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M&G Investments

Financial Market Participant: M&G Luxembourg S.A.
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Statement on principal adverse impacts of investment decisions on sustainability factors

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Summary

M&G Luxembourg SA (M&G Luxembourg) is a management company incorporated in Luxembourg and authorised under Chapters 15 and 16 of the Luxembourg Law of 17 December 2010 to act as an Undertakings for Collective Investment in Transferable Securities Directive (UCITS) Manager, as well as an Alternative Investment Fund Manager (AIFM) of Alternative Investment Funds in accordance with the law of 12 July 2013 (AIFM Law). M&G Luxembourg is further authorised to provide discretionary portfolio management and investment advisory services under its top-up Markets in Financial Instruments Directive (MiFID) license. M&G Luxembourg is a subsidiary of M&G FA Limited, which is in turn a subsidiary of M&G Group Limited. M&G Group Limited is parent to a number of subsidiaries that undertake asset management activities, including M&G Investment Management Limited (MAGIM), M&G Real Estate and its subsidiary M&G Real Estate Asia Pte Ltd, all of which operate under the brand M&G Investments. The ultimate parent for M&G Luxembourg is M&G plc. M&G Luxembourg has delegated portfolio management activities to MAGIM and M&G Real Estate Asia Pte Ltd.

M&G Luxembourg considers principal adverse impacts of its investment decisions on sustainability factors. For information on how PAIs may be considered at a fund level, please refer to fund documentation. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of M&G Luxembourg covering holdings within funds managed by it for the reference period from 1 January to 31 December 2024.

The table below sets out the principal adverse impacts included in this report, covering investee companies, sovereigns and supranationals and real estate assets:

Asset class	Theme	Adverse sustainability indicator	Table	Page Number
Investee companies	Climate and other environment-related indicators	GHG emissions – PAI 1	1	10
		Carbon footprint – PAI 2	1	10
		GHG intensity of investee companies – PAI 3	1	10
		Exposure to companies active in the fossil fuel sector – PAI 4	1	10
		Share of non-renewable energy consumption and production – PAI 5	1	11
		Energy consumption intensity per high impact climate sector – PAI 6	1	11
		Activities negatively affecting biodiversity sensitive areas – PAI 7	1	12
		Emissions to water – PAI 8	1	13
		Hazardous waste and radioactive waste ratio – PAI 9	1	14
		Investments in companies without carbon emission reduction initiatives – Additional PAI 4	2	20
	Social and employee, respect for human rights, anti-corruption and anti-bribery matters	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises – PAI 10	1	15

Asset class	Theme	Adverse sustainability indicator	Table	Page Number
Investee companies	Climate and other environment – related indicators	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises – PAI 11	1	15
		Unadjusted gender pay gap – PAI 12	1	16
		Board gender diversity – PAI 13	1	16
		Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) – PAI 14	1	16
		Investments in companies without workplace accident prevention policies – Additional PAI 1	3	21
		Lack of a human rights policy – Additional PAI 9	3	21
		Lack of anti-corruption and anti-bribery policies – Additional PAI 15	3	22
Sovereigns and supranationals	Climate and other environment related indicators	GHG intensity – PAI 15	1	17
	Social and employee, respect for human rights, anti-corruption and anti-bribery matter	Investee countries subject to social violations – PAI 16	1	18
Real estate assets	Climate and other environment-related indicators	Exposure to fossil fuels through real estate assets – PAI 17	1	19
		Exposure to energy-inefficient real estate assets – PAI 18	1	19

Reference to 'funds' in this statement means funds for which M&G Luxembourg acts as the fund management company. Given M&G Luxembourg has delegated portfolio management activities to MAGIM and M&G Real Estate Asia Pte Ltd, M&G Luxembourg is supported in the consideration of PAIs of investment decisions made on behalf of these funds by these delegated group entities within M&G Investments. In many cases, the actions taken or actions planned refer to activities or commitments being made by MAGIM or M&G Real Estate Asia Pte Ltd (collectively referred to in this statement as 'M&G Investments') which are made clear within this statement.

Users of the statement should be aware that sustainability-related disclosures are subject to higher degrees of uncertainty and inconsistency than other disclosures given significant challenges with availability and reliability of sustainability data, evolving nature of relevant sustainability methodologies, and other factors such as the developing regulatory landscape. As such, in order to improve clarity for users of the statement, the disclosures included in this statement may be amended and updated in line with evolving market practice, improvements in the availability and quality of data, and changes to underlying judgements, assumptions and estimates.

Description of the principal adverse impacts on sustainability factors

Principal adverse impacts (PAIs) are the most significant negative impacts of investment decisions on sustainability factors relating to (i) climate and the environment, and (ii) social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The PAIs of the funds managed by M&G Luxembourg present the aggregated negative impact on sustainability factors of the funds' investments under management. The reported PAI indicators are sourced, aggregated and reported in accordance with the SFDR regulation. Other investment activities undertaken by M&G Investments on M&G Luxembourg's behalf that consider sustainability factors include engagement, proxy voting and attending annual general meetings. These are described in more detail in the Engagement section on page 26.

The mandatory indicators defined under the EU Sustainable Finance Disclosure Regulation (SFDR) are set out in Table 1 below, covering investments in investee companies, sovereigns and supranationals, and real estate assets. The additional indicators selected via the methodology described on page 24 are set out in Tables 2 and 3.

Information on the impacts of investments under M&G Luxembourg's management will be published each year by 30 June. In this year's report, historical comparison of the data from the previous two years has been provided, earlier data is not available as it pre-dates SFDR. For subsequent annual PAI statements, additional annual PAI data will be added up to a maximum of five years. PAI data is calculated based on the average of impact data available for holdings within M&G Luxembourg managed funds at each quarter end, namely 31 March, 30 June, 30 September and 31 December.

Interpretation guidance

This section of the statement seeks to assist the reader in understanding how PAIs are prepared and presented. It is key to understand that there are significant limitations with data used in the calculation of the PAIs, and the explanations provided for some of the factors that should be considered when reviewing changes in PAIs over time.

Scope of PAI indicators

The PAIs in this statement are presented by asset class as outlined in the SFDR. This regulation requires M&G Luxembourg to provide information to the extent it is available, but it is not always possible to do so accurately or completely due to the nature of different asset classes and lack of available data in the wider industry. The following outline has been provided detailing which asset classes have been included in each category:

- Investee companies includes equity (listed equity, open- and closed-ended funds, private equity) and debt (public corporate debt and private finance, but excluding securitised debt).
- Sovereigns and supranationals includes supranational and government bonds, as well as quasi-governmental agency bonds (for clarity, municipal bonds are included in 'investee companies').
- Real estate assets includes directly held free-hold and long-lease property.

M&G Luxembourg has reported metrics for PAIs 1, 2, 3, 5, 6, 8, 9, 12, 13, 15 and 18 only where we have data within the relevant asset class, in an attempt to report decision useful information. The coverage noted represents the proportion of assets, within the relevant asset class for which we have data. The metric has not been scaled up to give an equivalent for the whole asset class (ie to represent 100% coverage).

M&G Luxembourg has reported metrics for PAIs 4, 7, 10, 11, 14, 16, 17 and Optional 1, 4, 9 and 15 to include impacts for which we have data (as given in the coverage %), in relation to the value of all investments. In order to report decision useful information, we have defined the value of all investments as the total value of investments in the relevant asset class as per the table below for that PAI, not all AUM for all asset classes. This may dilute the metric where coverage is low. For example the metric PAI 16 is divided by all sovereigns and supranationals AUM (EUR 16.9bn), as noted in the table below.

For other asset classes, such as derivatives and cash, PAIs are not currently calculated due to either a lack of generally accepted calculation methodologies or poor data availability and ability to look through to the underlying holdings. As such, the inclusion of data for these asset classes in this statement is not possible. This approach will be reconsidered if ability to assess these types of investments improves.

Asset category	2024 value	2024 % of total	2023 value	2023 % of total	2022 value	2022 % of total
Investee companies	€63.6bn	55.9%	€61.4bn	59.0%	€57.5bn	57.5%
Sovereigns and supranationals	€16.9bn	14.8%	€13.0bn	12.5%	€8.2bn	8.3%
Real estate	€14.2bn	12.5%	€13.0bn	12.5%	€16.7bn	16.7%
Other asset classes (not reported)	€19.1bn	16.8%	€16.5bn	16.0%	€17.5bn	17.5%

Alongside the PAIs presented in this statement, we have included the 'coverage' for each indicator. Coverage is the percentage of the value of investments where all relevant data is available and included in the indicator, divided by the total value of the relevant asset category. It should be noted that changes in coverage presented year on year are also impacted by changes in the total value of eligible assets in each category. For example, if new assets are added to a relevant indicator, but the investments where all relevant data is available remain the same, the coverage would fall.

Limitations of PAI indicators

The maturing ESG data landscape means there are a number of limitations on PAI indicators related to their production, primarily driven by issues around availability, accuracy and timeliness of source data, including:

1. Data availability

The production of certain PAI indicators is subject to limited availability of relevant impact data, which by its nature is inherently harder to measure and source due to inconsistent disclosure by issuers. This limited availability of data restricts coverage and impacts the ability to meaningfully interpret the PAIs reported, particularly where coverage levels are very low.

2. Third-party data

M&G Investments source data from third-party data providers and are reliant on the quality of this data when calculating PAI indicators. Even when relevant data is disclosed by issuers and collected by third-party data providers, it may be incorrect, incomplete or follow varying methodologies. Third-party information provided by our external data providers has not been independently verified. Where significant issues with input data are identified this may lead to exclusion of the data from the PAI calculations.

3. Timeliness of data

Overall, M&G Investments' approach to PAI indicator calculations is to base them on the latest available impact information, however a significant proportion is based on historical data given timing of disclosure by investee companies and delays in capture by third-party data providers.

4. PAI Indicator definition

Some PAI indicators have no standardised definition and therefore may not be comparable across asset classes and the market as a whole. The use of different measurement techniques may therefore result in materially different results.

Explanations for movements in PAI indicators

There are a number of elements that can impact the movement of PAI indicators over time, and in many cases they are not reflective of changes in portfolio composition or realworld changes on the impacts of our investee companies. Some examples of these are presented below:

- Data from third-party vendors is updated on a periodic basis, often to reflect more up-to-date estimates or data relating to investee companies, but there are situations where data is removed due to it being identified as incorrect or inaccurate. For indicators on topics where impact data is more nascent, these updates can result in significant variances in the impact data for a given company.
- Some indicators require apportionment of investee company's total adverse impact through the calculation of the portion of the company's total enterprise value that is funded by M&G Investments. For these indicators (eg, PAI 1 – GHG Emissions), fluctuations in the company's enterprise value can also cause the share of the PAI to vary even when investment in the company has not changed.
- Variation in coverage available for a PAI indicator can impact the reported value as data becomes available or falls away for a given investment. Coverage can also be impacted by changes in availability of data from third-party data vendors or changes in portfolio. Where coverage is low these changes are likely to have a more noticeable impact on the reported value of the indicator.
- Changes in portfolio composition (ie, when an investment is bought or sold) will impact the value of an indicator, although it should be noted that such changes may or may not be as a result of the actions taken to address a given impact.

Users of this Statement are advised to take the above limitations and factors that can impact movements on PAIs into account when assessing the data presented in the report.

Notice should also be given to the actions taken and planned presented alongside each PAI.

Mandatory indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Table 1: Climate and other environment-related indicators – see 'Historical Comparison' for explanation of movements

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions						
1. GHG emissions	Scope 1 GHG emissions (tCO_2e)	**2,960,290** **Coverage: 84%**	2,966,493 Coverage: 72%	3,254,092 Coverage: 75%	Scope 1 emissions are direct emissions that occur from sources owned or controlled by the reporting company. Scope 2 emissions are indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 3 emissions includes other indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company.	**General approach:** We believe that climate change presents material financial risks across our business. As part of this, we are supporting and advocating for an orderly transition to net zero, in line with the Paris agreement. M&G Investments continue to target a 50% reduction in financed emissions for in-scope listed equity and corporate bonds by 2030 and net zero by 2050 across investment portfolios. In addition to this, a new 'asset alignment' target tracks the proportion of assets that are supporting the climate transition and are articulating this through robust transition plans. These targets include M&G Luxembourg funds where portfolio management is delegated to M&G Investments. M&G Investments' approach to financing the climate transition is built around three levers: • **Grow** – Seeking to grow funds and assets that support climate goals by collaborating with clients and working to develop innovative strategies and solutions across asset classes.
	Scope 2 GHG emissions (tCO_2e)	**648,946** **Coverage: 84%**	680,189 Coverage: 72%	776,605 Coverage: 75%		
	Scope 3 GHG emissions (tCO_2e)	**21,280,836** **Coverage: 81%**	23,280,740 Coverage: 67%	18,180,794 Coverage: 71%		
	Total GHG emissions (tCO_2e)	**23,727,172** **Coverage: 81%**	26,698,980 Coverage: 67%	22,211,491 Coverage: 71%		
2. Carbon footprint	Carbon footprint (tCO_2e per €M invested)	**462** **Coverage: 81%**	650 Coverage: 67%	542 Coverage: 71%	Carbon emissions for a portfolio normalised by the value invested (emissions portion only).	
3. GHG intensity of investee companies	GHG intensity of investee companies (tCO_2e per €M revenue)	**821** **Coverage: 83%**	885 Coverage: 74%	925 Coverage: 75%	Carbon emissions for a portfolio normalised by investee company revenue (emissions portion only).	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	**8%** **Coverage: 83%**	9% Coverage: 78%	9% Coverage: 83%	Companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels.	

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
5. Share of non-renewable energy consumption and production	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 percentage of total energy sources	67% Coverage: 67%	68% Coverage: 50%	71% Coverage: 58%	This metric excludes non-fossil sources such as wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas.	• Align – Engaging with high-emitting companies and assets to seek robust transition plans aligned with climate goals, supporting the decarbonisation of managed investments. • Reallocate – Monitoring the climate risk characteristics of assets, undertaking scenario analysis and, where engagement fails, considering divestment. The M&G Investments Thermal Coal Investment Policy applies to all listed equities and public fixed income investments actively managed on behalf of M&G Luxembourg by MAGIM, unless a client has requested to opt out. Engagements: Climate is one of M&G Investments' top-down engagement programmes for listed equity and fixed income investee companies, in both developed and developing markets. M&G Investments engage with high-emitting companies to encourage them to set credible decarbonisation targets and to adopt and implement robust transition plans. By linking transition assessments with the engagement programme M&G Investments can increase the alignment of investments with climate goals and deliver on their interim targets. Across public markets, M&G Investments have established an engagement threshold target to ensure 70% of in-scope financed emissions are either the subject of direct or collective engagement or assessed to be 'net zero' or 'aligned' with a net zero pathway using a Transition Assessment Framework. The M&G Investments 'Hot 100' climate engagement programme, established in 2020, focuses on the largest GHG emitters and is updated annually. For 2025 Scope 3 emissions will also be incorporated into engagement assessments. During the year, M&G Investments continued to engage under the Thermal Coal Investment Policy. For further details on climate engagements, please see the M&G Investments Stewardship Report.
6. Energy consumption intensity per high impact climate sector	Agriculture, forestry and fishing (GWh per €M revenue)	1.3 Coverage: 1.9%	<0.1 Coverage: 0.8%	<0.1 Coverage: 0.5%	Energy consumption intensity means the ratio of energy consumption per unit of activity, output or any other metric of the investee company to the total energy consumption of that investee company.	
	Mining and quarrying (GWh per €M revenue)	2.0 Coverage: 2.8%	0.6 Coverage: 1.7%	6.9 Coverage: 1.3%		
	Manufacturing (GWh per €M revenue)	1.1 Coverage: 18%	1.8 Coverage: 16%	2.3 Coverage: 19%		
	Electricity, gas, steam and air conditioning supply (GWh per €M revenue)	1.9 Coverage: 5%	6.5 Coverage: 4%	5.0 Coverage: 4%		
	Water supply, sewerage, waste management and remediation activities (GWh per €M revenue)	1.3 Coverage: 2.1%	11.2 Coverage: 1.0%	0.4 Coverage: 0.8%		
	Construction (GWh per €M revenue)	1.2 Coverage: 2.4%	0.1 Coverage: 1.2%	0.1 Coverage: 1.0%		
	Wholesale and retail Trade, repair of motor vehicles and motorcycles (GWh per €M revenue)	0.8 Coverage: 6%	0.5 Coverage: 4%	0.6 Coverage: 4%		
	Transportation and storage (GWh per €M revenue)	1.3 Coverage: 3.9%	1.6 Coverage: 2.4%	1.9 Coverage: 2.5%		
	Real estate activities (GWh per €M revenue)	1.0 Coverage: 3.9%	0.3 Coverage: 2.5%	0.3 Coverage: 2.2%		

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Biodiversity						
7. Activities negatively affecting biodiversity sensitive areas	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	52%[1] Coverage: 71%	0.2% Coverage: 65%	0.1% Coverage: 66%	Activities that are characterised by all of the following: • those activities that lead to the deterioration of natural habitats and the habitats of species and disturb the species for which a protected area has been designated; • for those activities, none of the conclusions, mitigation measures or impact assessments adopted pursuant to EU Directives or national provisions or international standards that are equivalent to those Directives have been implemented.	General approach: While developing their approach to nature, M&G investments recognise the importance of addressing nature loss through investments. Engagement is an important lever in relation to this, with nature being one of the key top-down stewardship programmes as an asset manager. Engagement: M&G Investments' ESG Integration and Sustainable Investing Policy describes their approach to embedding sustainability considerations in the investment process including managing risk through the ESG Scorecard and monitoring the most material risks within larger portfolios. M&G Investments have developed an engagement approach to nature, a strategic pillar within the M&G plc sustainability framework, that builds on their experience engaging with issuers on climate change using the 'Hot 100'. M&G Investments have identified companies for engagement based on capital exposure to holdings within the TNFD priority sectors while also leveraging Forest 500 scores to identify those companies likely to have the greatest exposure to nature-related risks. In the engagements, M&G Investments leverage Nature Action 100's benchmark methodology to assess material impacts and dependencies and engage both bilaterally and collectively through Nature Action 100 on the outcomes of these assessments. M&G Investments will support shareholder proposals relating to addressing biodiversity concerns when we hold similar views. For high impact sectors where there are concerns with a company's approach to biodiversity, or a lack of biodiversity policies and targets, voting against directors will be considered. For products with a sustainability focus or an explicit sustainability mandate, nature considerations are further integrated into the portfolio construction by considering potential negative impacts on sensitive biodiversity areas and norms violations related to breaches and adverse nature impacts for all holdings. M&G Investments runs an investment

[1] In 2024 the methodology to produce this metric was updated, impacting the year on year comparison. More detail is included in the historical comparison section of this report.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
						(Continued from previous page) strategy fully dedicated to nature and biodiversity, through the M&G (Lux) Nature and Biodiversity Solutions Fund. This gives clients an opportunity to allocate capital to nature-related solutions, which consider products and services that enable reduction of the direct drivers of biodiversity loss, protect against planetary boundaries, or otherwise contribute to improved nature related outcomes. For further details of engagements undertaken on biodiversity please see the M&G Investments Stewardship Report.
Water						
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	Data under review[2]			Direct emissions of priority substances as defined in Article 2(30) of Directive 2000/60/EC of the European Parliament and of the Council and direct emissions of nitrates, phosphates and pesticides.	**General approach:** Data sourcing, quality and coverage for this PAI remains challenging (for the whole investment industry), but external ratings on water use are utilised to inform investment decision making where possible. M&G Investments will continue to factor water considerations where data is available and impacts are material for a sector, into the investment process through research analysis and via further engagements with investee companies. **Engagement:** If M&G Investments has evidence that a company has caused or is causing a significant negative impact on water, which is also a breach of UN Global Compact principle 7, a company may be excluded from the investment universe as per consideration of PAIs and also identified and assessed via the M&G Investments' Global Norms process as outlined on page 29.

[2] The result for emissions to water has been reviewed for 2024, however as a result of our data checks we still consider the data available for this PAI to be unreliable. There will continue to be an assessment of the data quality and availability with a view to publishing a result for this PAI in the future.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Waste						
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million € invested, expressed as a weighted average	5 Tonnes of hazardous waste per €M invested Coverage: 54%	3 Tonnes of hazardous waste per €M invested Coverage: 28%	5 Tonnes of hazardous waste per €M invested Coverage: 33%	Hazardous waste is defined in Article 3(2) of Directive 2008/98/EC of the European Parliament and of the Council. Radioactive waste is defined in Article 3(7) of Council Directive 2011/70/Euratom.	General approach: Directly managed assets are mobilised under the M&G Investments ESG data management and performance monitoring system. This system records key ESG performance indicators including energy, greenhouse gas emission, water and waste consumption data for underlying assets. This enables M&G Investments to review, measure and monitor environmental performance of the assets over time. Engagement: If M&G Investments has evidence that a company has caused or is causing a significant negative impact relating to hazardous or radioactive waste, which is also a breach of UN Global Compact principle 7, a company may be excluded from the investment universe as per consideration of PAIs and also identified and assessed via the M&G Investments' Global Norms process as outlined on page 29.

Table 1: Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters – see ‘Historical Comparison’ for explanation of movements

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters						
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	**0.1%** **Coverage: 100%**	0.1% Coverage: 100%	0.3% Coverage: 66%	UN Global Compact principles means the ten Principles of the United Nations Global Compact. The OECD guidelines for multinational enterprises are a set of standards intended to promote responsible business conduct by enterprises based in the 38 adhering states. They cover a range of issues including those related to human rights.	**General approach:** M&G Investments supports and encourages adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption. These norms are codified in various sources, such as the United Nations Global Compact (UNGC), OECD Guidelines for Multinational Enterprises, as well as the International Labour Organisation (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the Guiding Principles on Business and Human Rights: Implementing the United Nations ‘Protect, Respect and Remedy’ Framework. **Engagement:** In all funds that M&G Investments has classified as promoting environmental and/or social characteristics (SFDR Article 8 funds) or having sustainable investment objectives (SFDR Article 9 funds), issuers deemed to be in breach of global norms are excluded from the investment universe. Breaches are identified and assessed via the M&G Investments Global Norms process as outlined on page 29.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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	**12%**[3] **Coverage: 82%**	37% Coverage: 78%	40% Coverage: 81%		

[3] In 2024 the data set used to produce this metric was updated significantly by our third-party data provider impacting the year on year comparison. More detail is included in the historical comparison section of this report.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	**15%** **Coverage: 48%**	17% Coverage: 25%	17% Coverage: 27%	Unadjusted gender pay gap means the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.	**General approach:** M&G Investments has set an ambition for public investee companies, which make up a large portion of this metric's coverage, to have board gender equality by 2027. **Engagement:** Diversity and inclusion is one of M&G Investments' top-down engagement programmes. In 2022, M&G Investments published their expectations on diversity at board level for investee companies and began engaging with a focused list of laggards. Since then, discernible improvement has been seen in this focus list. Despite this, in 2024 M&G Investments opposed the election of directors at 17 of the identified laggard companies. During 2024, M&G Investments engaged with 39 companies on the topic of diversity, with a large majority of those engagements being part of the top-down diversity engagement programme. Engagements within the scope of the programme generally have two main objectives: firstly, to convey expectations on board gender diversity and secondly to discuss board refreshment and any targets that might be in place to facilitate a more balanced gender distribution.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	**35%** **Coverage: 76%**	34% Coverage: 72%	33% Coverage: 75%	Board means the administrative, management or supervisory body of a company.	
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	**0%** **Coverage: 82%**	0% Coverage: 78%	0% Coverage: 82%	Controversial weapons are those that cause indiscriminate or disproportionate harm. Use of controversial weapons is banned in many jurisdictions under international and national laws, some of which also prohibit investment in certain type of weapons and activities.	**General approach,:** The **M&G Investments Controversial Weapons Policy** sets out M&G Investments' approach to companies involved in controversial weapons. **Exclusions:** Exclusions relating to controversial weapons are set out in the **M&G Investments Controversial Weapons Policy.** This Policy applies to public listed companies only as private companies are not assessed against the exclusions due to the lack of coverage of private companies within currently available data used for screening.

Indicators applicable to investments in sovereigns and supranationals

Table 1: Environment-related and social indicators applicable to investments in sovereigns and supranationals – see 'Historical Comparison' for explanation of movements

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental						
15. GHG intensity	GHG intensity of investee countries (tCO_2e per €M GDP)	**501** **Coverage: 98%**	555 Coverage: 98%	708 Coverage: 69%	GHG intensity is carbon emissions for a country normalised by GDP.	**General approach:** M&G Investments monitors country data on climate performance. These include GHG emissions, renewable energy, energy use and climate policy, via the use of the Climate Change Performance Index (CCPI). This data has been incorporated in the M&G Investments Sovereign Bond Framework, which is used for the sustainability analysis of government bonds and enables proprietary assessment of sovereign bonds for consideration as sustainable investments, as per the SFDR. **Exclusions:** In all funds that M&G Luxembourg has classified as promoting environmental and/or social characteristics (SFDR Article 8 funds) or having sustainable investment objectives (SFDR Article 9 funds), we exclude sovereigns with a 'very low' rating by the CCPI.

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social						
16. Investee countries subject to social violations	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	Absolute: 2 (Count of unique countries) Relative: 2% (Percentage of unique countries with social violations) Coverage: 99.9%	Absolute: 5 (Count of unique countries) Relative: 4% (Percentage of unique countries with social violations) Coverage: 100%	Absolute: 5 (Count of unique countries) Relative: 4% (Percentage of unique countries with social violations) Coverage: 100%	The relative metric here measures the share of assets invested in countries subject to social violations.	General approach: M&G Investments monitors country data on social impacts including data evidenced through this PAI alongside the use of the social progress index outputs which consider and enable an understanding of various contributing factors to a sovereign's overall risk profile. These include sanctions against states, non-cooperative tax jurisdictions, political instability and social progress factors. This data has been incorporated in the Sovereign Bond Framework, which is used for the sustainability analysis of government bonds and enables the assessment of sovereigns for consideration as sustainable investments, as per the SFDR. Exclusions: M&G Investments do not invest in countries subject to EU/UN sanctions or countries that are assessed as non-cooperative tax jurisdictions by the European Union. For Article 8 and 9 SFDR funds, we exclude sovereigns assessed as non-cooperative tax jurisdictions or which have EU or UN sanctions. This assessment is separate and in addition to any sanctions which legally prohibit investment.

Indicators applicable to investments in real estate assets

Table 1: Environment-related and social indicators applicable to investments in real estate assets – see 'Historical Comparison' for explanation of movements

Adverse sustainability indicator	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels						
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	<0.1% Coverage: 91%[4]	0% Coverage: 100%	0% Coverage: 100%	Calculated as a percentage of estimated rental value.	**General approach:** M&G Investments considers exposure to fossil fuels across real estate assets at the point of acquisition. M&G Investments' real estate funds invest in core real estate (offices, retail, residential, healthcare). Investments are not made in non-core assets such as oil refineries, mining sites etc. No exclusions are applied.
Energy efficiency						
18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	46%[5] Coverage: 100%	22% Coverage: 98%	24% Coverage: 100%	Based on energy performance certificates and the nearly zero energy buildings standard.	**General approach:** M&G Investments considers exposure to energy inefficient assets at acquisition, reviewing energy performance certificates (EPC) as part of the due diligence process. M&G Real Estate prioritise energy efficiency improvements in existing buildings through retrofits. This includes installing energy efficient lighting systems and optimising building management systems; heating, ventilation and air conditioning systems; insulation; and windows.

[4] Improvements in reporting for 2024 have resulted in additional assets being classified as real estate assets, had this process been in place in prior years coverage would have been closer to 2024 values.
[5] In 2024 the methodology to produce this metric was updated, impacting the year on year comparison. More detail is included in the historical comparison section of this report.

Additional indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Table 2: Additional climate and other environmental-related indicators – see 'Historical Comparison' for explanation of movements

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact 2023	Impact 2022	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions						
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	**32%**[6] **Coverage: 81%**	27% Coverage: 78%	33% Coverage: 82%	Carbon emission reduction initiatives can take many forms, with the mostly widely recognisable being setting Science Based Target initiative validated emissions reduction targets.	**General approach:** See general approach outlined under emissions section in Table 1. This metric supports an understanding of company-level exposure to transition risk where an issuer does not have carbon emission reduction initiatives aimed at aligning with the Paris Agreement. **Engagement:** See approach outlined under PAIs 1-6.

[6] In 2024 the data set used to produce this metric was updated significantly by our third-party data provider, impacting the year on year comparison. More detail is included in the historical comparison section of this report.

Table 3: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters – see 'Historical Comparison' for explanation of movements

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters						
1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	7%[7] Coverage: 82%	10% Coverage: 77%	12% Coverage: 79%	Policy commitment approved at board level and publicly available.	**General approach:** Consideration of workplace accident prevention policies supports the Fundamental Principles and Rights at Work of the ILO, as well as the need to protect and respect human rights outlined in the United Nations Guiding Principles for Business and Human Rights. **Engagement:** See approach to social and employee matters outlined in Table 1 above.
Human rights						
9. Lack of a human rights policy	Share of investments in entities without a human rights policy	9% Coverage: 82%	8% Coverage: 79%	11% Coverage: 83%	Human rights policy means a policy commitment approved at board level on human rights that the economic activities of the investee company shall be in line with the UN Guiding Principles on Business and Human Rights.	**General approach:** Human Rights and Modern slavery are considered within M&G Investments sustainability research, particularly in sectors where risk of involvement is material. Regarding human rights, on a bottom-up basis, companies are evaluated using research and proprietary screens to determine if they are in breach of global norms, eg, UN Global Compact. Any company which is in breach will then be considered for either exclusion, engagement or monitoring. **Engagement/voting and exclusions:** Over 2024, M&G Investments engaged with 21 companies across the topics of Human Rights and Modern Slavery, covering issues ranging from human rights disclosures and policy to data privacy and censorship. In all Article 8 and 9 Funds, issuers deemed to be in breach of global norms are excluded from the investment universe. Breaches are identified and assessed via the M&G Investments Global Norms process as outlined on page 29.

[7] In 2024 the data set used to produce this metric was updated significantly by our third-party data provider, impacting the year on year comparison. More detail is included in the historical comparison section of this report.

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact 2024	Impact 2023	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Anti-corruption and anti-bribery						
15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	3% Coverage: 82%	4% Coverage: 79%	5% Coverage: 83%	Policy commitment approved at board level and publicly available.	General approach: This metric is used to support assessment of company-level exposure to corruption and bribery risk. Failure to manage these risks can result in significant fines and penalties, as well as reputational damage. Exclusions: M&G plc is bound by the legal and regulatory requirements of applicable financial sanctions regimes in any jurisdiction of M&G operations. Any company sanctioned by any of these regimes is automatically excluded from the investment universe. If M&G Investments has evidence that a company, which is not subject to the aforementioned sanctions, has significant issues associated with bribery and corruption, it may be excluded from the universe as per the M&G Investments Global Norms process and principles. Breaches are identified and assessed via the M&G Investments Global Norms process as outlined on page 29.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Identifying principal adverse impacts

PAI is defined by the SFDR regulation as the most significant negative impacts of investment decisions on sustainability factors relating to:

- Climate and environmental factors
- Social and employee matters
- Respect for human rights
- Anti-corruption and anti-bribery

PAIs are measured through a set of standardised and comparable quantitative and qualitative indicators.

The M&G Investments' ESG Integration and Sustainable Investing Policy, which is applied to a large proportion of the funds managed by M&G Investments, including M&G Luxembourg, describes the principles which are used to inform and guide all investments made, including the consideration of ESG and sustainability risks. The ESG Integration and Sustainable Investing Policy was most recently updated in December 2024.

Consideration of PAI indicators, including scope, data sources, selection and monitoring, is undertaken in adherence with the M&G Luxembourg Principal Adverse Impact Reporting Standard (PAI Reporting Standard). The PAI Reporting Standard was most recently updated in January 2025. M&G Luxembourg considers PAI indicators alongside other sustainability factors and sustainability risks.

Governance in relation to policies

The M&G Investments' ESG Integration and Sustainable Investing Policy is owned by the Chief Executive Officer (CEO) of M&G plc's Asset Management business. The policy is refreshed at least annually, the version in place at the end of the reporting period was published in December 2024. Any changes require approval at the M&G Group Limited (MGG) Executive Committee, which has delegated authority for ESG matters from the MGG Board. Responsibility for ESG across all of MGG's activities (including M&G Luxembourg) lies with the MGG Executive Committee and their delegated committees.

The PAI Reporting Standard is owned by the Conducting Officer for M&G Luxembourg's Portfolio Management. The PAI Reporting Standard is refreshed at least annually, the version in place at the end of the reporting period was published January 2025. Any changes will be approved by M&G Luxembourg as required.

Methodologies to select indicators

In addition to the 18 mandatory PAI indicators (14 relating to investee companies, two to sovereigns and supranationals and two to real estate assets) outlined within this statement (in Table 1 above), the SFDR requires that at least two additional opt-in indicators are identified and reported with at least one related to environmental factors and the other to a social factor. M&G Luxembourg has selected four additional opt-in indicators – one environmental and three social factors (as per Table 2 and 3 above).

The process to identify, assess and select additional PAI indicators is set out within an internal standard on PAI reporting, which is reviewed by M&G Luxembourg annually. For 2024, the PAI indicators have been kept the same as those reported for 2022 and 2023.

These indicators have been chosen based on three main factors:

- Data Availability: to ensure there is, and will continue to be, sufficient, accurate and meaningful coverage for reporting.
- Materiality: the applicability of the indicators for the entire asset base to ensure that the data provided is meaningful and insightful at both an aggregate and individual level. Materiality also accounts for the probability of occurrence and the severity of those PAIs, including their potentially irremediable character.
- Ongoing Relevance: the indicators selected are binary rather than relative which means that the data is likely to be consistent year on year and the indicators will stay relevant. This allows for a forward-thinking approach to the collection of principal adverse impact data to ensure comparability across sectors and asset classes. The binary nature of the indicators demonstrates the presence or absence of key management controls which are indicative more generally of the strength and effectiveness of the investee's governance.

The additional opt-in indicators selected provide broad coverage for the entire asset book and capture the material occurrence of significant environmental, social and governance issues. This selection will be reviewed annually by considering the above factors, which recognise the value that principal adverse impact indicators provide in aggregate whilst also considering the availability of data, materiality and ongoing relevance of occurrence across the portfolio.

Margin of error

The calculation of PAIs is based on the average of the adverse impacts of M&G Luxembourg's investments at the end of each quarter (31 March, 30 June, 30 September and 31 December). The intention behind the use of at least four data points is to capture the change in investments across a given financial year, as some investments may not be held from beginning to end of the period in consideration, and their relative weights may change across time.

The PAI indicator values provided are not an aggregation of the entire adverse impact of the entity, but the aggregation of the impacts caused by exposures to different types of asset classes (investee companies, sovereigns and supranational or real estate assets) in the relevant indicators. To provide greater transparency when assessing the adverse impacts, 'Coverage' is provided against each indicator. Coverage is calculated as follows:

Coverage % = Value of investments where data is available / Value of eligible assets.

Eligible assets % = Value of investments applicable to that indicator, eg all sovereign holdings for sovereign metrics, all direct real estate holdings for real estate asset metrics etc.

The methodology to identify PAIs is always subject to data availability and quality. M&G Investments, who produce PAIs on behalf of M&G Luxembourg, are reliant on the quality of data received from third-party data providers, though continuously strive to improve data coverage and data quality. To the extent possible, data reported by investee companies is prioritised, this is done in order to minimise the reliance on third-party estimations, improving the overall quality of the data M&G Investments uses as input in its investment and active ownership processes. Where reported data is not available or of adequate quality, M&G Investments may choose to use proxy data provided by third-party data providers if it believes this is of a robust and meaningful quality. Additional context on limitations in the calculation of PAIs can be found in the 'Interpretation Guidance' section of this statement.

Data sources

To generate the PAI values for M&G Luxembourg data is collected by M&G Investments for each investment. M&G Investments' PAI methodology applies a range of data, including values, scores and weights sourced from investee companies, internal proprietary research and policies and several third-party data providers including; MSCI, Bloomberg, Dasetti, Findox and Apex. For a given indicator, multiple data sources may be used.

M&G Investments' approach to PAI calculations is that they should be based on the latest available information on the impacts of the investee companies. Therefore, the provision of data by undertakings on a quarterly basis is not a pre-requisite to perform at least four quarterly calculations and data relating to previous reporting periods may be used in the calculation of PAIs.

Engagement policies

M&G Investments believes that the long-term success of companies is supported by effective investor stewardship, which includes the integration of sustainability considerations into its strategy and high standards of corporate governance. M&G Investments' preference is to engage rather than divest in order to support and, where possible, accelerate the transition for an issuer on key ESG risks, or on improving their approach to meet customer and stakeholder expectations. The M&G Investments Engagement Policy details the engagement approach and covers all funds and portfolios managed, whether directly or via a delegation, by M&G Luxembourg. M&G Investments are signatories to the UK Stewardship Code 2020 and as a result see growing regulatory and client expectations as stewards of client assets. M&G Investments' Annual Stewardship Report sets out adherence to the UK Stewardship Code, and highlights M&G Investments engagement, voting and other responsible investment activities. For more information on M&G Investments and the UK Stewardship Code, please see the M&G Investments Annual Stewardship report.

M&G Investments' engagements form an integral part of how we integrate environmental, social and governance (ESG) considerations in our investment process. We subscribe to the definition of engagement, endorsed by the United Nations Principles of Responsible Investment (UN PRI), as interactions between the investor and current or potential investees to influence ESG practices and/or improve ESG disclosure. We engage with companies to add value to the investment process or provide feedback to the company, focussing on achieving positive real world outcomes. Our preference is to engage rather than divest in order to support and, where possible, accelerate the transition for an issuer on key ESG risks, or on improving their approach to meet customer and stakeholder expectations. As such, the M&G Investments Engagement Policy is consistent with, and closely linked to, M&G Investments' ESG Integration and Sustainable Investing Policy.

M&G Investments' Stewardship & Sustainability (S&S) team is an advocate of responsible share ownership and oversees our stewardship of the companies in which we invest. Active voting is an integral part of our investment approach, which is why we believe exercising our votes adds value and protects our clients' interests as shareholders. For more information on M&G Investment's voting, please see the M&G Investments voting policy.

Of the 14 mandatory corporate and four optional PAI indicators established by SFDR, M&G Investments systematically engages with investee companies on nine PAI indicators, as described in Table 4. These nine are the current focus of M&G Investments' top down engagement programmes, and we will consider other PAI indicators on a bottom-up basis.

Table 4: Engagement on PAI Indicators

Adverse sustainability impact	Metric	Engagement
1. GHG emissions	Scope 1, 2 and 3 emissions and Total GHG emissions	M&G Investments' climate approach is built around three levers – grow, align and reallocate – focused on supporting companies across sectors and regions to identify and manage climate-related risks. 'Grow' focuses on growth in funds and assets that support climate goals. 'Align' involves active engagement with high-emitting companies and assets to seek robust transition plans aligned with climate goals. M&G Investments have developed a Transition Assessment Framework, designed to assign portfolio companies an 'alignment level' based on the robustness and ambition of their GHG emissions targets and transition plans. Across public markets, M&G Investments have established an engagement threshold target to ensure 70% of in-scope financed emissions are either the subject of direct or collective engagement, or assessed to be 'net zero' or 'aligned' with a net zero pathway using this framework. Where engagement fails, 'reallocation' away from assets exposed to elevated risks will be considered.
2. Carbon footprint	Carbon footprint	
3. GHG intensity of investee companies	GHG intensity of investee companies	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	
5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and nonrenewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	
6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	

Table 4: Engagement on PAI Indicators

Adverse sustainability impact	Metric	Engagement
04. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	M&G Investments have run a top-down climate engagement programme since 2020 for investee companies in both developed and developing markets, focusing on strategy, disclosure, goals and targets to achieve decarbonisation. The engagement programme now follows a six-stage process: research and objective setting, initiation of requests, recognition of requests, commitment to act, interim progress review, resolution or escalation. Through the 'Hot 100' programme holdings are mapped to determine a targeted climate engagement list, based on the top 100 highest emitters and largest M&G Investments-wide exposure in listed equities and fixed income. Climate-related engagement activity is focused on this list of issuers.
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	Global Norms violators are excluded from all funds which are classified as Article 8 and 9, in line with the approach outlined in the funds' prospectus. For other strategies, Global Norms violations are a key engagement trigger, and portfolios are monitored for such violations, using a variety of data and ongoing controversy monitoring. For funds without an exclusion, we seek to positively influence company behaviour, encourage the remediation of issues and prevent reoccurrence.
13. Board gender diversity	Average ratio of female to male board members in investee companies	M&G Investments engages on board diversity where companies are failing to meet their minimum expectations, as laid out in the M&G Investments Voting Policy. For those boards, where improvement is not forthcoming, escalation includes voting against relevant directors at annual general meetings.

References to international standards

M&G Luxembourg, along with other M&G plc entities, adhere to the following responsible business conduct codes and internationally recognised standards for due diligence and reporting.

Global norms (UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights and the International Labour Organization's Fundamental Conventions)

As an asset manager, M&G Investments supports and encourages adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption. These norms are codified in various sources and represent best practices supporting a sustainable society, and M&G Investments believe adherence will result in the best outcomes for clients in the long term. M&G plc has signed the United Nations Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises. Overall, the United Nations Universal Declaration of Human Rights, the International Labour Organization's (ILO) labour standards, the UN Guiding Principles on Business and Human Rights (UNGPs), the UNGC and the OECD Guidelines for Multinational Enterprises outline minimal behavioural standards. These requirements apply to all parts of M&G plc including M&G Luxembourg.

In all Article 8 and 9 Funds, issuers deemed to be in breach of global norms are excluded from the investment universe, in line with the approach outlined in the funds' prospectus. To identify potential breaches within publicly traded investments, M&G Investments utilises internal expertise, supported by norms-based screening data from several vendors, including specialist advisors, to identify companies that violate global norms in the areas of human rights, labour standards, environmental standards and anti-corruption. These cases are assessed via M&G Investments' Global Norms process, and are voted on by the Global Norms Committee, using a principles- and evidence-based approach to create the final exclusion list in alignment with recognised global norms frameworks, eg UNGP, ILO, EU OECD ME. For private assets, assessment of adherence to global norms would be considered on the same principles and processes and assessed as part of asset sourcing and due diligence processes.

M&G Investments' Stewardship & Sustainability team monitors, on an ongoing basis, for new cases or potential breaches with the ability to add new names to the list at any point. For privately traded investments, M&G Investments uses internally conducted analysis as part of due diligence to determine whether a company is in breach of the global norms. If they are considered in breach, they would be considered for exclusion using the same guidelines and governance process described above and an outcome would be decided through voting of the Global Norms Committee.

Data sources used to assess PAIs and compliance with M&G Investments exclusions (eg controversial weapons) or fund specific exclusions (as set out in the fund documentation) include: Bloomberg, MSCI, Findox, Dasetti, analyst due diligence and on-going assessment of controversy.

M&G Investments continues to factor Global Norms considerations into the investment process, through research analysis and via the use of exclusion and engagement at the discretion of the Global Norms Committee.

Link to sustainability indicators

The PAIs detailed below are used to measure adherence to the respective standards:

UN Global Compact:

- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 15: Table 1)
- Lack of a human rights policy (PAI 9: Table 3)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 3)

UN Guiding Principles on Business and Human Rights:

- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 3)
- Lack of a human rights policy (PAI 9: Table 3)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 3)

OECD Guidelines for Multinational Enterprises:

- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 3)
- Lack of a human rights policy (PAI 9: Table 3)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 3)

ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy:

- Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 3)
- Lack of a human rights policy (PAI 9: Table 3)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 3)

Convention on cluster munitions:

- Controversial weapons (PAI 14: Table 1)

Paris Agreement

We support and advocate for an orderly transition to net zero, in line with the Paris Agreement. M&G Investments is a signatory to the Net Zero Asset Managers Initiative and committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. M&G Investments has published interim targets, initially focused on reducing financed emissions, however in 2024 M&G Investments developed a new 'asset alignment' target to track the proportion of assets that are assessed to be 'net zero', 'aligned' or 'aligning' by 2030. More detailed information can be found within the **2024 M&G plc Annual Report and Accounts.**

Data sources used to assess PAIs and compliance with M&G Investments' broader climate commitments and targets include: Bloomberg, MSCI, Findox, Science- Based Targets Initiative, CA100+, Carbon Disclosure Project, as well as proprietary tools and research assessments (eg, Net Zero Investment Framework, Climate Transition Leaders Lists, Coal Tool, ESG Scorecard).

Link to sustainability indicators

Climate indicators:

- Greenhouse gas emissions (PAI 1-6, Table 1, plus additional indicator 4. Investments in companies without carbon emission reduction initiatives, Table 2)

In addition to the PAI climate indicators, a range of other climate indicators are captured for use as part of investment decision making as well as for other reporting across M&G plc. M&G Investments also undertake climate scenario analysis on our public asset portfolios, which acts as a useful tool for interrogating and understanding how climate-related developments could impact the assets we manage. The scenarios used are based on Network for Greening the Financial System (NGFS) scenarios. Further details on these metrics and outputs of the scenario analysis are disclosed in the 'Climate-related disclosures', detailed on page 81 of the 2024 M&G plc Annual Report and Accounts.

Historical comparison

Investee companies

For emissions based PAIs 1-3, despite an increase in coverage as more companies undertake greenhouse gas reporting, there has been an overall decrease in the year driven by the lower Scope 3 emissions. Scope 3 emissions data has proven difficult for many companies to accurately source, and efforts to improve reporting in this area have resulted in fluctuating results which may not reflect real world movements. We expect fluctuations in data to stabilize over time as quality and accuracy of Scope 3 emissions data improves. The fall in emissions and higher coverage achieved for Scope 1, 2 and 3 emissions are both contributing factors to the lower impacts for both carbon footprint and GHG intensity of investee companies.

For fossil fuel and energy related PAIs 4 and 5 there has been little movement, other than small improvements in coverage where data availability has increased over time. However, the metrics included in PAI 6 that relate to energy consumption intensity have lower coverage, as they measure a subsection of our investee company portfolio, and therefore are more impacted by changes in coverage (both in terms of portfolio change and availability of data) as well as changes in underlying data from individual issuers. The movement in energy use for the 'water supply, sewerage, waste management and remediation activities' sector is partly due to a high energy consuming company ceasing operations and dropping out of scope during the year. We consider the data availability through our third-party data providers to be particularly immature for these indicators so comparisons between reporting periods should not be made.

PAI 7 – share of investments with activities negatively affecting biodiversity sensitive areas has increased significantly due to a change in the data point selected from our thirdparty vendor. During 2024 the data vendor changed the methodology used to calculate the existing metric, which resulted in a new output that was no longer fit for use. This prompted M&G Investments to select a new data point to calculate PAI 7, which has resulted in the much higher impact measured for 2024. This movement is not reflective of real world changes in activities negatively affecting biodiversity sensitive areas and due to the change in data points the result for 2024 cannot be compared to prior years.

This year we have improved waste data coverage relating to PAI 9 via our third-party data vendors. This increased data availability has resulted in a full year of coverage for one high impact issuer which has increased the result for this impact.

A number of PAIs 10-14 covering social factors have improved slightly year on year, reflecting and increased focus across the board in this topic. However, PAI 11 the share of investments lacking processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises has decreased significantly due to the change in the underlying third-party data provided to M&G Investments, as highlight above. This movement is not reflective of real world changes in processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises and due to the change in data points the result for 2024 cannot be compared to prior years.

Results for additional PAIs 4, 1, 9 and 15 have fluctuated, despite improved coverage in 2024. These metrics are limited in that the data used to calculate these metrics is based on reported targets and policies only. For additional PAIs 1, 4 and 15 in particular the improvement in these metrics is in part due to a change in the underlying third-party data provided to M&G Investments. During 2024 one third-party data provider undertook a number of updates to the data they provide that feed into additional PAIs 1, 4 and 15. These changes included data cleansing and historical corrections, updates to data coverage and completion of data sets for prior periods. These movements are not reflective of real world impacts and due to the changes in data the result for 2024 cannot be compared to prior years.

Sovereigns and supranationals

The reduction PAI 15 is aligned to a changes in the overall portfolio of sovereigns and supranationals and may not reflect real world movements in GHG intensity of investee countries.

PAI 16 has remained stable compared to the size of the portfolio.

Real estate assets

Our exposure to fossil fuels from real estate assets, measured through PAI 17, remains minimal. In 2024 the exposure to fossil fuels through real estate assets is via petrol stations associated with supermarkets. The exposure to energy-inefficient real estate assets shows a positive decrease in 2024.

Coverage for PAI 17 has fallen in 2024. This is due to an updated process to calculate these metrics, which has resulted in additional assets being classified as real estate in 2024, had this process been in place in prior years coverage would have been closer to 2024 values.

The metric for PAI 18 has increased as we have aligned more closely to our real estate methodology for identifying investments in scope of EPC and NZEB rules.