

Prudential Financial Inc.

Type of Engagement: Annual Review

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Introduction

In March 2020, Prudential Financial, Inc. (“Prudential”) issued a green bond (the “2020 Green Bond”) aimed at financing and refinancing projects that are expected to generate positive environmental impacts. The 2020 Green Bond financed projects from three categories listed in the Prudential Green Bond Framework (the “Framework”), namely – Renewable Energy, Green Buildings, and Environmentally Sustainable Management of Living Natural Resources and Land Use. In February 2020, Sustainalytics provided a Second-Party Opinion¹ on the Prudential “Framework”.² In 2023, Prudential engaged Sustainalytics to review the projects funded with proceeds from the 2020 green bond and provide an assessment as to whether the projects met the use of proceeds criteria and the reporting commitments outlined in the Prudential Green Bond Framework.

Evaluation Criteria

Sustainalytics evaluated the projects and assets funded in 2020 based on whether the projects and assets:

1. Met the use of proceeds and eligibility criteria outlined in the Prudential Green Bond Framework; and
2. Reported on at least one of the key performance indicators (KPIs) for each use of proceeds category outlined in the Prudential Green Bond Framework.

Table 1: Use of Proceeds Category, Eligibility Criteria and Associated KPIs

Use of Proceeds Category	Eligibility Criteria	Key Performance Indicators
Renewable Energy	Financing of generation assets in offshore and onshore wind, concentrated and photovoltaic solar power, tidal, geothermal and biomass energy. Eligibility is met by the following additional criteria: <ul style="list-style-type: none"> • Projects are to a threshold of 100 gCO₂/kWh generated • Biomass feedstock will be sourced from waste 	<ul style="list-style-type: none"> • Installed renewable energy capacity (MW) • Estimated annual CO₂ emissions avoided (tCO₂e)
Green Buildings	Financing for residential and commercial buildings that meet national/international green building standards such as LEED (Gold or Platinum), Energy STAR (75 and above), BOMA BEST (Gold or Platinum), BREEAM (Excellent or Outstanding)	<ul style="list-style-type: none"> • Floor space of green real estate (sq ft) • Estimated annual CO₂ emissions avoided (tCO₂e)
Environmentally Sustainable Management of Living Natural Resources and Land Use	Financing activities contributing to the sustainable management of living natural resources and land use that are certified by: <ul style="list-style-type: none"> • Forest Stewardship Council (FSC), the Programme for the Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI), to 	<ul style="list-style-type: none"> • Total Surface financed (hectares)

¹ Prudential, “Second-Party Opinion Prudential Financial, Inc. Green Bond Framework”, at: https://s22.q4cdn.com/600663696/files/events/PRU-Green-Bond-Framework_Second-Party-Opinion.pdf

² Prudential, “Green bond Framework”, at: <https://s22.q4cdn.com/600663696/files/events/PRU-Green-Bond-Framework.pdf>

	<p>determine eligibility of sustainable forest management activities.</p> <ul style="list-style-type: none"> • Rainforest Alliance, USDA Organic, Canada Organic or EU Organic certification, to determine eligibility of sustainable agriculture activities 	
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Issuer’s Responsibility

Prudential is responsible for providing accurate information and documentation relating to the details of the funded projects, including description of projects, amounts allocated and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG research and ratings, conducted the verification of use of proceeds from Prudential’s green bond. The work undertaken as part of this engagement included collection of documentation from Prudential and review of said documentation to assess conformance with the Framework.

Sustainalytics relied on the information and the facts presented by Prudential. Sustainalytics is not responsible nor shall it be held liable for any inaccuracies in the opinions, findings or conclusions herein due to incorrect or incomplete data provided by Prudential.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight of the review.

Conclusion

Based on the limited assurance procedures conducted,³ nothing has come to Sustainalytics’ attention that causes us to believe that, in all material respects, the reviewed projects, funded through proceeds of the 2020 Green Bond, are not in conformance with the use of proceeds and reporting criteria outlined in the Framework. Prudential has disclosed to Sustainalytics that the proceeds of the 2020 Green Bond were fully allocated as of March 2020.

Detailed Findings

Table 2: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded with proceeds from the 2020 Green Bond to determine if projects aligned with the use of proceeds criteria outlined in the Framework and above in Table 1.	All projects reviewed complied with the use of proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the 2020 Green Bond to determine if impact of projects was reported in line with the KPIs outlined in the Framework and above in Table 1. For a list of KPIs reported please refer to Appendix 1.	All projects reviewed reported on at least one KPI per use of proceeds category.	None

³ Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the funded projects, including description of projects, estimated and realized costs of projects, and project impact, as provided by the Issuer, which is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix

Appendix 1: Allocation and Impact Reporting by Use of Proceeds Category

Use of Proceeds Category	Project Description	Impact Reported in 2022 ⁴	Total Allocation (USD millions)	Allocation Percentage
Renewable Energy	Two solar energy projects	<ul style="list-style-type: none"> 72,443 MWh of energy produced 26,298 tCO₂e emissions avoided 	75.06	15.0%
	Two wind energy projects	<ul style="list-style-type: none"> 35,421 MWh of energy produced 11,491 tCO₂e emissions avoided 	22.06	4.4%
Green Buildings	A total of four certified office buildings <ul style="list-style-type: none"> Three LEED Gold One LEED Platinum 	<ul style="list-style-type: none"> 1,608,535 Sq. ft. of green building space 6,977 tCO₂e emissions avoided 	289.27	57.9%
Environmentally Sustainable Management of Living Natural Resources and Land Use	FSC-certified sustainable forest management project	<ul style="list-style-type: none"> 82,702 hectares of FSC-certified area 	113.61	22.7%
Allocated Amount (USD million)			500.00	100%
Unallocated Amount (USD million)			0.00	
Bond Proceeds Raised (USD million)			500.00	

⁴ A USD 500 million Green Bond was raised under the Framework for part-financing of a USD 550.1 million portfolio of eligible assets. Impact calculation have been carried out on a pro-rata basis to reflect the Green Bond share of the total investment portfolio.

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

In case of discrepancies between the English language and translated versions, the English language version shall prevail.

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Sustainalytics, a Morningstar Company, is a leading ESG research, ratings and data firm that supports investors around the world with the development and implementation of responsible investment strategies. For more than 30 years, the firm has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in policies, practices and capital projects. With 17 offices globally, Sustainalytics has more than 1500 staff members, including more than 500 analysts with varied multidisciplinary expertise across more than 40 industry groups.

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