Sustainability-related disclosures

M&G (Lux) Global Funds - M&G (Lux) China Fund
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Website disclosure provided in accordance with Article 10 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector. Information on how the environmental and social characteristics have been met can be found in the Annual Report of the Fund.

Summary

This document summarises the information about this Fund in relation to the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help potential investors understand the sustainability related characteristics and/or objectives and risks of this Fund. You are advised to read it in conjunction with other relevant documentation on this Fund so you can make an informed decision about whether to invest.

No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund.

Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.

Environmental or social characteristics of the financial product

The Fund promotes the use of an Exclusionary Approach and a Positive ESG Tilt (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to be detrimental to ESG Factors.

The Fund maintains a weighted average ESG rating that is either

1. higher than that of the equity market as represented by its investment universe; or

2. equivalent to at least an MSCI A rating, whichever is lower ("Positive ESG Tilt").

In constructing a portfolio positively tilted towards investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings. At an individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective.

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

Investment strategy

Consideration of ESG Factors is fully integrated into analysis and investment decisions.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The exclusions listed in the ESG Criteria are screened out.
2. The Investment Manager then performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities. The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. This process should result in a portfolio with better ESG characteristics. In constructing a portfolio positively tilted towards investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings.
3. The Investment Manager then performs further analysis to consider the valuation of these companies and the appropriate time to purchase in consideration of the Fund's financial objective.

The Fund's ESG Criteria apply to at least:

- 90% of equities issued by large capitalisation companies in developed countries; debt securities, money market instruments with an investment grade credit rating; and sovereign debt issued by developed countries;
- 75% of equities issued by large capitalisation companies in emerging market countries; equities issued by small and mid-capitalisation companies in any country; debt securities and money market instruments with a high yield credit rating; and sovereign debt issued by emerging market countries.

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

Proportion of investments

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 20% of the Fund will be in Sustainable Investments.

The Fund does not use derivatives to attain the environmental or social characteristics that the financial products promotes and is unlikely to invest in collective investment schemes to achieve its promoted objective. Therefore typically all of the investments are expected to be held directly.

Monitoring of environmental or social characteristics

The Fund's exclusions are coded and monitored on a pre and post trade basis as investment restrictions to prevent and detect investments that would not be compliant with the stated exclusions. Incidents are recorded, and resolved through an incident investigation process, and are reported as part of the SFDR reporting.

The Fund's Positive ESG Tilt is coded and monitored on a pre and post trade basis as an investment restriction to prevent the Fund being managed in a way that is not compliant with the binding characteristic of the Positive ESG Tilt. The relevant characteristic is reported on as part of the SFDR reporting.

Methodologies

There are a variety of methods that can be used depending on the asset class or information type:

- binary pass/fail test e.g. exclusion of sanctioned companies or countries

- meets or exceeds a specific threshold e.g. revenue to contributes to an environmental outcome, or more than % of board diversity
- industry certification evidencing sustainability performance e.g. Climate Bond Initiative (CBI) certified bond
- contributes a set % of revenue to a climate, environmental or social cause
- proprietary analysis to form an assessment of the sustainability characteristics e.g. net zero alignment

In the case that particular data points are not available or insufficient, it is expected that the Investment Manager's own assessment will be sufficient.

Data sources and processing

Information can be sourced from third party data vendors including companies such as MSCI, Bloomberg or sourced from proprietary research and analysis.

Data received from third party vendors typically comes from reputable and, in some cases, audited sources, such as annual reports of sustainability reports. Upon receipt, the data is checked by the analysts. To ensure that interpretation of data is consistent, benchmarking exercises are performed where appropriate. Collected ESG data is evaluated via use of a proprietary ESG scorecard, which is populated by the analysts.

Data is processed through a combination of external and internal proprietary systems and digital platform tools which monitor the exposure of the funds both at fund and security level both pre and post trade.

Use of estimated data is limited. However when an estimation is needed proprietary analysis and tools are used. For example, if a portfolio company does not disclose its greenhouse gas emissions, an estimation is made using the Investment Manager's proprietary carbon emission tool which estimates portfolio companies' carbon intensity levels.

Limitations to methodologies and data

ESG information from third party data providers and/or obtained directly from the issuers may be incomplete, inaccurate, stale or unavailable. As a result, there is a risk that the Fund may incorrectly assess an issuer. This in turn can result in the incorrect inclusion or exclusion of a company in the portfolio of the Fund. Incomplete, inaccurate or unavailable ESG data may also act as a methodological limitation to a non-financial investment strategy (such as the application of ESG risk and opportunity characteristics). Where identified, the Investment Manager will seek to mitigate this risk through its own assessment and take any appropriate remediation as necessary.

Where limitations in the methodologies and data have been identified, the Investment Manager seeks to mitigate these through governance and oversight. Whilst, as with financial data, it is impossible to completely eliminate the risk of impact of an external data vendor error, the Investment Manager does conduct its own reviews and challenges where it believes investments have been misclassified. Where the methodologies and/or data are insufficient post mitigation to evidence that an investment is in compliance with the promoted characteristics, such investment may only be purchased if it is suitable for inclusion as an "Other" investment, and the Investment Manager will continue to consider what further information can be obtained through additional research.

Due diligence

ESG due diligence is carried out as a part of fundamental investment research. Research analysts assess the Principal Adverse Impact metrics and identify key sustainability risks in order to evaluate and express their materiality for the subject company or investment. Analysts reflect their assessments in either written research or an ESG Scorecard.

Where applicable, the analyst uses the ESG Scorecard to evaluate 15 mandatory and common factors and additional idiosyncratic factors deemed relevant to the subject company's risk profile and business mix. The mandatory factors for evaluation are as follows:
- Climate: Disclosure, Intensity, Footprint, Vulnerability, Intent
- Governance: Ownership & Control, Political Interference & Sovereign Concerns, Strategy and Financial policy, Disclosure and Transparency, Board, Regulation, Compliance and Oversight, Cybersecurity, Corporate culture and controversy
- Social: Modern Slavery, Diversity & Inclusion
- Sector-specific Key Issues determined from the SASB Materiality Map.

In addition to the proprietary assessments described above, investment decision-making may also take account of third party ESG ratings, where available.

Appropriate consideration of ESG factors is a mandatory objective in the due diligence process for analysts and fund managers.

The section above entitled 'Monitoring of environmental or social characteristics' details the controls associated with the components of due diligence listed herein.

Engagement policies

M&G believes that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. We believe that if a company is run well, and sustainably, it is more likely to be successful in the long run. We undertake all investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of client's assets, with engagement representing an integral part of how we integrate environmental, social and governance (ESG) considerations in our investment process. We are committed to being transparent about how we conduct investment stewardship activities in support of long-term sustainable performance for our clients. The precise nature of the engagement will vary depending on the investments held, but these overarching principles will inform M&G's conduct when engaging with companies, whether through voting equities in general meetings or in our participation in bondholder committees.

Designated reference benchmark

No reference benchmark has been designated to determine whether this Fund is aligned with the environmental or social characteristics that it promotes.

Sustainable Investments

Sustainable investment test

A sustainable investment is an investment in an economic activity that contributes to an environmental or social objective provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

This can be summarised as three requirements (i) contribute to environmental or social objective; (ii) do no significant harm or "DNSH" and (iii) good governance.

Firms such as the Investment Manager are required to devise their own method for identifying which investments they should treat as sustainable investments. This disclosure summarises the Investment Manager's sustainable investment tests for the Fund.

Sustainable baseline exclusions – DNSH and good governance

All potential sustainable investments are screened against the Sustainable baseline set out in Annex 2 – ESG Criteria – Exclusions and Restrictions. The Sustainable baseline exclusions represent the measurable, quantitative tests that the Investment Manager uses for DNSH and good governance. It is informed by the PAIs set out in Annex 1. For example, PAI 4 "Exposure to companies active in the fossil fuel sector" corresponds to the Fossil fuels exclusions test in the Sustainable baseline.

Contribution to environmental or social objectives

The remaining potential sustainable investments that pass this first phase of DNSH and good governance tests are then tested for whether they contribute to environmental and/or social objectives. This testing includes a combination of quantitative and qualitative tests based on available data, as well as the application of judgment and opinion by the Investment Manager. These tests may vary over time in response to the market environment and evolving practice. This is a complex topic that varies between investment management firms, and an example is provided below to assist investor understanding.

Further validation of DNSH against PAIs

Completion of the steps above identifies investments as potential sustainable investments but it does not represent the end of the process. The PAIs set out in Annex 1 cover the areas relevant to the DNSH test but they are not all suitable for quantitative tests whereby a threshold can be set below or above which an investment is always considered to fail DNSH. Therefore these are not suitable for systematic screening. Instead, these PAIs are assessed by validating the sustainable investments identified from the previous tests against the full PAI list in Annex 1 to confirm the Investment Manager does not consider such sustainable investments to be doing significant harm.

Example of assessing contribution to environmental or social objectives

A company may release a statement of intent to the market. Whether or not it has done so is quantifiable. That intent may be verifiable using independent validation, eg it may be a Science Based Target giving it a clearly defined path to reduce emissions in line with Paris Agreement goals. Or, it may require a qualitative assessment of its validity by the Investment Manager. That validated intentionality then provides a rationale for considering securities issued by that company to be contributing towards an environmental objective.

The Investment Manager would then perform ongoing assessment of whether or not the company is living up to that statement of intent. The data the company releases to the market about its emissions reduction would provide quantifiable evidence. But, emissions reduction is rarely a smooth year-on-year delivery. Where a company lags behind its targets on a year-on-year basis, the Investment Manager's opinion on its overall progress, and potential to progress, would be relevant to determining whether or not such a company should continue to be considered as contributing to an environmental objective.

ESG Criteria

Certain potential investments are excluded from the investment universe to mitigate potential negative effects on the environment and society. This is achieved by applying the "Planet+ Baseline" set out in Annex 2.

ESG Criteria – Approach to Exclusions

The exclusions are intended to provide a guide to investors on the Investment Manager's approach to excluding certain investments considered to be incompatible with the way in which the relevant funds are managed. There may from time to time be differences in how these exclusions are implemented in practice, but at all times the Investment Manager will be bound by its obligation to act in the best interests of investors. Examples include:

1. The Investment Manager may disagree with data or opinions provided by third parties, and decide to categorise an investment differently.
2. The Investment Manager may operate a small tolerance around the stated thresholds. For example, a very small (de minimis) exposure may be disregarded against a 0% threshold.
3. Where the Investment Manager considers the company (or issuer) has a credible transition plan to address the excluded activity, this may mean the Investment Manager permits investment. For example, where the Investment Manager determines a power company is transitioning away from its reliance on coal-fired power plants in a credible manner.
4. The Investment Manager may take a different view on a specific investment type from its general opinion of the company (or issuer). For example, the Investment Manager may determine it would not buy shares in a power company because of its heavy reliance on coal-fired power plants, but might consider investing in a green bond issued by the same company, where use of the proceeds from that green bond are restricted to specific activities such as building a solar power plant.

Where the Investment Manager is managing a product it has categorised as ESG Enhanced, Sustainable, or Impact, it will consider a set of "Principal Adverse Impact indicators" as part of its investment management and these will inform decisions like those listed above. Where the Investment Manager is granting an exception for a sustainable investment, it will also consider whether the relevant investment is compatible with the principle of "do no significant harm". Where a product has applied for an ESG label, such as the Towards Sustainability label provided by Febelfin, any requirements of such label shall also inform the decisions above.

Annex 1- PAI Table

Issuer	PAI Indicator	PAI	PAI Metric
Corporate	GHG emissions	1a	Scope 1 GHG emissions
		1b	Scope 2 GHG emissions
		1c	Scope 3 GHG emissions
		1d	Total GHG Emissions
	Carbon footprint	2	Carbon footprint
	GHG intensity of investee companies	3	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	4	Share of investments in companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production	5	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage
	Energy consumption intensity per high impact climate sector	6a	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE A
		6b	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE B
		6c	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE C
		6d	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE D
		6e	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE E
		6f	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE F
		6g	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE G
		6h	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE H
		6l	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE L
	Activities negatively affecting biodiversity-sensitive areas	7	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
	Emissions to water	8	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
	Hazardous waste ratio	9	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	10	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Lack of process and compliance mechanisms to monitor compliance with UNGC principles and OECD guidelines for multinational enterprises	11	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for multinational enterprises.

	Unadjusted gender pay gap	12	Average unadjusted gender pay gap for investee companies
	Board gender diversity	13	Average ratio of female to male board members in investee companies
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons	14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Sovereigns and Supranationals	GHG intensity	15	GHG intensity of investee countries
	Investee countries subject to social violations	16	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law
Real Estate	Exposure to fossil fuels through real estate assets	17	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels
	Exposure to energy-inefficient real estate assets	18	Share of investments in energy-inefficient real estate assets
Corporate	Investments in companies without carbon emissions reduction initiatives	Optional	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
	Investments in companies without workplace accident prevention policies	Optional	Share of investments in investee companies without a workplace accident prevention policy
	Lack of a human rights policy	Optional	Share of investments in entities without a human rights policy
	Lack of anti-corruption and anti-bribery policies	Optional	Share of investments in entities without policies EN 22 EN on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption

Annex 2 - ESG Criteria – Exclusions and Restrictions

Norms-based exclusions

Norms		
Exclusion Criteria	Planet+ baseline	Sustainable baseline
Good Governance Any investment that is assessed to be in breach of the Investment Manager's good governance tests.	Yes	Yes
UNGC Any company that is assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.	Yes	Yes

Sector-based and/or values-based exclusions

Environmental		
Exclusion Criteria	Planet+ baseline	Sustainable baseline
The M&G Investments Thermal Coal Investment Policy is applied; a copy may be found on our website.	Yes	
Fossil fuels exclusions test Exclusion Criteria	Planet+ baseline	Sustainable baseline
In addition, companies that derive revenues from the extraction of thermal coal are excluded. Where such additional exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	N/A	
Conventional Oil and Gas Extraction Companies that derive revenues from the conventional extraction of oil and gas are excluded. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	N/A	A 5% combined threshold for fossil fuel revenues from these sources applies.
Unconventional Oil and Gas Extraction Companies that derive revenues from the unconventional extraction of oil and gas (defined as oil sands and Arctic drilling) are excluded. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	10%	
Carbon-Intensive Power Generation Companies that derive revenues from the following activities are excluded: • coal-fired power generation. • oil or gas-fired power generation. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	N/A	

Social		
Exclusion Criteria	Planet+ baseline	Sustainable baseline
Adult Entertainment Companies that derive revenues from producing, directing or publishing adult entertainment materials are excluded. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	10%	5%
Gambling Companies that derive revenues from the provision of gambling-related services are excluded. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	10%	5%
Tobacco Companies that derive revenues from activities related to the tobacco industry are excluded. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline. These test for the manufacture of tobacco products (P), their wholesale distribution (W) and for any involvement in aggregate (including retail distribution) (D).	P 5% D 10%	P+W 5% D 10%
Controversial Weapons Companies involved in anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons outside the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser, non-detectable fragment weapons are excluded. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	0%	0%
Defence and Other Weapons Companies that derive revenues from the production or sale of weapons systems, components, and support systems and services, or the manufacture and retail of civilian firearms and ammunition are excluded. For the avoidance of doubt, this does not include the provision of generic systems and services that are not weapons-specific. Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.	N/A	5%

Investment-specific exclusions

ABS		
Exclusion Criteria	Planet+ baseline	Sustainable baseline
Sector tests Sector classification is checked against the relevant baseline as set out above under "Sector and/or value based exclusions", rather than using a revenue threshold:		
Key Counterparty	No sector exposure permitted	No sector exposure permitted
Underlying assets	Max 10% combined exposure to the above sectors	Max 10% combined exposure to the above sectors
Minimum ESG Score A proprietary ABS ESG Scorecard is used to assess whether assets have sufficient ESG characteristics. Securities scoring below a cut-off threshold are excluded.	Below threshold excluded	Below threshold excluded

Government Bonds		
Exclusion Criteria	Planet+ baseline	Sustainable baseline
Social tests The relevant Government is assessed for factors indicating its social progress. Lower scoring governments are excluded.	Applies	Applies to a "do no significant harm" standard
Environmental tests Governments that pass the social tests are subject to further tests to assess their environmental credentials. This test may be relaxed for investments held as "Other" investments, for example where such investments are held for liquidity purposes.	N/A	Applies to a "do no significant harm" standard

M&G Investments