

An aerial photograph of a rugged coastline. A steep, rocky cliff is covered in dense, vibrant green vegetation, including various shrubs and trees. The cliff meets the sea, where the water is a deep, clear turquoise. The rocky shore is visible at the base of the cliff, with some small waves breaking against the rocks.

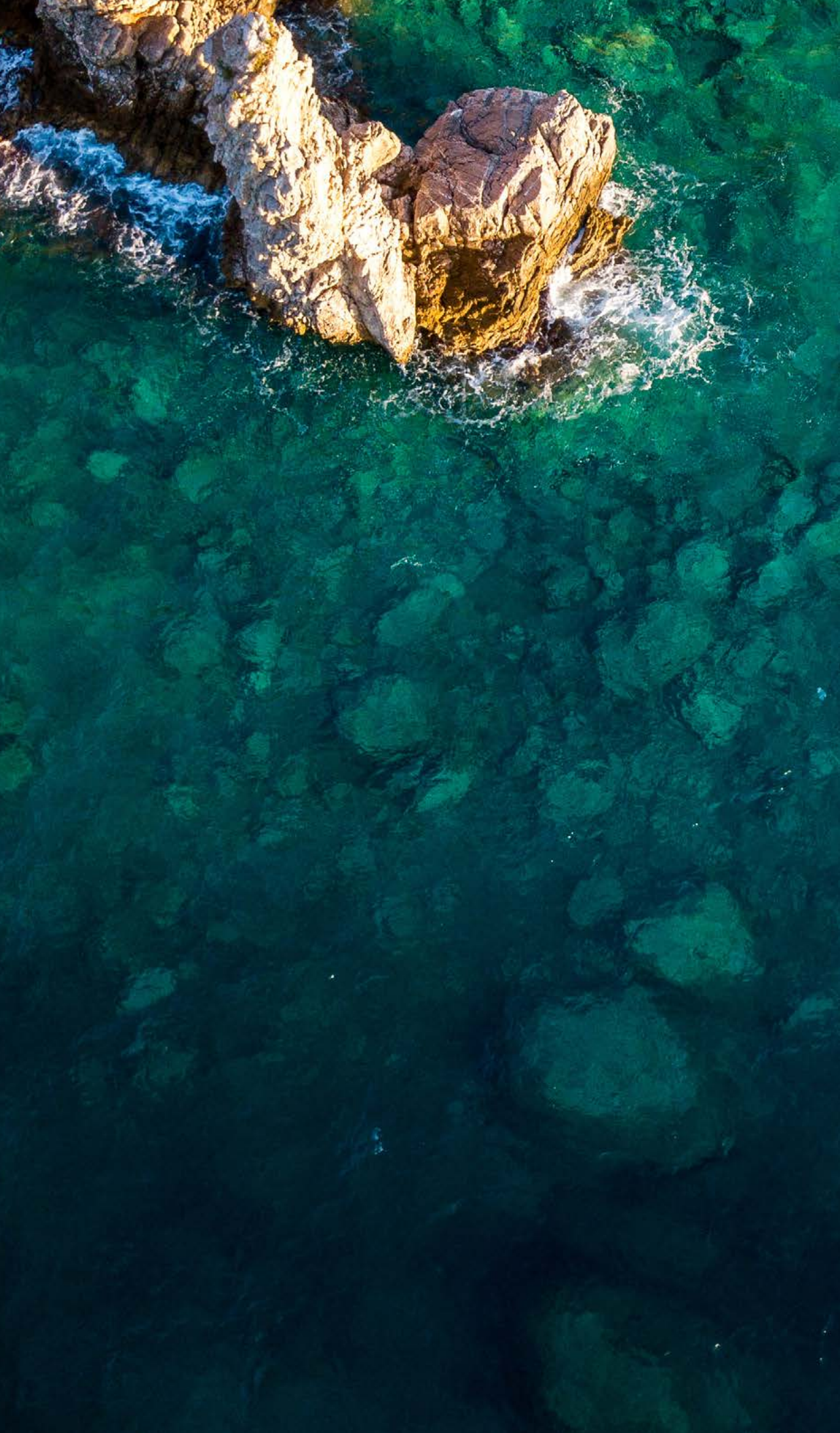
**PPM**AMERICA

# **CORPORATE RESPONSIBILITY**

**2023 ANNUAL REPORT**



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We strive in our daily practices to invest responsibly, strengthen our local communities, and create a diverse and inclusive work environment.





# Leadership Statement<sup>1</sup>

Since our founding in 1990, we have been consistently committed to the sustainability efforts of our clients and our employees. We are proud of the work completed by our teams in 2023 and are pleased to share their accomplishments.

## KEY HIGHLIGHTS FROM 2023

- > **Investing responsibly:** On behalf of our clients, we continued to consider material sustainability factors in our investment analysis, identifying both risks as well as opportunities. In support of our fixed income investment process, the team continued development work on an internal sustainability score, with the goal of offering a valuable tool in our credit analysis and portfolio construction.
- > **Strengthening our local communities:** Together with our parent company, PPM continued to fulfill its strategic long-term plan of community engagement and giving. We participated in a Summer of Service, which facilitated 100 associates' volunteer service totaling more than 240 hours throughout the summer.

- > **Creating a diverse and inclusive work environment:** Our diversity and inclusion efforts focus on both sourcing/hiring and retention/advancement. We continued to support these efforts through partnerships with diversity-focused recruiters, as well as group sponsorships. In addition, we formed a working group focused on removing unintentional bias from job descriptions.

In 2024, we will continue supporting the sustainability efforts of our clients and employees. This includes continuing our work as a signatory to the United Nations-supported Principles for Responsible Investment (PRI). We will continue the implementation of our sustainability scoring framework for fixed income, the development of internal and external ESG reporting in support of our clients, and the incorporation of climate and transition risk into our investment analyses. In addition, we will continue to invest in our employees through training and development focused on our sustainability efforts, as the market and regulatory environment continues to evolve.



**CRAIG SMITH, CFA**  
President, CEO & CIO

A stylized, handwritten signature in black ink that reads "Craig Smith".

<sup>1</sup> As of 31 December 2023. Opinions expressed herein are current as of the date indicated and are subject to change without notice. Forward-looking statements are subject to uncertainties that could cause actual developments and results to differ materially from the expectations expressed. **Past performance is no guarantee of future results.**



# Responsible Investment

Considering ESG factors in our investment approach alongside deep fundamental research helps us make more comprehensive assessments of risk and opportunities and is directly linked with our mission to meet the unique investment objectives of our clients. Our integrated approach to responsible investment applies to all asset classes across the firm, including public fixed income, private debt (credit and real estate) and private equity. While our broad framework at the firm level sets the tone for each asset class, we allow flexibility for portfolio managers to let the unique characteristics of the asset classes and portfolios inform their analysis and portfolio construction. At PPM, we believe our investment professionals are in the best position to evaluate ESG factors and decide when such factors may have a material impact on the financial performance of an investment.

*Our mission is to be seen by clients and their advisors as a consistently reliable partner to help them achieve their long-term value goals. Consistent with our fiduciary obligations, we incorporate ESG factors into our investment analysis as we seek to consider all factors that can impact our ability to deliver positive investment results for our clients.*





## Our Responsible Investment History

# 2018

Created the Responsible Investment Working Group and adopted a Responsible Investment (RI) framework

Became signatory of the UN-supported Principles for Responsible Investment (PRI)

# 2019

Integrated ESG data into internal systems including our proprietary credit portal and data warehouse

Enhanced ESG documentation across asset classes

# 2020

Implemented an ESG Dashboard in Aladdin®

Included securitized assets in RI framework



Our investment teams have long considered **ESG factors** in their analyses, acknowledging the material impact these factors may have on the long-term risk and return of our investments.

# 2021

# 2022

# 2023

Added Head of ESG & Sustainability Communications to the firm's resources

Held portfolio-level ESG reviews by senior management and oversight committees

Implemented ESG-focused investment guidelines for clients (portfolio decarbonization targets, divestment from controversial sectors)

Expanded engagement tracking

Onboarded a climate risk and scenario analysis tool in support of a client's ESG objectives

Certain sub-advised funds achieved Article 8 status under the European Union's Sustainable Finance Disclosure Regulation

First client-directed impact investment by the private equity team

Continued development of an internal sustainability scoring framework for fixed income





## Strategy and Governance

Our responsible investment activities are guided by the PPM Responsible Investment Working Group (Working Group), chaired by Craig Smith, our President, CEO & CIO. The Working Group meets at least quarterly and includes members from across PPM. Specifically, the Working Group includes members from fixed income, commercial real estate, private equity, risk management, quantitative research, marketing & communications, global relationship management and legal & compliance. This broad participation encourages diverse viewpoints, which are valuable as we continue to refine our approach to responsible investing on behalf of our clients. PPM's Head of ESG and Sustainability Communications assists with centralizing our responsible investment activities, communicating our efforts with stakeholders and clients, and working with leadership to execute our ESG initiatives.

### PRINCIPLES FOR RESPONSIBLE INVESTMENT

PPM became a signatory to the United Nations-supported Principles for Responsible Investment (PRI) in October 2018, furthering our commitment to responsible investment on behalf of our clients. Our public Signatory Report and additional information regarding the PRI's methodology is available via <https://www.unpri.org/>.

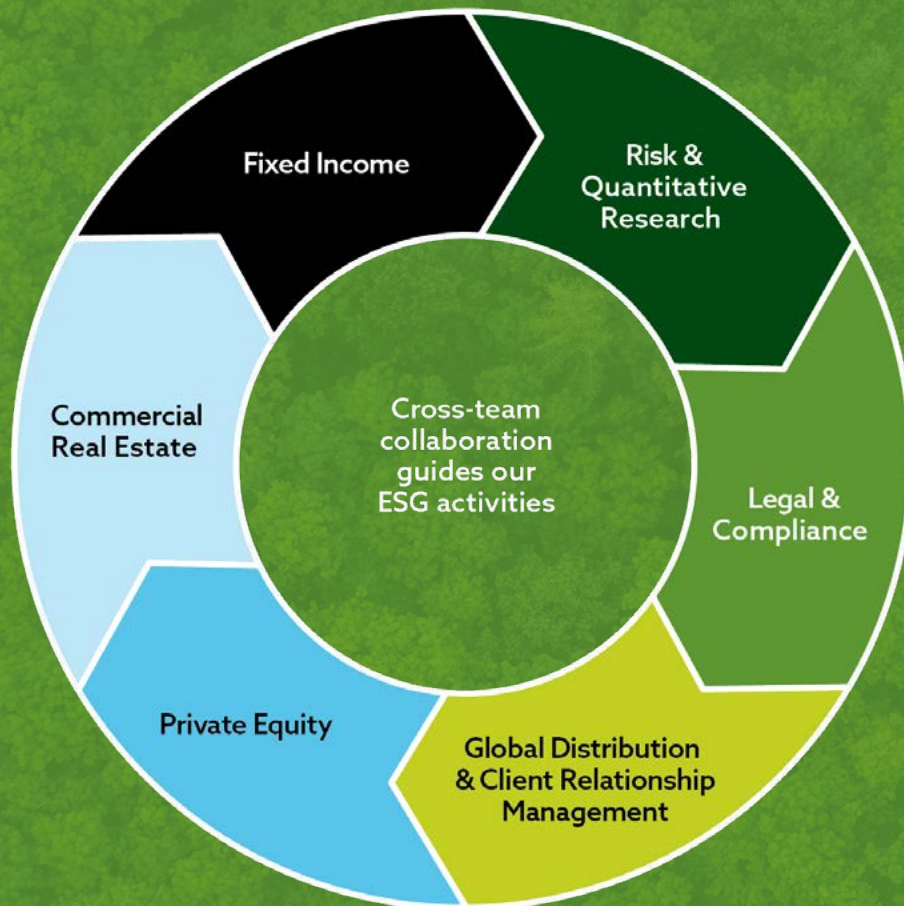
*Signatory of:*





## PRIMARY FUNCTIONS OF THE WORKING GROUP

- > Oversee and govern the firm's responsible investment initiatives and requirements, including those of individual clients, investment strategies and investments.
- > Provide a management level forum for the review and discussion of responsible investment matters and topics.
- > Provide responsible investment-related analysis, reporting and recommendations to the firm's various stakeholders.









# Integration Across Asset Classes

At PPM, we believe our investment professionals are in the best position to evaluate ESG factors and decide when they may have a material impact on the financial performance of an investment. Our integrated approach is flexible, allowing the unique characteristics of the asset class to inform our analysis.

## FIXED INCOME

As part of the credit research process, credit research analysts make a judgment regarding the materiality of each ESG issue.<sup>2</sup> Their assessments of material ESG issues or risks are summarized for investment committees, or discussed in sector and company update meetings with portfolio managers. In addition to information provided by issuers, the credit research team uses, at their discretion, external research from rating agencies, sell side brokers and third-party data providers. Where ESG ratings are not readily available, PPM will rely on the existing investment process and due diligence to reflect its internal assessment of ESG, whenever possible.

Portfolio managers access an Aladdin® ESG dashboard to review and consider issuer, industry and portfolio level reporting which is driven by a robust third-party ESG issuer-level dataset that covers an extensive universe of public corporate bonds. MSCI ESG ratings and scores are also integrated into both our proprietary Credit Research Portal and Aladdin® to support our broader portfolio monitoring efforts. These tools allow portfolio managers to evaluate the ESG characteristics of their portfolios both separately and relative to a benchmark.

<sup>2</sup> While ESG factors have long been considered in our credit research process, the integration of ESG factors in our investment process was formalized in 2018.

## Internal Sustainability Scoring Framework

Developed initially in 2022, PPM’s internal sustainability scoring system for fixed income aims to provide a picture of a company’s current and future ESG positioning through an objective sustainability number score and a subjective forward-looking momentum indicator. In 2023, the credit research team finalized the framework and selection of appropriate metrics for all industries. We expect to integrate the system into the credit research process in 2024.

The sustainability score is calculated using five industry specific data points and materiality

weightings determined by each analyst. When combined with six additional market-wide data points, this creates a numeric score that is comparable across industries. Each analyst also determines a momentum indicator, which offers PPM’s opinion on management’s ability, willingness, and track record of improving their ESG profile. Ultimately, PPM’s internal sustainability scoring system offers its investment teams another data point to inform analysts’ overall internal credit ratings and opinions as well as the portfolio managers’ investment decisions.

### PPM’S SUSTAINABILITY SCORING METHODOLOGY<sup>3</sup>



<sup>3</sup> For illustrative purposes only. No assurance can be given that such processes will be applied at any given time and are subject to change without notice.



## COMMERCIAL REAL ESTATE

The commercial mortgage lending team reviews Phase 1 Environmental Site Assessments (ESAs) and conducts further environmental investigations where warranted. Even where not deemed material, our team will often proactively engage the borrower/sponsor to resolve any environmental issues through a third-party recommended remediation plan. For those properties that might be considered to have an exposure to asbestos or lead paint, an Operations and Maintenance Plan (O&M) is required.

Additionally, as part of our due diligence process, PPM requires our borrowers/sponsors to complete an ESG questionnaire. Relevant information obtained from the questionnaire is included in the memo for the transaction as part of the recommendation presented to the Real Estate Credit Approval Committee, along with a summary of the property climate risk, walk/transit scores and any multifamily affordable housing component.

The commercial real estate team has a working group tasked with enhancing ESG activities and awareness across the team.

## PRIVATE EQUITY

ESG integration in private equity has continued to gain traction. PPM's private equity team invests in private equity funds as a limited partner as well as investing directly in co-investment opportunities.

**Fund Investments:** For fund investments, our private equity team utilizes our due diligence process to vet potential ESG considerations, soliciting responses from fund general partners and analyzing their respective RI policies. The due diligence for

each fund investment opportunity includes a general Due Diligence Questionnaire (DDQ), which has a specific section for ESG-related topics, including ESG policies and influence on management, identification of ESG risks, and the accountability of ESG issues.

The DDQ was created in accordance with Institutional Limited Partners Association (ILPA) ESG guidelines. The DDQ responses, and a fundamental analysis of any ESG risks, are summarized and presented along with all other relevant considerations by the team to the private equity investment committee prior to investment.

**Co-investments** are made almost exclusively alongside general partners with whom PPM has an existing fund investment. As such, we are able to leverage the ESG due diligence completed by our general partners' when underwriting a fund investment. As part of our due diligence on a co-investment opportunity, each deal is reviewed to identify any material ESG issues or conflicts with the sponsor's ESG policy. Consideration is also given to whether the deal is in line with PPM's current investment strategy. We are supportive of and encourage our sponsors to commission outside specialists to perform independent ESG due diligence on some deals (e.g., Malk reports).

**Ongoing Monitoring:** The private equity team maintains oversight of each investment through continuous monitoring, including additional review of material ESG factors. Ongoing monitoring may include reviewing capital calls, distributions, quarterly and annual financial reports, participating in quarterly/semi-annual limited partner and advisory committee calls, attending annual meetings, and ongoing conversations and on-site visits with the sponsor.









# Issuer Engagement

As fundamental, bottom-up investors, research is the cornerstone of our investment process. While PPM is not an activist investor, we regularly take opportunities to engage with companies throughout our rigorous investment process. As our client portfolios are primarily invested in bonds, we do not generally have voting rights. However, we believe that as we allocate capital to companies, our direct line of access and communication with management teams is important.

Direct engagement with management is an important part of PPM's research process. Our investment professionals regularly engage company leadership on material risk factors, including ESG where applicable. Engagement includes in-person meetings, investor phone calls, and industry conferences. We view these interactions as a chance to listen and learn directly from company management as well as an opportunity to ask questions and provide feedback.

**167**  
ENGAGEMENTS

**26%**  
RELATED TO ESG



**72%** ENVIRONMENTAL

- 28% Natural Resources
- 23% Climate Change
- 20% Opportunities (Clean Tech, Renewable Energy)
- 17% Supply Chain Management and Transparency
- 11% Pollution and Waste



**19%** SOCIAL

- 38% Employee Development, Health, and Safety
- 25% Product Responsibility
- 13% Community Relations
- 13% Diversity and Inclusion
- 13% Human/Labor Rights



**9%** GOVERNANCE

- 33% Board Structure and Operations
- 22% Business Ethics, Transparency, and Accountability
- 22% Board Quality
- 22% Shareholder Rights

As of 31 December 2023.



# Climate Change and Transition Risk

Climate risk can be viewed through the lens of both the physical risks as well as the transition risks that arise as the Earth's climate changes. We believe it is responsible portfolio risk management to understand the potential impact of climate risk within our investment portfolios.

To facilitate reporting requirements for one of our clients, we continued to assess the potential climate risk and opportunities within their portfolio resulting from climate change using a third-party climate tool. This tool utilizes published scientific climate models, differing macro-economic expectations and varying transition pathways to net-zero carbon

emissions. With the tool's risk analysis, we continue the process of quantitatively evaluating the physical and transitional risks on the portion of our client's portfolio covered by the model, which augments our internal qualitative analysis.

For sectors that are particularly vulnerable to climate transition risk, such as Automotive, Utilities, and Oil and Gas, PPM continually assesses the risks and opportunities as these companies prepare for a transition to a lower-carbon world. The investment teams will look at the key drivers of change in each sector, and provide an outlook for the future.

## Client-Led Negative Screening/Exclusions

### PPM TYPICALLY UTILIZES EXCLUSION LISTS IN TWO CONTEXTS

> Client-Led Investment Objectives. We seek to integrate ESG factors in conjunction with all other factors that can influence the risk or return of an investment. We currently do not maintain firm-wide ESG exclusion lists that could be applied at a strategy or fund level. Rather, we work with clients to build specific exclusion lists unique to their ESG requirements. Examples of model client-directed ESG investment restrictions include:

- Exclusion of coal
- Exclusion of tobacco
- Exclusion of controversial weapons
- Long-term decarbonization targets

> Complying with Sanctions. We are committed to complying with applicable sanctions imposed by jurisdictions in which we operate. All portfolios are subject to sanctions-related screening or exclusions. Specific requirements may vary, but a portfolio may be prohibited from investing in instruments associated with certain targeted sanctions restrictions on sovereign, corporate, individuals or industries.



# Integration in Action

Following is a case study that demonstrates how PPM considers climate-related opportunities and risks within our investment process.

## **INVESTMENT IN A REGULATED WATER AND WASTEWATER UTILITY FOCUSED ON CONSERVATION<sup>4</sup>**

In 2023, PPM's Investment Grade Private Credit portfolio management team invested in a 100% regulated water and wastewater utility serving communities in Arizona. The company was founded with an operational strategy centered around water conservation. To achieve this, the company designed a system that provides potable fresh water for its customers, recollects the resulting wastewater, and recycles the water for irrigation and outdoor watering usages.

The use of recycled water allows the company to reduce demand from local aquifers and reduces freshwater usage by ~30%. The company estimates their system

recycles more than one billion gallons of water annually. Additionally, their modern infrastructure minimizes energy usage and has a lower carbon footprint than most existing water systems.

Given the declining availability of water resources in the American Southwest, PPM viewed the company's water conservation strategy as critically important to local government and other stakeholders, which was a crucial factor in recommending the investment. In addition, the investment team recommended the investment based on the regulated business model, the total water management operating model, a strong customer base concentrated by residential customers, and a more modern infrastructure when compared to peers.

<sup>4</sup> Provided for illustrative purposes only and is not indicative of PPM's investment experience as a whole or current or future holdings. Holdings are subject to change and may not be representative of current or future investments of the indicated asset classes. No assurance can be made that similar investment opportunities will be available or form part of a future invested portfolio. Additional information is available upon request.











# Diversity & Inclusion

Just as important as the investments we make for our clients, are the investments we make in our employees. Diversity and inclusion are integral to the growth and longevity of our company. We are committed to a culture of respect and believe that inclusion is the key to this culture, enabling our ability to innovate, execute, and grow for the benefit of our associates, clients, shareholders and the communities where we live.





# Embedded in Our Culture

## D&I ADVISORY COUNCIL

In partnership with our parent company, the Diversity & Inclusion Advisory Council meets regularly to discuss opportunities for advancing an inclusive and diverse work environment.

## DEVELOPING AND CONSIDERING A DIVERSE FIELD OF CANDIDATES

We strive to consider a diverse field of candidates when filling roles, which we source through partnerships with recruiters, as well as group sponsorships. PPM is actively working to enhance its interview process to focus on attracting diverse talent.

Building on foundational work completed in 2022, PPM laid the groundwork for actionable recruiting and retention practices to achieve and maintain diversity and inclusion at PPM. The two key focus areas: sourcing/hiring and retention/advancement.

In 2023, PPM focused efforts on updating its job description templates to use less biased language. In support of these efforts, the firm organized and trained a firm-wide D&I Peer Review Group comprised of volunteers from all departments who review PPM job postings on an on-going basis.

## CAPTURE THE KEYS

### Opening Doors to Teamwork and Collaboration Through Four Key Behaviors.

PPM and Jackson associates and leaders completed Capture the Keys training sessions in 2023. These training sessions, developed and led by Jackson, focused on four simple, yet proven, behaviors that cultivate an inclusive workspace and make it psychologically safe for people to bring diverse ideas, perspectives, and talents to the organization. The behaviors promoted through Capture the Keys help transform the way people interact, reduce waste in interactions, drive greater clarity, and foster better partnerships.

## FIRM DIVERSITY - FEMALE

31%  
PPM<sup>5</sup>

35%  
INDUSTRY<sup>6</sup>

## FIRM DIVERSITY - MINORITY

20%  
PPM<sup>5</sup>

25%  
INDUSTRY<sup>6</sup>

<sup>5</sup> As of 31 December 2023.

<sup>6</sup> Industry Median as of 31 December 2022, the latest data available. Source: Meketa Investment Group, Diversity Equity & Inclusion Annual Questionnaire.

PPM is an indirect, wholly owned subsidiary of Jackson Financial Inc. (JFI). PPM's diversity and inclusion efforts are led by Jackson National Life Insurance Company® (Jackson®), JFI's primary life insurance subsidiary.













# Continued Success with D&I Partnerships

In 2023, PPM partnered with the Chicago Scholars Foundation, Women Investment Professionals, Women in Financial Markets and the National Association of Black Accountants to support our ambition to increase and attract diverse talent for current and future job openings.

## CHICAGO SCHOLARS FOUNDATION

In 2023, PPM leaders volunteered and participated in various outreach and engagement activities with university and high school students to expand knowledge of and interest in the asset management industry. In 2023, we partnered with Chicago Scholars and their “Emerge” program to fill three summer internship opportunities. Emerge is a unique summer internship program that pairs academically successful and motivated college-aged students from under-served communities with Chicago area businesses and non-profits. The mission of Emerge is to provide students with practical experience, career development, and leadership training. PPM also hosted an in-person orientation with the Chicago Scholars cohort in 2023 to introduce asset management roles to additional participants in the Emerge program.

## WOMEN INVESTMENT PROFESSIONALS (WIP)

For its eighth year, PPM is proud to be a gold level sponsor of Women Investment Professionals, a Chicago-based non-profit organization that provides a forum for networking and professional development for people involved in institutional investing.

## WOMEN IN FINANCIAL MARKETS (WIFM)

WIFM is a nonprofit organization whose mission is to attract, retain, educate and develop female leaders in the financial industry. They provide targeted channels for education, mentoring and sponsorship, leveraging senior leaders within their organization. WIFM currently has over 6,000 participants worldwide in the financial industry, who consist of women with a range of backgrounds, positions and seniority.<sup>7</sup>

## NATIONAL ASSOCIATION OF BLACK ACCOUNTANTS (NABA)

NABA is a nonprofit membership association dedicated to bridging the opportunity gap for black professionals in the accounting, finance and related business professions. Representing more than 200,000 black professionals in these fields, NABA advances people, careers, and the mission by providing education, resources, and meaningful career connections to both professional and student members.<sup>8</sup>

<sup>7</sup> Source: [www.womeninfinancialmarkets.org](http://www.womeninfinancialmarkets.org)

<sup>8</sup> Source: [www.nabainc.org](http://www.nabainc.org)





# Corporate Philanthropy

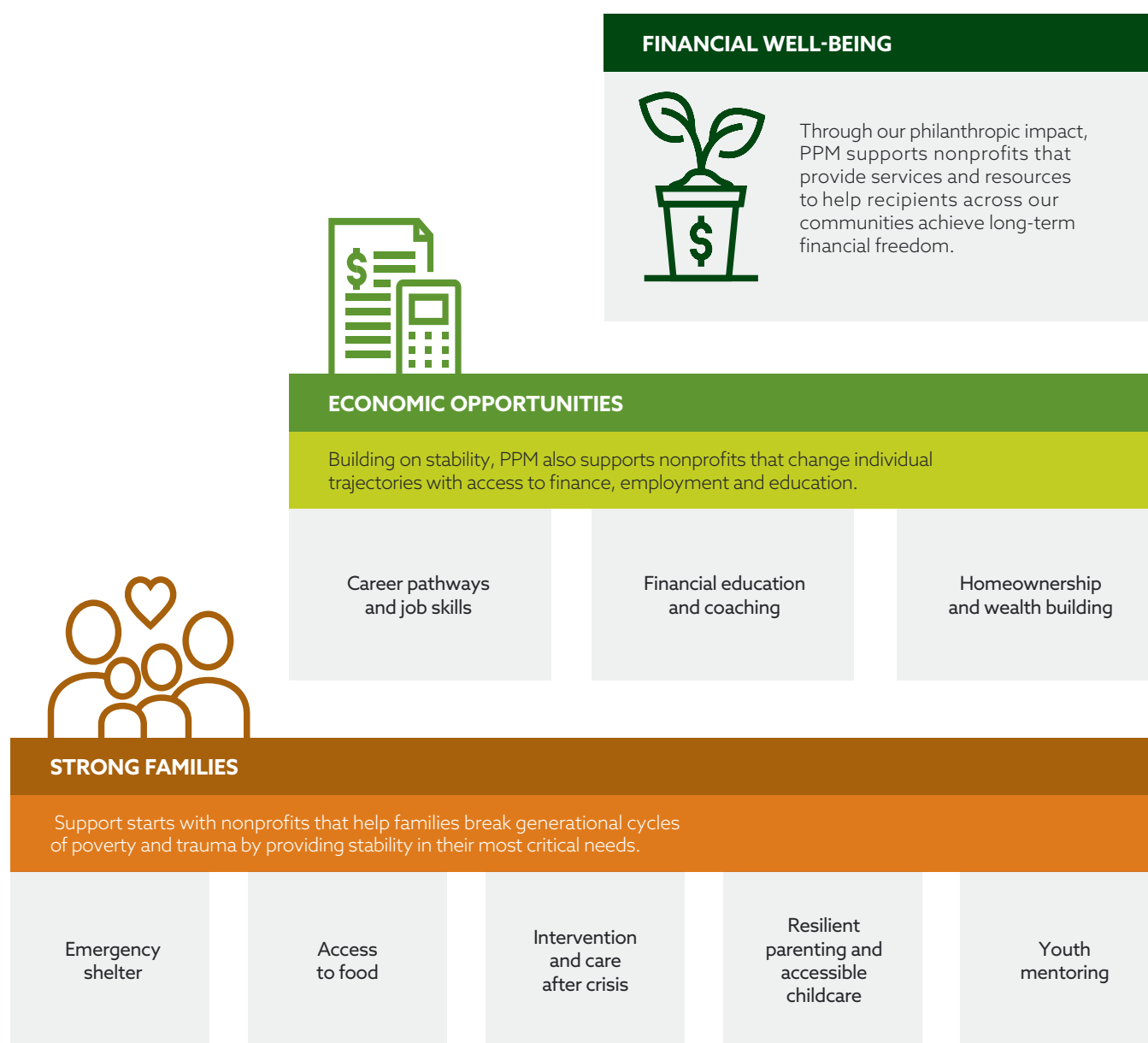
Since our inception, PPM has consistently engaged in the community, strengthening the impact we can have on Americans' lives. Together with our parent company, our organization's philanthropic strategy aligns with its business objectives and vision to build the foundation for financial freedom for all.





# Investing in Our Community<sup>9</sup>

Led by our parent company, our organization's corporate philanthropy team completed the first of a five-year Corporate Philanthropy strategic plan, with engagement and giving efforts that align with our plan objectives. In 2023, support was shifted toward a more balanced mix of nonprofits with giving priorities toward strong families and economic opportunities. And the number of multi-faceted nonprofit partners increased, supporting our goal to maximize our impact through financial investments and volunteerism.



<sup>9</sup> PPM is an indirect, wholly owned subsidiary of Jackson Financial Inc. PPM's corporate philanthropy efforts are funded and staffed through the corporate philanthropy budget of Jackson National Life Insurance Company® (Jackson®), JFI's primary life insurance subsidiary.









# Summer of Service

## SUPPORTING ECONOMIC MOBILITY PROGRAMMING

Throughout the summer, PPM and Jackson associates volunteered over 200 hours in support of Chicago's annual volunteerism program, Summer of Service, at the North Lawndale Employment Network. The North Lawndale Employment Network helps residents develop skills and behaviors that improve their ability to successfully navigate the job market, close educational gaps, secure sustained employment and improve household economic conditions. Jackson further partnered with the North Lawndale Employment Network to provide a \$30,000 grant and support the Chicago office's Summer of Service initiative.





# Strong Families & Economic Opportunities

## DEVELOPING CAREER PATHWAYS

Throughout the year, PPM and Jackson opened their offices for students to get first-hand experience in a corporate environment, learn about careers in financial services, and see what makes our organization an employer of choice. During 2023, PPM and Jackson worked with Communities in Schools® of Chicago, which surrounds Chicago's under-served youth with a community of support, expanding their opportunities and removing barriers to their future success.

## ROBUST, MULTIFACETED PARTNERSHIP

PPM and Jackson associates continued supporting Special Olympics Chicago in 2023. More than 55 PPM and Jackson associates raised more than \$235,000 in donations and company match during our annual fundraiser.

## TRAINING LEADERS FOR NONPROFIT BOARDS

Jackson's Board Corps program supports employees in their career development by helping them learn the responsibilities of board service through three interactive and meaningful sessions covering legal responsibilities, governance, strategic planning, financial management, human resources, and fundraising. Since 2017, 45 PPM employees have graduated from the Board Corps program and put their training into action by serving on nonprofit boards and becoming leaders in their community.

## WORKING IN THE SCHOOLS

Since 2017, PPM and Jackson employees have volunteered more than 2,000 hours through Working in the Schools (WITS) Mid-Day Mentoring program working with students in Chicago Public Schools to improve their reading abilities and to integrate their reading skills with comprehension and discussion. Over the last six years, Jackson and PPM have collectively invested more than \$300,000 to WITS' impactful programming through sponsorships and associate match gifts. In addition, Craig Close, senior vice president and head of portfolio services, continues to serve on the WITS Board of Directors.

PPM is an indirect, wholly owned subsidiary of Jackson Financial Inc. (JFI). PPM's corporate philanthropy efforts are funded and staffed through the corporate philanthropy budget of Jackson National Life Insurance Company® (Jackson®), JFI's primary life insurance subsidiary.







## Our Firm

PPM America, Inc. (PPM) is a US-based institutional asset manager with \$73.11 billion in assets under management as of 31 December 2023.<sup>10</sup> Established in Chicago in 1990, PPM exists to consistently support institutional clients globally in achieving their long-term value goals. We offer our Midwestern mentality of hard work, straight talk, full transparency, and humility. Our success is supported by a team-based culture that encourages debate, collaboration and consistency. At the center of our belief is the fact that our best ideas to date have and can come from any team member anywhere in our firm. We believe the success of our investment culture is best demonstrated by the strong retention of our clients and investment professionals.

PPM is a direct subsidiary of PPM Holdings, Inc. and an indirect, wholly owned subsidiary of Jackson Financial Inc. (JFI), a publicly traded company (NYSE: JXN). JFI is a financial services company focused on helping Americans grow and protect their retirement savings and income to enable them to pursue financial freedom for life.

<sup>10</sup> AUM includes committed but unfunded capital for PPM's private equity and commercial real estate businesses.

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This document may include simplified presentations of complex processes and are provided for illustrative purposes only. PPM's actual activities and processes may differ from what is shown herein. No assurance can be given that such processes will be applied at any given time and are subject to change without notice.

There can be no assurance that any particular individual will be involved in the management of any portfolio for any period of time, if at all. Furthermore there can be no assurance that any PPM professionals presented herein will remain with PPM or that past experience or performance of such professionals serves as an indicator of his or her performance.





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