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M&G Investments

19 February 2025

Dear Shareholder

Important information about M&G (Lux) Sustainable Macro Flexible Credit Fund (the "Fund"), A sub-fund of M&G (Lux) Investment Funds 1 (the "Company").

1. **Changes related to the European Securities and Markets Authority ("ESMA") guidelines on fund names using ESG- or sustainability-related terms**

2. **Merger of M&G (Lux) Fixed Maturity Bond Fund 2, a sub-fund of the Company, into the Fund**

We recommend that you read this letter carefully.

Defined terms used in this letter have the same meaning as in the Company's Prospectus, unless otherwise defined hereafter.

For more information
If you are in any doubt as to the action to be taken or require further information on the changes or merger detailed in this letter, 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** 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

Enc: Appendix 1 – Comparison of current and new SFDR precontractual annex for M&G (Lux) Sustainable Macro Flexible Credit Fund

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1. Changes related to the ESMA guidelines on fund names using ESG- or sustainability-related terms (the "Guidelines")

Effective from Wednesday 5 March 2025, we will implement the following changes in order to comply with the Guidelines:

- Increase of the Fund's alignment to the promoted Environmental and/or Social ("**E/S**") characteristics from 70% to 80%;
- Treatment of cash as aligned to the Exclusionary Approach promoted characteristic where it is placed on term deposits with institutions or invested in money market funds which pass the Investment Manager's ESG quality threshold; and
- Addition of new ESG exclusions.

In addition, we will also be making changes to the Fund's ESG exclusions in order to align them to the standard, or "baseline" exclusions applied to our fixed income funds classified as 'Planet +/ Sustainable'.

Details of the changes

Full details of the Fund's current and updated EU Sustainable Finance Disclosure Regulation ("**SFDR**") precontractual annex in the Prospectus can be found in Appendix 1.

- **Increase of the Fund's alignment to the promoted E/S characteristics**

  From the Effective Date, the minimum proportion of the Fund's Net Asset Value ("**NAV**") that must be aligned with its promoted E/S characteristics will increase from 70% to 80% to comply with the Guidelines.

  For the sake of clarity, the Fund is already committed to investing meaningfully in sustainable investments referred to in Article 2(17) of the SFDR.

- **Treatment of cash as aligned to the Exclusionary Approach promoted characteristic**

  The 80% threshold as referred to above will be attained by applying an ESG cash solution will be applied to the Fund, and the Fund's cash holdings will therefore be assessed against an ESG quality threshold.

  As a result, cash may be treated as aligned to the Exclusionary Approach promoted characteristic where it is placed on term deposits with institutions or invested in money market funds which pass the Investment Manager's ESG quality threshold.

  The percentage of cash placed on term deposits with institutions or in money market funds below the Investment Manager's ESG quality threshold will therefore be added to the list of sustainability indicators selected to demonstrate the attainment of the promoted E/S characteristics.

- **Addition of new ESG exclusions**

  In order to comply with the Guidelines, we will introduce a new 'ESMA Naming Guidelines Exclusions' section in the Fund's Sustainability-related disclosures, which are available on the M&G website and will be updated on the Effective Date.

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The new section will include full details of the new Guidelines-related exclusions, specifically the additional exclusion criteria (and applicable thresholds) related to the Paris-Aligned Benchmark[1] ("**PAB**"), which the Guidelines require the Fund to adhere to.

You should note that the Fund may apply stricter exclusion thresholds than those related to the PAB. Full details of the ESG exclusions applicable to the Fund can be found in its Sustainability-related disclosures.

- **Alignment of the Fund's existing ESG exclusions with the M&G Planet + Sustainable ruleset**
  The Fund's existing ESG exclusions will be aligned with the Investment Manager's ESG Classification 'Planet+/Sustainable' ruleset.

  In addition, certain exclusions introduced prior to the introduction of the M&G Sustainable Baseline will be removed in order to align with the Guidelines' requirements, including the PAB exclusions.

  The following adjustments will be made to the existing ESG exclusions:
  - Good Governance exclusions: the Fund currently excludes issuers from countries classified as "Not Free" by the Freedom House index. From the Effective Date, Good Governance exclusions will be based on the Investment Manager's good governance tests. This will not result in any changes to the Fund's holdings.
  - Combined 5% revenue threshold for Fossil Fuel exclusion: replacement of existing fossil fuel exclusions with the combined threshold for Thermal Coal, Conventional and Unconventional Oil & Gas, and Carbon-Intensive Power Generation exclusion of 5%, in accordance with M&G Sustainable baseline;
  - Nuclear Power Generation Exclusion: remove the 5% Nuclear Power generation exclusions;
  - Genetically Modified Crops Exclusion: remove the 5% Genetically Modified Crops exclusion;
  - Adult Entertainment exclusion: restrict adult entertainment revenue to 5% for producing, directing or publishing, in accordance with M&G Sustainable baseline; and
  - Tobacco exclusion: restrict Tobacco revenue to 5% for wholesale distribution and production combined, in accordance with M&G Sustainable baseline.

  Full details of these updated exclusions will be available on the M&G website from the Effective Date in the Fund's Sustainability-related disclosures under the "Annex 2 – ESG Criteria – Exclusions and Restrictions" section.

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

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[1] Paris-aligned benchmarks are indices whose total emission levels are aligned with the Paris Agreement, which seeks to limit the rise in global temperatures to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to keep the rise to 1.5 degrees Celsius.

2. Merger of M&G (Lux) Fixed Maturity Bond Fund 2 (the "Merging Fund"), a sub-fund of the Company, into the Fund

This section provides you with details of the upcoming merger (the "**Merger**") of the Merging Fund into the Fund. The Merger is expected to take place on Wednesday 7 May 2025 (the "**Merger Effective Date**").

Please be informed that the Merging Fund will be merged into the Fund in accordance with the terms of Article 1 (20) a) of the 2010 Law by transferring all of its assets and liabilities to the Fund following which it will be dissolved without going into liquidation.

The Merger is carried out in accordance with article 26 of the articles of incorporation and the Prospectus of the Company and is governed by Articles 65 to 76 of the 2010 Law and Articles 3 to 7 of CSSF Regulation 10-5 transposing Directive 2010/44/EU implementing Directive 2009/65/EC.

Will the Merger have an impact on Fund shareholders?

The way in which the Fund is operated will not change and after the Merger it will continue to be managed in accordance with its current Investment Objective, Investment Policy and Investment Strategy. We do not anticipate that the Merger will have any material effect on the portfolio of the Fund. In particular, there will be no rebalancing of the Fund's portfolio prior to or following the Merger Effective Date.

The Merging Fund is a fixed maturity bond fund with a maturity date of Wednesday 7 May 2025. Most of its assets will have reached maturity prior to the Effective Date, and will therefore be held as cash. Any assets that have not matured by the Effective Date will be sold so that the proceeds, along with the remaining cash, can be transferred to the Fund. The costs of selling these assets will be borne by the Merging Fund's shareholders.

Should the Merging Fund still hold any assets that do not align with the Fund on the Effective Date, these assets will be transferred into the Fund to complete the selling process and M&G will compensate investors in the Fund for any detrimental performance impact.

As a result of the Merger, the Fund will experience a sizeable inflow of cash from the Merging Fund. To protect existing investors in the Fund from potential dilution, we may implement a swing pricing adjustment to the Net Asset Value ("**NAV**") per Share as outlined in the Prospectus. This adjustment ensures that the costs associated with the inflows are borne by the Merging Fund investors rather than impacting the existing investors in the Fund. Further information can be found in the 'Merger costs' section below.

Background and reason for the Merger

The Merging Fund was launched on 7 November 2023 with a limited offer period and a fixed maturity date of 7 May 2025. It aims to deliver a total return (the combination of capital growth and income) over its 18-month life term, while applying Environmental, Social and Governance ("**ESG**") criteria.

As the maturity date nears, the Board of Directors of the Company has considered a number of options for the Merging Fund and determined that offering Shareholders the opportunity to remain invested in the market through a merger in the Fund would be in the best interests of the Merging Fund's Shareholders.

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We have chosen the Fund as it provided the closest match to the Merging Fund within our range. We believe that the Merger will allow investors in the Merging Fund to benefit from new yield opportunities across different sectors, geographies, or through duration management techniques, without any adverse impact on the Fund's Shareholders.

Procedure
The Effective Date of the Merger is expected to be Wednesday 7 May 2025. The Merger does not require the approval of Shareholders of either the Merging Fund or the Fund. Dealing in the Fund will not be suspended to facilitate the Merger.

Any income accrued in the Fund prior to the Merger will not be affected.

Merger costs
M&G will bear any legal and administrative costs associated with carrying out the Merger. The Merging Fund will bear costs incurred in selling any assets that have not matured by the Effective Date.

In order to prevent dilution in the Fund, a swing price adjustment may be added to the NAV per Share at which Shares will be issued in the Fund. This swing price adjustment will cover the dealing costs associated with investing the cash received from the Merging Fund and will preserve the value of the underlying assets of the Fund. This ensures that the existing Shareholders of the Fund are not impacted by the Merger, and that these costs are borne by the Shareholders of the Merging Fund. Further information on the operation of the swing price adjustments is set out in the Swing pricing and dilution levy section of the Prospectus.

The Merger will not result in any additional taxes or charges for Shareholders in the Fund.

Right to sell or switch
As stated above, we do not believe the ESMA-related changes or the Merger will have any adverse effect on the Fund's portfolio. However, if the changes detailed in this letter do not suit your investment need, you may sell your shares or switch to another sub-fund of the Company, free of charge, at any point before or after the Effective Date. The procedures for selling, switching and transferring shares are set out in the Company's Prospectus which can be found on our website **www.mandg.com** or by calling our Customer Services team.

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Appendix 1 – Comparison of current and new SFDR precontractual annex for M&G (Lux) Sustainable Macro Flexible Credit Fund

The changes are highlighted in **bold**. Please note that only sections that are impacted by the changes have been included below. The full precontractual annex for the Fund can be found in the Company's Prospectus.

Effective until Tuesday 4 March 2025	**Effective from Wednesday 5 March 2025**
What environmental and/or social characteristics are promoted by this financial product? The Fund promotes the use of an Exclusionary Approach and a strategy to achieve a Positive ESG Outcome (as defined below): The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitized investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives. The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than an index used as a proxy for its investment universe ("Positive ESG Outcome"). The Fund's calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe. At an individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link www.mandg.com/country-specific-fund-literature.	**What environmental and/or social characteristics are promoted by this financial product?** The Fund promotes the use of an Exclusionary Approach and a strategy to achieve a Positive ESG Outcome (as defined below): The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology. **Cash may be treated as aligned to the Exclusionary Approach promoted characteristic where it is placed on term deposits with institutions or invested in money market funds which pass the Investment Manager's ESG quality threshold** ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives. For further information on the Fund's exclusions, please refer to the Fund's website disclosure, which may be found via the following link www.mandg.com/country-specific-fund-literature. The Fund typically has a higher weighted average ESG rating and lower weighted average carbon intensity than an index used as a proxy for its investment universe ("Positive ESG Outcome"). The Fund's calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe. At an

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.	individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.
What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product? The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are: • Exclusionary approach: Percentage (%) of NAV held in excluded investments • Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment • Positive ESG Outcome: Portfolio weighted average ESG score versus investment universe weighted average ESG score • Positive ESG Outcome: Portfolio weighted average carbon intensity versus investment universe weighted average carbon intensity	**What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?** The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are: • Exclusionary approach: Percentage (%) of NAV held in excluded investments • Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment **• Exclusionary approach: Percentage (%) of cash placed on term deposits with institutions or placed in money market funds below the Investment Manager's ESG quality threshold** • Positive ESG Outcome: Portfolio weighted average ESG score versus investment universe weighted average ESG score • Positive ESG Outcome: Portfolio weighted average carbon intensity versus investment universe weighted average carbon intensity
What is the asset allocation planned for this financial product? The Investment Manager expects at least **70%** of the fund to be aligned to the promoted E/S characteristics. At least 51% of the fund will be in Sustainable Investments.	**What is the asset allocation planned for this financial product?** The Investment Manager expects at least **80**% of the fund to be aligned to the promoted E/S characteristics. At least 51% of the fund will be in Sustainable Investments.
What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards? The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as "Other" investments, for any purpose permitted by the Fund's investment policy. No minimum environmental or social safeguards are applied.	**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?** The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as "Other" investments, for any purpose permitted by the Fund's investment policy. No minimum environmental or social safeguards are applied **where such instruments are held as "Other" instruments**.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund's investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test. The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments' alignment with the promoted characteristics. It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, 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. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.	Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund's investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test. The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments' alignment with the promoted characteristics. It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, 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. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.