

Thermal Coal Investment Policy

Effective from 6 February 2026



1 Introduction

1.1 This policy sets out M&G Investments approach to the exclusion of companies involved in thermal coal power generation and thermal coal mining. 'M&G Investments' relates to the M&G Group Limited ('MGG') investment and entities excluding M&G Investments Southern Africa (MGSA) which maintains its own ESG Policy. New subsidiaries and acquisitions will not immediately fall into scope of this policy. Further details on the fund and asset type scope of the Policy are detailed below in section 3.

1.2 This policy is owned by M&G Investments' Head of Sustainability. This Policy is approved by the MGG Executive Committee which has delegated authority for Sustainability matters from the MGG Board. This policy was first approved by the MGG Board in April 2022 and updated most recently in February 2026. The Sustainability Steering Committee has further delegated authority to approve minor amendments. It will be reviewed at least annually.

1.3 We believe climate change presents material financial risks to the investments we manage. We are committed to addressing these risks across our business. As part of this, we are supporting and advocating for an orderly and just transition to net zero, in line with the Paris Agreement. Many of our clients share similar commitments to manage climate risk and align their investments with the objectives of the Paris Agreement.

1.4 The transition to a net zero emissions economy will necessitate a significant reduction of carbon intensive activities over the course of this century. This means some assets will become exposed to financial risks as their use must be phased out. In all Paris Agreement aligned Intergovernmental Panel on Climate Change (IPCC) scenarios¹, unabated thermal coal power generation must reduce over the coming decades. This means companies engaged in thermal coal power generation and associated mining may face elevated levels of climate related financial risk as their assets must be used less.

1.5 As an active asset manager, our preference is to engage companies exposed to climate risks like these to develop transition plans, reduce risk and deliver real world emissions reductions. However, we recognise that in some instances it may become evident that some companies are unable or unwilling to transition meaning exclusion is required to manage our exposure to climate related financial risk.

1.6 This policy applies to companies engaged in thermal coal power generation, thermal coal mining and those undertaking the expansion of thermal coal power generation or mining infrastructure.

¹ The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

2 Policy Requirements

2.1 Policy Thresholds

We use thresholds to determine material exposure to thermal coal activities. If one or more of these thresholds are met or exceeded, we assess the quality of a company's transition planning to determine if it is able to phase out its exposure and mitigate risk. Where there is credible evidence that a company is committed to phasing out exposure to thermal coal, by meeting one of the criteria set out in section 2.2, investment is permitted. Where a company exceeds the thresholds set out below and cannot demonstrate a credible transition in line with the criteria set out in 2.2, relevant holdings will be divested and it will be excluded from further investment.

Below we set out the Policy thresholds for material exposure to thermal coal for key activities:

Mining: We define companies involved in thermal coal mining as those engaged in the extraction of thermal coal. Metallurgical coal, which is commonly used as a feedstock in the process of producing steel, is out of this policy's scope.

Revenue: Companies that derive more than 20% of their revenue from the sale of thermal coal.

Production: Companies with more than 20Mt of thermal coal power mining output sold for use in the production of electricity.

Expansion: Companies undertaking the construction of new thermal coal mining facilities that will produce thermal coal.

Power generation: We define companies involved in power generation using thermal coal for the sale of electricity. Self-production of energy, including heat, for industries such as cement, steel and aluminium are out of scope of this policy.

Revenue: Companies that derive more than 20% of their revenue from the sale of electricity generated by unabated thermal coal.

Capacity: Companies with more than 10 GW of unabated thermal coal power generation capacity.

Expansion: Companies undertaking the construction of new thermal coal power generation facilities.

Other sectors: Companies for which coal is not the main business but that are engaged in the expansion of coal mining, any form of power generation for electricity or other thermal coal related infrastructure.

Expansion: Companies undertaking the construction of new thermal coal power generation facilities or thermal coal mining facilities or thermal coal related infrastructure.

2.2 Transition Planning Criteria

Where a company is assessed to meet or exceed one or more of the Policy thresholds, we assess the quality of a company's transition planning to determine its readiness and capability to phase out thermal coal. Where we identify that such a company meets at least one of the following transition planning criteria, investment will be permitted:

1. **Phase out:** A commitment to achieve a phase out from coal that is consistent with the goals of the Paris Agreement (e.g. by 2030 in OECD markets and 2040 in non-OECD markets), or evidence of consistent reduction in exposure to or utilisation of thermal coal (e.g. clear evidence that revenue generation from thermal coal is reducing and will continue to do so).
2. **Science based targets:** Evidence that a company has set a science-based target consistent with the Paris Agreement.

2.3 Changes to companies

There may be circumstances where a change to a company held by one or more of our funds causes us to review its acceptability for investment because it no longer meets the Policy requirements laid out in section 2.1 and 2.2. For example, due to changes caused by a merger or acquisition. When we become aware of a company no longer meeting the requirements, there is a standard period of investigation to validate this is actually the case. If it is validated the company is no longer aligned with the Policy requirements, time bound engagement may be used to try to bring the company back into alignment with the Policy. During this period of engagement, the company will remain permitted for investment across all funds in scope (see section 3.1).

3 Policy Implementation

3.1 Scope

Funds in scope: This policy applies to all in-scope assets under management for public markets funds and private market funds where M&G Investments has full discretion, including those funds sub-advised by other managers. For segregated mandates and single investor funds, application of this Policy is subject to client consent.

Asset types in scope: For in scope funds, M&G Investments will not knowingly invest in any publicly listed equity or public debt instruments issued by excluded corporate entities. For the purpose of this policy, single name derivatives are treated as single name corporates and thus in scope.

This policy applies to companies and not sovereigns.

M&G Investments manage both direct and indirect investments, as well as passive and active holdings. The exclusion policy does not apply to the holdings of external products, like index derivatives, ETFs, securitised assets, third party funds and trackers.

At the security level, securities that are determined to be credible use of proceeds green bond by M&G's ESG Themed Bond Assessment (ESGTBA) that are issued by an excluded issuer are deemed eligible for investment.

3.2 Implementation approach

Determination of excluded companies: M&G Investments use third party data providers as well as proprietary research and engagement to identify companies flagged for involvement in Thermal Coal and that should be excluded. As with all screening, M&G Investments has the ability to utilise our in-house exceptions process where there may be disagreement with a data point triggering exclusion based on credible evidence. Exception cases are reviewed through internal governance. Decisions to grant exceptions will be reviewed on a case by case basis by the M&G Investments Climate Committee which has delegated authority to oversee treatment of companies in relation to this Policy.

A fund manager may appeal the exclusion of a specific company or asset under the policy by providing evidence that a company is compliant with the policy.

All such cases must be formally reviewed and governed by the Climate Committee.

3.3 Engagement

Time bound engagement is permitted to seek information from a company to determine if it exceeds the policy thresholds in cases where data on a company's exposure to thermal coal is out of date, unclear or conflicting. In instances when new data is identified that means M&G Investments determines a company exceeds the policy thresholds, time bound engagement is permitted with companies that we have investments in to establish if they can meet the policy's transition planning criteria. In cases where engagement has commenced prior to the initiation of this policy update becoming effective, it will be permitted to conclude. Engagement may be undertaken with investee companies, including those below the policy thresholds, on their disclosures, intentions, commitments, strategy plans, policy and public commitments to ensure these commitments remain.

3.4 Divestment and Exclusion

Once a company or corporate is classified for exclusion, it will be excluded from funds in scope of this Policy and no further investments may be made. M&G Investments will divest in line with all fund specific guidelines taking into account market conditions and the best interests of clients.

3.5 Annual Review

All thermal coal-related investments, defined as those exceeding thresholds set out within section 2.1, will be subject to regular review at least annually. If at any point an investment is determined not to have a credible transition plan and be unable to move into the thresholds as set out in section 2.2, potentially following engagement, then the investment will be reclassified for divestment and exclusion, Divestment must be completed in line with section 3.4.

The updated Policy is effective from 6 February 2026.