

ESG Criteria and Impact Criteria

M&G (Lux) Positive Impact Fund

This document, referred to in the Fund's prospectus, provides further information on the ESG Criteria and Impact Criteria used by the Investment Manager when managing the Fund.

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1. The Fund's approach to ESG and Sustainability

1.1. Introduction

The Fund has two aims:

- Financial objective: to provide a higher total return (the combination of capital growth and income) than that of the global equity market over any five-year period; and
- Impact objective: to invest in companies that have a positive societal impact through addressing the world's major social and/or environmental challenges.

The Fund invests a minimum of 70% of its assets in sustainable investments. The Fund has a broad sustainable investment objective and may allocate to sustainable investments which contribute to a social and/or environmental objective and makes a 0% commitment to invest in taxonomy-aligned environmentally sustainable economic activities.

The Fund invests at least 80% of its Net Asset Value in the equity securities of companies across any sector and market capitalisation that are domiciled in any country, including emerging markets. To achieve its non-financial objective, the fund invests in equity securities and equity related instruments that are subject to assessment and measurement of the ability to deliver a positive social and/or environmental impact and generate financial returns.

The Fund is a concentrated, high-conviction, long-only, long-term and low-turnover portfolio of quality, sustainable, impactful companies. The Fund holds fewer than 40 well-understood stocks diversified around six main impact areas that the Investment Manager thinks businesses are well placed to address:

- Three relate to the environment and cover climate action; environmental solutions; and circular economy.
- Three have a social purpose, concentrating on better health, saving lives; better work and education; and social inclusion.

Across these six areas, the Fund invests in three types of impactful companies: 'pioneers', 'enablers' and 'leaders', providing additional diversification across industries, end markets, and maturity of business models.

- 'Pioneers', whose products or services have a transformational effect on society or the environment
- 'Enablers', which provide the tools for others to deliver positive social or environmental impact
- 'Leaders', which spearhead the development of impact and sustainability in their industries

The Fund is as balanced as possible across the different impact areas and company types but won't necessarily be equally split, as this will be influenced by market opportunities.

Environmental, Social and Governance (ESG) factors are integrated throughout the investment process to identify companies with strong ESG credentials. Sustainability considerations are fully integrated in the investment process and ESG credentials are measured through a range of sustainability indicators (outlined in section 4).

The Investment Manager has access to a range of external ESG data providers, which ensures that the investment team has sufficient ESG data and research when engaging with companies on issues material to them. It is complemented by a proprietary 'ESG scorecard' for individual companies which incorporates a standardised section reflecting M&G's values which is combined with the Sustainability Accounting Standards Board (SASB) framework.

1.2. ESG Exclusion and Restriction Criteria

The exclusions are categorised into 1) norms-based exclusions 2) sector-based and/or values-based exclusions and 3) other exclusions to align with the Fund's investment policy.

The Investment Manager considers the Fund is managed in accordance with the 2021 Revised Towards Sustainability Quality Standard (the “Towards Sustainability QS”).¹ This means that the Fund intends to meet both the Investment Manager’s restrictions outlined below and the Towards Sustainability QS. A summary of additional sector-based exclusions affecting what companies the Fund may invest in required by the Towards Sustainability QS is set out in the Appendix, sub-section B.

Norms-based exclusions

The current exclusions are set out in the table below.

Norms	
Issue	Criteria
Good Governance	Any investment that is assessed to be in breach of the Investment Manager’s good governance tests.
UNGC	Any company that is assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.

Sector-based and/or values-based exclusions

The current exclusions are set out in the tables below.

Environmental	
Issue	Criteria
Thermal Coal Extraction	The Fund applies the M&G Investments Thermal Coal Investment Policy; a copy may be found on our website. In addition, the Fund excludes companies involved in the extraction of thermal coal. A 0% revenue threshold for such companies is applied.
Conventional Oil and Gas Extraction	The Fund excludes companies involved in the conventional extraction of oil and gas. A 0% combined revenue threshold for such companies is applied.
Unconventional Oil and Gas Extraction	The Fund excludes companies involved in the unconventional extraction of oil and gas such as shale oil, shale gas, oil sands and Arctic drilling. A 0% combined revenue threshold for such companies is applied.
Carbon-Intensive and Nuclear Power Generation	The Fund: <ul style="list-style-type: none"> Excludes power-utility firms that derive more than 25% of their revenue from oil & gas and that are not committed to transitioning to renewable energy sources.. Excludes power utility firms with coal-fired power generation unless it represents less than 10% of revenue and is supported by a clear and explicit pathway to zero coal-fired generation within a five-year time frame. Excludes companies involved in nuclear-based power generation. A 0% revenue threshold for nuclear power generators is applied.
Genetically Modified (GM) Crops	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.

¹ Quality Standard Towards Sustainability [weblink in online doc]

Social	
Issue	Criteria
Adult Entertainment	The Fund excludes companies involved in producing, directing or publishing adult entertainment materials. A 0% revenue threshold for such companies is applied.
Alcohol	The Fund excludes companies involved in the production of alcohol for consumption. A 0% revenue threshold for alcohol producers is applied.
Gambling	The Fund excludes companies involved in the provision of gambling-related services. A 0% revenue threshold for such companies is applied.
Tobacco	The Fund excludes companies involved in the production and/or distribution of tobacco, or companies with an ownership in these companies. A 0% revenue threshold for tobacco producers and a 10% revenue threshold for distributors is applied.
Controversial Weapons	The Fund excludes companies involved in anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons, depleted uranium and white phosphorous munitions, blinding laser, non-detectable fragment weapons from the investment universe. A 0% revenue threshold for all controversial weapons is applied.
Defence and Other Weapons	The Fund excludes companies that derive more than 5% of their revenues from the manufacturing of weapons or tailor-made components thereof. Weapons are defined as products or basic components of products that have been 'designed to injure/kill'. Tailor-made components are components that are developed primarily in order to be integrated into a weapon system. In addition to the exclusion above, the Fund also excludes companies that derive more than 5% of their revenues from the manufacturing of firearms for civilian use.
Animal Testing on Non-medical Grounds	The Fund excludes companies that practise animal testing on non-medical grounds.

Other ESG exclusions

The Fund may also exclude any investments assessed to be otherwise in conflict with the ESG Criteria and Impact Criteria including where the Investment Manager considered this to be required under the 2021 Revised Towards Sustainability QS.

Approach to exclusions

The exclusions are intended to provide a guide to investors on the Investment Manager's approach to excluding certain investments considered to be incompatible with the way in which the relevant funds are managed. There may from time to time be differences in how these exclusions are implemented in practice, but at all times the Investment Manager will be bound by its obligation to act in the best interests of investors. Examples include:

1. The Investment Manager may disagree with data or opinions provided by third parties, and decide to categorise an investment differently.
2. The Investment Manager may operate a small tolerance around the stated thresholds. For example, a very small (de minimis) exposure may be disregarded against a 0% threshold.
3. Where the Investment Manager considers the company (or issuer) has a credible transition plan to address the excluded activity, this may mean the Investment Manager permits investment. For example, where the Investment Manager determines a power company is transitioning away from its reliance on coal-fired power plants in a credible manner.

4. The Investment Manager may take a different view on a specific investment type from its general opinion of the company (or issuer). For example, the Investment Manager may determine it would not buy shares in a power company because of its heavy reliance on coal-fired power plants, but might consider investing in a green bond issued by the same company, where use of the proceeds from that green bond are restricted to specific activities such as building a solar power plant.

Where the Investment Manager is managing a product it has categorised as ESG Enhanced, Sustainable, or Impact, it will consider a set of “Principal Adverse Impact indicators” as part of its investment management and these will inform decisions like those listed above. Where the Investment Manager is granting an exception for a sustainable investment, it will also consider whether the relevant investment is compatible with the principle of “do no significant harm”. Where a product has applied for an ESG label, such as the Towards Sustainability label provided by Febelfin, any requirements of such label shall also inform the decisions above.

Investment Universe Reduction

After applying the exclusions outlined above, the original investment universe is expected to be reduced by a minimum of 20%.

1.3. Companies Considered for Investment

Identification of watchlist

From an initial global investment universe of over 4,000 companies, the Investment Manager uses negative screening to remove any companies deemed to be in breach of the UN Global Compact Principles, as well as those involved in a number of excluded/restricted sectors and activities (see section 1.2.). These screens are monitored internally on an ongoing basis through a number of external data providers which flag companies involved in breaches.

From this remaining pool of stocks, the Investment Manager ‘screens in’ a watch-list of some 150 impactful companies that can be purchased if the Investment Manager believes the timing and price are right. These are analysed applying the Investment Manager’s proprietary III approach, examining the Investment case, Intentionality and Impact of a company to assess its suitability for the Fund.

The III framework applies set criteria and standards for rating the inclusion and investment case of each company. Each ‘I’ score is derived from the assessment and rating of its key drivers.

- The **Investment** pillar helps determine the strength of the business model under review by examining a company’s competitive attributes as well as its track record of capital allocation and its corresponding business risks.
- The **Intention** pillar aims to protect from the risk of greenwashing by ensuring that a company has an authentic purpose that filters through the entire organisation.
- When assessing the **Impact** score of a company, the Investment Manager adopts a net impact approach where any activity that might be causing harm is deducted from the positive as well as consider the measurability, ‘materiality’, and the ‘additionality’ of the impact delivered.

As part of this analysis, it scores companies on these III credentials, and requires above-average results for consideration within the watch-list. Once a company has been analysed through the III process and been deemed potentially appropriate for the watch-list, the wider Positive Impact team will debate its merits. Only when the team is unanimously convinced of the appropriateness of the company will it enter the watch-list. At that point, extended due diligence is carried out on the company through a combination of qualitative and quantitative methods to further analyse all elements of the business.

The Investment Manager also carries out scenario-based valuation modelling, using change analysis to understand what is built into today’s share price, and the sensitivity to change. This focuses on the potential upside, as well as the potential downside risks, of holding the stock, placing probabilities on these different scenarios. This allows the Investment Manager to determine what it believes to be a company’s intrinsic value. The Investment Manager will invest when it believes the margin of safety between the current share price and the company’s intrinsic value to be sufficiently large – compared to alternative opportunities and considering portfolio risks.

ESG considerations of watchlist

ESG factors are a central element in the Investment Manager's investment approach. Because of this, ESG considerations are embedded into every stage of the manager's investment process.

While the Investment Manager reviews reports from external data providers such as MSCI ESG and ISS to flag potential ESG issues, the manager performs its own sustainability assessment by focusing on the financially material ESG factors for each company under review.

1.4. Divestment Approach

Mandatory divestment

Where an investment no longer complies with the negative screens described in section 1.2, such investment will be considered in breach. Whenever a breach is identified, the aim is to divest within 5 business days of the disclosure of the breach. Where it is in the best interest of investors, divestment may take longer in order to properly authenticate the nature of the breach and/or to avoid adverse impact on price execution. However, divestment will not be delayed unduly unless such circumstances apply.

Investment fails to deliver on expectations

In addition to the normal financial reasons for sale of a holding, divestment may be considered where an investment fails to deliver on non-financial expectations. The timing of the sale in such circumstances will be decided by the Investment Manager.

2. Investment in Cash, Near Cash, some Derivatives and Collective Investment Schemes

In assessing counterparties and issuers for cash management (including cash and near cash), derivatives, and manufacturers of collective investment schemes, the Investment Manager's ESG analysis focuses on understanding downside risks arising from ESG factors. This principally relates to considering the likelihood of sustainability risks affecting the creditworthiness of such entities or otherwise affecting the exposure taken financially.

In addition, for derivatives, and collective investment schemes, the Investment Manager considers the underlying exposure and forms a view on whether it is appropriate for the Fund. For derivatives relating to single names or specific baskets of securities, appropriateness is assessed by whether the underlying would be an appropriate investment for the Fund if bought directly. For investments in actively managed collective investment schemes, excluding money market funds, the underlying fund must pursue an ESG strategy, even if the ESG Criteria the underlying fund applies are not identical to those of the Fund.

3. ESG Engagement

M&G believes that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance, while social and environmental issues can also have an important impact on a company's performance and successful development. M&G's core belief is that if a company is run well, and sustainably, it is more likely to be successful in the long run. Funds managed by M&G therefore look at how companies address both the risks and opportunities that these issues represent.

M&G seeks to add value for clients by pursuing an active investment policy through portfolio management decisions, by maintaining a continuing dialogue with company management and by voting on resolutions at investee company general meetings. This enables M&G to monitor company development over time and assess progress against objectives. As a general policy, M&G is supportive of the management of the companies in which the Funds invest. However, when companies consistently fail to achieve the Investment Manager's reasonable expectations, M&G will actively promote changes, either individually or, where more appropriate, as part of a collaboration with other investors through vehicles such as the Investor Forum or Climate Action 100+.

4. Sustainability Indicators

Indicators have been selected to reflect, and evidence, performance against the sustainable objective. When considered in combination they provide a range of sustainability indicators (SIs) underpinning the Fund's alignment with an "Impact" categorisation within M&G's Planet+ range.

The performance of the Fund is monitored and measured across the following indicators, subject to data availability.

Climate change mitigation and environmental solutions

The Fund recognises the critical nature of climate change. The Fund is focused upon securities which are aligned to climate change mitigation and environmental solutions.

Relevant SIs:

- Weighted average carbon intensity (WACI) (Scope 1+2 divided by revenues)
- % of NAV committed to Science-Based Targets (SBTs)
- % of NAV with ratified Science-Based Targets
- % of CO₂ emissions with Science-Based Targets
- % of NAV participating in TCFD reporting
- ESG score of the portfolio
- Weighted average ESG rating of the portfolio, compared to the Fund's benchmark

Social and human rights

The Fund is focused upon securities providing positive outcomes for society.

Relevant SIs:

- Number of underserved people reached including patients treated, customers served etc.²
- % NAV signatory to UNGC

Governance

The Fund focuses on businesses which have superior ESG risk management practices and are less harmful to society and the environment.

Relevant SIs:

- The average percentage board gender (female) composition as reported by the companies.
- The average percentage of NAV where the companies have a Remuneration Committee, Audit Committee and annual re-election of Directors.
- The average percentage of NAV where companies have a split CEO and Chairperson role

UN SDGs alignment

Where the Fund invests in positive impact companies, it embraces the SDGs framework focusing on six key areas, mapped against the SDGs. These are: climate action; environmental solutions; circular economy; better health, saving lives; better work and education; and social inclusion.

Relevant SIs:

- % positive impact assets in the Fund
- % of NAV aligned to Climate Solutions
- UN SDGs aligned revenues

Appendix

A. The Ten Principles Of The United Nations Global Compact

Human Rights

- Principle 1: businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.

B. Towards Sustainability Quality Standard

The additional sector-based exclusions affecting what companies the Fund may invest in required by the Towards Sustainability QS are set out in the tables below. The Investment Manager considers the Fund to be managed in accordance with the latest Towards Sustainability QS. The Approach to exclusions set out in Section 1.2 also applies to these exclusions.

Environmental	
Issue	Towards Sustainability QS Criteria
Thermal Coal²	<p>The Fund limits investments in thermal coal to companies that demonstrate no increase in absolute production or capacity for thermal coal-related products or services, and also meet at least one of the following criteria:</p> <ul style="list-style-type: none"> • Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment • Derive less than 5% of its revenues from thermal coal-related activities • Have less than 10% of CapEx dedicated to thermal coal-related activities and not with the objective of increasing revenue • Have more than 50% of CapEx dedicated to contributing activities
Conventional Oil and Gas²	<p>The Fund limits investments in conventional oil and gas to companies that meet at least one of the following criteria:</p> <ul style="list-style-type: none"> • Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment • Derive less than 5% of its revenues from oil and gas-related activities • Have less than 15% of CapEx dedicated to oil and gas-related activities and not with the objective of increasing revenue • Have more than 15% of CapEx dedicated to contributing activities

² These exclusions apply to issuers involved in the exploration, extraction (incl. mining), distribution (incl. transportation) and refining of thermal coal, conventional and unconventional oil and gas, or providing dedicated equipment or services therefor.

Environmental	
Unconventional Oil and Gas²	<p>The Fund limits investments in unconventional oil and gas to companies that show no increase in the absolute production or capacity for unconventional oil and gas, and also meet at least one of the following criteria:</p> <ul style="list-style-type: none"> • Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment • Derive less than 5% of its revenues from unconventional oil and gas-related activities • Have more than 50% of CapEx dedicated to contributing activities
Carbon-Intensive and Nuclear Power Generation	<p>The Fund limits investments in companies which generate power from or provide equipment or services to non-renewable energy sources by excluding issuers which do not meet the following criteria:</p> <ul style="list-style-type: none"> • Absolute production of or capacity for coal-based or nuclear-based energy-related products/services shall not be structurally increasing. • Absolute production of or capacity for contributing products/services shall be increasing. <p>And a minimum of one of the criteria below:</p> <ul style="list-style-type: none"> • Have a SBTi* target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment • Derive more than 50% of its revenues from contributing activities • Have more than 50% of CapEx dedicated to contributing activities

* The Science Based Targets initiative (SBTi) is a partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).

Social	
Issue	Towards Sustainability QS Criteria
Tobacco	A 5% revenue threshold applies to the production and wholesale trading of tobacco and products containing tobacco.
Controversial, Defence and Other Weapons	The Fund excludes 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 is applied to all controversial weapons, and 5% to defence and ‘other’ weapons.

Qualitative ESG Considerations

We will prioritise engagement on factors we identify as materially affecting an issuer's ability to deliver long-term sustainable performance and value to our clients. This enables us to manage risks effectively and improve ESG standards across the Fund's portfolio.

The following considerations form part of our qualitative security selection investment process.

Qualitative ESG considerations		
Issue	Rationale	Criteria
Biodiversity	Biodiversity and the ecosystem services it provides are fundamental to human well-being, a prosperous society and a healthy planet. However, global biodiversity is declining rapidly due to human activities including land-use change, pollution and climate change as well as increasing pressure on natural resources on account of population growth. Biodiversity loss and ecosystem collapse are now recognised as one of the top global risks in terms of likelihood and impact, affecting all geographies, sectors, economies and societies.	We recognise biodiversity loss as a material financial risk. Where significant, as part of our investment analysis, we include the assessment of sector-specific biodiversity loss indicators in our proprietary ESG Scorecards, which are used to evaluate ESG risks and opportunities and inform our decision making. We engage with our investees to encourage the adoption of credible sustainability plans with targets for impact reduction on biodiversity and natural capital, including the request for environmental metrics disclosure and evidencing of remedial actions taken to support our informed investment decision making. For further details we refer to our M&G Plc Biodiversity Position Statement (biodiversity-statement.pdf (mandgplc.com))
Water use	Water underpins planetary sustainability and is essential to secure food, livelihoods, a healthy climate and environment as well as to achieve the UN Sustainable Development Goals. Global demand for the finite amount of global freshwater is increasing with population growth, whilst climate change and unsustainable production and consumption processes are reducing the amount and quality of available freshwater. Indeed, less than 1.5% of the earth's water resources are available for human use.	Water risks and our critical dependency on the resource can have significant impacts across environmental, social and governance dimensions, with the potential to materialise into global systemic financial risks. In a globalised world with just-in-time supply chains, the elevated risk of water scarcity or bottlenecks may cause disruptions that have a knock-on ripple effect across economies, lower economic growth and entail severe social implications. Accordingly, water risks and the quality of water governance associated with our investments may be considered materially impacting on returns in our investment analysis.

Qualitative ESG considerations		
Controversial countries	Countries that perpetrate, violate and infringe international human rights standards do not support socially responsible investment practices.	As an investor, we are politically neutral. We prohibit any activity or investment that is against the law in any of the countries in which we operate across our entire group. We are committed to working with our stakeholders, including our investees, towards eradicating slavery, human trafficking, child labour and other human rights abuses. Therefore, we take politics into consideration where they may impact human rights, the rule of law, fairness and equality and where local and/or geopolitical risk impacts the risk/return profile of an investment, potentially resulting in additional due diligence checks.
Taxation	We expect firms to pay the legal amount of taxes due in line with the spirit of the law pertaining to the jurisdictions in which they operate. This is essential to ensure consistent funding and provision of public services including healthcare, education and infrastructure. As such, the enforcement and transparency of appropriate payment of corporate taxes has a direct link to people's quality of life.	<p>We strive to ensure that companies in our investment universe adhere to responsible and transparent corporate tax practices. Where necessary, we request disclosure and evidence of compliance throughout diligence, pre-trade and the holding period.</p> <p>As a company, we also abide by the M&G plc Tax Strategy, which is available via the following link: https://www.mandgplc.com/~/_media/Files/M/MandG-Plc/documents/Plc%20policies/MG-plc-tax-strategy-June-2021.pdf</p>
Death penalty	The death penalty is a controversial issue as penal execution remains legal in many countries. It is associated with human rights violations, with particular regard to the right to life and the right to live free from torture or cruel or degrading treatment and punishment. Further, it is often applied within discriminatory and distorted judicial systems, and carries the inherent risk of executing an innocent person.	As investors, we are politically neutral. However, we take politics into account where they may impact human rights, the rule of law, fairness and equality. Investments in companies or countries associated with death penalty participation are considered within our wider assessment and analysis of their impact on human rights. Unless association with death penalty presents a client-mandated exclusion criteria, it may not implicitly constitute a restriction on the investment universe.

Qualitative ESG considerations		
Pollution & waste	<p>Pollution and waste, including contamination of air, land and water, are one of the main drivers of climate change and biodiversity loss. At the current rate of consumption, humanity would require 1.7 Earths to provide the resources we need and to absorb our waste. There is an urgent need for global, systemic change toward sustainable production and consumption globally in order to responsibly manage and reduce excessive levels of pollution and waste in a fair and equitable way.</p>	<p>M&G as a responsible long-term investment manager understands the need for sustainable production and consumption methods globally which share associated costs and benefits fairly (please see just-transition-statement.pdf (mandgplc.com) for details). A divestment-first approach of polluting companies is unlikely to achieve the sustainable economic transition the world requires. Instead, we actively support companies in their transformation to green or circular business models through engagement and capital allocation, and, where appropriate, encourage the disclosure of environmental metrics and ambitious targets to reduce any negative impacts.</p>
Gender & diversity	<p>We believe that consideration of gender and diversity in investment decision-making is critical to long-term sustainability, growth and innovation. Diversity encompasses many axes, and it is critical not to reduce the concept to a number of representation targets solely along gender and ethnicity lines. We believe in the fundamental principle of equality of opportunity for all.</p>	<p>The policies and stated objectives instituted to support diversity and inclusion as well as evidence of action are qualitatively considered prior to investment. As appropriate, we directly engage with our investee management teams on diversity and inclusion practices and, where we have an equity vote, execute the right to vote in line with our expectations to the company's diversity and inclusion standards. Relevant cultural and regulatory contexts in local labour markets are evaluated and considered in investment decisions as appropriate. As a Group priority, diversity is considered a main theme for assessment across our investments</p>
Forward contracts on agricultural commodities	<p>Speculating on agricultural commodities prices through forward contracts can lead to high price volatility in the underlying produce. This has the potential to greatly diminish the pay of those working in the industry who are very vulnerable to price changes and highly dependent on the income received from these goods.</p> <p>Moreover, investing in agricultural forwards, as opposed to the companies themselves, evades the responsibility of ensuring those working in the industry have fair and humane working conditions.</p>	<p>The fund does not invest in forward contracts on agricultural commodities.</p>

Please note that the award of the Towards Sustainability label does not imply that this Fund meets your own sustainability objectives, nor that the label complies with future national or European regulations. For more information, please visit: www.fsma.be/fr/finance-durable. Additionally, the Towards Sustainability label is valid for a limited period of time and subject to reassessment.

C. Glossary

Additionality: Whether the impact being measured would be achieved if the company did not exist or were not adequately funded – i.e. could another company equally deliver that impact?

Circular economy: An economic model that seeks to recycle and reuse products in order to reduce waste. Usually presented in contrast with the traditional so-called “linear” economy’s model of making products and discarding them after use.

Do no significant harm (DNSH): A precautionary principle for investment, seeking to avoid significant harm to environmental and/or social objectives.

Engagement: Interaction with company management on various financial and non-financial issues, including ESG. Engagement allows investors to better understand how a company operates and how it interacts with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.

ESG integration: The explicit and systematic inclusion of Environmental, Social and Governance (ESG) factors in investment analysis and decisions. It underpins a responsible investment approach and, in M&G’s view, allows investors to better manage risk and generate sustainable, long-term returns.

Exclusions: Excluding or restricting investment in companies based on the sector in which they operate or for other specific criteria.

Impact: Investment with the purpose of generating a measurable social or environmental return, alongside a financial return.

Materiality: The percentage of a company’s revenue that contributes to the impact being measured.

Positive Impact Team: The fund management team within M&G that is responsible for the day to day investment decisions within the fund.

Principal Adverse Impact indicators: Measurable items that assist the Investment Manager in assessing the negative impacts of investment. For example, data on greenhouse gas emissions or social violations.

Sustainable: Investment in assets that make a positive contribution to the environment, economy or society, alongside a financial return.

United Nations Global Compact: A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation.

United Nations Sustainable Development Goals (SDGs): A collection of 17 interlinked global goals designed to be a blueprint to achieve a better and more sustainable future for all.

Voting: As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company’s annual general meeting. These resolutions include the re-election of directors, executive remuneration and business strategy, and may also include resolutions put forward by shareholders.