, at: <http://www.oecd.org/environment/cc/climate-futures/policy-highlights-financing-climate-futures.pdf>

¹⁹ UNEPFI, Message from the UN Secretary-General, (accessed in February 2020), at: <https://www.unepfi.org/psi/message-from-the-united-nations/>

²⁰ EPA, Greenhouse Gas Emissions, (accessed on February 2020), at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

²¹ Idem

²² UNEP, Global Status Report 2017, at: https://www.worldgbc.org/sites/default/files/UNEP%20188_GABC_en%20%28web%29.pdf

²³ U.S. Green Building Council, The Business Case for Green Building, February 2015, <https://www.usgbc.org/articles/business-case-green-building>

²⁴ EPA, Greenhouse Gas Emissions, (accessed on February 2020), at: <https://www.epa.gov/ghgemissions/sources-greenhouse-gas-emissions>

²⁵ United States Department of Agriculture, Irrigation & Water Use, (accessed on February 2020), at: <https://www.ers.usda.gov/topics/farm-practices-management/irrigation-water-use.aspx>

²⁶ Center for Climate Change and Energy Solutions, Decarbonizing U.S. Agriculture, Forestry, And Land Use, July 2018, at: <https://www.c2es.org/site/assets/uploads/2018/06/innovation-agriculture-background-brief-07-18.pdf>

conform to reputable third-party certifications will likely result in the reduction of GHG emissions and resource use in the sector as well as environmental protection in general.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Prudential's Green Bond Framework advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Renewable energy Energy efficiency	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix 7.3 By 2030, double the global rate of improvement in energy efficiency
Green buildings	9. Industry, Innovation and Infrastructure	9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Environmentally sustainable management of living natural resources and land use	15. Life on Land	15.a Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems
Clean transport	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable water and wastewater management	6. Clean Water and Sanitation	6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Pollution prevention and control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Conclusion

Prudential has developed the Prudential Green Bond Framework under which it intends to issue green bonds and use the proceeds toward existing or future investments in or financings of assets, businesses or projects that provide a variety of environmental benefits including reduced greenhouse gas emissions and improved resource efficiency. Sustainalytics considers that the projects financed by the green bond proceeds will provide positive environmental impact.

The Prudential Green Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Prudential Green Bond Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 7, 9, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that Prudential has sufficient measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.





Based on the above, Sustainalytics is confident that Prudential Financial, Inc. is well-positioned to issue green bonds and that the Prudential Green Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles 2018.

Appendices

Appendix 1: Summary of referenced green building certification schemes

	LEED	Energy Star	BOMA BEST	BREEAM
Background	Leadership in Energy and Environmental Design (LEED) is a US Certification System for residential and commercial buildings used worldwide. LEED was developed by the non-profit U.S. Green Building Council (USGBC) and covers the design, construction, maintenance and operation of buildings.	ENERGY STAR is a U.S. Environmental Protection Agency voluntary program that provides independently certified energy efficiency ratings for products, homes, buildings, and industrial plants. Certification is given on an annual basis, so a building must maintain its high performance to be certified year to year.	BOMA BEST, administered by the Building Owners and Managers Association (BOMA) of Canada, is a certification program for existing buildings. The assessment considers performance and operation of buildings in a wide range of performance and operations categories.	BREEAM (Building Research Establishment Environmental Assessment Method) was first published by the Building Research Establishment (BRE) in 1990. Based in the UK, this scheme can be used for new, refurbished and extension of existing buildings.
Certification levels	<ul style="list-style-type: none"> • Certified • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • 1-100 score, 75 is minimum for certification 	<ul style="list-style-type: none"> • Certified • Bronze • Silver • Gold • Platinum 	<ul style="list-style-type: none"> • Pass • Good • Very Good • Excellent • Outstanding
Areas of assessment	<ul style="list-style-type: none"> • Energy and atmosphere • Sustainable Sites • Location and Transportation • Materials and resources • Water efficiency • Indoor environmental quality • Innovation in Design • Regional Priority 	<ul style="list-style-type: none"> • Energy use 	<ul style="list-style-type: none"> • Energy • Water • Air • Comfort • Health and Wellness • Custodial • Purchasing • Waste • Site • Stakeholder Engagement 	<ul style="list-style-type: none"> • Management • Energy • Land Use and Ecology • Pollution • Transport • Materials • Water • Waste • Health and Wellbeing • Innovation
Requirements	<p>Minimum requirements independent of level of certification; point-based scoring system weighted by category to determine certification level.</p> <p>The rating system is adjusted to apply to specific sectors, such as: New Construction, Major Renovation, Core and Shell Development, Schools-/Retail-/Healthcare New Construction and Major Renovations, and</p>	1-100 score based on energy use, as calculated through the Portfolio Manager tool. Raw score is adjusted based on location, operating conditions, and other factors. The numerical score indicates performance better than at least 75 percent of similar buildings nationwide.	<p>Minimum requirements independent of level of certification; score based on checklist to determine certification level.</p> <p>The minimum best practices and category scoring is adjusted for seven different asset classes: office, enclosed shopping centres, light industrial, open air retail, universal, MURB, and health care.</p>	<p>Minimum requirements depending on the level of certification; scoring system weighted by category, producing a percentage-based overall score. The majority of BREEAM issues are flexible, meaning that the client can choose which to comply with to build their performance score.</p> <p>BREEAM has two stages/audit reports: a 'BREEAM Design Stage' and a 'Post Construction Stage', with different assessment criteria.</p>

Prudential Green Bond Framework

	Existing Buildings: Operation and Maintenance.			
Qualitative Considerations	Widely accepted within the industry, both in North America and internationally, and considered a guarantee of strong performance.	Accounts only for energy use, not other measures of environmental performance. Is a key component of other green building certification systems.	Most commonly used certification for existing buildings in Canada, and considered less administratively burdensome for existing buildings.	Used in more than 70 countries: Good adaptation to the local normative context. Predominant environmental focus, lower levels are less strict than LEED.
Performance display				

Appendix 2: Summary of forestry sustainability certifications

	FSC ²⁷	PEFC ²⁸	SFI ²⁹
Background	Founded in 1993 after the 1992 Earth Summit in Rio failed to produce any international agreements to fight against deforestation, FSC aims to promote sustainable forest management practice.	PEFC was founded in 1999 in response to the specific requirements of small- and family forest owners as an international umbrella organization providing independent assessment, endorsement and recognition of national forest certification systems.	In 2005, the PEFC recognized the SFI standard with an aim to advance sustainable forestry and responsible purchasing globally. The SFI program has on-product labels to help consumers interact with the forestry supply chain by supporting responsible forestry. The SFI standards pertain to - Forest Management Standard, Fiber Sourcing Standard and Chain-of-Custody Standard
Basic Principles	<ul style="list-style-type: none"> • Compliance with laws and FSC principles • Tenure and use rights and responsibilities • Indigenous peoples' rights • Community relations and workers' rights • Benefits from the forests • Environmental impact • Management plans • Monitoring and assessment • Special sites – high conservation value forests (HCVF) • Plantations 	<ul style="list-style-type: none"> • Maintenance and appropriate enhancement of forest resources and their contribution to the global carbon cycle • Maintenance and enhancement of forest ecosystem health and vitality • Maintenance and encouragement of productive functions of forests (wood and no-wood) • Maintenance, conservation and appropriate enhancement of biological diversity in forest ecosystems • Maintenance and appropriate enhancement of protective functions in forest management (notably soil and water) • Maintenance of socioeconomic functions and conditions • Compliance with legal requirements 	<ul style="list-style-type: none"> • To practice sustainable forestry that integrates a land stewardship ethic and conservation of ecosystem services • To protect and maintain forest productivity and health • To protect water resources and biological diversity • To manage the visual impacts of forest operations, and to provide recreational opportunities for the public • To manage and protect integrity of forests and lands of special significance (ecologically, geologically or culturally important) • To use and promote sustainable forestry practices that are both scientifically credible and economically, environmentally and socially responsible • To avoid Controversial Sources including Illegal logging in Offshore Fiber Sourcing as well as sourcing from countries that do not have effective social laws. • To comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations • To support advances in sustainable forest management through forestry research as well as improve the practice of sustainable forestry through training and education programs • To broaden the practice of sustainable forestry on public lands through community involvement as well as the understanding of the standard by documenting certification audits and making the findings publicly available. • To continually improve the practice of forest management

²⁷ Forest Stewardship Council, at: <https://www.fsc.org/en>

²⁸ Programme for the Endorsement of Forest Certification, at: <https://www.pefc.org/>

²⁹ Sustainable Forestry Initiative, at: <https://www.sfiprogram.org/>

Prudential Green Bond Framework

<p>Governance</p>	<p>The General Assembly, consisting of all FSC members, constitutes the highest decision-making body.</p> <p>At the General Assembly, motions are proposed by one member, seconded by two more, and deliberated and voted on by all members. Members are entitled to vote to amend the bylaws, initiate new policies, and clarify, amend or overturn a policy decision by the board.</p> <p>Members apply to join one of three chambers – environmental, social, or economic – that are further divided into northern and southern sub-chambers.</p> <p>Each chamber holds 33.3% of the weight in votes, and within each chamber the votes are weighted so that the North and South hold an equal portion of authority, to ensure influence is shared equitably between interest groups and countries with different levels of economic development.</p> <p>The votes of all individual members in each sub-chamber represent 10% of the total vote of the sub-chamber, while the votes of organizational members make up the other 90%.</p> <p>The members vote for the board of directors, which is accountable to the members. There is an international board elected by all members and a US board, elected by the US-based members.</p>	<p>PEFC’s governance structure is formed by the General Assembly (GA) which is the highest authority and decision-making body. It is made up of all PEFC members, including national and international stakeholders.</p> <p>Members vote on key decisions including endorsements, international standards, new members, statutes and budgets. All national members have between one and seven votes, depending on membership fees, while international stakeholder members have one vote each.</p> <p>The Board of Directors supports the work of the GA and together the GA and the Board make the formal approval of final draft standards. Standards are developed by working groups.</p> <p>In general, PEFC’s governance structure is more representative of industry and government stakeholders than of social or environmental groups, which gives industry and governments more influence in the decision-making process. However, the organization does include stakeholders from all sectors.</p>	<p>The SFI program is operated by SFI Inc., a fully independent non-profit charitable 501(c)(3) organization.</p> <p>SFI Inc. is governed by an 18-member board of directors made up of three chambers with equal membership: environmental, social and economic. This multi-stakeholder board of directors is the sole governing body over all aspects of the SFI program, including the SFI 2010-2014 Standard, chain-of-custody, labeling and claims, marketing and promotion.</p> <p>The SFI has an External Review Panel, comprising environmental, conservation and forestry experts. This panel annually reviews the program’s progress and releases a report publicly.</p> <p>There are thirty-seven SFI Implementation Committees across North America that operate at the regional, state and provincial level to help promote the SFI Standard through targeted local actions. They involve public agencies, universities, local forestry associations, landowners, loggers, partnerships with conservation groups, and other community-based organizations.</p>
<p>Scope</p>	<p>FSC is a global, multi-stakeholder owned system. All FSC standards and policies are set by a consultative process. There is an FSC Global standard and for certain countries FSC National standards. Economic, social, and environmental interests have equal weight in the standard setting process. FSC follows the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>Multi-stakeholder participation is required in the governance of national schemes as well as in the standard-setting process. Standards and normative documents are reviewed periodically at intervals that do not exceed five years. The PEFC Standard Setting standard is based on ISO/IEC Code for good practice for standardization (Guide 59)³⁰ and the ISEAL Code of Good Practice for Setting Social and Environmental Standards.</p>	<p>SFI Standards promote sustainable forest management in North America and responsible procurement of forest products around the world.</p> <p>The SFI Forest Management Standard particularly applies to organizations in the United States and Canada and the Fiber Sourcing Standard as well as the Chain-of-Custody standard apply to any organization globally.</p>

³⁰ ISO, “ISO/IEC Guide 59:2019”, (2019), at: <https://www.iso.org/standard/23390.html>

Prudential Green Bond Framework

<p>Chain-of-Custody</p>	<ul style="list-style-type: none"> • The Chain-of-Custody (CoC) standard is evaluated by a third-party body that is accredited by FSC and compliant with international standards. • CoC standard includes procedures for tracking wood origin. • CoC standard includes specifications for the physical separation of certified and non-certified wood, and for the percentage of mixed content (certified and non-certified) of products. • CoC certificates state the geographical location of the producer and the standards against which the process was evaluated. Certificates also state the starting and finishing point of the CoC. 	<ul style="list-style-type: none"> • Quality or environmental management systems (ISO 9001:2008 or ISO 14001:2004 respectively) may be used to implement the minimum requirements for chain-of-custody management systems required by PEFC. • Only accredited certification bodies can undertake certification. • CoC requirements include specifications for physical separation of wood and percentage-based methods for products with mixed content. • The CoC standard includes specifications for tracking and collecting and maintaining documentation about the origin of the materials. • The CoC standard includes specifications for the physical separation of certified and non-certified wood. • The CoC standard includes specifications about procedures for dealing with complains related to participant's chain of custody. 	<ul style="list-style-type: none"> • Any entity harvesting, transporting, handling or processing forest based products can use CoC certification to track and communicate forest fiber content using one of the following optional approaches for chain of custody: physical separation, average percentage or volume credit method. • These entities shall obtain an independent, third-party certification by an SFI certification body to the requirements set out in this standard if they choose to utilize an SFI CoC label or claim. • Quality or environmental management systems (ISO 9001: 2008) or environmental management system (ISO 14001:2004) can be used to meet minimum requirements for the management system. • This standard shall be used together with the requirements specifying the origin, which is to be verified by the CoC. Usage of labels and claims based on the implementation of this standard shall follow ISO 14020:2000 (Environmental labels and declarations)
<p>Non-certified wood sources</p>	<p>FSC's Controlled Wood Standard establishes requirements to participants to establish supply-chain control systems, and documentation to avoid sourcing materials from controversial sources, including:</p> <ol style="list-style-type: none"> a. Illegally harvested wood, including wood that is harvested without legal authorization, from protected areas, without payment of appropriate taxes and fees, using fraudulent papers and mechanisms, in violation of CITES requirements, and others, b. Wood harvested in violation of traditional and civil rights, c. Wood harvested in forests where high conservation 	<p>The PEFC's Due Diligence System requires participants to establish systems to minimize the risk of sourcing raw materials from:</p> <ol style="list-style-type: none"> a. forest management activities that do not comply with local, national or international laws related to: b. operations and harvesting, including land use conversion, <ul style="list-style-type: none"> o management of areas with designated high environmental and cultural values, o protected and endangered species, including CITES species, 	<p>SFI requires program participants to:</p> <ol style="list-style-type: none"> a. Comply with applicable federal, provincial, state, and local forestry and related environmental laws, statutes, and regulations such as - The Clean Water Act, The Endangered Species Act, The Species at Risk Act, The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) etc. b. Avoid controversial sources including Illegal Logging and Fiber Sourced from Areas that do not have Effective Social Laws pertaining to: workers' health and safety, fair labor practices, indigenous peoples' rights, anti-discrimination and anti-harassment measures, prevailing wages and workers' right to organize. c. Document information that includes knowledge about direct suppliers' application of the principles of sustainable forestry.

Prudential Green Bond Framework

	<p>values are threatened by management activities,</p> <p>d. Wood harvested in forests being converted from forests and other wooded ecosystems to plantations or non-forest uses,</p> <p>e. Wood from management units in which genetically modified trees are planted.</p>	<ul style="list-style-type: none"> o health and labor issues, o indigenous peoples' property, tenure and use rights, o payment of royalties and taxes. <p>c. genetically modified organisms,</p> <p>d. forest conversion, including conversion of primary forests to forest plantations.</p>	
Accreditation/ verification	<p>FSC-accredited Certification Bodies (CB) conduct an initial assessment, upon successful completion companies are granted a 5-year certificate. Companies must undergo an annual audit every year and a reassessment audit every 5 years. Certification Bodies undergo annual audits from Accreditation Services International (ASI) to ensure conformance with ISO standard requirements.</p>	<p>Accreditation is carried out by an accreditation body (AB). Like a certification body checks a company meets the PEFC standard, the accreditation body checks that a certification body meets specific PEFC and ISO requirements. Through the accreditation process PEFC has assurance that certification bodies are independent and impartial, that they follow PEFC certification procedures.</p> <p>PEFC does not have their own accreditation body. Like with the majority of ISO based certifications, PEFC relies on national ABs under the umbrella of the International Accreditation Forum (IAF). National ABs need to be a member of the IAF, which means they must follow IAF's rules and regulations.</p>	<p>All SFI certifications require independent, third-party audits and are performed by internationally accredited certification bodies.</p> <p>Accredited certification bodies are required to:</p> <ul style="list-style-type: none"> • maintain audit processes consistent with the requirements of ISO 17021:2006 conformity assessment – requirements for bodies providing audit and certification of management systems; and • conduct audits in accordance with the principles of auditing contained in the ISO 19011:2002 Guidelines for Quality and/or Environmental Management Systems Auditing.
Conclusion	<p>Sustainalytics views both FSC and PEFC, as well as the PEFC-affiliated scheme SFI, as being robust, credible standards that are based on comprehensive principles and criteria that are aligned with ISO. Both schemes have received praise for their contribution to sustainable forest management practices³¹ and both have also faced criticism from civil society actors.^{32,33} In certain instances, these standards go above and beyond national regulation and are capable of providing a high level of assurance that sustainable forest management practices are in place. However, in other cases, the standards are equal or similar to national legislation and provide little additional assurance. Ultimately, the level of assurance that can be provided by either scheme is contingent upon several factors including the certification bodies conducting audits, national regulations and local context.</p>		

³¹ FESPA, "FSC, PEFC and ISO 38200", (2018), at: <https://www.fespa.com/en/news-media/blog/fsc-pefc-and-iso-38200>

³² Yale Environment 360, "Greenwashed Timber: How Sustainable Forest Certification Has Failed", (2018), at: <https://e360.yale.edu/features/greenwashed-timber-how-sustainable-forest-certification-has-failed>

³³ EIA, "PEFC: A Fig Leaf for Stolen Timber", (2017), at: <https://eia-global.org/blog-posts/PEFC-fig-leaf-for-stolen-timber>

Appendix 3: Summary of agricultural sustainability certifications

	Canada Organic ³⁴	USDA Organic ³⁵	EU Organic ³⁶	Rainforest Alliance ³⁷
Background	Canada Organic is a regulatory certification implemented by the Government of Canada's Canadian Food Inspection Agency, based on authorities granted in section 13 of the SFCR regulation. A Canada Organic claim applies to food, feed, or seed that is produced in or imported to Canada.	The USDA Organic label is a US certification system overseen, administered and enforced by the National Organic Program of the United States Department of Agriculture. The US Organic label is regulated by the US Organic Foods Production Act of 1990 and involves input from the National Organic Standards Board (a Federal Advisory Committee made up of 15 members of the public) and the public.	The EU Organic Farming is a European wide label organized under the European Commission's Council Regulation (EC) no 834/2007. The regulation covers the organic production and labelling of organic products including live or unprocessed agricultural projects, processed agricultural products for use of food, feed, and vegetative propagating material and seeds for cultivation.	The Rainforest Alliance Seal is a global certification system for Agriculture, Forestry and Tourism. The Rainforest Alliance certification indicates compliance with the organization's standards for environmental, social and economic sustainability. Rainforest Alliance merged with UTZ in January 2018.
Clear positive impact	Promote sustainable agricultural processes and products.	Promoting sustainable farming practices that improve water quality, conserve energy, increase biodiversity and contribute to soil health.	Promotion of a sustainable management system that respects nature's systems, contributes to biological diversity, uses energy responsibly, respects high animal welfare standards.	Promoting sustainable practices in agriculture, forestry and tourism.
Minimum standards	The Canada Organic regulation prohibits specific chemicals, and mandates minimum standards for agricultural practices.	The USDA Organic seal sets strict production and labeling requirements: <ul style="list-style-type: none"> • produced without genetic engineering, ionizing radiation or sewage sludge • produced using allowed substances based on a comprehensive list of authorized synthetic and non-synthetic substances overseen by a USDA NOP authorized agent 	The EU Organic Farming system prohibits the use of GMOs (minimum 95% GMO free), the use of ionizing radiation and sets core requirements for plant production, production rules for seaweed, livestock production rules, production rules for aquaculture animals.	Rainforest Alliance establishes a minimum threshold for impact through critical criteria and requires farmers to go beyond by demonstrating improved sustainability on 14 continuous improvement criteria.
Scope of certification or programme	Specific standards apply to crop production, livestock production, aquaculture, chain of custody, and products. The regulations also specifically name prohibited and permitted substances.	The USDA Organic system addresses key risks such as substance use through the regulation of synthetic and non-synthetic substances to preserve soil quality and in line with federal guidelines on animal raising practices, pest and weed control and the use of additives.	The EU Organic Farming system addresses key risks such as substance use (e.g. pesticides, soluble fertilizers, soil conditioners or plant protection products), the maintenance and enhancement of soil life, natural soil fertility, soil stability and biodiversity, preventing and combating soil damage (compaction, erosion).	Rainforest Alliance addresses key risks such as human rights, child labour, pesticide use and biodiversity use through its criteria.





³⁴ The Organic Council of Ontario, Certified Organic: <https://www.organiccouncil.ca/orgamics/organic-certification/>

³⁵ U.S. Department of Agriculture, USDA Organic: <https://www.usda.gov/topics/organic>

³⁶ European Commission, Organics at a glance: https://ec.europa.eu/info/food-farming-fisheries/farming/organic-farming/organics-glance_en

³⁷ Rainforest Alliance: <https://www.rainforest-alliance.org/>

Prudential Green Bond Framework

<p>Verification of standards and risk mitigation</p>	<p>Certification of products and processors is granted by CBs, and requires annual verification.</p>	<p>The USDA seal has a twofold enforcement mechanism, one by Organic Certifiers and one by the USDA Agricultural Marketing Services. The two bodies undergo audits to ensure compliance with criteria and continuous improvement at least once a year or unannounced.</p>	<p>Certified entities undergo audits to ensure compliance with criteria and continuous improvement at least once a year, or more often based on a risk assessment.</p>	<p>Certified entities undergo third party verification to ensure compliance with criteria and continuous improvement.</p>
<p>Third party expertise and multi-stakeholder process</p>	<p>Developed by the Government of Canada through a consultative legislative process.</p>	<p>The USDA Organic seal is organized by the National Organic Program which develops the rules and regulations for the production, handling, labeling and enforcement of all USDA organic products. This process receives input from the national Organic Standards Board (a Federal Advisory Committee made of 15 members of the public) and the general public.</p>	<p>The EU Organic Farming is a government-based standard resulting from public consultations and third-party deliberations in line with the European Commission's typical legislative approach.</p>	<p>Standard setting is aligned with the ISEAL Standard Setting Code.</p>
<p>Performance Display</p>				
<p>Third-party verified</p>	<p>Certification Bodies (CBs) are accredited by Conformity Verification Bodies (CVBs), which are in turn accredited by the Canada Food Inspection Agency.</p>	<p>80 certifying agents are USDA accredited and authorized to certify operations under the USDA organic standards. 48 of the 80 certifying authorities are US based and 32 are in foreign countries. Most certifying agents are directly accredited by the USDA National Organic Program, with an additional 21 members being officially authorized through recognition agreements between US and other governments.</p>	<p>Every Member State must designate one or more private and/or public control authorities in charge for the organic production and labelling of organic products in the EU Member States.</p>	<ul style="list-style-type: none"> • Africert • Conservacion y Desarrollo Certified S.A. • Imaflora • IMO India • CERES • IBD • Indocert • NaturaCert • Productos y Procesos Sostenibles, A.C. • NEPCon

Prudential Green Bond Framework

<p>Qualitative considerations</p>	<p>The Canada Organic certification is the only legally recognized organic scheme in Canada, and applies to both imports and domestically-produced agriculture products.</p>	<p>Under the USDA Organic seal, the US federal legislation allows three levels of organic foods, namely: purely organic products made entirely with certified organic ingredients and labeled 100% organic, products with at least 95% organic ingredients. Both categories are allowed to be certified USDA Organic. A third category with at least 70% organic ingredients may be labeled as “made with organic ingredients”, but cannot display the USDA Organic seal.</p>	<p>The EU Organic Farming system is widely recognized across all 28 Member States. Currently, 11.9 million hectares are currently certified under the system, with the whole organic area representing 6.2% of the total utilized agricultural area in the European Union.</p>	<p>Global recognition across 76 countries around the world. There are 763 Rainforest Alliance certified products and more than 1,354,057 people who have conducted training, certification and verification under the Rainforest Alliance standard. Rigorous on the enforcement of minimum standards and strong governance over the implementation of social and environmental mitigation processes.</p>
-----------------------------------	--	---	--	--

Appendix 4: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Prudential Financial, Inc
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable: <i>[specify as appropriate]</i>	Prudential Green Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 21, 2020
Publication date of review publication: <i>[where appropriate, specify if it is an update and add reference to earlier relevant review]</i>	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other <i>(please specify)</i> : | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW *(if applicable)*

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (*if applicable*):

The eligible categories for the use of proceeds – Renewable Energy, Green Buildings, Environmentally Sustainable Management of Living Natural Resources and Land Use, Energy Efficiency, Clean Transportation, Sustainable Water and Wastewater Management and Pollution Prevention and Control – are aligned with those recognized by the Green Bond Principles 2018. Sustainalytics considers that investments in these areas will lead to positive environmental impacts, in particular decreased greenhouse gas emissions, and advance the UN Sustainable Development Goals, specifically Goals 6, 7, 9, 11, 12 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input checked="" type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input checked="" type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (<i>please specify</i>): |

If applicable please specify the environmental taxonomy, if other than GBPs:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (*if applicable*):

Prudential has established a Green Bond Council, comprised of members from its Treasury, Chief Investment Office, and Corporate Governance/Sustainability teams. Prudential's Chief Investment Office will first evaluate and determine which projects are eligible for inclusion in the portfolio of Eligible Green Assets. The Green Bond Council will review and validate the projects compiled by the Chief Investment Office. This Council will also be in charge of reviewing and validating allocation and impact reporting. This is in line with market practice.

Prudential Green Bond Framework

Evaluation and selection

- | | |
|--|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input checked="" type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (<i>please specify</i>): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (*if applicable*):

Prudential's Green Bond Council will be in charge of monitoring the allocation of proceeds. Prudential will adjust the tracked projects on a quarterly basis to match allocations to eligible assets. Prudential will, on a best efforts basis, substitute additional green assets for any assets that are no longer eligible, and unallocated proceeds will be invested either in green bonds that are in line with the company's investment guidelines or in cash, cash equivalents and/or other liquid marketable instruments. This is in line with market practice.

Tracking of proceeds:

- | |
|---|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (<i>please specify</i>): |

Additional disclosure:

- | | |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input checked="" type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other (<i>please specify</i>): |

4. REPORTING

Overall comment on section (*if applicable*):

Prudential has committed to undertaking annual allocation reporting until full allocation of any green bond as well as impact reporting where feasible. Allocation reports will contain information such as net proceeds raised from each Green Bond, aggregate amounts of funds allocated to each of the Eligible Categories as well as balance of unallocated proceeds. Impact reporting will include relevant quantitative performance indicators. Both Allocation and impact reports will be made available publicly. This is in line with market practice.

Use of proceeds reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Information reported:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Allocated amounts | <input type="checkbox"/> Green Bond financed share of total investment |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|--|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other (<i>please specify</i>): |

Frequency:

- | | |
|---|--------------------------------------|
| <input checked="" type="checkbox"/> Annual | <input type="checkbox"/> Semi-annual |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Information reported (expected or ex-post):

- | | |
|---|---|
| <input checked="" type="checkbox"/> GHG Emissions / Savings | <input checked="" type="checkbox"/> Energy Savings |
| <input type="checkbox"/> Decrease in water use | <input type="checkbox"/> Other ESG indicators (<i>please specify</i>): Floor Space of green real estate, Volume of water saved and waste diverted from landfill, Km of clean transportation infrastructure built. |

Prudential Green Bond Framework

Means of Disclosure

- | | |
|---|---|
| <input type="checkbox"/> Information published in financial report | <input type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input checked="" type="checkbox"/> Other (please specify): Company Website |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond Framework or Use of Proceeds certified against a recognized external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond Framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialized research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

Disclaimer

© Sustainalytics 2020. All rights reserved.

The intellectual property rights to the information contained herein is vested exclusively in Sustainalytics. No part of this deliverable may be reproduced, disseminated, combined, used to create derivative works, furnished in any manner, made available to third parties or published, parts hereof or the information contained herein in any form or in any manner, be it electronically, mechanically, through photocopies or recordings without the express written consent of Sustainalytics.

As the information herein is based on information made available by the issuer, the information is provided "as is" and, therefore Sustainalytics does not warrant that the information presented in this deliverable is complete, accurate or up to date, nor assumes any responsibility for errors or omissions and Sustainalytics will not accept any form of liability for the substance of the deliverable and/or any liability for damage arising from the use of this deliverable and/or the information provided in it. Any reference to third party names is for appropriate acknowledgement of their ownership and does not constitute a sponsorship or endorsement by such owner.

Nothing contained in this deliverable shall be construed as to make a representation or warranty on the part of Sustainalytics, express or implied, regarding the advisability to invest in companies, selection of projects or make any kind of business transactions. It shall not be construed as an investment advice (as defined in the applicable jurisdiction), nor be interpreted and construed as an assessment of the issuer's economic performance, financial obligations nor its creditworthiness.

The issuer is fully responsible for certifying and ensuring the compliance with its commitments, for their implementation and monitoring.

Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that supports investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider. The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

For more information, visit www.sustainalytics.com

Or contact us info@sustainalytics.com

