

The background of the entire page is an aerial photograph of terraced agricultural fields. The fields are arranged in concentric, curved patterns, with varying shades of green and yellow, suggesting different crops or stages of growth. The terraces are separated by narrow, winding paths or ditches.

M&G Climate Aware Multi Asset Fund
Annual Climate
Report 2024

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Please note: this Annual Climate Report provides investors with additional information about the companies held within the fund, and their ongoing sustainability efforts. It is produced in addition to the fund's regulatory reporting, and some of the data in this report may differ to that found in its regulatory reporting and Consumer-Facing Disclosure document, due to possible differences in reporting periods.

This report is completed on a backward-looking basis. Company sustainability data is for the calendar year 2024.

The value of investments will fluctuate, which will cause prices to fall as well as rise and you may not get back the original amount you invested. The views expressed in this document should not be taken as a recommendation, advice or forecast, nor a recommendation to purchase or sell any specific security.

Fund overview



This report provides an overview of the climate characteristics of the M&G Climate Aware Multi Asset Fund, showcasing our commitment to transparency and highlighting the fund’s overall alignment with its climate aware approach, including through the fund’s exposure to climate solutions and environmental themed bonds.

Please note that the M&G Climate Aware Multi Asset Fund does not have a UK sustainable investment label.

Sustainable investment labels help investors find products that have a specific sustainability goal. This product does not have a specific sustainability goal and therefore does not use a label.

Key sustainability indicators

Climate Aware (KPI)	Outcome as at 31 December 24	Climate aware criteria achieved?
 <p>% of the fund's NAV held in excluded investments (To meet the Exclusionary Approach this must be 0%)</p>	0%	✓
 <p>The difference in Corporate WACI¹ between Climate Aware Corporate Assets of the fund and the global economy (represented by the MSCI ACWI index)</p>	Fund WACI: 32.8 Index WACI: 117.4	✓
 <p>Weighted average CCPI² Score of the Climate Aware government bonds held by the fund (CCPI Rankings: High ranking – countries ranked 4-15) (Medium ranking – countries ranked 16-34)</p>	13.4	✓
 <p>% of the fund's NAV held in Climate Solutions and Environmentally Themed Bonds (This value must be at least 20%)</p>	45.9%	✓
 <p>% of the fund's NAV held in Climate Aware Assets (The value must be at least 70%)</p>	98.2%	✓

Source: M&G as at 31 December 2024.

¹Weighted average carbon intensity (WACI) is measured in terms of tonnes of CO₂ per US\$ million of sales. It is calculated as the sum of the product of each portfolio holding's weight and that company's individual carbon intensity, where carbon intensity equals the company's carbon emissions divided by its total sales in US\$ terms. ² Climate Change Performance Index (CCPI), is a global index that tracks progress on climate change mitigation at a country level. The lower the number, the higher ranked a country is on the CCPI Index. Currently the lowest ranked country with a 'Medium' ranking is ranked 34th, therefore a rank of 34 or higher (ie the number itself being 34 or lower) achieves the Climate Aware criteria.

For more information on the metrics above please refer to the consumer facing disclosure available on the [fund's website](#).



Climate Aware criteria

The fund aims to achieve its financial objective through active asset allocation across asset classes while applying a number of Climate Aware criteria including:

- Negative screening; mitigating the effect the fund has on climate change by preventing it from holding certain types of investments.
- Positive Tilts:
 - Positive Tilt on Corporate Weighted Average Carbon Intensity (WACI) where the weighted average carbon intensity of corporate issuers must be below that of MSCI ACWI
 - Positive Tilt on Government CCPI ranking, where the Weighted Average CCPI Score of government bonds held by the fund must be equivalent to at least a Medium ranking.
- At least 20% of the fund Net Asset Value will be held in investments which the fund manager considers to have Climate Aware characteristics because the issuers are Climate Solutions companies or because they are Environmental Themed bonds.

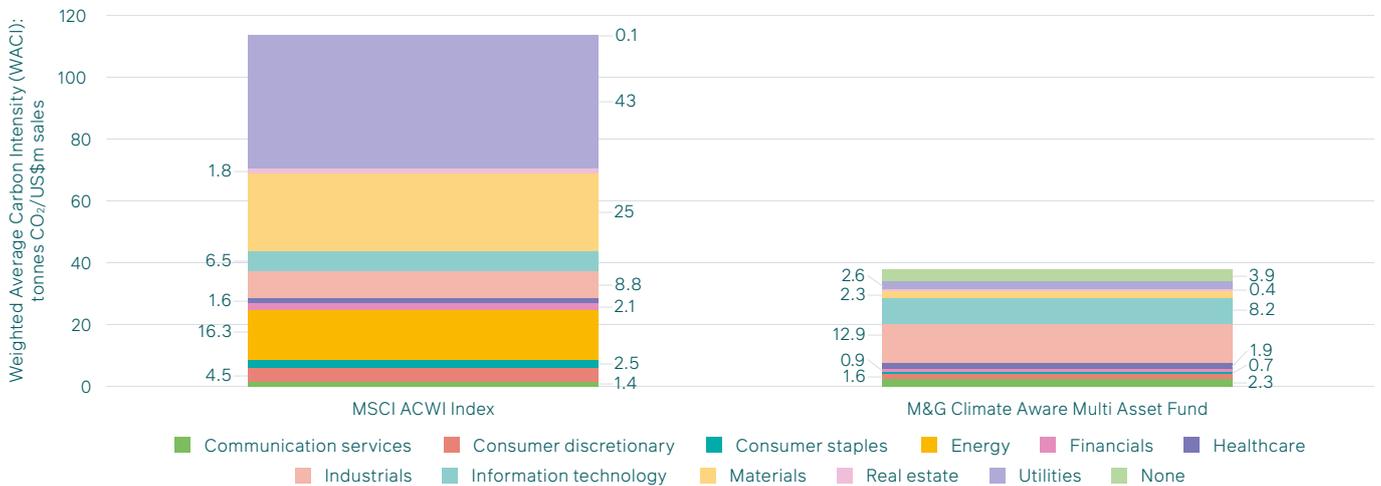
¹A detailed list of all applicable exclusions can be found in the prospectus.

Weighted Average Carbon Intensity

The fund's weighted average carbon intensity declined more than 20% since the last report and stood at 32.8 tonnes CO₂/million\$ sales as of 31 December 2024 (vs an equivalent 117.4 tonnes CO₂/million\$ sales for MSCI ACWI). Limited and selective exposure to utilities, materials and energy largely contributed to this.

Similar to our 2023 report, the industrial sector was the largest source of the fund's emissions, accounting for more than 30% of the fund's overall weighted average carbon intensity, followed by the Information Technology sector. Waste management company Republic Services has by far the largest carbon footprint. However, our impact analysis suggests that Republic Services' net impact was a saving of 4.3 tonnes of CO₂ over the year 2024. We believe that the companies in our portfolio have strong climate credentials and that innovation will continue to drive efficiencies in energy production and consumption going forward.

Emissions intensity (tonnes CO₂/US\$ million sales)

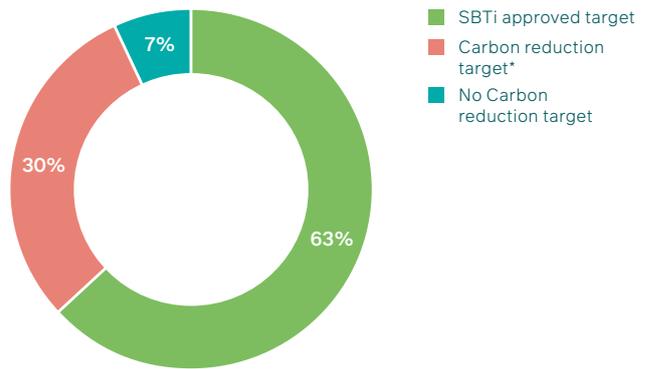


Source: M&G, Aladdin, 31 December 2024.

Carbon reduction targets

In addition to applying the climate aware criteria in the fund for which we assess our holdings relative to their current carbon emissions and intensity, we also consider the basis of their climate transparency, governance and ambition as represented by carbon reduction targets. As of the 31 December 2024, **63%** of our corporate holdings (excluding supranational and listed infrastructure holdings) had an SBTi aligned approved target, a significant increase from twelve months prior, when the number stood at **53%**. This was also achieved thanks to companies like Alk-Abello moving from having a 'committed' to 'approved' SBTi target during the period. Currently, only **7%** of our corporate holdings lack a carbon emission target (similar to last year) and 30% have some form of climate target, including Samsung which had no target previously.

Carbon emissions (rebased to 100%)



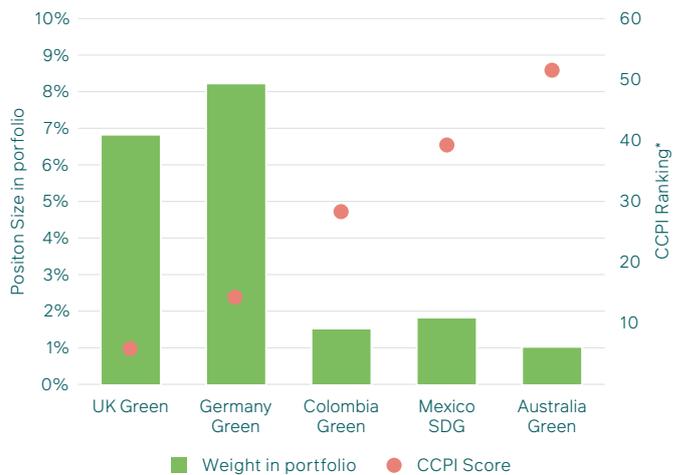
Source: M&G, Aladdin, 31 December 2024.
*Includes committed SBTi targets.

Government bonds climate assessment

Climate Change Performance Index

To assess a sovereign's climate credentials, the fund relies on the Climate Change Performance Index (CCPI), a global index that tracks countries progress on climate mitigation. Countries are assessed, scored and ranked annually based on their progress on GHG emissions reduction, deployment of renewable energy, energy use and climate policy. The chart below provides an overview of the fund's sovereign holdings with their respective rank on the CCPI Index. Additionally to the CCPI assessment, all government bonds below are issued under a green or sustainable use of proceeds framework. The weighted average CCPI score for the fund's sovereign holdings as at 31 December 2024 was 13.4 which is equivalent to a high ranking on the climate change performance index and above the minimum fund requirement of medium ranking.

Government bonds under green or sustainable proceeds framework



Source: M&G, Climate Change Performance Index. 31 December 2024.
*Climate Change Performance Index. The lower the number, the higher ranked a country is on the CCPI Index.

Climate Solutions and Environmental Themed bonds

Climate Solutions companies provide goods or services which help to decarbonise the global economy. These may help other companies achieve net zero, or may help mitigate the effect of other companies' emissions.

Environmental Themed Bonds use the proceeds raised to achieve specific purposes or have made certain pledges.

Each climate solution or environmental themed bond holding is subject to in depth analysis and validation from the M&G Stewardship and Sustainability team. Below is a detailed list of our holdings and their respective KPIs.

Corporate Green Bonds

Security name	Asset class	KPI name	KPI Value
Apple 2025 Bond	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	5.7
Apple 2027 Bond	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.7
Boston Properties	Corporate Green Bond	Energy saved (GWh)	5.6
ING	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.2
Intesa Sanpaolo	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.3
KBC	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.3
Mercedes Benz	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.8
Prologis	Corporate Green Bond	Energy saved (GWh)	12.9
Societe Generale	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.5
Swedbank	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.1
Unibail-Rodamco-Westfield	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.002
Vodafone	Corporate Green Bond	# m tonnes CO ₂ emissions avoided	0.4
Xylem	Corporate Green Bond	# of megalitres of water saved, tested, treated or provided	1,128,000.0

Use of proceeds government bonds

Security name	Asset class	KPI name	KPI Value
Australia Green Bond 2034	Government Bond	Renewable energy generated (GWh)	314.0
Colombia Green Bond 2031	Government Bond	# m tonnes CO ₂ emissions avoided	0.6
Germany Green Bond 2030	Government Bond	# m tonnes CO ₂ emissions avoided	4.1
Germany Green Bond 2033	Government Bond	# m tonnes CO ₂ emissions avoided	4.5
Germany Green Bond 2053	Government Bond	# m tonnes CO ₂ emissions avoided	4.5
Mexico SDG Bond 2035	Government Bond	\$bn invested in green and/or social projects by sovereigns	1.8
UK Green Gilt 2033	Government Bond	# m tonnes CO ₂ emissions avoided	23.3
UK Green Gilt 2053	Government Bond	# m tonnes CO ₂ emissions avoided	17.8

Supranational Bonds

Security name	Asset class	KPI name	KPI Value
European Bank for Reconstruction and Development 2027 (TRY)	Supranational Bond	\$bn invested by supranationals	0.3
European Bank for Reconstruction and Development 2028 (IDR)	Supranational Bond	\$bn invested by supranationals	0.3
European Investment Bank 2032 (ZAR)	Supranational Bond	\$bn invested by supranationals	0.6
European Investment Bank Green Bond 2033 (USD)	Supranational Bond	\$bn invested by supranationals	5.9
Inter-American Development Bank 2026 (IDR)	Supranational Bond	# m tonnes CO ₂ emissions avoided	0.2
Inter-American Development Bank 2044 (USD)	Supranational Bond	\$bn invested by supranationals	0.5
International Bank for Reconstruction and Development 2028 (INR)	Supranational Bond	\$bn invested by supranationals	0.6
International Bank for Reconstruction and Development Green Bond 2026 (BRL)	Supranational Bond	\$bn invested by supranationals	0.2
International Bank for Reconstruction and Development Green Bond 2026 (MXN)	Supranational Bond	\$bn invested by supranationals	0.2

Listed Infrastructure

Security name	Asset class	KPI name	KPI Value
Greencoat Renewables	Infrastructure	# m tonnes CO ₂ emissions avoided	1.4
Greencoat UK Wind	Infrastructure	# m tonnes CO ₂ emissions avoided	2.2
Octopus Renewables	Infrastructure	# m tonnes CO ₂ emissions avoided	0.3
Renewables Infrastructure Group	Infrastructure	# m tonnes CO ₂ emissions avoided	2.0

Equities

Security name	Asset class	KPI name	KPI Value
EDP Renovaveis	Equity	Renewable energy generated (GWh)	36,600.0
Enphase Energy	Equity	# m tonnes CO ₂ emissions avoided	18.0
Johnson Controls	Equity	# m tonnes CO ₂ emissions avoided	2.0
Orsted	Equity	Renewable energy generated (GWh)	31,135.0
Vestas Wind Systems	Equity	# m tonnes CO ₂ emissions avoided	239.0

Engagement

Voting stats

The fund has been an active participant during the course of 2024. The table below provides a summary of our voting activity. We have cast votes in favour of shareholder resolutions for gender pay gap disclosure and employee representation on company boards. We have also voted against management or abstained on such things as remuneration and choice of auditors.

89

Number of votable meetings

How did we vote?

1,098

Number of items voted on

83 (7.6%)

Votes against management

Where did we vote?

30

Meetings in the USA

22

Meetings in Europe

12

Meetings in the UK

23

Meetings in the rest of the world

Strategic engagement examples

An example of recent engagement was with Brambles, a leader in global pallets, crates and containers. We are currently engaging with the company on two topics: improving the quantification of emissions avoided through its products and services and clarifying the actual metrics used to determine their remuneration awards. This engagement is currently ongoing at the time of writing.

Given the potential negative biodiversity impacts of offshore wind, we have engaged with Ørsted to ensure it was advancing its approach to biodiversity, and that a biodiversity metric was included in executive remuneration. The company has been working on the issue for several years. It has engaged a biodiversity consultancy, and is leaning against existing frameworks, particularly those from central Europe and the UK. The company said it was gathering feedback from NGOs, academia and others, with the aim to implement a framework in 2025, and a first set of metrics by the end of 2025.

In 2024, we also engaged with Bright Horizons, a leading provider of child care, to encourage the company to link their executive remuneration to the positive social outcomes the company was achieving. The company has assured us that this is currently being discussed within the remuneration committee, and we have offered to help give input into these discussions. We also engaged with the company to encourage them to set climate targets. We were pleased that the company published Scope 1 and 2 emissions during its CDP reporting.



