

M&G Property Portfolio

Climate Report as at 31 December 2022

Climate-related Financial Disclosures

This report is designed to help you understand more about the impact this fund has on the climate and will give you the ability to compare a range of climate metrics with other funds. A glossary of terms used in this document can be found here- [TCFD Glossary](#).

The report is based on the recommendations set out in the global standards set by the Task Force on Climate-related Financial Disclosures – (TCFD). The report sets out a range of different climate metrics that can be used to assess climate related risks and opportunities associated with the fund.

We recognise that the investments within the fund could have an impact on climate change and equally, climate change could influence the performance of investments in the fund. To understand the governance, strategy and risk management that M&G Investment has in place to manage the risks and opportunities related to climate change, please refer to the [M&G Investments Entity TCFD report](#).

Although the fund doesn't consider climate change as part of its investment approach, the Investment Manager will follow M&G's in-house climate policies. The fund continues to participate in theGRESB Real Estate Assessment - a global ESG benchmark for real estate. This requires evaluation and reporting of emissions within the portfolio based on asset level information, and throughout the value chain.

The climate metrics are only provided if reliable climate data and appropriate methodologies are available. Where a type of asset class is not a material proportion of the total fund value, less than 5%, then climate metrics are not provided. The fund emissions are taken from a third party provider that estimate emissions for approximately one third of the assets where reported emissions are not available.

Definition of climate metrics

Financed Carbon Emissions (FCE)

Represent the total financed greenhouse gas (GHG) emissions associated with the fund. The larger the number, the more it is contributing to the effects of climate change. The FCE is directly related to the size of the fund and therefore it is difficult to use to compare across funds.

tCO₂e Refers to tonnes of carbon dioxide (CO₂) equivalent. There are a number of greenhouse gases which warm the earth with different intensity levels. Rather than providing metrics for each gas they are converted into tCO₂e for reporting.

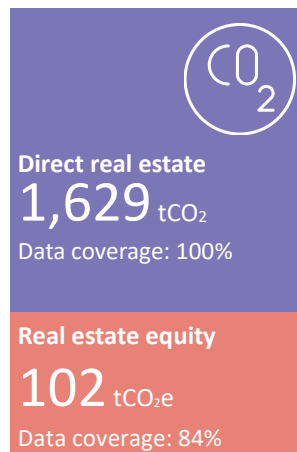
Scope 1 emissions are the direct emissions associated with the business operations e.g. a utility company's emissions from combusting fuel.

Scope 2 emissions are the indirect emissions associated with the business' heating/power requirements e.g. a software company's emissions from buying electricity.

Climate metrics for the fund investments

Financed Carbon

Emissions: tCO₂e, tCO₂



Data coverage

The data coverage ratios for this particular metric for all asset classes is sufficient to be relied upon. Any data gap is likely to be as a result of climate or financial data not being reported for the underlying asset types. Lower data coverage results in reduced reliability for this climate metric.

Direct real estate FCE represents the absolute scope 1+2 greenhouse gas (GHG) emissions of the fund

Carbon Footprint (CF) refers to financed carbon emissions divided by the fund's market value, expressed in tCO₂e/£m invested. The larger the number, the more it is contributing to the effects of climate change. CF can be used to compare across different funds.

Carbon Footprint:
tCO₂ / £m invested,
tCO₂e / £m invested



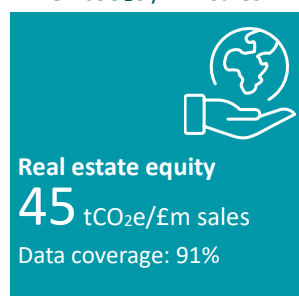
Data coverage

The data coverage ratios for this particular metric for all asset classes is sufficient to be relied upon. Any data gap is likely to be as a result of climate or financial data not being reported for the underlying asset types. Lower data coverage results in reduced reliability for this climate metric.

Direct real estate CF represents the absolute scope 1+2 greenhouse gas (GHG) emissions divided by the value of investments in direct real estate in a fund, expressed in total tons GHG/£m invested.

Weighted Average Carbon Intensity (WACI) Investments is the fund's exposure to carbon-intensive issuers, expressed in tCO₂e/£m sales. The larger the number, the more carbon intensive the investments currently are. WACI allows comparison across different funds.

WACI: tCO₂e / £m sales

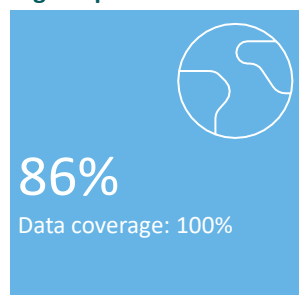


Data coverage

The data coverage ratios for this particular metric for all asset classes is sufficient to be relied upon. Any data gap is likely to be as a result of climate or financial data not being reported for the underlying asset types. Lower data coverage results in reduced reliability for this climate metric.

High impact sectors High impact sectors, such as utilities, construction, real estate, and transportation, are industrial sectors that exert significant influence on global carbon emissions. These sectors are determined based on global industrial sector codes, without taking into account individual company performance. We utilise the Target Setting Protocol (TSP) definition to classify sectors into the high impact categories. For instance, a renewables company and an oil extraction firm would both be categorised as high impact sectors.

High impact sectors



Data coverage

The fund's exposure to industry sectors that exert significant influence on global emissions is material. To define materiality, we have purposely set a relatively low threshold equal to 20% which permits us to better monitor how emissions evolve over time. High impact sectors could include companies that have either a positive or negative climate impact. In order to inform climate-related decisions, this percentage needs to be read alongside other climate metrics as a high exposure to high impact sectors could relate to sectors that have a positive or negative climate impact.

The underlying data coverage ratio for this particular metric is sufficient to be relied upon. Any data gaps is likely to be as a result of climate or financial data not being reported for the underlying asset types. Lower data coverage results in reduced reliability for this climate metric.

Definition of scenario metrics

Assets at high risk from future climatic conditions This metric assesses whether a physical location (e.g. shopping mall) is subject to material physical climate risk (e.g. flooding) under future climatic conditions as defined by IPCC's scenarios for the year 2100. Materiality of impact is defined where the expected cost of physical damage exceeds 1% of the asset's reinstatement value.

Orderly transition Scenario assumes climate policies are introduced early and become gradually more stringent, reaching global net zero greenhouse gas (GHG) emissions around 2050 and likely limiting global warming to below 2 degrees Celsius on pre-industrial averages.

Hot house world Scenario assumes only currently implemented climate policies are preserved, current commitments are not met and emissions continue to rise, with high physical risks and severe social and economic disruption and failure to limit temperature rise.

Scenario analysis

In addition to backward-looking data, which indicates the recent emissions profile of an asset or fund, we also use forward-looking metrics to assess transition alignment and climate risk exposures over a longer time horizon. The financial impact of climate change on our assets is assessed based on a range of scenarios that have been assessed using a climate scenario model. Climate scenario models are complex computational tools that simulate interactions between various climatic systems integrating historical data, current observations, and assumptions about future socio-economic behaviour and regulatory landscape to generate plausible scenarios of future climate conditions. They are helpful in understanding potential impacts of climate change, but bear inherent uncertainties due to the long-term nature of their projections. Given the inherent uncertainty and long time horizons, the model outputs presented here should be considered with caution as they are estimates of projections, not forecasts. Climate models are dependent on numerous assumptions with contain inherent uncertainties, and as such, actual future conditions may differ substantially from these projections. Whilst scenario analysis is in its infancy, the outputs are the most relevant models we have in our disposal to assess impacts across long-term horizons. The key forward-looking metrics that we monitor are outlined below.

Direct real estate modelling results

Scenario	Assets at high risk from future (2100) climate conditions	
	Direct real estate	Coverage
Orderly (RCP 2.6)	6.90%	100%
Hot house (RCP 8.5)	10.34%	100%

Assets under management as at 31 December 2022

All results presented in the table(s) above are based on the Marsh model

RCP stands for Representative Concentration Pathways which refer to how much greenhouse gas (GHG) concentration will be present in the atmosphere under a scenario that aligns to the Paris Agreement (2.6) versus a hot house world scenario (8.5).

The table above related to direct real estate shows:

- Under orderly transition scenario, the assets at high physical climate risk are minimal. This is because the risk on physical locations from modelled climatic perils such as flood or subsidence are only impacting materially a small subset of the overall portfolio.
- Under the hot house scenario, physical risk is higher compared to the orderly scenario results, however, the number of properties affected is relatively small across the whole portfolio.

Data coverage

The data coverage ratios for this particular metric for all asset classes is sufficient to be relied upon. Any data gap is likely to be as a result of climate or financial data not being reported for the underlying asset types. Lower data coverage results in reduced reliability for this climate metric.

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We have used several sources of the data used in this report as well as estimates using our own tools. While we've taken every care in producing this report please be aware that neither M&G Investments nor the sources used guarantee the accuracy, adequacy or completeness of this information or make any warranties from its use. Furthermore, the data presented is for a specific point in time and likely to change in the future and therefore should not be relied on as such.

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