

4 September 2024

Dear Shareholder

**Important changes to M&G (Lux) Climate Solutions Fund (the “Fund”) a sub-fund of M&G (Lux) Investment Funds 1 (the “Company”)**

We recommend that you read this letter carefully.

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

I am writing to inform you of changes to the Fund effective from Tuesday 29 October 2024 (the “**Effective Date**”). We will be:

- Renaming the Fund to M&G (Lux) Nature and Biodiversity Solutions Fund.
- Broadening the Impact Objective of the Fund to invest in companies that deliver solutions to the challenges of biodiversity loss, climate change and the degradation of nature.
- Amending the Investment Policy and Strategy to reflect the changes required to deliver the broader Impact Objective.
- Updating the EU Sustainable Finance Disclosure Regulation (“SFDR”) precontractual annex in the Prospectus to reflect these changes and other related changes such as adjusting the Sustainability Indicators used to measure attainment of the Impact Objective.
- Adopting additional investment restrictions as a consequence of applying the “Towards Sustainability” label (the “**Label**”) awarded by Febelfin, as set out in the online Sustainability-Related Disclosures.
- Amending the “Profile of Typical Investor” section in line with the above changes.

This letter provides details on the reasons for the changes, a comparison of the current and updated Prospectus Fund disclosures (which can be found in the table at the end of this letter) and a summary of the additional investment restrictions.

**Please note that there will be no material change to the Fund’s financial objective, nor to its overall risk profile.**

continued overleaf

### **Will the changes result in any realignment to the Fund?**

The Fund will need to realign its portfolio prior to the changes becoming effective in order to comply with the new Objective, Policy, and investment exclusions. Based on the Fund's holdings as at 5 August 2024, the changes require a realignment of the portfolio of around 48% with estimated transaction costs of 0.10% of the Net Asset Value of the Fund. These realignment costs will be borne by the Fund with a cap of 0.20% of the Net Asset Value of the Fund and will impact the performance by an equivalent amount. Any realignment costs beyond the Cap will be borne by M&G. Realignment is expected to commence on 7 October 2024 and be completed before the Effective Date.

### **Background and reasons for the changes**

There is growing evidence and recognition of the link between climate change and biodiversity loss. We therefore consider it to be a natural extension to the Fund to add a focus on nature and biodiversity. This widens the Fund's investment universe by 35%, providing the investment team with a larger range of potential investment opportunities, which may help financial performance. It also allows a wider potential impact as reflected by adding on four United Nations Sustainable Development Goals ("SDGs") to the Fund's Sustainability Indicators – details of which SDGs will be added can be found below in the 'Addition of more United Nations SDGs to the Fund's Sustainability Indicators' section.

Full details of the main changes are described below. In addition we have made some other changes to the disclosures and a comparison is detailed at the end of this letter.

### **Details of the changes**

- **Investment Objective – Impact Objective**

The Impact Objective will be broadened from investing in companies that deliver solutions to the challenge of climate change to companies that deliver solutions to the challenges of biodiversity loss, climate change and the degradation of nature.

- **Investment Policy and Investment Strategy**

As mentioned above, broadening the scope of the Impact Objective results in an increased investible universe. To enable the investment team to access more opportunities the policy will be updated to state that the Fund will usually hold fewer than 50 stocks, up from the current 40. We believe this will lead to greater stock and sector diversification. Similar to the Impact Objective, the Investment Strategy will be amended to include reference to biodiversity loss and the degradation of nature.

- **Changes to the SFDR Pre-contractual annex and Sustainability Indicators**

The Fund will continue to be categorised as Article 9 under SFDR, which applies to funds with a sustainable investment objective.

Changes will be made to the Pre-contractual annex, including the Sustainability Indicators, to enable Shareholders to assess how the Fund is performing against its broadened Impact Objective. Key changes are detailed below and the full set of indicators is detailed at the end of this letter.

- **Alignment to the Investment Manager's Six Impact Areas**

We have made the link between the Impact Objective and a positive environmental impact clearer by expressing six impact areas for the Fund. We will then report on the Percentage of the Fund's Net Asset Value in each area as a Sustainability Indicator. The six impact areas are Clean Energy; Green Technology; Circular Economy; Clean and Accessible Water; Agriculture and Forestry; and Sustainable Food.

continued

- **Addition of more United Nations SDGs to the Fund's Sustainability Indicators**

In addition to the five SDGs against which the Fund is already measured against (SDG7 - Affordable and Clean Energy, SDG9 - Industry, Innovation and Infrastructure, SDG11 - Sustainable Cities and Communities, SDG12 - Responsible Consumption and Production, SDG15 - Life on Land), the Fund will be measured against an additional four (SDG2 – Zero Hunger, SDG6 – Clean Water and Sanitation, SDG13 – Climate Action, SDG14 – Life Below Water). Appendix 2 provides further details of the Fund level Sustainability Indicators.

- **Alignment to biodiversity and nature related Impact measures**

In line with the broadened remit some of the current sustainability indicators more focussed on climate will be replaced by biodiversity or broader nature related impact measures.

• **Additional Investment Restrictions as a result of the award of the Label**

Additional investment restrictions will be applied to the following categories in order for the Fund to meet the Label requirements:

- Coal
- Conventional oil and gas
- Unconventional oil and gas
- Power generation
- Tobacco
- Weapons

A 'Towards Sustainability Quality Standards' section will be introduced in the Fund's ESG Criteria document (which is available on the M&G website) to set out the exclusions and policies requirements related to the Label.

A short summary of the additional exclusions related to the Label is provided in Appendix 3 at the end of this letter. Full information will be available in the Fund's online Sustainability-Related Disclosures from the Effective date.

• **Profile of Typical Investor**

The Profile of Typical Investor will be amended in a similar way to the Impact Objective to reference solutions to the challenges of biodiversity loss and the degradation of nature.

The Fund's online Sustainability-Related Disclosures and precontractual annex within the Prospectus, which together include details on ESG exclusions applicable to the Fund and information on our good governance screens, will be updated from the Effective Date. The Disclosures can be found on our website at [www.mandg.com/country-specific-fund-literature](http://www.mandg.com/country-specific-fund-literature)

**Administration costs associated with the changes**

All administration costs associated with implementing 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, free of charge, at any point before or after the changes have taken place subject to our terms and conditions.

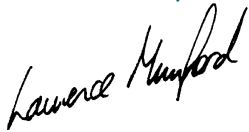
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**For more information**

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@caceis.com](mailto:csmandg@caceis.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.

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



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

Encl: Appendix 1 - Comparison of current and new Prospectus disclosures for the Fund  
Appendix 2 –Updated Sustainability indicators for the Fund  
Appendix 3 – Summary of Additional Investment Exclusions as a result of the award of the ‘Towards Sustainability’ label by Febelfin.

## Appendix 1: Comparison of current and new Prospectus disclosures for the Fund

The changes are highlighted in ~~striketrough~~ or **bold**.

You may notice that the wording differs from those in the Fund's Key Information Documents (KIDs)\*. 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 K(I)IDs provides a shorter description. K(I)IDs based on the Fund's new Investment Objective, Investment Policy and Investment Strategy will be available to view at [www.mandg.com](http://www.mandg.com)

\* Or Key Investor Information Documents (KIIDs) for UK investors

Effective until Monday 28 October 2024	Effective from Tuesday 29 October 2024
<p><b>Fund Name:</b> M&amp;G (Lux) Climate Solutions Fund</p>	<p><b>Fund Name:</b> M&amp;G (Lux) Nature and Biodiversity Solutions Fund</p>
<p><b>Investment Objective:</b> The Fund has two aims:</p> <ul style="list-style-type: none"> <li>Financial objective: to provide a higher total return (capital growth plus income) than that of the global equity market over any five-year period; and</li> <li>Impact objective: to invest in companies that deliver solutions to the challenges of climate change.</li> </ul>	<p><b>Investment Objective:</b> The Fund has two aims:</p> <ul style="list-style-type: none"> <li>Financial objective: to provide a higher total return (capital growth plus income) than that of the global <b>developed</b> equity market over any five-year period; and</li> <li>Impact objective: to invest in companies that deliver solutions to the challenges of <b>biodiversity loss</b>, climate change <b>and the degradation of nature</b>.</li> </ul>
<p><b>Investment Policy:</b> 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 domiciled, incorporated or listed in any developed market. The Fund has a concentrated portfolio and usually holds fewer than <b>40</b> stocks. The Fund invests in securities that meet the ESG Criteria, applying an Exclusionary Approach, in addition to its sustainable investment strategy used in pursuit of the sustainable investment objective, as described in the precontractual annex to this Fund Supplement. The Fund may also invest in the equity securities and equity-related instruments of companies that are domiciled, incorporated or listed in emerging markets, including investments in China A-Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect up to 20% of its Net Asset Value. <del>Such equity securities and equity related instruments are also subject to the impact assessment methodology and exclusions above.</del> In addition to the above, the Fund may also invest in UCITS and other UCIs, considered to be consistent with its investment policy. The Fund may invest in cash (meaning deposits permitted by article 41(1) of the 2010 Law) and near cash. Investments in cash and near cash shall not exceed 20% of the Net Asset Value of the Fund unless otherwise permitted by this investment policy. The Fund may receive certain assets as a consequence of corporate actions such as mergers and acquisitions</p>	<p><b>Investment Policy</b> 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 domiciled, incorporated or listed in any developed market. The Fund has a concentrated portfolio and usually holds fewer than <b>50</b> stocks. The Fund invests in securities that meet the ESG Criteria, applying an Exclusionary Approach, in addition to its sustainable investment strategy used in pursuit of the sustainable investment objective, as described in the precontractual annex to this Fund Supplement. The Fund may also invest in the equity securities and equity-related instruments of companies that are domiciled, incorporated or listed in emerging markets, including investments in China A-Shares via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect up to 20% of its Net Asset Value. In addition to the above, the Fund may also invest in UCITS and other UCIs, considered to be consistent with its investment policy. The Fund may invest in cash (meaning deposits permitted by article 41(1) of the 2010 Law) and near cash. Investments in cash and near cash shall not exceed 20% of the Net Asset Value of the Fund unless otherwise permitted by this investment policy. The Fund may receive certain assets as a consequence of corporate actions such as mergers and acquisitions and restructures that are not consistent with its</p>

<p>and restructures that are not consistent with its investment policy. The Fund will generally dispose of such assets to the extent possible but may continue to hold up to 10% of its Net Asset Value in such assets where the Investment Manager considers this to be in the best interest of investors.</p> <p>The Fund may use derivatives for efficient portfolio management and hedging.</p>	<p>investment policy. The Fund will generally dispose of such assets to the extent possible but may continue to hold up to 10% of its Net Asset Value in such assets where the Investment Manager considers this to be in the best interest of investors.</p> <p>The Fund may use derivatives for efficient portfolio management and hedging.</p>
<p><b>Investment Strategy</b> <b>Investment Approach</b></p> <p>The Fund is a concentrated portfolio of global stocks, investing over the long term in companies that are delivering solutions to the challenges of climate change alongside a financial return, using a disciplined stock selection process to build a high conviction portfolio of impact assets as further explained in the precontractual annex to this Fund Supplement.</p> <p><b>Investment Manager’s ESG Classification</b></p> <p>The Fund is categorised as Planet+ / Impact.</p> <p>The ESG categorisation of the Fund is explained in the section "ESG Glossary" of Appendix 1 of this Prospectus.</p>	<p><b>Investment Strategy</b> <b>Investment Approach</b></p> <p>The Fund is a concentrated portfolio of global stocks, investing over the long term in companies that are delivering solutions to the challenges of <b>biodiversity loss</b>, climate change <b>and the degradation of nature</b> alongside a financial return, using a disciplined stock selection process to build a high conviction portfolio of impact assets as further explained in the precontractual annex to this Fund Supplement.</p> <p><b>Investment Manager’s ESG Classification</b></p> <p>The Fund is categorised as Planet+ / Impact.</p> <p>The ESG categorisation of the Fund is explained in the section "ESG Glossary" of Appendix 1 of this Prospectus.</p>
<p><b>EU Sustainable Finance Disclosure Regulation</b> <b>The Fund is categorised as an Article 9 fund under SFDR, and information about its sustainable investment is described in the precontractual annex to this Fund Supplement.</b></p>	<p><b>EU Sustainable Finance Disclosure Regulation (unchanged)</b> <b>The Fund is categorised as an Article 9 fund under SFDR, and information about its sustainable investment is described in the precontractual annex to this Fund Supplement.</b></p>
<p><b>Profile of Typical Investor</b></p> <p>The Fund is designed for retail and Institutional Investors seeking a combination of capital growth and income by investing in a portfolio of shares of companies from anywhere in the world that aim to deliver solutions to the challenge of climate change and who have sustainability preferences.</p> <p>There is no guarantee that the Fund will achieve its objectives. Investors should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.</p> <p>In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.</p> <p>This Fund is designed for investors who have an investment time horizon of at least five years.</p>	<p><b>Profile of Typical Investor</b></p> <p>The Fund is designed for retail and Institutional Investors <b>with sustainability preferences</b> seeking a combination of capital growth and income by investing in a portfolio of shares of companies from anywhere in the world that aim to deliver solutions to the challenges of <b>biodiversity loss</b>, climate change <b>and the degradation of nature</b> and who have sustainability preferences.</p> <p>There is no guarantee that the Fund will achieve its objectives. Investors should appreciate that their capital will be at risk and that the value of their investment and any derived income may fall as well as rise.</p> <p>In each case it is expected that all investors will understand and appreciate the risks associated with investing in Shares of the Fund.</p> <p>This Fund is designed for investors who have an investment time horizon of at least five years.</p>

## Appendix 2 – Updated Sustainability indicators for the Fund

Effective until Monday 28 October 2024	Effective from Tuesday 29 October 2024
<ul style="list-style-type: none"> <li>• Percentage (%) of NAV committed to Science-Based Targets (SBTs)</li> <li>• Percentage (%) of NAV with ratified Science-Based Targets</li> <li>• Percentage (%) of CO2 emissions with Science-Based Targets</li> <li>• Percentage (%) of NAV in investments with net positive carbon emissions (i.e. investments that are considered to remove more potential carbon emissions than they produce)</li> <li>• Percentage (%) of NAV participating in Task Force on Climate-Related Financial Disclosures (TCFD) reporting</li> <li>• Total renewable energy produced (megawatt hours)</li> <li>• Percentage (%) of NAV in investments in climate solution companies</li> <li>• Percentage (%) of NAV in investments aligned to United Nations Sustainable Development Goals (“SDGs”):               <ul style="list-style-type: none"> <li>- SDG7 - Affordable and Clean Energy</li> <li>- SDG9 - Industry, Innovation and Infrastructure;</li> <li>- SDG11 - Sustainable Cities and Communities; and</li> <li>- SDG12 - Responsible Consumption and Production</li> <li>- SDG15 - Life on Land</li> </ul> </li> </ul> <p>In addition, for each investment considered to be SDG-aligned, the Investment Manager will assess the strength of contribution to the relevant SDG(s).</p>	<ul style="list-style-type: none"> <li>• Percentage (%) of NAV contributing towards each of the UN Sustainable Development Goals (“SDGs”) 2, 6, 7, 9, 11, 12, 13, 14, 15,*</li> <li>• Percentage (%) of NAV contributing towards these SDGs in aggregate</li> <li>• Percentage (%) of NAV in each of the Investment Manager's six nature and biodiversity impact areas**, with the allocation to each as determined by the Investment Manager using appropriate metrics.</li> <li>• Percentage (%) of NAV invested in nature and biodiversity impact assets in total</li> <li>• Percentage (%) of NAV which participate in Task Force on Climate-Related Financial Disclosures (TCFD)</li> <li>• Percentage (%) of NAV which participate in Task Force on Nature-Related Financial Disclosures (TNFD)</li> <li>• Percentage (%) of NAV with ratified Science-Based Targets</li> <li>• The number of engagements on nature and biodiversity which have been successful in the Investment Manager's opinion, with success of engagement outcomes evaluated over two-year timeframe</li> </ul> <p>*The SDGs are: SDG2 Zero Hunger; SDG6 Clean Water and Sanitation; SDG7 Affordable and Clean Energy; SDG9 Industry, Innovation and Infrastructure; SDG11 Sustainable Cities and Communities; SDG12 Responsible Consumption and Production; SDG13 Climate Action; SDG14 Life Below Water; SDG15 Life on Land.</p> <p>**The Fund's nature and biodiversity impact areas are as follows: Clean Energy; Green Technology; Circular Economy; Clean and Accessible Water; Agriculture and Forestry; Sustainable Food.</p> <p>Additional security level sustainability indicators: The Investment Manager assesses the securities purchased by the Fund for their contribution to the UN SDGs and the Fund's six nature and biodiversity impact areas (both of which are reported as Fund level sustainability indicators as shown above) as well as performing further assessment of their contribution to the sustainable investment objective. The nature of impact investing is such that individual companies may contribute in different ways which do not readily aggregate for periodic reporting. Accordingly, the Investment Manager may choose to report on case studies and other sample reporting in addition to the core Fund level key sustainability indicators described above.</p>

### Appendix 3 – Summary of Additional Investment Exclusions as a result of the award of the ‘Towards Sustainability’ label by Febelfin

The following exclusions are set out in more detail in the Sustainability-related Disclosures available on the Fund’s website.

**Coal:** The Fund excludes companies that are increasing absolute production or capacity for thermal coal-related products or services; are involved in coal exploration or in the exploitation or development of new coal mines; or have more than 25% of their revenue from bespoke products, equipment or services dedicated to enabling such business activities. Companies that are not excluded by these requirements but have certain other exposures to thermal coal will also have to meet other qualifying criteria.

**Conventional Oil and Gas:** The Fund excludes companies that are involved in exploration or in the exploitation or development of new oil or gas fields; or have more than 25% of their revenue from bespoke products, and equipment or services dedicated to enabling such business activities. Companies that are not excluded by these requirements but have certain other exposures to conventional oil and gas will also have to meet other qualifying criteria.

**Unconventional Oil and Gas:** The Fund excludes companies that are increasing absolute production or capacity for unconventional oil and gas; are involved in exploration or in the exploitation or development of new unconventional oil or gas fields; or have more than 25% of their revenue from bespoke products, and equipment or services dedicated to enabling such business activities. Companies that are not excluded by these requirements but have certain other exposures to unconventional oil and gas will also have to meet other qualifying criteria.

**Power Generation:** The Fund excludes companies which are (a) involved in building new coal fired power stations; or (b) generate more than 5 gigawatts of power or heat from non-renewable energy sources and their absolute production of, or capacity for, coal-based products/services is structurally increasing. Companies that are not excluded by these requirements but have certain other exposures to non-renewable power generation will also have to meet other qualifying criteria.

**Tobacco:** The Fund excludes companies that (a) generate more than 5% of revenue from the production and wholesale trading of tobacco and products containing tobacco or e-cigarettes; or (b) have more than 25% of their revenue from enabling such activities with bespoke products, equipment or services.

**Weapons:** The Fund excludes companies involved in “controversial or indiscriminate weapons” or “other weapons” as follows:

**Controversial or indiscriminate weapons:** The Fund may not invest in companies involved in the manufacturing, sale or import and export of anti-personnel mines, sub-munitions, inert ammunition, chemical and biological weapons, nuclear weapons outside of the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser and non-detectable fragment weapons. A 0% revenue threshold applies.

**Other weapons:** The Fund excludes companies that (a) generate more than 5% of revenue from defence and ‘other’ weapons; or that (b) have more than 25% of their revenue from enabling such activities with bespoke products, equipment or services.

For more information, including a full copy of the Febelfin Quality Standard, please visit:  
<https://towardssustainability.be/>