

Sustainability-related disclosures

European Specialist Investment Funds - M&G Sustainable European Credit Investment 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 strategy to achieve a Positive ESG Outcome (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology. Cash may be treated as aligned to the Exclusionary Approach promoted characteristic where it is placed on term deposit with institutions or invested in money market funds which pass the Investment Manager's ESG quality threshold ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives.

The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than an index used as a proxy for its investment universe ("Positive ESG Outcome"). The Fund's calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.

In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe. 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

Sustainability considerations, encompassing ESG factors, are fully integrated into analysis and investment decisions, and play an important role in determining the investment universe and portfolio construction.

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 assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager's assessment, lower scoring issuers classified as ESG laggards are excluded.
3. From this narrowed investment universe, the Investment Manager 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 typically results in a portfolio with better ESG characteristics. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe.

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 80% of the Fund to be aligned to the promoted E/S characteristics. At least 51% of the Fund will be in Sustainable Investments.

The Fund is permitted to use derivatives and collective investment schemes to achieve its promoted environmental or social characteristics. However, typically most 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 Outcome is monitored on a post trade basis as a reporting tool to assess whether or not the Fund's investment strategy is delivering the expected outcome. 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 and to assist in delivering more sustainable outcomes. This is achieved by applying the “Sustainable Baseline” set out in Annex 2. The restrictions in the Sustainable baseline do not apply to “other investments” purchased for hedging purposes or in connection with cash held for ancillary liquidity.

Due to the application to the ESMA Naming Guidelines, the Fund applies the exclusion criteria for the Paris-Aligned Benchmark (PAB) set out in Annex 3.

The Fund applies stricter definition than described in the Sustainable baseline and Paris-aligned benchmark criteria for the following exclusion:

- Controversial weapons definition includes all nuclear weapons.

In addition, the Fund excludes:

- companies involved in the production of nuclear power. A 5% revenue threshold for nuclear power activities is applied.
- companies involved in the production and/or distribution of alcohol for consumption. A 5% revenue threshold for producers and a 10% revenue threshold for distributors is applied.
- cash placed on term deposit with institutions or invested in money market funds that fall below the Investment Manager's ESG quality threshold. This is based on the assessment of the relevant financial institution or money market fund for factors indicating its ESG credentials.
- issuers considered to be ESG laggards. The Fund may also invest up to 10% of its rateable net asset value in securities which do not have an external or internal ESG rating. This flexibility is expected to be primarily used for new issues, which have yet to have been assigned an external or internal ESG rating.

The Fund typically has a higher weighted average ESG rating and will target a lower weighted average carbon intensity by 15% or more than the investment universe of EUR-denominated Investment Grade corporate bonds as represented by the ICE BofAML Euro Corporate Index. The Fund's calculation methodology does not include those securities that do not have carbon intensity data, or cash, near cash, some derivatives and some collective investments schemes.

In addition to adhering to the Investment Manager's ESG cash quality threshold, term deposits must comply with the Towards Sustainability Quality Standard for financial institutions to be classified as contributing to the environmental and/or social characteristics promoted by the portfolio.

This section and the annexes from Annex 2 onwards outline exclusions and restrictions applied by the Fund. Where exclusions overlap, the strictest restriction will apply.

The Fund has the Towards Sustainability label and also applies the Towards Sustainability Quality Standard Criteria set out in Annex 4.

Investment Universe Reduction

After applying the exclusions outlined above, the original investment universe is expected to be reduced by a minimum of 10%.

ESG Criteria – Approach to Exclusions

Please note that this section does not apply to exclusions listed in Annex 3 - ESMA Naming Guidelines 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. De minimis is defined mathematically as rounding down against the stated threshold. For example, if a threshold is stated without decimal places, de minimis would be a value of less than 0.5%.
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
		6i	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE I
		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.

Sovereigns and Supranationals	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
	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	Yes
Fossil fuels exclusions test	Planet+ baseline	Sustainable baseline
Exclusion Criteria		
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	
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%	A 5% combined threshold for fossil fuel revenues from these sources applies.
Carbon-Intensive Power Generation Companies that derive revenues from the following activities are excluded: <ul style="list-style-type: none"> coal-fired power generation. oil or gas-fired power generation. 	N/A	
Where such exclusion applies, revenues are tested against the threshold set out for the relevant baseline.		

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: <i>Key Counterparty</i> <i>Underlying assets</i>	No sector exposure permitted Max 10% combined exposure to the above sectors	No sector exposure permitted 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	For sustainable investments, "DNSH" standard applies. For remaining investments, Planet+ baseline exclusions apply
Environmental tests Governments that pass the social tests are subject to further tests to assess their environmental credentials.	N/A	For sustainable investments, "DNSH" standard applies. For remaining investments, Planet+ baseline exclusions apply

Annex 3 - ESMA Naming Guidelines Exclusions

The exclusion criteria for the Paris-Aligned Benchmark (PAB) or Climate Transition Benchmark (CTB), as outlined below, are mandated by the ESMA Naming Guidelines¹ for funds using ESG and sustainability-related terms in their names. In addition to applying PAB exclusions where required by the ESMA Naming Guidelines, M&G Investments may opt to apply PAB exclusions to funds not mandated to do so, such as those with a social term in their name.

The exclusions listed below apply as additional features of the Fund's ESG Criteria.

Social		
Exclusion Criteria	CTB	PAB
Controversial Weapons		
(a) companies involved in any activities related to controversial weapons. ²	0%	0%
Where such additional exclusion applies, revenues are tested against the threshold set out in the table.		
Tobacco		
(b) companies involved in the cultivation and production of tobacco.	0%	0%
Where such additional exclusion applies, revenues are tested against the threshold set out in the table.		
UNGC and OECD		
(c) companies that benchmark administrators find in violation ³ of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.	Yes	Yes

Environmental		
Exclusion Criteria	CTB	PAB
Thermal Coal		
(d) companies that derive revenues from exploration, mining, extraction, distribution or refining of hard coal and lignite.	N/A	1%
Where such additional exclusion applies, revenues are tested against the threshold set out in the table.		
Oil		
(e) companies that derive revenues from the exploration, extraction, distribution or refining of oil fuels.	N/A	10%
Where such additional exclusion applies, revenues are tested against the threshold set out in the table.		
Gas		
(f) companies that derive revenues from the exploration, extraction, manufacturing or distribution of gaseous fuels.	N/A	50%
Where such additional exclusion applies, revenues are tested against the threshold set out in the table.		
GHG Intensive Power Generation		
(g) companies that derive revenues from electricity generation with a GHG intensity of more than 100g CO2 e/kWh. ⁴	N/A	50%
Where such additional exclusion applies, revenues are tested against the threshold set out in the table.		

1 ESMA34-472-440 Final Report Guidelines on funds' names using ESG and sustainability-related terms' published on 14 May 2024.

2 Controversial weapons means controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation. These include 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 and non-detectable fragment weapons.

3 Companies 'assessed to be in violation' mean companies that are found to be in severe, repeated and/or systemic breach of the United Nations Global Compact (UNGC) principles or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

4 Due to data limitations, screening for GHG intensity directly may not be practical, therefore the Manager may monitor revenues from the sources of power generation that are known to have GHG intensity exceeding 100g/kWh (typically power generation from combustion, e.g. fossil fuels) as a proxy. Where for a particular company it can be evidenced that emissions are below 100g/kWh it is allowed as an investment even if it falls under one of monitored sources of power generation.

Application to asset-backed securities

Due to data limitations on asset-backed securities, look-through to underlying assets based on revenues is not feasible. Therefore, sector classification of underlying assets and key counterparty is used as a proxy. Based on this information, assets with exposure to excluded sectors are not permitted for investment.

Application to the use of proceeds instruments

European Green Bonds that have been issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631) do not need to be assessed under the exclusions outlined in this Annex. In respect of investments in other use of proceeds instruments, the exclusions outlined in this Annex will be applied to the bond proceeds, with the exception of the UNGC and OECD exclusions, which will be applied to the bond issuer.

Annex 4 - Towards Sustainability Quality Standard

The Towards Sustainability label sets out certain requirements in its Quality Standard which the Fund seeks to comply with. This includes a number of additional sector-based exclusions which are summarised below. The precise interpretation of these exclusions is a matter for the Central Labelling Agency (CLA) and the label "Verifier" it appoints. As a result, there may be occasions where the CLA and/or Verifier agree an interpretation in respect of a specific investment that differs from the below summary. For example, an investment may be considered to have an equivalent feature to one of the summarised items which the CLA/Verifier agree can be used as an alternate despite it not being stated below. The Fund is required to comply with section 3.2 (Tobacco), 3.3 (Weapons) 3.4 (Coal), 3.5 (Unconventional Oil and Gas), 3.6 (Conventional Oil and Gas) and 3.7 (Power Generation) of the Quality Standard. A summary of each section as it applied at the date of this document is in the table below.

Environmental	
Issue	Towards Sustainability Quality Standard Criteria
Coal ^[1]	<p>The Fund excludes companies that are increasing absolute production or capacity for thermal coal-related products or services; are involved in coal exploration or in the exploitation or development of new coal mines; or have more than 25% of their revenue from bespoke products, equipment or services dedicated to enabling such business activities and also meet at least one of the following criteria:</p> <ul style="list-style-type: none"> · Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment · Have an annual thermal coal production less than 10Mt and derive less than 5% of their revenues from coal related products or services except for transportation for which the revenue threshold is 10%. · Have less than 10% of CapEx dedicated to thermal coal-related activities and not with the objective of increasing revenue · Have more than 50% of CapEx dedicated to contributing activities
Conventional Oil and Gas	<p>The Fund excludes companies that are involved in exploration or in the exploitation or development of new oil or gas fields; or have more than 25% of their revenue from bespoke products, equipment or services dedicated to enabling such business activities and meet at least one of the following criteria:</p> <ul style="list-style-type: none"> · Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment · Have an emissions intensity aligned with 1.5°C target · Derive less than 5% of their revenues from oil and gas-related activities · Have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue · Have more than 15% of CapEx dedicated to contributing activities
Unconventional Oil and Gas	<p>The Fund excludes companies that are increasing absolute production or capacity for unconventional oil and gas; are involved in exploration or in the exploitation or development of new unconventional oil or gas fields; or have more than 25% of their revenue from bespoke products, equipment or services dedicated to enabling such business activities and also meet at least one of the following criteria:</p> <ul style="list-style-type: none"> · Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment · Derive less than 5% of their revenues from unconventional oil and gas-related activities · Unconventional oil and gas production is less than 5% of total oil and gas production. · Have more than 50% of CapEx dedicated to contributing activities
Power Generation	<p>The Fund excludes companies which are (a) involved in building new coal fired power stations; or (b) generate more than 5 gigawatts of power or heat from non-renewable energy sources and their absolute production of, or capacity for, coal-based products/services is structurally increasing.</p> <p>And meet at least one of the following criteria below:</p> <ul style="list-style-type: none"> · Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment · Have a carbon intensity aligned with 1.5°C target · Derive less than 5% of their revenues from power generation or heat from non renewable energy sources · Derive more than 50% of their revenues from contributing activities · Have more than 50% of CapEx dedicated to contributing activities

* The Science Based Targets initiative (SBTi) is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide fund for Nature (WWF).

^[1] These exclusions apply to issuers involved in the exploration, extraction (incl. mining), distribution (incl. transportation) and refining of thermal coal, conventional and unconventional oil and gas, or providing dedicated equipment or services therefor.

Social	
Issue	Towards Sustainability Quality Standard Criteria

Tobacco The Fund excludes companies that (a) generate more than 5% of revenue from the production and wholesale trading of tobacco and products containing tobacco or e-cigarettes or (b) have more than 25% of their revenue from enabling such activities with bespoke products, equipment or services.

The Fund excludes companies involved in "controversial or indiscriminate weapons" and "other weapons" as follows:

Weapons Controversial or indiscriminate weapons: The Fund may not invest in companies involved in the manufacturing, sale or import and export of anti-personnel mines, sub-munitions, inert ammunition, chemical and biological weapons, nuclear weapons outside of the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser and non-detectable fragment weapons. A 0% revenue threshold applies.

Other weapons: The Fund excludes companies that (a) generate more than 5% of revenue from defence and 'other' weapons; or that (b) have more than 25% of their revenue from enabling such activities with bespoke products, equipment or services.

Qualitative ESG Considerations

We will prioritise engagement on factors we identify as materially affecting an issuer's ability to deliver long-term sustainable performance and value to our clients. This enables us to manage risks effectively and improve ESG standards across the fund's portfolio.

The following considerations form part of our qualitative security selection investment process:

Qualitative ESG considerations

Issue	Rationale	Criteria
Biodiversity	Biodiversity and the ecosystem services it provides are fundamental to human well-being, a prosperous society and a healthy planet. However, global biodiversity is declining rapidly due to human activities including land-use change, pollution and climate change as well as increasing pressure on natural resources on account of population growth. Biodiversity loss and ecosystem collapse are now recognised as one of the top global risks in terms of likelihood and impact, affecting all geographies, sectors, economies and societies.	<p>We recognise biodiversity loss as a material financial risk. Where significant, as part of our investment analysis, we include the assessment of sector-specific biodiversity loss indicators to evaluate ESG risks and opportunities and inform our decision making. Impact on biodiversity is complex and can be direct, such as through mining, agriculture or forestry, or in supply chains of our investments, for instance in chemicals or consumer goods.</p> <p>Similar to climate, we believe stewardship to reach sustainable use of our natural resources is often the best approach. We engage with our investees to encourage the adoption of credible sustainability plans with targets for impact reduction on biodiversity and sustainable use of natural capital, including the request for environmental metrics disclosure and evidencing of remedial actions taken to support our informed investment decision making. This can be bilateral or through collective action groups such as our membership in Nature Action 100+.</p> <p>Unsustainable deforestation is one of the largest negative impacts on biodiversity and we actively engage to minimise deforestation and integrate company approaches to this vital area into our investment analysis.</p> <p>Further information on our approach to natural capital can be found here: https://www.mandg.com/sustainability/climate-change#natural-capital-module</p>
Water use	Water underpins planetary sustainability and is essential to secure food, livelihoods, a healthy climate and environment as well as to achieve the UN Sustainable Development Goals. Global demand for the finite amount of global freshwater is increasing with population growth, whilst climate change and unsustainable production and consumption processes are reducing the amount and quality of available freshwater. Indeed, less than 1.5% of the earth's water resources are available for human use.	As a critical resource water usage is often a material investment factor. We further recognise that it can lead to systemic issues and links to other areas such as climate change and biodiversity. Accordingly, water risks and the quality of water governance associated with our investments may be considered materially impacting on returns in our investment analysis including efforts to recycle and reduce usage.
Sovereign Issuers	Countries that perpetrate, violate and infringe international human rights standards do not support socially responsible investment practices.	As an investor, we are politically neutral. We prohibit any activity or investment that is against the law in any of the countries in which we operate across our entire group. We are committed to working with our stakeholders, including our investees, towards eradicating slavery, human trafficking, child labour and other human rights abuses. Therefore, we take politics into consideration where they may impact human rights, the rule of law, fairness and equality and where

		local and/or geopolitical risk impacts the risk/return profile of an investment through our proprietary sovereign framework. Where applicable the fund excludes sovereign investment in line with the Towards Sustainability standards.
Taxation	Taxes are essential to ensure consistent funding and provision of public services including healthcare, education and infrastructure. As such, the enforcement and transparency of appropriate payment of corporate taxes has a direct link to people's quality of life.	We expect firms to pay the legal amount of taxes due in line with the spirit of the law pertaining to the jurisdictions in which they operate. We strive to ensure that companies in our investment universe adhere to responsible and transparent corporate tax practices. Where necessary, we request disclosure and evidence of compliance throughout diligence, pre-trade and the holding period. As a company, we also abide by the M&G Plc Tax Strategy, which is available via the following link: https://www.mandg.com/who-we-are/policies
Death penalty	The death penalty is a controversial issue as penal execution remains legal in many countries. It is associated with human rights violations, with particular regard to the right to life and the right to live free from torture or cruel or degrading treatment and punishment. Further, it is often applied within discriminatory and distorted judicial systems, and carries the inherent risk of executing an innocent person.	As investors, we are politically neutral. However, we take politics into account where they may impact human rights, the rule of law, fairness and equality. Investments in companies or countries associated with death penalty participation are considered within our wider assessment and analysis of their impact on human rights. Unless association with death penalty presents a client-mandated exclusion criteria, it may not implicitly constitute a restriction on the investment universe.
Pollution & waste	Pollution and waste, including contamination of air, land and water, are one of the main drivers of climate change and biodiversity loss. At the current rate of consumption, humanity would require 1.7 Earths to provide the resources we need and to absorb our waste. There is an urgent need for global, systemic change toward sustainable production and consumption globally in order to responsibly manage and reduce excessive levels of pollution and waste in a fair and equitable way.	M&G as a responsible long-term investment manager understands the need for sustainable production and consumption methods globally which share associated costs and benefits fairly (please see the Just Transition statement: mgplc-just-transition-position-april-24.pdf (mandg.com)). A divestment-first approach of polluting companies is unlikely to achieve the sustainable economic transition the world requires. Instead, we actively support companies in their transformation to green or circular business models through engagement and capital allocation, and, where appropriate, encourage the disclosure of environmental metrics and ambitious targets to reduce any negative impacts. This includes single use plastics, which we encourage minimal use of where possible at our investee companies and support recycling efforts alongside investment in solutions.
Gender & diversity	We believe that consideration of gender and diversity in investment decision-making is critical to long-term sustainability, growth and innovation. Diversity encompasses many axes, and it is critical not to reduce the concept to a number of representation targets solely along gender and ethnicity lines. We believe in the fundamental principle of equality of opportunity for all.	The policies and stated objectives instituted to support diversity and inclusion as well as evidence of action are qualitatively considered prior to investment. As appropriate, we directly engage with our investee management teams on diversity and inclusion practices and, where we have an equity vote, execute the right to vote in line with our expectations to the company's diversity and inclusion standards. Relevant cultural and regulatory contexts in local labour markets are evaluated and considered in investment decisions as appropriate. As a Group priority, diversity is considered a main theme for assessment across our investments. Our voting standards related to diversity can be found under stewardship in our voting policy here: https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments
Forward contracts on agricultural commodities	Speculating on agricultural commodities prices through forward contracts can lead to high price volatility in the underlying produce. This has the potential to greatly diminish the pay of those working in the industry who are very vulnerable to price changes and highly dependent on the income received from these goods. Moreover, investing in agricultural forwards, as opposed to the companies themselves, evades the responsibility of ensuring those working in the industry have fair and humane working conditions.	The fund does not invest in forward contracts on agricultural commodities.

Please note that the award of the Towards Sustainability label does not imply that this fund meets your own sustainability objectives, nor that the label complies with

future national or European regulations. For more information, including a full copy of the Quality Standard, please visit: <https://towardssustainability.be/> . Additionally, the Towards Sustainability label is valid for a limited period of time and subject to reassessment.