

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 lay down 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 Managed European Loan Fund
Legal Entity Identifier: 54930027T6N8M200DH24

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 42.9% 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 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. This includes companies with significant involvement in coal-based activities or oil-based activities, companies deemed to be in breach of United Nations Global Compact Principles and companies involved in controversial weapons.

The Fund also excludes any issuer with ESG risk factors that have potential material financial impact on the Fund. This is based on analysis of broad range of environmental, social and governance factors, such as climate, diversity and inclusion, board composition, disclosure.

During the reference period, the Fund met the environmental and 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, except for good governance test failures for two issuers which are described further below in this section.

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 make an investment in any company or corporate which, at the time of purchasing an asset, was within scope of the following:

- Coal - Any company or corporation which earned more than 30% of its revenues from coal-based activities, including, but not limited to, coal extraction in excess of 20 million tons per year and/or is in the process of developing any new coal mining or coal power infrastructure.
- Oil - Any company or corporation which earned more than 30% of its revenues from the extraction of oil from oil sands and/or are purpose-built transportation infrastructure operators for oil sands products, including pipelines and railway transportation and/or generate more than 30% of their revenue from mining oil shale and/or generate more than 30% of their electricity from oil shale.

- 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 companies is applied.

The Fund did not invest in any issuer with ESG risk factors that have potential material financial impact on the Fund. At the end of the reference period, all issuers within the Fund passed the Investment Manager's good governance test.

Sustainability indicators

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

• 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.

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 56.0 tCO₂e /€M sales. This is based on data coverage of 95% of eligible issuers.

Social KSIs

- %NAV with UNGC red flag - The Fund assesses whether investments are in breach of United Nations Global Compact principles, as such investments are deemed to be potentially harmful and are not expected to be held by the Fund. As of 31 December 2023, the Fund does not hold any investments that have red flag on UNGC assessment.

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. At the time of this assessment, the weighted average ESG score for investments held in the Fund as of 31 December 2023 was 52.5.
- 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. At the time of this assessment, the average Governance Score for investments in the Fund was 48.0.
- %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 out of 100. As of 31 December 2023, the Fund had 2.0% exposure to ESG laggards.
- %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 2023, the Fund had 0% exposure to these sectors, which is in line with promoted characteristics.

* Note that investments are measured at market value. Both investments in the numerator and denominator are valued at market value and the Net Asset Value is equivalent to total Market Value.

Sustainability indicator	Measured performance
As at - 31 December 2023	
Weighted Average Carbon Intensity	56.0 tCO ₂ e /€M sales
Portfolio ESG rating (M&G proprietary)	52.50
ESG Scorecard Governance Score	48.04
% NAV in ESG laggards	2.0%
% NAV with UNGC red flag	0.0%
% NAV held in investments excluded by the Fund's	0.0%

Sustainability indicator	Measured performance
As at - 31 December 2022	
Weighted Average Carbon Intensity	98.9 tCO ₂ e /€M sales
Portfolio ESG rating (M&G proprietary)	51.90
ESG Scorecard Governance Score	48.00
% NAV in ESG laggards	3.7%
% NAV with UNGC red flag	0.0%
% NAV held in investments excluded by the Fund's	0.0%

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

It is important to note that metrics can go up and down, as we get repayments or sell assets opportunistically, and invest instead into new, better opportunities that may have new characteristics compared to old ones. Overall, the sustainability profile of the fund has been consistent in 2023 compared to 2022. The Portfolio ESG rating and Governance Scores have improved slightly, and a lower % NAV in ESG laggards is held. The Weighted Average Carbon Intensity (WACI) has also improved meaningfully year on year.

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

Not applicable. The Fund does not commit to make sustainable investments.

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

Not applicable. The Fund does not commit to make sustainable investments.

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

Not applicable. The Fund does not commit to make sustainable investments.

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

Not applicable. The Fund does not commit to make sustainable investments.

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.

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: to 31 December 2023

Largest investments	Sector	% Assets	Country
Investment 1	Media	2.02%	Netherlands
Investment 2	Basic industry	1.64%	Luxembourg
Investment 3	Consumer goods	1.47%	Netherlands
Investment 4	Technology & electronics	1.46%	United Kingdom
Investment 5	Technology & electronics	1.43%	Norway
Investment 6	Consumer goods	1.39%	United Kingdom
Investment 7	Consumer goods	1.36%	Netherlands
Investment 8	Consumer goods	1.27%	Luxembourg
Investment 9	Retail	1.25%	United Kingdom
Investment 10	Telecommunications	1.23%	Netherlands
Investment 11	Telecommunications	1.22%	United Kingdom
Investment 12	Healthcare	1.13%	Germany
Investment 13	Services	1.10%	Sweden
Investment 14	Consumer goods	1.07%	United Kingdom
Investment 15	Capital goods	0.99%	Austria



What was the proportion of sustainability-related investments?

As at 31 December 2023, 85.4% of the Net Asset Value of the Fund was aligned to promote environmental and/or social characteristics, which is above minimum commitment of 70%. Whilst the Fund does not have a minimum commitment to sustainable investments, as at 31 December 2023, 42.9% of the Net Asset Value of the Fund was in these assets. These investments fall into two broad categories of environmental (26.7%) and social (16.2%) objectives.

Since the methodology for assessment of alignment of investments with EU Taxonomy has not been developed yet, none of the environmentally sustainable assets are classified as EU Taxonomy aligned.

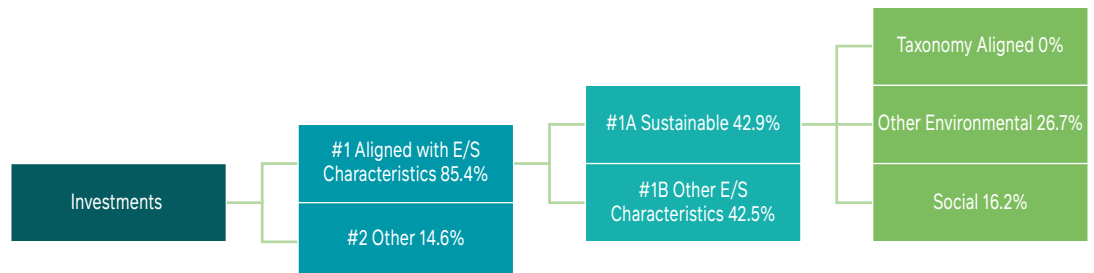
14.6% of the Fund is comprised of 'Other' investments, which are cash and cash equivalents, investments held for hedging or liquidity purposes, investments for diversification purposes or investments for which there is insufficient data.

* Note that investments are measured at market value. Both investments in the numerator and denominator are valued at market value and the Net Asset Value is equivalent to total Market Value.

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	18.83%
Other	14.60%
Services	12.70%
Technology & Electronics	11.10%
Consumer Goods	10.80%
Basic Industry	9.00%
Telecommunications	5.70%
Capital Goods	4.40%
Retail	4.30%
Media	4.00%
Leisure	2.30%
Automotive	1.50%
Financial Services	1.40%
Real Estate	1.00%
Banking	0.50%
Energy	0.50%
Equity	0.20%
Transportation	0.10%



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.

* Note that investments are measured at market value. Both investments in the numerator and denominator are valued at market value and the Net Asset Value is equivalent to total Market Value.

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** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the 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:

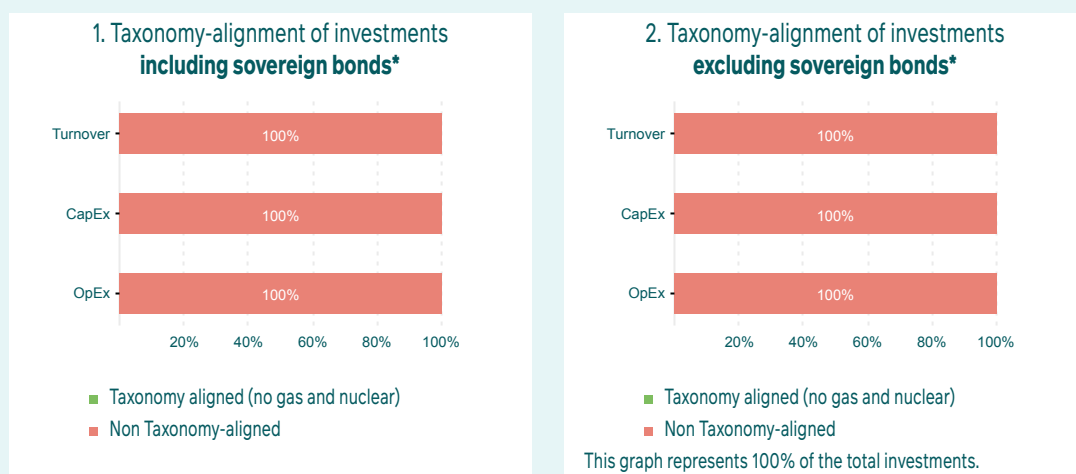
☐ In fossil gas

☐ 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 objectives. 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

● **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.

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

Overall, the portion of investments aligned with the EU Taxonomy remained the same in 2023 compared to 2022.

 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?

26.7%



What was the share of socially sustainable investments?

16.2%



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 and possible implementation of ISO 27001
- Encouraging improved disclosure around the management of modern slavery risk, particularly in the context of a company with global operations and increased offshoring in higher risk geographies



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 did 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