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14 March 2025

Dear Investor

Changes to the M&G UK Sustain Paris Aligned Fund (the "Fund")
a sub-fund of M&G Investment Funds (2)
New Sustainability Improvers label and new benchmark

This letter is for your information only and has been sent to you because you are invested in the Fund. You do not need to take any action, but we recommend that you read it carefully.

I am writing to inform you that, effective from Wednesday 2 April 2025 (the "**Effective Date**"), we will be making a number of changes to the Fund in order to adopt the "Sustainability Improvers" label (the "**Label**"). The Label is one of the sustainability 'Investment Labels' introduced by the Financial Conduct Authority ("**FCA**") as part of its Sustainability Disclosure Requirements ("**SDR**") regulation, and applies to funds that 'invest mainly in assets that may not be sustainable now, with an aim to improve their sustainability for people or the planet over time'. More information on SDR can be found in the "SDR and Investment Labels" section below as well as in the enclosed "Sustainability Disclosure Requirements (SDR) explained" document.

In order to adopt the Label, we will be making changes to the Fund's sustainability characteristics described in the Investment Approach and to the way we present information included in its Investment Objective, Investment Policy and Investment Approach in our documentation. The changes include the introduction of an "SDR Improver Assessment" methodology that uses a "Transition Assessment Framework", which will provide a structure to allocate investments consistent with the Fund's Sustainability Goal. Further details on the Fund's sustainability approach and characteristics, including the SDR Improver Assessment methodology and Transition Assessment Framework, and how we believe they will help the Fund achieve its Sustainable Goal, will be included in the Fund's Prospectus and in a newly introduced Consumer-Facing Disclosure ("**CFD**") document, which is required under the new regulations.

In addition, effective from Tuesday 13 May 2025, we will also change the Fund's target benchmark to a "custom" benchmark that we believe provides a closer representation of its investment universe as restricted by the investment Exclusions that apply to the Fund.

Please note that the changes will not result in any immediate changes to the Fund's portfolio and its risk profile will remain unchanged.

continued overleaf

SDR and Investment Labels
The SDR rules were published by the FCA in November 2023. These new regulations apply to all investment products with sustainability characteristics and aim to make it easier for investors to understand these products by introducing greater transparency, accountability and comparability. A summary of SDR, and what it means for investors, can be found in the enclosed "Sustainability Disclosure Requirements (SDR) explained" document, with further details available on the FCA's website at
www.fca.org.uk/consumers/sustainable-investment-labels-greenwashing

As part of SDR, the FCA has introduced sustainability 'Investment Labels'. These labels are designed to help investors find products that have a specific sustainability goal. In the case of the Fund, we have decided to adopt the 'Sustainability Improvers' label, which may be used for the Fund as it invests mainly in assets that may not be sustainable now, but aim to improve their sustainability for people or the planet over time.

We will therefore make the necessary updates to the Fund's literature from the Effective Date. We believe that the changes will provide better clarity and transparency for investors and help them better understand the Fund's Sustainability Goal and characteristics.

What is changing?
Under SDR, additional information on our Sustainability Improvers investing approach must be included in the Fund details section within its Prospectus. The Prospectus will therefore be updated with effect from the Effective Date as follows:

- **Sustainability Goal changes**
  The Fund's Sustainability Goal within its Investment Objective has been amended in order to meet disclosure requirements under SDR to specify the Fund's intention to support the mitigation of climate change by investing at least 70% of the Fund in companies that contribute towards the Paris Agreement climate change goal and have the potential to reduce their contribution to climate change determined by their potential to decarbonise their operations over time and ultimately reach Net Zero.

  The Sustainability Goal will also include the definition of the Paris Agreement climate change goal, which is to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels. The Fund sets a long term target for investments to reach Net Zero by 2050.

  The Fund may also invest up to 30% in assets that are not "Improvers" provided they do not conflict with the Sustainability Goal. These include Lower Carbon Intensity companies, Climate Solutions companies, companies that have already reached Net Zero, as well as assets held for liquidity purposes.

  The next section provides details about companies classified as Improvers. A Glossary is also included in Appendix 1 which provides definitions for a number of terms including 'Net Zero', 'Lower Carbon Intensity' and 'Climate Solutions'.

- **Introduction of "SDR Improver Assessment" methodology**
  The methodology will be used to support the Sustainability Goal, and the use of the Sustainability Improvers label. It will be implemented through a Transition Assessment Framework that will allow for the categorisation of companies as "Improvers" where they are expected to demonstrate sufficient progress towards decarbonising their operations.

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The Framework is based upon the work of the Institutional Investors Group on Climate Change ("**IIGCC**"), who have created guidance for how to establish Net Zero Investment Frameworks ("**NZIF**"s) for use by investors. Further detail about the IIGCC and NZIFs is available from their website **www.iigcc.org**

- **Sustainability targets**

Sustainability targets will be introduced to meet the Sustainability Improvers label requirements. The targets relate to the progression of companies held by the Fund within the Transition Assessment Framework categories of "Committed", "Aligning", "Aligned", "Net Zero".

Details of the targets, which will be short-, medium- and long-term-bound, can be found in Appendix 3 of this letter.

- **New 'Sustainability Disclosures' section**

This section will be introduced in the Prospectus, and includes more detailed information about the Fund's sustainability characteristics. This includes the Fund's approach to investing for sustainability and details of its "Exclusions", which determine what companies the Fund shouldn't hold based on Global Norms, Environmental Issues and Social Issues criteria.

Accordingly, references to the Fund's sustainability characteristics will be removed from both the **Investment Policy** and the **Investment Approach**.

- **Exclusions, Thresholds and Exceptions**

The description for these will be expanded to provide full details on the types of companies the Fund cannot invest in. For certain activities, this includes a revenue "Threshold", which is the maximum percentage of a company's revenue that may be derived from the excluded activity before the company is excluded by the Fund. As well as providing information about where Thresholds apply to these activities, we have explained where we might grant "Exceptions" to the Exclusions. Please note that we have removed the exclusion on nuclear power. Full details of the Exclusions, Thresholds and Exceptions can be found in the Sustainability Disclosures which are included in the updated Prospectus, available on our website **www.mandg.co.uk/funds**

- **Comparative benchmark change**

The Fund's financial performance is measured against a target benchmark, currently the FTSE All Share Index (the "**Index**"). However, as a result of the Exclusions described above, the Fund is unable to invest in around 30% of the companies that make up the Index. We will therefore change the target benchmark, effective from Tuesday 13 May 2025, to the FTSE Custom All-Share ex IT Exclusions 5% Capped Index (the "**Custom Index**").

The Custom Index is based on the normal FTSE All Share Index, but applies similar Exclusions as the Fund as well as excluding investment trusts. In addition, no company can make up more than 5% of the Custom Index. The new target benchmark will be more representative of the Fund's investment universe, making it a more appropriate target against which to measure the Fund's financial performance. Further details about the Custom Index will be available on the FTSE website.

The Fund's financial objective will be updated to reflect this change on Tuesday 13 May 2025.

continued overleaf

- **New "Consumer-Facing Disclosure" (CFD) document**
  This will provide a summary of the Fund's impact investing approach. It will be available from the Effective Date on our website **www.mandg.co.uk/funds** or upon request from our **Customer Relations** team using the details at the end of this letter.

- **Additional clarificatory changes**
  In addition to the above, we have taken this opportunity to make minor changes to the financial part of the Investment Objective, Investment Policy and Investment Approach for consistency purposes.

You can find a full comparison of the Fund's current and updated Investment Objective, Investment Policy and Investment Approach in Appendix 2 of this letter, while Appendix 3 provides you with highlights of the newly created Sustainability Disclosures. The Sustainability Disclosures are included in the updated Prospectus which is available on our website **www.mandg.co.uk/funds**

Making changes to your investment
You may sell your investment in the Fund, or switch to (an)other M&G OEIC fund(s), free of charge, at any point before or after the changes have taken place subject to our Terms and Conditions, which can be found in the Important Information for Investors document available on our website **www.mandg.co.uk/literature**

Legal and administrative costs
M&G will cover all legal and administrative costs associated with the implementation of the changes.

For more information
If you have any questions about the changes please contact our **Customer Relations** team by calling **0800 390 390** or **0044 1268 44 8031** if calling from overseas. Our team can take your call from (UK time) 08:00 to 18:00, Monday to Friday and 09:00 to 13:00 Saturday. For your security and to improve the quality of our service we may record and monitor telephone calls. Alternatively, you may want to consider registering for our online My Account service at **www.myaccount.mandg.com** where you can manage your account and contact us by secure message or our chat facility. For alternative ways to get in touch please visit **www.mandg.co.uk/info**

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. You can find Information on how to access financial advice on our website **www.mandg.co.uk/getfinancialadvice**

Yours faithfully

Laurence Mumford

Laurence Mumford
Director
M&G Securities Limited

Enc. Appendix 1: Glossary
Appendix 2: Comparison of current and updated Prospectus wording for the M&G UK Sustain Paris Aligned Fund
Appendix 3: Summary of newly created Sustainability Disclosures for M&G UK Sustain Paris Aligned Fund
Sustainability Disclosure Requirements (SDR) explained

Appendix 1: Glossary

Carbon Emissions: This term means Carbon Emissions Equivalent emissions, unless the context requires a specific reference to CO2 emissions distinct from wider Greenhouse Gas emissions.

Carbon Emissions Equivalent or CO2e: A way to consider all Greenhouse Gas emissions together by converting other Greenhouse Gases into their equivalent in CO2.

Carbon Intensity: Carbon Emissions measured by assessing how much is produced per unit of a company's activity

Climate Solutions: climate solutions are companies that provide goods or services that contribute substantially to, and/or enable, emissions reductions to support decarbonisation. These companies are not considered to be in conflict with a decarbonisation goal because their activities help other companies achieve emissions reduction, or help mitigate the effect of other companies' emissions and therefore they make a decarbonisation contribution to the Paris Agreement goal, notwithstanding their lack of climate commitments meaning they do not themselves qualify as Improvers. Please note that depending on the nature of the climate solution provided, a Climate Solutions company might not be a Lower Carbon Intensity company, and may have high emissions from their own operations, as the basis they are selected for their role in supporting broader decarbonisation outcomes rather than decarbonisation of their own operations.

Lower Carbon Intensity: these companies have a Carbon Intensity which is less than 50% of the Carbon Intensity of the investment universe (assessed using the FTSE All-Share Index, as a proxy for the UK equity market). These companies are not considered to be in conflict with a decarbonisation goal because they have a materially lower carbon than the investment universe and are therefore closer to Net Zero, notwithstanding their lack of climate commitments meaning they do not themselves qualify as Improvers.

Net Zero: This is a term used to describe a company which has current CO2e or Carbon Intensity at net zero greenhouse gas emissions

Net Zero Pathways: Pathways for Carbon Emissions reduction to achieve net zero emissions, consistent with a Paris Agreement goal to hold the increase in the global average temperature to well below 2°C above pre-industrial levels or pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change. There are several approaches to Net Zero Pathways. There is a global pathway, which is the amount by which the global economy needs to decarbonise. The amount the world needs to decarbonise is then allocated regionally to create regional pathways. This recognises that as part of the "just transition" some regions will find it harder to decarbonise and therefore it allocates a greater share of the decarbonisation burden to the developed world. There are then also sector pathways which then look at the decarbonisation rate for specific sectors of the economy. This recognises that Carbon Emissions in some sectors will be harder to abate and accordingly makes allowances for that. This means that not all regions and not all sectors need to reach net zero Carbon Emissions at the same pace for the world to reach Net Zero. There are various independent bodies which contribute to defining what these pathways are, for example, the Science Based Targets Initiative (https://sciencebasedtargets.org/). When companies adopt targets for their own emission reduction, they may explicitly define them by reference to Net Zero Pathways and/or the work of these bodies (an example of the latter is the term "Science-based Targets"). Companies set their targets in various ways. They may refer to Carbon Emissions, Carbon Intensity, and they may either refer to the pathways specifically or might also set a target in absolute terms, i.e. a specific numerical reduction, which can then be assessed for whether or not it is in line with a Net Zero Pathway. Where no pathway exists for the sector, an appropriate pathway may be calculated by the fund manager for the purposes of assessing the company’s targets based on the relevant sectors and/or the global and/or regional pathways or the absolute contraction approach may be used (at least 7% reduction year on year in Scope 1 & 2 emissions). For conglomerates (companies which operate in multiple sectors), the proportion of the company’s activities that relates to each sector is used to create a composite Net Zero Pathway from a weighted average of the relevant sector Net Zero Pathways. For financial institutions, their targets for their own activities are assessed by the fund manager against the financial sector Net Zero Pathway, and in addition where they make loans to high impact sectors, they must have targets for such loans which are assessed by the fund manager against the Net Zero Pathway for such sectors.

Scope 1 Emissions: Carbon Emissions from sources a company owns or controls directly. For example, burning fuel in its fleet of vehicles.

Scope 2 Emissions: Carbon Emissions that a company causes indirectly and come from where the energy it purchases and uses is produced. For example, the emissions from generating the electricity to power its buildings.

Scope 3 Emissions: Carbon Emissions that are not directly caused by the company or by its energy use but are nonetheless associated with the company through its “value chain”. For example, Carbon Emissions caused by buying, using or disposing of products from a supplier. Because of the variety of sources of Scope 3 Emissions and the reliance on disclosures from third parties, calculating Scope 3 Emissions can be complex. As a result, some companies and investors may focus on “material Scope 3 Emissions” which aims to cover those sectors in the supply chain that are more likely to be a material source of Carbon Emissions.

Appendix 2: Comparison of the current and updated Investment Objective, Investment Policy and Investment Approach, and new Sustainability Disclosures for the M&G UK Sustain Paris Aligned Fund

<table>
<tr><th>Existing fund information
(as listed in the Prospectus until
Tuesday 1 April 2025)</th><th>Updated fund information
(to be listed in the Prospectus from
Wednesday 2 April 2025)</th></tr>
<tr><td>Investment Objective
The Fund has two aims:
• To provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure, than the FTSE All-Share Index over any five year period; and
• To invest in companies that contribute towards the Paris Agreement climate change goal.</td><td>Investment Objective
The Fund aims to:
• Provide a higher total return (capital growth plus income), net of the Ongoing Charge Figure, than that of [until 12 May 2025] the FTSE All-Share Index/ [from 13 May 2025] the FTSE Custom All-Share ex IT Exclusions 5% Capped Index over any five-year period, and
• As its Sustainability Goal, support the mitigation of climate change by investing at least 70% of the Fund in companies that contribute towards the Paris Agreement climate change goal* and have the potential to reduce their contribution to climate change determined by their potential to decarbonise their operations over time and ultimately reach Net Zero**.
*The overarching Paris Agreement climate change goal is to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels. The principal way to achieve this is to avoid the buildup of greenhouse gases, which in turn will prevent the most severe impacts of climate change, such as extreme weather events, sea-level rise, and biodiversity loss.
**As at the date of this prospectus, the long term target is for investments made by the Fund to reach Net Zero by 2050.</td></tr>
<tr><td>Investment Policy
At least 80% of the Fund is invested directly in equities and equity related securities of companies, across any sector and of any size, that are incorporated, domiciled or do most of their business, in the UK. The fund is concentrated and usually holds shares in fewer than 50 companies.
The Fund invests in securities that meet the ESG Criteria and Sustainability Criteria.
The following types of exclusions apply to the Fund’s direct investments
• Norms-based exclusions: investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.
• Sector-based and/or values-based exclusions: investments and/or sectors exposed to business</td><td>Investment Policy
The Fund invests at least 80% of its Net Asset Value in the equity securities and equity-related instruments of companies across any sector and market capitalisation that are incorporated, domiciled or do most of their business in the UK. The Fund has a concentrated portfolio and usually holds fewer than 50 companies.
The Fund may also invest in other transferable securities, money market instruments, cash and near cash for liquidity purposes, directly and via collective investment schemes (including funds managed by M&G).
Derivatives may be used for Efficient Portfolio Management and hedging.</td></tr>
</table>

activities that are assessed to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the Fund's sector-based and/or values-based criteria. • Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria document. References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability Criteria document as referenced in the ESG Information section below. Further information on the exclusions applicable to the Fund can be found in this document. The Fund may also invest in other transferable securities, money market instruments, cash and near cash for liquidity purposes, directly and via collective investment schemes (including funds managed by M&G). Derivatives may be used for Efficient Portfolio Management and hedging. As explained in the ESG Criteria and Sustainability Criteria document, it may not be practicable to perform ESG analysis on cash, near cash, some derivatives and some collective investment schemes, to the same standards as for the other investments. The fund manager will assess the suitability of such instruments relative to the Fund's investment objective.	
Investment Approach The Fund employs a disciplined bottom up stock picking approach to analyse companies for their potential to deliver sustainable growth. Relevant factors include high returns, robust competitive advantages, balanced capital allocation and an ESG aligned culture. The Fund also looks for favourable exposure to sustainable growth themes that are aligned to a lower carbon, healthier, more equal and connected future. The Fund invests in companies which contribute towards the long term global warming objectives of the Paris Agreement by their Low Carbon Intensity and/or a Reducing Carbon Intensity or (typically up to a cumulative limit of 10% of NAV) delivering solutions to the challenge of climate change (as further described in the ESG Criteria and Sustainability Criteria). Low Carbon Intensity means a carbon intensity lower than 50% of the FTSE All Share Index. Reducing Carbon Intensity means having science based targets aligned with the Paris Agreement or a commitment to have them in place within a defined time period. The Fund will typically have a weighted average carbon intensity of less than half that of the FTSE-All Share index. Sustainability and ESG considerations are fully integrated into the investment process.	**Investment Approach** The Fund is a focused UK equity fund, investing over the long term in companies which are contributing towards the Paris Agreement climate change goal, as explained in the Sustainability Disclosures. In addition, these companies need to demonstrate business models competitively positioned to protect their profitability. Importantly, the Fund invests in businesses where short-term issues have provided a clear valuation opportunity. The Fund employs a bottom-up stock picking approach, driven by the fundamental analysis of individual companies. The fund manager believes that this approach offers a powerful combination, providing the long-term compounded value of quality businesses, as well as the potential boost to a company's share price when a short-term issue has been resolved.

Benchmark Effective until Monday 12 May 2025 FTSE All-Share Index	Benchmark Effective from Tuesday 13 May 2025 FTSE Custom All-Share ex IT Exclusions 5% Capped Index
The benchmark is the target for the Fund's financial objective and is used to measure the Fund's financial performance. The index has been chosen as the Fund's benchmark as it best reflects the scope of the Fund's investment policy. The benchmark is also used to define a Low Carbon Intensity Company. The fund manager considers the Fund's weighted average carbon intensity against the benchmark when constructing the portfolio, but the benchmark does not otherwise constrain portfolio construction. The Fund is actively managed and within given constraints, the fund manager has freedom in choosing which investments to buy, hold and sell in the Fund. The Fund's holdings may deviate significantly from the benchmark's constituents and as a result the Fund's performance may deviate materially from the benchmark. For each Share Class the Benchmark will be denominated or hedged into the relevant share class currency. The Benchmark for each Share Class will be shown in its respective KIID. Other information: The Fund is not a feeder UK UCITS and will not hold units in a feeder UK UCITS.	The benchmark is the target for the Fund's financial objective and is used to measure the Fund's financial performance. The index has been chosen as the Fund's benchmark as it best reflects the financial aspects of the Fund's investment policy. A second financial index is used to define a Lower Carbon Intensity, namely the FTSE All-Share Index. The fund manager considers the Fund's weighted average carbon intensity against this index when constructing the portfolio, but this index does not otherwise constrain portfolio construction. The Fund is actively managed and within given constraints, the fund manager has complete freedom in choosing which investments to buy, hold and sell in the Fund. The Fund's holdings may deviate significantly from the benchmark's constituents, and as a result the Fund's performance may deviate materially from the benchmark. For each Share Class the Benchmark will be denominated or hedged into the relevant share class currency. The Benchmark for each Share Class will be shown in its respective KIID.

Appendix 3: Summary of newly created Sustainability Disclosures for M&G UK Sustain Paris Aligned Fund

Sustainability Improvers

Label

The Fund will adopt the Sustainability Improvers Label from the Effective Date.

Sustainable investment labels help investors find products that have a specific sustainability goal.

Sustainability Improvers funds invest mainly in assets that may not be sustainable now, with the aim to improve their sustainability for people or the planet over time.

Sustainability Goal

As its Sustainability Goal, the Fund aims to support the mitigation of climate change by investing at least 70% of the Fund in companies that contribute towards the Paris Agreement climate change goal* and have the potential to reduce their contribution to climate change determined by their potential to decarbonise their operations over time and ultimately reach Net Zero**.

*The overarching Paris Agreement climate change goal is to hold the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels. The principal way to achieve this is to avoid the buildup of greenhouse gases, which in turn will prevent the most severe impacts of climate change, such as extreme weather events, sea-level rise, and biodiversity loss.
**As at the date of this prospectus, the long term target is for investments made by the Fund to reach Net Zero by 2050.

Summary of Sustainability Disclosures

The fund manager first applies the "*Exclusions*" described below. The fund manager will then assess the potential of the remaining companies to reduce their contribution to climate change and ultimately reach Net Zero using "*M&G's "SDR Improver Assessment" methodology*". This methodology permits the categorisation of companies as "Improvers" where they are expected to demonstrate sufficient progress towards decarbonising their operations.

A minimum of 70% of the Fund's total assets will be "Improvers" which contribute to the Fund's Sustainability Goal and its use of a SDR Sustainability Improvers Label. The remaining assets of the Fund will be invested in such a manner as does not conflict with the Fund's Sustainability Goal, as further described below.

The Fund gives additional consideration to its current contribution to climate change, by (i) restricting investment in companies involved in thermal coal or oil and gas extraction or carbon intensive power generation, as such companies are a major factor in climate change; and (ii) by maintaining a Weighted Average Carbon Intensity (WACI) of less than 50% of the UK equity market as represented using the FTSE All-Share Index as a proxy.

M&G's "SDR Improver Assessment" methodology

To support the Sustainability Goal, and the use of the Sustainability Improvers label, the fund manager has established a "SDR Improver Assessment" methodology. This uses a Transition Assessment Framework summarised in the below table. The Transition Assessment Framework uses Net Zero Pathways, which are pathways for the Carbon Emissions reduction needed to achieve Net Zero for different sectors, regions and/or globally.

M&G's "SDR Improver Assessment" methodology enables the fund manager to assess a company's potential to improve its environmental sustainability over time, and ultimately to reach Net Zero. All equity investments made by the Fund will be assessed using the methodology and categorised accordingly. For a company to be categorised as part of "Improvers" it needs to meet requirements of one of the following categories of the Transition Assessment Framework: "Committed", "Aligning" or "Aligned".

The Fund has targets for "Improvers" as follows:

- Short term target: Each investment will be assessed on a three year basis. Initially, this means within three years from when investment is made, or by 1st April 2028, whichever is later. The fund manager's short term target for each Committed or Aligning investment is to target an improvement in the investment's Transition Assessment Framework categorisation of at least one category by the end of the three year period and to seek to prevent decreases in categorisation. Once a category move has occurred, the three year window will reset. Once the company has reached the "Aligned" category, the fund manager's short term target is for this categorisation to be maintained until it reaches "Net Zero". If a short term target is not met, the fund manager will assess why, and consider whether a new target should be set for such investment, or whether the investment should be addressed using the escalation plan.
- Medium term target: Each asset will be assessed on a six year basis. Initially, this means six years from when investment is made, or by 1st April 2031, whichever is later. The fund manager will target reaching the "Aligned" category within the Transition Assessment Framework. Once the company reached the "Aligned" category, its target is to maintain it until it reaches "Net Zero". If a medium term target is not met, the fund manager will assess why, and consider whether a new target should be set for such investment, or whether the investment should be addressed using the escalation plan.

As at the date of this prospectus, the long term target is for investments made by the fund to reach the "Net Zero" category by 2050.

The fund manager will encourage the companies the Fund holds to decarbonise, as described under "Engagement" below. The intent, over time, is that investments should advance their Transition Assessment Framework classification. The fund manager recognises that external factors, including without limitation political interference, can affect decarbonisation progress, and accordingly the fund manager will also engage in support of companies maintaining their existing commitment.

Summary of Transition Assessment Framework categories

Category	**Description and Tests**
Net Zero	These are companies which have current CO2e or Carbon Intensity at net zero greenhouse gas emissions.
Aligned	These companies have set robust targets to reduce their carbon emissions so that they ultimately will become Net Zero companies, and their emissions reduction is on track. These companies will have: 1. An ambition to achieve Net Zero sufficiently quickly to limit the global temperature rise to well below 2 degrees Celsius (and preferably sufficiently quickly to limit to 1.5 degrees Celsius) consistent with the Paris Agreement (or, if this is not stated, shorter term targets that are consistent). 2. Short and medium term emissions reduction targets, set in line with Net Zero Pathways. 3. Their emissions reduction performance should be at least consistent with the relevant Net Zero Pathway metric. 4. Appropriate disclosures in place to enable this performance measurement.
Aligning	These are companies which are assessed in accordance with the Transition Assessment Framework to be trying to align to a Net Zero Pathway but which in accordance with the tests are not Aligned. These companies will fulfil tests 1 and 4 from the Aligned category. The companies will have short and medium term emissions reduction targets as required by test 2 above, but the short term targets may target a higher Carbon Emissions level than the Net Zero Pathway requires. The fund manager will also assess the company's progress towards the targets as contemplated for test 3 above but the company does not need to be on-track to be held within this category.

Category	Description and Tests
Committed	These are companies which have a goal to achieve net zero but they do not themselves have targets to reduce their emissions validated by the fund manager in accordance with the Transition Assessment Framework. These companies will fulfil test 1 from the Aligned category.
No Climate Commitments	These are companies which do not have material climate change commitments. The Fund may invest in "No Climate Commitments" companies only if they are Lower Carbon Intensity or Climate Solutions companies. They will not be categorised as "Improvers" and will not (together with any other assets forming part of Other Investments as further described below) exceed 30% of the total assets held by the Fund.

Key Performance Indicators (KPIs)

The Fund will measure and report on the following Key Performance Indicators, which are used to measure performance towards the Sustainability Goal.

KPI	KPI Contribution
Percentage (%) Net Asset Value in "Committed" companies Percentage (%) Net Asset Value in "Aligning" companies Percentage (%) Net Asset Value in "Aligned" companies Number of companies re-classified between Transition Assessment Framework categories (including information on upgrades and downgrades) Number of companies where targets have been missed and/or extended	This allows the fund manager to measure the progress of Improvers Companies in progressing towards the "Net Zero" standard. The fund manager tracks re-classification of companies between Transition Assessment Framework categories, which allows to measure delivery of fund's short term, medium term and long term targets. If a company has failed to meet the short- or medium-term target, or would have failed to meet it had the target not been extended, the fund manager will report on the action taken, and if the target has been extended, the rationale for such extension.
Percentage (%) Net Asset Value in Improvers (ie "Committed", "Aligning" and "Aligned" companies)	This allows the fund manager to track what portion of assets within the portfolio are classified as Improvers.
The CO2e reduction (Scope 1 Emissions and Scope 2 Emissions, and where available Scope 3 Emissions) achieved by Improvers Companies over the course of the last three years, reported on an aggregate basis (ignoring the Fund's size or the size of the allocations to the companies).	This allows the fund manager to track reduction in CO2e emissions of Improvers Companies. This provides useful supplemental information on the rate of decarbonisation.
For companies that provide climate solutions, information on the nature of activity and % of company's revenues it constitutes The aggregate CO2e avoided or CO2e reduced as a result of the climate solutions activities	These KPIs provide supplemental information on companies providing climate solutions. Since these companies help other companies achieve emissions reduction, or help mitigate the effect of other companies' emissions, they are of relevance to attainment of Paris Agreement climate change goal.

KPI	KPI Contribution
The number of companies subject to engagement, classified on an aggregate basis against the engagement milestones.	By measuring and reporting on engagement against engagement milestones, the fund manager can demonstrate the role of engagement in supporting the delivery of Sustainability Goal.
The Fund's weighted average carbon intensity (WACI) versus that of the investment universe	This assists investors in understanding the Fund's current contribution to climate change compared to the investment universe.

Engagement

All companies are in scope for engagement activities. To support the achievement of the Fund's Sustainability Goal, topics which might be engaged on include:

- Emissions reduction (Scope 1, 2 & 3)
- Refinement/ambition levels of carbon emission reduction targets
- Increasing capital expenditure or research & development spend on climate solution technologies
- Development of/commitment to Science Based Targets

Engagement objectives will likely differ, depending on the Transition Assessment Framework categorisation of a company. Ultimately, the aim of engagement will be to move companies up through the Transition Assessment Framework levels over time to the Net Zero category.

Exclusions, Thresholds and Exceptions: what is the Fund not permitted to hold?

The fund manager uses negative screens set up in monitoring systems to filter the investment universe. These screens typically use third party data vendors such as MSCI and Bloomberg. This system is supplemented by the fund manager's sustainability research process, which may result in exceptions against such monitoring, as described below.

Subject to the revenue thresholds stated below, the fund excludes the following:

Global Norms	Environmental		Social	
Sovereign Good Governance *	Thermal Coal Extraction	0%	Adult Entertainment	0%
Corporate Good Governance and Global Norms including the UN Global Compact (UNGC) *	Oil and Gas Extraction	0%	Gambling	0%
	Carbon-intensive power generation	5%	Tobacco production	0%
			Tobacco distribution	10%
			Controversial Weapons	0%
			Defence and Other Weapons	5%

* Details of exclusion criteria are available in the Prospectus

Detailed definitions of excluded activities and rules around exceptions to exclusions are specified in the Prospectus.

Other Investments: what else may the Fund hold?

The Fund may hold assets that do not contribute towards the Sustainability Goal. However, they cannot conflict with the Sustainability Goal. The Fund is permitted to invest up to 30% in "Other Investments".

The Fund may invest in Lower Carbon Intensity and Climate Solutions companies that have No Climate Commitments, as well as, in companies that already reached Net Zero because they are not considered to be in conflict with the Sustainability Goal.

The Fund may invest in cash, near cash and money market funds for liquidity purposes.

The Fund is also permitted to use derivatives, but this use is limited to hedging of currency risks.

It is possible that the Fund may receive investments that are not in line with its Sustainability Goal, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. In accordance with the Escalation Plan, we may also rebook an investment to treat it as an “Other Investment” where we determine it is no longer contributing sufficiently to the Sustainability Goal. Where an investment is not in line with the Sustainability Goal, and the fund manager does not believe engagement will be successful, the Fund will generally seek to dispose of it in the best interests of investors, but may not always do so immediately. Such holdings are infrequent and are unlikely to be a material part of the Fund.

What might pursuing the Sustainability Goal do to financial risk and returns?

Pursuing the Sustainability Goal involves choosing investments that contribute towards it and excluding others. That means the Fund's holdings may be considerably different from its benchmark. It may also differ considerably from funds that are not trying to achieve a sustainability goal, or that try to pursue a different sustainability goal, even where those funds have the same benchmark. In strictly financial terms, that results in a different risk profile, which can have a positive or a negative effect on returns depending on what happens with the market.

Is pursuing the Sustainability Goal expected to result in material negative environmental or social outcomes?

The pursuit of the Sustainability Goal is not expected to result in material negative environmental or social outcomes.

Full Sustainability Disclosures are available in the Prospectus.

Sustainability Disclosure Requirements explained

M&G Investments

We've created this overview of the Financial Conduct Authority's Sustainability Disclosure Requirements, to help you understand these new regulatory rules.

What are Sustainability Disclosure Requirements (SDR)

In November 2023 the Financial Conduct Authority (FCA) published its Policy Statement on SDR and Investment Labels. These new regulations apply to all investment products with sustainability characteristics and aim to make it easier for investors to understand these products by introducing greater transparency, accountability and comparability. All UK FCA-regulated financial firms and their UK-based products marketed in the UK must disclose information regarding their environmental, social, and governance (ESG) performance.

The five measures of SDR

SDR consists of five main measures to help consumers navigate the market for sustainable investment products.

1. Anti-greenwashing rule

The anti-greenwashing rule looks to ensure that any sustainability-related claim, including but not limited to, 'statements, assertions, strategies, targets, policies, information and images' must be 'fair, clear and not misleading'. According to the FCA, examples include misusing images of rainforests and featuring ESG ratings without context. The rule is effective for all firms under its scope as of 31 May 2024.

2. Investment labels

Funds with sustainability goals are allowed to apply labels to help investors understand their key features.

- **Sustainability Focus:** Investment products that 'aim to invest in assets that are environmentally and/or socially sustainable'.
- **Sustainability Improvers:** Investment products that 'aim to invest in assets that have the potential to improve environmental and/or social sustainability over time'.
- **Sustainability Impact:** Investment products that 'aim to achieve a pre-defined positive measurable impact to an environmental and/or social outcome'.
- **Sustainability Mixed Goals:** Investment products that include a mix of assets that 'are already sustainable, have the potential to improve their sustainability over time, and/or aim to achieve a positive impact'.

As of 31 July 2024, firms can use these labels with accompanying disclosures and statements.

3. Naming and marketing rules

These rules seek to ensure that sustainability-related terms are used appropriately. Use of these terms is restricted to funds which actually have the relevant sustainability features. These funds will be required to explain their features appropriately, even if they don't use a label.

However, certain terms ('sustainable', 'sustainability' and 'impact') will not be permitted in fund names unless the fund has the relevant labels.

4. Disclosures

Funds with sustainability characteristics will update their literature to meet the new rules during the course of 2024-2025. This will mean changes to their prospectuses and the introduction of a new document, the 'Consumer-Facing Disclosure', even for funds that do not have a label.

Between 31 July 2024 and 2 April 2025, firms will need to start publishing consumer-facing and detailed product-level disclosures.

5. Distributors

The FCA highlights the role of financial advisers in facilitating easy access to sustainability-related information for consumers throughout their investment journey.

Financial advisers will distribute additional information to their customers during the course of 2024-2025.

Who does SDR apply to?

SDR currently applies to investment products offered in the UK by most types of asset managers and distributors.

SDR will look to improve the consumer investment journey by refining the way products are labelled and marketed so that investors can better match their sustainability priorities with investment choices.

For further information or assistance with SDR, please speak to your financial adviser.

The value of a fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise and you may get back less than you originally invested. The views expressed in this document should not be taken as a recommendation, advice, or forecast.

If you don't have an adviser, we can help you find one at **mandg.co.uk/getfinancialadvice** or call unbiased on **0800 011 9671**.

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