

23 September 2021

Dear Investor

**Changes to the M&G (Lux) Emerging Markets Corporate ESG Bond Fund,
a sub-fund of M&G (Lux) Investment Funds 1 (the “Company”)**

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

I am writing to inform you of changes we are making to the M&G (Lux) Emerging Markets Corporate ESG Bond Fund (the “Fund”) to enhance its sustainability profile. In order to achieve this, effective from **Friday 29 October 2021** (the ‘Effective Date’) an additional set of exclusions will be introduced to the Fund’s ESG Criteria and Sustainability Criteria document, which is available on the Fund’s page of the M&G website, to exclude unsustainable activities from the Fund’s investment universe, particularly those harmful to the environment.

These changes will have no impact on the Fund’s categorisation under the Sustainable Finance Disclosure Regulation (SFDR) and the Fund will remain categorised under article 8 SFDR.

The Prospectus disclosures (including the Investment Objective, Investment Policy and Investment Strategy) will be updated to reflect the Fund’s enhanced sustainability characteristics and the Fund will be renamed **M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund** from the Effective Date.

In addition to the above changes, there will be a change in the provision of external ESG research for the Fund, which will result in an update to the screening process listed in the Fund’s ESG Criteria and Sustainability Criteria.

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This letter provides you with details of the changes and how they will impact investors, along with a full comparison of the current and updated Prospectus disclosures, as well as a list of the new exclusions which will be incorporated in the Fund's ESG Criteria and Sustainability Criteria document from the Effective Date.

Please note that, although the additional exclusions will reduce the Fund's investment universe and result in the sale of some holdings (see below), there will be no material change to the way the Fund is managed, nor to its liquidity and risk profile.

What changes are we making to the M&G (Lux) Emerging Markets Corporate ESG Bond Fund?

In addition to the Fund name change, the following changes will come into effect from the Effective Date:

- **New exclusions from the Fund's investment universe**
A number of activities considered to be unsustainable and/or harmful to the environment will be added to the list of assets the Fund cannot invest in. These will be included in the Fund's ESG Criteria and Sustainability Criteria document and cover:
 - Carbon intensive activities (power production).
 - Conventional and unconventional oil and gas-related activities – rather than solely production or extraction.
 - Activities related to genetically modified crops.

In addition, sovereign debt issued by countries considered 'Not Free' by the Freedom House index, which measures a nation's degree of democratic freedom, and companies with ties to factory farming and/or non-medical animal testing will be excluded.

Full details of the exclusions, including revenue threshold limits (where relevant) for each exclusion, will be made available in the Fund's updated ESG Criteria and Sustainability Criteria document and can be found in Appendix 2 at the back of this letter.

- **Investment Objective**
Minor changes as highlighted in **bold** in Appendix 1 to align it with the Fund's enhanced sustainability profile.
- **Investment Policy**
Minor changes as highlighted in **bold** in Appendix 1 to align it with the Fund's enhanced sustainability profile.

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- **Investment Strategy**

The Investment Strategy will be updated to provide more details on how the Fund's sustainable characteristics are incorporated into its investment strategy.

In addition, the Responsible Investment Approach will be amended to reflect the Fund's change of categorisation from Planet + / ESG + to Planet + / Sustainable.

Details of the updated Prospectus disclosures can be found in Appendix 1 at the back of this letter.

- **Decommissioning of Sustainalytics as an external ESG research provider**

The Fund currently employs Sustainalytics as one of three external data providers for ESG research, along with MSCI and RepRisk. Details of how the Fund uses the data supplied by these providers is included in the Fund's ESG Criteria and Sustainability Criteria document.

Following a review, we have decided to remove Sustainalytics as an external provider of ESG research for the Fund from [the Effective Date]. The Fund will continue to use MSCI together with RepRisk, and the Fund's ESG Criteria and Sustainability Criteria document will be updated to reflect the change.

Will the changes result in any realignment of the Fund's portfolio?

Based on the Fund's holdings as at 01 September 2021, the changes will require a realignment of around 15.05% of the Fund's portfolio. This is expected to result in transaction costs, estimated at circa. 0.03% of the Fund's net asset value. These costs will be borne by the Fund, and will impact its performance by an equivalent amount.

Costs associated with the changes

All administration costs associated with the changes will be borne by M&G.

Making changes to your investment

You may sell your investment, or switch it to another sub-fund of the Company or M&G fund, free of charge, at any point before or after the changes have taken place subject to our terms and conditions.

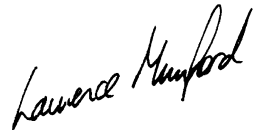
For more information

If you are in any doubt as to the action to be taken or require further information, please do not hesitate to contact your usual M&G contact or, for operational queries, our **Customer Services** team by email at csmandg@rbc.com or by telephone on +352 2605 9944. We are open from 09:00 to 18:00 CET Monday to Friday. For security and to improve the quality of our service we may record and monitor telephone calls.

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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 sincerely

A handwritten signature in black ink that reads "Laurence Mumford". The signature is written in a cursive style with a large initial 'L'.

Laurence Mumford
Chair, M&G (Lux) Investment Funds 1
Encl:

- Appendix 1: Comparison of previous and new wording for M&G (Lux) Emerging Markets Corporate ESG Bond Fund Prospectus disclosures; and
- Appendix 2: New exclusions as included in the M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund ESG Criteria and Sustainability Criteria Document.

Appendix 1 – comparison of Prospectus disclosures

You may notice that the wording differs from those in the Fund’s Key Investor Information Documents (KIIDs). This is because the Prospectus describes the full scope of the tools available to the fund manager and the limitations within which they must operate, whereas the information listed in the KIIDs provides a shorter description. KIIDs based on the new investment objectives, investment policies and investment strategies will be available to view at www.mandg.com

Effective until Thursday 28 October 2021	Effective from Friday 29 October 2021
M&G (Lux) Emerging Markets Corporate ESG Bond Fund	M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund
<p>Investment Objective The Fund aims to provide a higher total return (the combination of income and capital growth) than that of the corporate bond markets in emerging markets over any three-year period while applying ESG Criteria.</p>	<p>Investment Objective – changes in bold The Fund aims to provide a higher total return (capital growth plus income) than that of the corporate bond market in emerging markets over any three-year period while applying ESG Criteria and Sustainability Criteria.</p>
<p>Investment Policy The Fund invests at least 80% of its Net Asset Value in debt securities issued by companies and quasi-sovereigns that are incorporated, domiciled, or do most of their business activity in emerging markets, and are denominated in hard currency.</p> <p>The Fund may invest in debt securities issued or guaranteed by emerging market governments or their agencies, local authorities, public authorities and supranational bodies and other debt securities denominated in any currency.</p> <p>The Fund may invest in Chinese onshore debt securities denominated in CNY traded on the China Interbank Bond Market.</p> <p>There are no credit quality restrictions applicable to the investments and the Fund may invest up to 100% of its Net Asset Value in below investment grade and unrated debt securities.</p> <p>The Fund invests in securities that meet the ESG Criteria.</p> <p>The following types of exclusions apply to the Fund’s direct investments:</p> <ul style="list-style-type: none"> • 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 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. 	<p>Investment Policy – changes in bold The Fund invests at least 80% of its Net Asset Value in debt securities issued by companies and quasi-sovereigns that are incorporated, domiciled, or do most of their business activity in emerging markets, and are denominated in hard currency.</p> <p>The Fund may invest in debt securities issued or guaranteed by emerging market governments or their agencies, local authorities, public authorities and supranational bodies and other debt securities denominated in any currency.</p> <p>The Fund may invest in Chinese onshore debt securities denominated in CNY traded on the China Interbank Bond Market.</p> <p>There are no credit quality restrictions applicable to the investments and the Fund may invest up to 100% of its Net Asset Value in below investment grade and unrated debt securities.</p> <p>The Fund invests in securities that meet the ESG Criteria and Sustainability Criteria.</p> <p>The following types of exclusions apply to the Fund’s direct investments:</p> <ul style="list-style-type: none"> • 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 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.
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<ul style="list-style-type: none"> • Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria. <p>References to "assessed" above mean assessment in accordance with the ESG Criteria document as disclosed in the ESG Information section below. Further information on the exclusions applicable to the Fund can be found in this document.</p> <p>The Fund may invest up to 10% of its Net Asset Value in asset-backed securities and up to 10% of its Net Asset Value in contingent convertible debt securities.</p> <p>The Fund may invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (including funds managed by M&G).</p> <p>The Fund may use derivatives for investment purposes, efficient portfolio management and hedging. These instruments may include, but are not limited to, spot and forward contracts, exchanged traded futures, credit default swaps, interest rate swaps and credit linked notes.</p>	<ul style="list-style-type: none"> • Other exclusions: investments assessed to be otherwise in conflict with the ESG Criteria and Sustainability Criteria. <p>References to "assessed" above mean assessment in accordance with the ESG Criteria and Sustainability Criteria as disclosed in the ESG Information section below. Further information on the exclusions applicable to the Fund can be found in this document.</p> <p>The Fund may invest up to 10% of its Net Asset Value in asset-backed securities and up to 10% of its Net Asset Value in contingent convertible debt securities.</p> <p>The Fund may invest in other transferable securities, cash, and near cash, directly or via collective investment schemes (i.e. UCITS and other UCIs including funds managed by M&G).</p> <p>The Fund may use derivatives for investment purposes, efficient portfolio management and hedging. These instruments may include, but are not limited to, spot and forward contracts, exchanged traded futures, credit default swaps, interest rate swaps and credit linked notes.</p>
<p>Investment Strategy</p> <ul style="list-style-type: none"> • Investment Approach <p>The Fund’s investment approach involves an in-depth analysis of corporate bond issuers from emerging markets. Given the nature of emerging markets, the analysis of corporate bonds and their issuers will be performed in conjunction with a detailed credit assessment of the relevant sovereign(s).</p> <p>Consideration of ESG Factors is fully integrated into credit analysis and investment decisions.</p> <p>In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:</p> <ol style="list-style-type: none"> 1. The exclusions listed in the Investment Policy are screened out. 2. The Investment Manager then assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager’s assessment, lower scoring issuers classified as ESG laggards are excluded. This process results in a portfolio tilted towards issuers with better ESG characteristics. Further information about the assessment and scoring process can be found in the ESG Criteria document. <p style="text-align: right;">continued</p>	<p>Investment Strategy – changes in bold</p> <ul style="list-style-type: none"> • Investment Approach <p>The Fund’s investment approach involves an in-depth analysis of corporate bond issuers from emerging markets. Given the nature of emerging markets, the analysis of corporate bonds and their issuers will be performed in conjunction with a detailed credit assessment of the relevant sovereign(s).</p> <p>Sustainability considerations, encompassing ESG Factors, are fully integrated into credit analysis and investment decisions, and play an important role in determining the investment universe and portfolio construction. The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than the investment universe of emerging market corporate bonds. The Fund’s calculation methodology does not include those securities that do not have an ESG rating or carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.</p> <p>In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:</p> <ol style="list-style-type: none"> 1. The exclusions listed in the Investment Policy are screened out. <p style="text-align: right;">continued</p>

<p>3. From this narrowed investment universe, the Investment Manager performs fundamental analysis taking into consideration macroeconomic, sector, and company specific information, as well as analysis of corporate bonds and their issuers to identify and take advantage of mispriced bonds.</p> <p>The Investment Manager will also undertake an assessment of macroeconomic factors such as the global risk appetite and catalysts for global economic growth. These considerations will help to determine the fund's sector positioning, regional allocation and overall level of credit risk.</p> <ul style="list-style-type: none"> • Responsible Investment Approach • The Fund is categorised as Planet+ / ESG+ and promotes ESG characteristics. Within this category, the Positive ESG Tilt approach is applied. • The ESG Criteria are anticipated to reduce the Fund's investment universe by at least 20%. • All securities held in the Fund are subject to the ESG Criteria. This is achieved through the use of M&G's proprietary analysis and/or third party ESG information. As explained in the ESG 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. <p>The ESG categorisation of the Fund is explained in Appendix 1 "ESG Integration and Approaches to Responsible Investment" of this Prospectus. Investors should refer to that section for further details.</p>	<p>2. The Investment Manager then assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager's assessment, lower scoring issuers classified as ESG laggards are excluded.</p> <p>3. From this narrowed investment universe, the Investment Manager performs fundamental analysis taking into consideration macroeconomic, sector, and company specific information, as well as analysis of corporate bonds and their issuers to identify and take advantage of mispriced bonds. The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the investment objective. This process typically results in a portfolio with better ESG characteristics.</p> <p>Further information about the ESG assessment, scoring, and investment process can be found in the ESG Criteria and Sustainability Criteria.</p> <ul style="list-style-type: none"> • Responsible Investment Approach • The Fund is categorised as an Article 8 fund under SFDR. • The Fund is categorised as Planet+ / Sustainable. • The ESG Criteria and Sustainability Criteria are anticipated to reduce the Fund's investment universe by at least 20%. • All securities held in the Fund are subject to the ESG Criteria and Sustainability Criteria. This is achieved through the use of M&G's proprietary analysis and/or third party ESG information. As explained in the ESG Criteria and Sustainability Criteria, 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. <p>The ESG categorisation of the Fund is explained in Appendix 1 "ESG Integration and Approaches to Responsible Investment" of this Prospectus. Investors should refer to that section for further details.</p>
<p>ESG Information</p> <p>Additional information is available to investors on the Fund page of the M&G website:</p> <ul style="list-style-type: none"> • ESG Criteria: in the document titled "M&G (Lux) Emerging Markets Corporate ESG Bond Fund – ESG Criteria" which includes the Fund's exclusions approach. • Periodic reporting against the Fund's non-financial characteristics. 	<p>ESG Information</p> <p>Additional information is available to investors on the Fund page of the M&G website:</p> <ul style="list-style-type: none"> • ESG Criteria and Sustainability Criteria: in the document titled "M&G (Lux) Sustainable Emerging Markets Corporate Bond Fund – ESG Criteria and Sustainability Criteria" which includes the Fund's exclusions approach. • Periodic reporting against the Fund's non-financial characteristics.

**Appendix 2 – New types of investments excluded from the
M&G (Lux) Sustainable Emerging Markets Bond Fund’s investment universe
as listed in the M&G (Lux) Sustainable Emerging Markets Bond Fund – ESG Criteria and
Sustainability Criteria document from Friday 29 October 2021.**

- **Norms-based exclusions**

This stage will also exclude government bonds from countries classed as “Not Free” by the Freedom House index based on civil liberties, political rights, and press freedom.

- **Sector-based and/or values-based exclusions**

Note that one of the criteria below is a showing an amendment to the threshold applied to revenue derived gambling related activities, rather than a new exclusion – the amendment has been highlighted accordingly.

Environmental		
Issue	Rationale	Criteria
Unconventional Oil and Gas Extraction	Unconventional oil and gas extraction techniques can have long-lasting negative impacts on the environment. These include air and water pollution, and the increased frequency of oil spills.	The fund excludes companies involved in the unconventional extraction and/or distribution of oil and gas such as shale oil, shale gas, oil sands and Arctic drilling. We apply a 5% revenue threshold for such companies.
Oil and Gas Related Activities	While we acknowledge that oil and gas will continue to play an important role in the overall energy mix over the next decades, we believe that the transition to a low-carbon world needs to accelerate.	The Fund excludes companies that are involved in oil and gas related activities. We apply a 5% revenue threshold for such companies. Exposure to issuers with revenue in excess of 5% only permitted if credible decarbonisation strategy in place and/or are assessed as best-in-class transition names based on in-house ESG assessment.
Carbon-intensive power generation (fossil fuel-derived power, and nuclear power)	Fossil-fuel derived power, such as the generation of electricity from thermal coal, is environmentally damaging due to emissions of carbon dioxide and other pollutants. Although nuclear power generation does not emit greenhouse gas emissions, it poses serious environmental and health risks linked to the generation of radioactive waste, and has an overwhelming net-negative impact.	The fund will not finance electricity utility firms that derive more than 10% power production from coal, more than 30% from oil and gas or more than 30% from nuclear fuel sources*. However, companies with a clear business model aim of accelerating transition to low-carbon power production will be considered, even if in breach of the limits above.
Genetically modified (GM) crops	GM crops often result in the increased use of toxic herbicides and pesticides. They can also cross-pollinate with wild and non-GM plants, which can compromise the organic or non-GM farming system.	The Fund excludes companies that derive more than 5% of their revenue from the genetic modification of plants/crops intended for agriculture or human consumption.

*Note that whilst this exclusion is applied, there are also a number of stricter exclusions, applying a 5% revenue threshold for thermal coal extraction activities, nuclear power activities, unconventional oil and gas and oil and gas related activities.

Social		
Issue	Rationale	Criteria
Gambling	Gambling has been proven to be addictive and can lead to oppressive debt, which disproportionately affects the poorest in society. It can also be harmful to psychological and physical health.	The Fund excludes companies involved in the provision of gambling services. We apply a 5% threshold for revenue derived from gambling-related business activities.
Animal testing on non-medical grounds	Animal testing has a negative impact on animal welfare, and the fund deems it to be gratuitous and unnecessary when undertaken on non-medical grounds.	The Fund excludes companies that practise animal testing on non-medical grounds.
Factory farming	Factory farming has a negative impact on animal welfare, and the activities can have a negative impact on the environment due to greenhouse gas emissions and links to deforestation.	The fund excludes companies involved in commercial animal husbandry for the purpose of food production.