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Sent: Monday, December 18, 2023 9:49 PM
To: Eric Adler
Cc: Raimondo Amabile; Catherine Marcus; Christina Hill; Enrique Lavin; Fernando Herrera; Gerardo Guadarrama; Mario Campoy; Violeta Paredes; Lara Sabani; Denise Novak; Chad Earnst; Jurgen Muhlhauser; Adam Rosenthal; Brian Mattia; Pamela Sinclair; Roben Dunkin; Maureen Baker Fialcowitz; Joseph Emanuel; Matthew Villa; Ed Farah; Jeffrey Jacobs; Audit Senior Leadership team; Alan Fu
Subject: Internal Audit Report-Satisfactory with Limited Exceptions- RBA - 2023 - PGIM Real Estate LATAM Transaction and Asset Management
Attachments: AUD-00008 - PGIM Real Estate Mexico Transactions and Asset Management - Final Audit Report and Issues.pdf

INTERNAL AUDIT DEPARTMENT

Internal Audit has performed an audit of the key controls within PGIM RE- Investment - LATAM Business for the period 07/01/2022 to 06/30/2023. An audit is designed to provide reasonable assurance as to the design and effectiveness of the system of internal controls implemented by management.

Internal Audit's testing resulted in the identification of 3 low risk issues. The details of the issues identified and management's action plans can be reviewed in the attached PDF.

Control Condition: Satisfactory with Limited Exceptions

Control Environment: Satisfactory

Rating Rationale:

Based on the results of the work performed, Internal Audit has concluded that the system of internal controls implemented by management is adequately designed and operating effectively to mitigate the key risks of the function.

The identified issues have limited impact on the ability of controls to mitigate business risks. As a result, Control Condition has been rated satisfactory with Limited Exceptions. In addition, management's practices are in line with expectations, and the processes and structure in place to manage behaviors that impact risk practices are adequately designed. As a result, Control Environment has been rated Satisfactory.

Scope:

The PGIM Real Estate Latin America ("PGIM RE LATAM") team provides real estate investment management services to global institutional investors seeking investments across the region. PGIM RE LATAM reports to Raimondo Amabile Global CO-CEO Real Estate, who reports directly into Eric Adler, CEO Global Alternative Investments. The region is led by Enrique Lavin, who is supported by a group of investment professionals across the Asset Management and Transaction teams. PGIM RE LATAM manages four funds across the Industrial and Retail sectors with approximately \$3.2B gross AUM.

The Transactions team is primarily responsible for the sourcing of assets to fulfill the strategy/fund appetite as directed by Portfolio Management ("PM"), including due diligence of potential investments, investment allocation and asset dispositions. The Asset Management team is primarily responsible for the oversight of property managers and on-going monitoring of property operations.

The scope included an assessment of the design and effectiveness of the key controls related to the following key risks:

- Improper Trade Allocations
- Insufficient Fund-level Monitoring
- Inappropriate Underwriting Conclusions
- Investment Decisions not in accordance with Policies
- Third Party Risk Management Practices
- Portfolios not Managed in Accordance with Client's Strategy/Mandate - Insufficient Due Diligence

Testing focused on controls in certain key processes including:

- Acquisitions
- Investment Allocation
- Transaction Underwriting
- Structuring and Pricing New Investments
- Dispositions
- Risk Management Programs
- Property Asset Management

Any questions regarding this report should be directed to the Group Vice President or Vice President responsible for the audit, Philip Barreca and Jerry Shelton, respectively.

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