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M&G Investments

22 February 2022

Dear Investor

Implementation of M&G Investments Thermal Coal Investment Policy and its impact on
- **M&G Charibond Charities Fixed Interest Fund (Charibond)**
- **M&G Charity Multi Asset Fund**
- **M&G Equities Investment Fund for Charities (Charifund)**

(each a "Fund", collectively the "Funds")

You do not need to take any action, but we recommend that you read this letter carefully. Please note that there will be no change to the Funds' Investment Objectives, nor to their overall risk profiles.

Defined terms used in this letter have the same meaning as in the Prospectus.

In March 2021, M&G plc announced its intention to remove its exposure to public equity (shares) and fixed income (bonds) from companies involved in business related to coal used for the purpose of power generation (thermal coal), by:

- 2030 for investments in developed countries, defined as Member States of the Organisation for Economic Co-Operation and Development (OECD) and/or the European Union (EU) (as listed in Appendix 2); and
- 2040 across the rest of the world – mostly emerging market countries.

These targets for the removal of our thermal coal exposure are in line with the Intergovernmental Panel on Climate Change (IPCC) guidelines for adhering to the Paris Agreement, which aims to limit global temperature increase to 1.5 degrees Celsius above pre-industrial levels by the end of this century.

In order to achieve this, from 27 April 2022 (the "Effective Date"), the **M&G Investments Thermal Coal Investment Policy** (the "Coal Policy") will be applied to the Funds. The Coal Policy enables the identification, engagement and ultimately exclusion of companies which we believe have material thermal coal exposure and/or are unable or unwilling to participate in the transition away from thermal coal[1], as set out within the timeframes stated above.

continued overleaf

[1] The Coal Policy does not apply to metallurgical coal, which is used in the steel production process.

This letter provides you with details of how the Coal Policy will be implemented across the Funds, how we believe it will benefit you, and the potential impact on your investment.

How will the Coal Policy benefit investors in the Funds?
We believe that well-governed businesses, run in a sustainable way, have the potential to deliver stronger, more resilient returns in the long term for shareholders, and better outcomes for society.

Companies are increasingly taking steps to align with the Paris Agreement, not only in response to growing shareholder pressure, but also as governments who have signed up to the Agreement bring in restrictions and policies related to the extraction and use of thermal coal. As a result, companies that do not have the willingness and/or ability to make the transition in the required timeframes are likely to face additional challenges and become less attractive to investors and lose value. We therefore believe that engaging with these companies to promote viable transition plans, and excluding those where this engagement is not successful, will be best for the Funds' ability to deliver their long-term financial objectives.

How will the Coal Policy be implemented?
We have already conducted research on all companies involved in thermal coal activities (including power generation, mining and any companies with plans for new expansion of thermal coal-related business) held within the Funds' portfolios. This analysis only includes shares and bonds held directly and excludes investments held indirectly, for example through other funds not managed by M&G.

The Prospectus will be updated to disclose the investment restrictions that will apply to the Funds under the Coal Policy (see Appendix 1). The criteria we have used for assessing companies are included in the "Implementing M&G Investments Thermal Coal Investment Policy in our funds" document on the M&G website.

This research led to the identification of a number of companies which fall within the Policy's thermal coal related investment restrictions, and/or do not yet meet our expectations for transitioning away from thermal coal within the required timeframes. These include any company without a transition plan in place. From the Effective Date, we will continue our engagement with these companies, highlighting our investment restriction criteria and setting out our expectations of them to adopt what we believe are credible plans to transition away from thermal coal ("Credible Transition Plans"), by:

- 2030 for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU; and
- 2040 for companies in, or conducting thermal coal activities in, the rest of the world.

Where this engagement does not yield a successful outcome, and/or we consider there are no Credible Transition Plans, we will seek to sell our investments in these companies ("Excluded Companies") no later than:

- **31 October 2022**, for companies in, or conducting thermal coal activities in, the OECD and the EU; and
- **31 October 2024**, for companies in, or conducting thermal coal activities in the rest of the world. The longer engagement period for these regions reflects the later coal phase-out target date set by the IPCC to allow a 'just transition' in countries still heavily dependent on thermal coal for their energy production, and where more significant changes in culture, strategy and/or corporate governance may be required to achieve a complete phase out of thermal coal.

continued

Please note that, where Funds presently hold Excluded Companies, they will commence selling them before these dates. These investments may be subject to liquidity constraints or lower liquidity (ie the ability to sell the assets without negatively impacting their value) in difficult market conditions. This may result in:

- the Funds having to sell these investments at an undesirable time and/or under adverse market conditions, which could negatively impact the Funds' value; and/or
- a small number of Excluded Companies still being held after 31 October 2022/2024; we will, however, seek to sell these assets as soon as practicable after these dates should this be required.

How will the Coal Policy impact the Funds?
The implementation of the Coal Policy will introduce new investment restrictions on the Funds effective from 31 October 2022 and/or 31 October 2024, when they will be unable directly to hold any assets issued by companies that do not meet the Coal Policy criteria. This may result in **Charibond** and **Charifund** having to realign their portfolios to comply with the Coal Policy.

Any change to the Effective Date of the Coal Policy and/or to any of the effective dates of the Coal Policy investment restrictions to a later date determined by the Board would be communicated to you.

The table below summarises the impact of the Coal Policy on Charibond and Charifund, including details of estimated realignment costs based on the holdings in each Fund as at December 2021. These costs will be borne by the Funds, and the actual costs could vary from the estimates depending on many factors, including what companies each Fund is invested in on the Effective Date and any information on the companies involved which may alter their status with regards to the Coal Policy. We will be updating investors on the progress of the implementation through the Funds' annual reports.

Fund	Anticipated realignment required (% of the Fund's Net Asset Value)	Estimated transaction cost (% of the Fund's Net Asset Value, to the nearest 0.01%)
M&G Charibond Charities Fixed Interest Fund (Charibond)	0.5%	<0.01%
M&G Equities Investment Fund for Charities (Charifund)	4.3%	<0.01%

In the case of **M&G Charity Multi Asset Fund**, as it invests in other funds, the Coal Policy screening process cannot be applied to its direct holdings, and no portfolio realignment will be required. However, given that it primarily invests in M&G funds, which are themselves subject to the Coal Policy, the majority of the investments held indirectly in the Fund will have been screened for their suitability under the Coal Policy.

Will the Coal Policy impact the risk profile of the Funds?
Risk analysis has been conducted on the relevant Funds' portfolio and determined that their risk profiles will not be affected as a result of the implementation of the Coal Policy.

Administration costs associated with the changes
All administration and legal costs associated with implementing the Coal Policy will be borne by M&G.

continued overleaf

For more information
If you have any queries regarding the information included in this letter please email the M&G Charity Team at charities@mandg.co.uk or call the Charities Helpline on 0800 917 4472. The Helpline is open from 09:00 to 17:00 Monday to Friday. Calls may be recorded. If you have any administrative queries, please write to the M&G Charity Team at PO Box 9038, Chelmsford CM99 2XF.

Please be aware that we are not in a position to give you investment advice. If you are uncertain as to how the changes may affect you, you should consult a financial adviser.

Yours faithfully

Laurence Mumford

Laurence Mumford
Director
M&G Securities Limited

Encl:

- Appendix 1: Investment Restrictions Applying to Thermal Coal under M&G Investments Thermal Coal Investment Policy
- Appendix 2: List of Member States of the OECD and/or the EU

Appendix 1
Investment Restrictions Applying to Thermal Coal
under M&G Investments Thermal Coal Investment Policy
To be included in the Prospectus dated 27 April 2022.

"From 27 April 2022 (the "Effective Date"), all Funds will be subject to the M&G Investments Thermal Coal Investment Policy (the "Coal Policy"). For further information, investors should refer to the "Implementing M&G Investments Thermal Coal Investment Policy in our funds" document which will be made available on the M&G website prior to the Effective Date.

M&G Charity Multi Asset Fund invests in other funds which are currently not covered by the Coal Policy, however, where the Fund invests in M&G Funds the underlying investments will be screened for suitability under the Coal Policy.

The Funds will be subject to additional investment restrictions commencing on 31 October 2022 and 31 October 2024 as further described below.

The Investment Manager will continue engagement with companies involved in thermal coal activities (the extraction of, or power generation from, thermal coal, and related sectors), as further explained in the Coal Policy.

This engagement will involve encouraging such companies to adopt plans to transition away from thermal coal, which are credible in the opinion of the fund manager ("Credible Transition Plans"), by:

- 2030 for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU; and
- 2040 for companies in, or conducting thermal coal activities in, other countries.

Companies that have not adopted Credible Transition Plans by 31 October 2022 (for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU) or 31 October 2024 (for companies in, or conducting thermal coal activities in, other countries) shall be excluded from direct investment by the Funds ("Excluded Companies"). Accordingly the Funds shall be subject to additional investment restrictions from 31 October 2022 and 31 October 2024 to give effect to the abovementioned exclusions. These investment restrictions consist of data points which are defined in the Coal Policy and which will enable the Investment Manager to assess whether or not a company is sufficiently engaged in the energy transition to remain an eligible investment for the relevant Fund.

Excluded Companies to be sold by the Funds may be subject to liquidity constraints or lower liquidity in difficult market conditions, which may result in the Investment Manager having to sell investments in Excluded Companies at an unfavourable time and/or under adverse market conditions. This may have a negative impact on the value of the Funds, and/or result in a small number of Excluded Companies still being held by the Funds after 31 October 2022 (for companies in, or conducting thermal coal activities in, a Member State of the OECD and/or the EU) or 31 October 2024 (for companies in, or conducting thermal coal activities in, other countries). The fund managers will, however, seek to sell investment in Excluded Companies as soon as practicable after these dates should this be required.

While engagement will be co-ordinated centrally to maximise M&G's influence, the fund manager(s) of each Fund will retain discretion as to whether they begin to sell holdings in each Fund prior to the additional investment restrictions coming into force. Each Fund may therefore commence sale of Excluded Companies from the Effective Date."

Appendix 2
List of Member States of the OECD and/or the EU
As at January 2022

Australia	Denmark	Japan	Romania
Austria	Estonia	Latvia	Slovakia
Belgium	Finland	Lithuania	Slovenia
Bulgaria	France	Luxembourg	South Korea
Canada	Germany	Malta	Spain
Chile	Greece	Mexico	Sweden
Colombia	Hungary	Netherlands	Switzerland
Costa Rica	Iceland	New Zealand	Turkey
Croatia	Ireland	Norway	United Kingdom
Cyprus	Israel	Poland	United States
Czech Republic	Italy	Portugal	