

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product Name: M&G European Loan Fund
Legal Entity Identifier: 549300LTF9F6RP7SS836

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☒ Yes

☒ No

☐ It made **sustainable investments with an environmental objective:**

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made **sustainable investments with a social objective:** ___ %

☒ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 63.77% of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promoted E/S characteristics, but **did not make any sustainable investments**



To what extent were the environmental and/or social characteristics promoted by this financial product met?

Environmental and/or social characteristics

The Fund invests in securities of companies exhibiting strong ESG risk and opportunity characteristics, as expressed by proprietary ESG score or third party ESG score. ESG score considers a broad range of environmental, social and governance factors, such as climate, diversity and inclusion, board composition, disclosure. Each investment made by the Fund meets a minimum score on Manager's proprietary ESG rating system or third party ESG rating.

The Fund will not invest in activities that are considered to be harmful to the society or the environment. The Fund screens out any issuers that are in breach of international standards and/or are operating in sectors deemed not complying with ESG principles.

Meeting environmental and/or social characteristics

During the reference period, the Fund met the environmental/social characteristics promoted by adhering to ESG-related investment restrictions and not investing in activities that are considered to be harmful to the society or the environment.

In order to meet the environmental and social characteristics promoted, the Manager applied the below criteria to the selection of underlying assets as part of its investment decision making process:

The Fund did not invest in assets which have an ESG Rating by the AIFM or its delegate of lower than 40. If no ESG Rating by the AIFM or its delegate was available then the Fund did not invest in assets which have an ESG Rating from MSCI of below BB.

The Fund, did not make an investment in any company or corporate which, at the time of purchasing an asset, was within scope of the following:

- Global Norms. Companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.
- Controversial Weapons. Companies assessed to be involved in anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons outside the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser, non-detectable fragment weapons. A 0% revenue threshold for such

Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

companies is applied.

- Thermal Coal. Companies that engage in activities excluded under the Investment Manager's Thermal Coal Policy. This includes public companies that are in scope of the policy, as well as, privately held companies that engage in such activities.

- Unconventional Oil and Gas. Companies that derive revenues from the unconventional extraction of oil and gas (defined as oil sands and Arctic drilling) are excluded. A 10% revenue threshold for such companies is applied.

● How did the sustainability indicators perform?

Investment selection follows a structured process that includes systematic consideration of ESG factors. Key ESG metrics relevant to the Fund's ESG strategy are captured at the fund level via Sustainability Indicators which are used as metrics to measure attainment of environmental or social characteristics promoted by the Fund.

Solutions-type KSIs

- In aggregate, investments providing environmental solutions, circular economy solutions, better health or social inclusion constitute 27.98% of the portfolio, with 21% contributing to better health, 3.20% in circular economy, 2.90% in environmental and 0.89% in social inclusion.

Climate KSIs

- Weighted Average Carbon Intensity – The fund measures its exposure to carbon intensive businesses using Weighted Average Carbon Intensity. At the time of this assessment, the fund had a Weighted Average Carbon Intensity of 41.34 tCO₂e /€M sales. This is based on data coverage of 91% of eligible issuers.

- % NAV with committed Science-Based Targets - The Fund measures the quotient of companies with climate targets (and their quality). At the time of this assessment, the Fund had 24.19% exposure to companies with committed Science-Based Targets.

- % NAV with ratified Science-Based Targets - The Fund measures the quotient of companies with climate targets (and their quality). At the time of this assessment, the Fund had 18.56% exposure to companies with ratified Science-Based Targets.

- % NAV aligned to less than 1.5 degree pathway - The Fund measures the quotient of companies which are aligned to a temperature pathway consistent with the goal of transitioning to a low carbon economy. As of 31 December 2024, the Fund had 28.56% exposure to companies aligned to a less than 1.5 degree pathway.

Social KSIs

- % NAV with a modern slavery policy – To analyse issuers' governance models, the Fund measures the percentage of the portfolio whereby companies have a policy on modern slavery. As of 31 December 2024, the Fund had 71.91% exposure to companies with modern slavery policies.

- % NAV board gender female +33% - One of the ESG characteristics considered as part of Fund's strategy is board diversity, therefore the Fund measures for its underlying companies the percentage of their board which is comprised of female directors. As of 31 December 2024, 12.50% of the portfolio was invested in companies that have more than 33% of female board members.

Score-based and exclusions KSIs

- Portfolio ESG rating (external or M&G proprietary) - The Fund uses an in-house ESG Scorecard to assess ESG credentials of potential and existing investments. The scorecard is marked on a scale of 1-100. As of 31 December 2024, the weighted average ESG score for investments in the Fund was 52.25.

- %NAV in ESG laggards – The Fund uses an in-house ESG Scorecard to assess ESG credentials of potential and existing investments and to report on ESG laggards, which are those with a score of less than 40. The Fund will have a maximum 5% exposure to non-scored/investment in ESG laggards. As of 31 December 2024, the Fund had 0% exposure to ESG laggards, which is in line with its promoted environmental and social characteristics.

- ESG Scorecard - Governance Score - The Fund considers the M&G in-house analysis of the investment's governance which comprises analysis of eight main governance factors that is marked on a scale, leading to a score out of 1-100. As of 31 December 2024, the weighted average Governance Score for investments in the Fund was 52.3.

- %NAV held in investments excluded by the Fund's exclusions – The Fund applies a number of exclusions in order to avoid issuers in sectors of harmful activities. These are listed above. As of 31 December 2024, the Fund had 0% exposure to these sectors.

Sustainability indicator	Measured performance
As at - 31 December 2024	
Weighted average carbon intensity (WACI) for the fund	41.34 tCO ₂ e / €m sales
Percentage (%) of NAV with ratified Science-Based Targets (SBTs)	18.56 %
Percentage (%) of NAV committed to Science-Based Targets (SBTs)	22.44 %
Percentage (%) of NAV investment providing environmental solutions	2.90 %
Percentage (%) of NAV in Circular Economy solutions companies	3.20 %
Percentage (%) of NAV held in excluded investments	0.00 %
% NAV aligned to less than 1.5 degree pathway	28.56 %
Percentage (%) of NAV in investments providing better health	21.00 %
Percentage (%) of NAV in investments providing social inclusion	0.61 %
% NAV in ESG Laggards	0.00 %
% NAV with a modern slavery policy	71.91 %
Portfolio ESG Rating (external or M&G proprietary)	52.25
% NAV board gender female +33%	12.50 %
ESG Scorecard - Governance	52.30

● **...and compared to previous periods?**

The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report. The Fund will provide historic comparison in the next Periodic Report.

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The objective of sustainable investments that the Fund partially makes is to invest in companies that exhibit strong ESG characteristics expressed through a broad range of environmental, social and governance factors. The Investment Manager uses a series of proprietary tests based on available data to determine whether an investment makes positive contribution towards environmental or social objectives.

Sustainable investments that the Fund made during reference period contributed to the environmental and/or social objectives through:

- avoiding contributing significant harm to the environment or to society whilst demonstrating good governance;
- generating at least 20% of revenue related to environmental solutions, circular economy, better health or social inclusion; or
- demonstrating strong ESG characteristics on selected indicators, for example, a ratified Science-Based target.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Before investment and at least annually during the holding period, a check is performed to validate that sustainable investments exclude economic activities that are deemed to cause harm to people and/or the environment. Further, fourteen mandatory and four optional Principal Adverse Impact (PAI) indicators from the Annex I of EU Commission Delegated Regulation 2022/1288 are considered to establish materiality of the PAI indicator to the potential investment to ascertain that investment does not cause significant harm. Based on the analysis, it has been concluded that sustainable investments held by the Fund do not cause significant harm to any sustainable investment objective.

● **How were the indicators for adverse impacts on sustainability factors taken into account?**

ESG analysis related to the Principal Adverse Impacts is carried out with use of business activity screening and proprietary ESG scorecard assessments. The ESG scorecard facilitates evaluation of the companies' approach to ESG risk factors on an overall basis as well as on the constituent parts of environmental, social or governance pillars. As at individual issuer lever, PAIs are assessed based on their materiality, applicability and the probability of occurrence and severity

The following PAIs have been analysed as part of the Do No Significant Harm test:

- Fossil fuel exposure, controversial weapons - business activity screening is performed for these activities and any exposures above de minimis threshold are deemed to cause significant harm. No such exposures were noted within the Fund's sustainable investments.
- Carbon emissions, carbon intensity, carbon reduction initiatives, non-renewable energy production and consumption - impacts related to these metrics are considered in the Climate section of ESG scorecard. No indications of significant harm noted.
- Biodiversity, emissions to water, hazardous waste - materiality of these issues to the investments has been assessed based on the Sustainability Standard Accounting Board (SASB) Materiality Map. Where these issues have been deemed material for the sector that the investee company operates in, analysis of exposure and mitigants has been performed as per of ESG scorecard. No indications of significant harm noted.
- Compliance with United Nations Global Compact (UNGC) Principles and OECD Guidelines for Multinational Enterprises - see section below for coverage of this area.
- Policies on human rights, corruption and anti-bribery, workplace accident prevention, unadjusted pay gap, board gender diversity - overall ESG analysis indicates whether there are any significant issues in these areas that would indicate significant harm. Lack of policy alone, in the absence of other concerns in that area, was not assessed to cause significant harm. No indications of significant harm noted.

Analysis of PAIs did not indicate any instances of significant harm within sustainable investments.

● **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

All sustainable investments held in the Fund have been analysed to identify assets that are in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises. No breaches have been noted as part of this analysis.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

ESG analysis related to the Principal Adverse Impacts is carried out with use of business activity screening and proprietary ESG scorecard assessments. The ESG scorecard facilitates evaluation of the companies' approach to ESG risk factors on an overall basis as well as on the constituent parts of environmental, social or governance pillars. The ESG scorecard is aimed to be completed for all investments in the Fund and forms a basis of investment decision-making.



What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/01/2024 to 31/12/2024

Largest investments	Sector	% Assets	Country
Investment 1	Telecommunications	1.65%	GB
Investment 2	Technology & electronics	1.57%	NO
Investment 3	Consumer goods	1.54%	LU
Investment 4	Telecommunications	1.54%	NL
Investment 5	Retail	1.42%	GB
Investment 6	Consumer goods	1.41%	GB
Investment 7	Healthcare	1.20%	GB
Investment 8	Healthcare	1.15%	GB
Investment 9	Telecommunications	1.13%	BE
Investment 10	Consumer goods	1.08%	NL
Investment 11	Healthcare	1.02%	CZ
Investment 12	Healthcare	0.99%	SE
Investment 13	Automotive	0.95%	GB
Investment 14	Leisure	0.94%	GB
Investment 15	Basic industry	0.94%	LU



What was the proportion of sustainability-related investments?

As at 31 December 2024, 93.97% of the Net Asset Value of the Fund was aligned to promote environmental and/or social characteristics, which is above minimum commitment of 70%. 63.77% of the Net Asset Value of the Fund was in sustainable investments, which is above minimum commitment to sustainable investments of 20%. These investments fall into two broad categories of environmental (36.46%) and social (27.31%) objectives. These allocations meet the commitments of a minimum of 5% of Net Asset Value to be aligned to the environmental objective and a minimum of 5% of Net Asset Value to be aligned to the social objective.

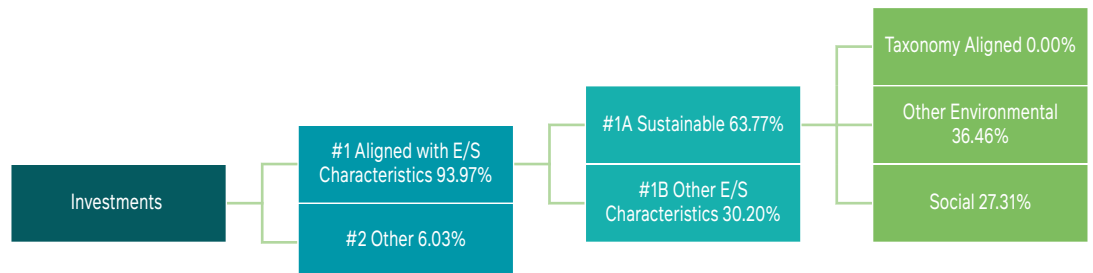
The Fund did not target investment in taxonomy-aligned assets as part of its investment policy.

6.03% of the Fund is comprised of 'Other' investments, which are cash and cash equivalents, investments held for hedging or liquidity purposes, investments for diversification purposes or investments for which there is insufficient data.

Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

The graphic below provides an overview of the asset allocation.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Economic sector	% Assets
Healthcare	19.95%
Services	15.61%
Technology & Electronics	11.13%
Basic Industry	9.78%
Consumer Goods	8.88%
Telecommunications	7.07%
Retail	6.16%
Capital Goods	5.75%
CIS-Cash	5.03%
Automotive	2.65%
Leisure	2.27%
Transportation	1.12%
Media	1.12%
Financial Services	0.91%
Real Estate	0.88%
Energy	0.84%

Equity	0.55%
Insurance	0.38%
Cash/FX	-0.11%



To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund did not take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation. The Fund did not target investment in taxonomy-aligned assets as part of its investment policy and therefore recorded that 0% of the Fund's investments were aligned with the environmental objectives under the Taxonomy Regulation during the reference period.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

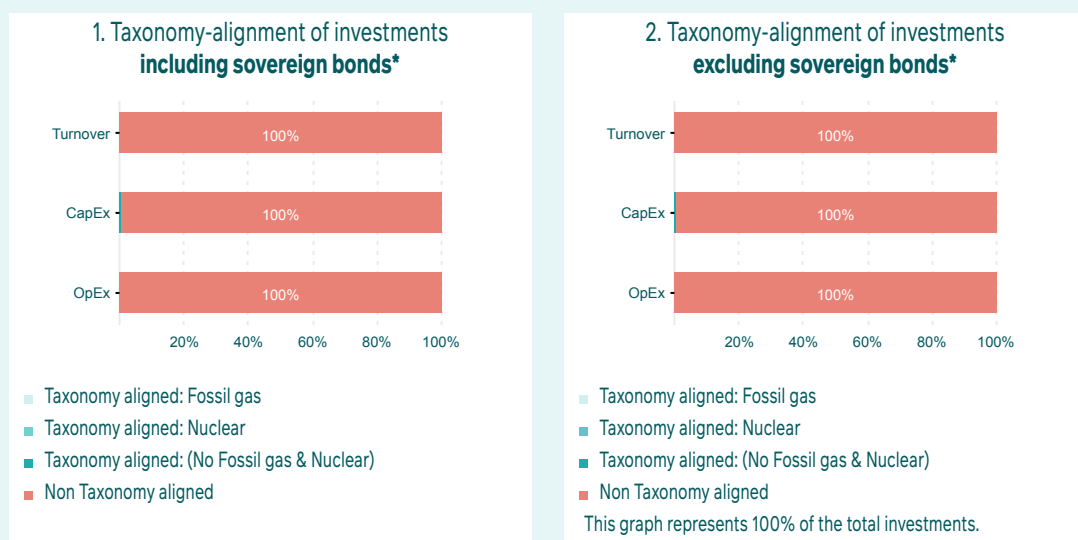
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?

- ☐ Yes:
- ☐ In fossil gas ☐ In nuclear energy
- ☒ No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The graphs below show the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

The above graph and below table describes the Taxonomy alignment of all investments the Fund has made.

Taxonomy Environmental Objective	Percentage of Contribution
Climate Change Mitigation	0.00%
Climate Change Adaption	0.00%
Use and Protection of Water and Marine Resources	0.00%
Transition to a Circular Economy	0.00%
Pollution Prevention and Control	0.00%
Protection and Restoration or Biodiversity and Ecosystems	0.00%

● **What was the share of investments made in transitional and enabling activities?**

The Fund did not set a minimum share of investments in transitional and enabling activities and has not recorded any such activities in the reference period. Therefore, 0% of the Fund's investments were in transitional and enabling activities.

Activity	Percentage Investments
Share of Transitional Activities	0.00%
Share of Enabling Activities	0.00%

● **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report. The Fund will provide historic comparison in the next Periodic Report.

Reference period	Including sovereign bonds			Excluding sovereign bonds		
	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
As at - 31 December 2024	0%	0.08%	0.00%	0%	0.08%	0.00%

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

36.46%



What was the share of socially sustainable investments?

27.31%



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Investments included in “#2 Other” consist of cash and cash equivalents, investments held for hedging or liquidity purposes, investments for diversification purposes or investments for which there is insufficient data.

For investments for which there is insufficient data and investments for diversification purposes, minimum safeguards comprise of exclusion of the companies that are assessed to be in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises. For other ancillary assets (i.e. cash, cash equivalents and hedging instruments) no minimum environmental or social safeguards have been put in place.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the reference period, the Fund met the environmental/social characteristics promoted by not investing in activities that are considered to be harmful to the society or the environment and investing in companies that exhibit strong environmental and/or social characteristics through meeting minimum ESG score.

Additional actions taken to attain the environmental/social characteristics were via the medium of effective stewardship of investee companies within the Fund. The leveraged finance team conducts an engagement programme with borrowers and sponsors to attest to their governance models, their environmental and social operating guidelines and where appropriate, to engage on key issues such as climate, diversity and inclusion and lobby for greater disclosure of ESG issues. To qualify as an ESG engagement, the interaction with a company must require an objective, action and an outcome from the engagement.

The Fund has been conducting engagements with the issuers during the reference period. Example engagement objectives for investee companies include (but were not limited to) the following:

- Encouraging increased climate disclosure, specifically to measure and disclose scope 1, 2 and 3 carbon emissions and disclosure information around decarbonisation strategy
- Setting interim and long term carbon reduction targets in line with net zero
- Improving board level diversity and disclosure
- Encouraging improved cybersecurity disclosure
- Encouraging improved disclosure around the management of modern slavery risk
- Requesting alignment with relevant requirements in relation to Palm Oil sourcing



How did this financial product perform compared to the reference benchmark?

Not applicable. No reference benchmark has been designated to determine whether this Fund is aligned with the environmental and social characteristics that it promotes.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How does the reference benchmark differ from a broad market index?**
N/A

- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**
N/A

- **How did this financial product perform compared with the reference benchmark?**
N/A

- **How did this financial product perform compared with the broad market index?**
N/A