

# European ESG Template (EET)

An update for clients

December 2025



## Introduction

M&G continues to monitor the evolution of regulatory guidance and market practice relating to the calculation of Principal Adverse Indicators (PAIs). During 2025, an updated calculation methodology has been adopted by M&G to align with regulatory and industry guidance.

This will be effective in the M&G European ESG Template (EET) from the end of December 2025.

This document has been produced to explain the change and the resulting impact on the indicators. Clients may direct any questions that are not addressed in this document to their usual client relationship contact.

## Methodology Update

PAI indicators were previously calculated as the percentage of assets applicable to the relevant asset class (Corporates, Sovereigns or Real Estate). These can also be referred to as 'eligible assets'.

Prior to December 2025, M&G calculations were:

- a) In some cases based on the 'Relevant Asset Class'. Taking Carbon Footprint as an example, this means that PAI 2 was aggregated to the AUM of the corporates in the fund (because PAI 2 only applies to corporates) - both the indicator and the coverage.
- b) In other cases based on 'Relevant Asset Class (Normalised)' which is per the above, but aggregated only to the AUM of the corporates in the fund where M&G had collected the relevant data.

To align with regulatory and industry guidance, PAI calculations (including coverage) have been updated to aggregate to the AUM of 'All Investments' in the fund or entity, not just to the relevant asset class (exceptions apply – see below).

### PAIs Changing Methodology

PAIs	Previous Approach	Approach from Dec 31 <sup>st</sup> 2025
<b>1,2,4,5,6,7,10,11,14</b>	Relevant Asset Class (Absolute)	All Investments
<b>3,8,9,12,13,15,</b>	Relevant Asset Class (Normalised)	All Investments
<b>Optional PAIs 4,1,9,15</b>	Relevant Asset Class (Absolute)	All Investments

The effect of this methodology change will be a general reduction of PAI values and coverage values compared to those reported previously.

### PAIs Not Changing Methodology

PAIs	Previous Approach	Approach from Dec 31 <sup>st</sup> 2025
<b>16</b>	Unique Country Count (Absolute)	No change
<b>17,18</b>	Relevant Asset Class (Absolute)	No change

The same methodology is used to calculate the PAI values in both the EET and the entity report, except that in the entity report\* the PAI values are aggregated at entity level, and in the EET the PAI values are aggregated at fund level. Please refer to [this document](#) for additional information on product-level PAI disclosures contained within the EET.

\* The entity report published for the year ending 31 December 2025 will be on the basis of the new methodology included in this document.

## Defining 'All Investments'

The original RTS does not define 'All Investments', but the European Supervisory Authorities (ESAs) have issued [Q&As](#) which do define the term as:

### PAI calculations

For the purpose of calculating the PAI indicators in Annex I, especially the indicators for the carbon footprint (indicator 2 table 1), the GHG intensity of investee companies (indicator 3 table 1) and the GHG intensity of sovereigns (indicator 15 table 1), "all investments" should be understood to mean both direct and indirect investments funding investee companies or sovereigns through funds, funds of funds, bonds, equity instruments, derivative instruments, loans, deposits and cash or any other securities or financial contracts.

This definition was further supported by the CSSF who have drawn Financial Market Participants' (FMPs) attention to these Q&As and noted that their own Q&As should be read in conjunction with the ESA Q&As.

## Illustration

The example below shows the 3 different calculation methods referred to in this document, using a simple model portfolio and Carbon Footprint as the example.

	AUM	Carbon Footprint (Issuer GHG / Issuer EVIC)		PAI Indicator	Coverage (%)
Corporate Issuer 1	€ 200,000,000	120	Relevant Assets (Absolute)	120 x (200M/300M)= <b>80</b>	200M / 300M = <b>67</b>
Corporate Issuer 2	€ 100,000,000	No Data	Relevant Assets (Normalised)	120 x (200M/200M)= <b>120</b>	200M / 300M = <b>67</b>
Sovereign Issuer	€ 50,000,000	N/A	All Investments	120 x (200M/ 354M)= <b>67.8</b>	200M / 354M = <b>56</b>
Cash	€ 4,000,000	N/A			
	<b>€ 354,000,000</b>				

This calculation adheres to the guidance included within the regulations.

- (2) 'carbon footprint' shall be calculated in accordance with the following formula:

$$\frac{\sum_{i=1}^n \left( \frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i \text{ (tCO2eq)} \right)}{\text{current value of all investments (€M)}}$$

where n is the number of investee companies in the investments

## Eligibility

There is no change to the way in which eligibility is calculated. As an indicator of the percentage of assets relevant for a particular PAI expressed in terms of the entire portfolio, eligibility should be used in conjunction with the PAI indicators to put them into perspective. Eligibility for each PAI is reported in the EET.

## PAIs considered by M&G

### Corporates: Climate and other environmental indicators

- |               |  |
|---------------|--|
| GHG emissions | <ul style="list-style-type: none"> <li>1. GHG emissions (Scope 1, 2 and 3)</li> <li>2. Carbon Footprint</li> <li>3. GHG intensity</li> <li>4. Fossil fuel sector exposure</li> <li>5. Non-renewable energy consumption and production</li> <li>6. Energy consumption intensity per high impact climate sector</li> </ul> |
|---------------|--|

- |              |   |
|--------------|---|
| Biodiversity | 7. Activities negatively impacting biodiversity |
|--------------|---|

- |       |                    |
|-------|--------------------|
| Water | 8. Water emissions |
|-------|--------------------|

- |       |                    |
|-------|--------------------|
| Waste | 9. Hazardous waste |
|-------|--------------------|

### Corporates: Social and employee, respect for human rights, anti-corruption and anti-bribery matters

- 10. UNGC or OECD guidelines violations
- 11. UNGC or OECD guidelines process and compliance mechanisms
- 12. Unadjusted gender pay gap
- 13. Board gender diversity
- 14. Exposure to controversial weapons

### Sovereigns and supranationals

- 15. Country GHG intensity
- 16. Countries subject to social violations

### Real estate assets

- 17. Fossil fuel exposure
- 18. Energy efficiency

### Corporates: Climate and other environmental indicators

- |           |   |
|-----------|---|
| Emissions | 4. Companies without carbon emissions reduction initiatives |
|-----------|---|

### Corporates: Social and employee, respect for human rights, anti-corruption and anti-bribery matters

- |                           |   |
|---------------------------|---|
| Social & employee matters | 1. Companies without workplace accident prevention policies |
|---------------------------|---|

- |              |                                  |
|--------------|----------------------------------|
| Human rights | 9. Lack of a human rights policy |
|--------------|----------------------------------|

- |                                  |   |
|----------------------------------|---|
| Anti-corruption and anti-bribery | 15. Lack of anti-corruption and anti-bribery policies |
|----------------------------------|---|

 Mandatory PAIs

 Voluntary (optional) PAIs