

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: Specialist Investment Funds (2) ICAV - M&G Real Impact Fund
Legal Entity Identifier: 254900OGL05XRCWP7V68

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 94.7% 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?

The Fund aims to deliver positive environmental and/or social outcomes that are closely aligned with the UN Sustainable Development Goals (SDGs) through direct and indirect investments in infrastructure, agriculture-related and natural capital Real Assets aligned to three core themes (Fund's Impact Themes): energy transition, responsible consumption and production, and social and economic inclusion.

M&G Real Impact Fund is an impact fund that aims to invest at least 51% of its Adjusted Gross Asset Value in sustainable investments. As of 31st December 2023, 94.7% of the Adjusted Gross Asset Value was in sustainable investments, which is above the Fund's minimum commitment. All investments the Fund holds target the core themes of the Fund listed above and contribute to various UN Sustainable Development Goals, in line with promoted environmental and social characteristics.

As at December 31st 2023, all investments held within the Fund pass good governance test and the Fund does not hold any investments that would be assessed to fail its screening of activities harmful to society or the environment.

The basis for calculation of % sustainable investments, % aligned to environmental and social characteristics and sustainability indicators has been amended from NAV to adjusted GAV during the reference period. Since the Fund uses short-term borrowing facility from time to time, the metrics based on NAV may not provide easily understandable picture of Fund's sustainability characteristics. For example, % of sustainable investments may exceed 100% due to the impact of liabilities included within NAV figure. GAV is expected to improve clarity for investors. The 2022 KSI data has been updated to reflect this change in basis, therefore is presented in terms of adjusted GAV. All comparisons to historical KSIs are made using 2022 adjusted GAV figures.

Sustainability indicators

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

How did the sustainability indicators perform?

Overall, 78.2% of investments held in the Fund were sustainable investments in the environmental category, contributing to various SDGs including: Affordable and Clean Energy and Responsible Consumption and Production. A further 16.5% of investments held in the Fund were sustainable investments in the social category, contributing to SDGs such as Industry, Innovation and Infrastructure and Zero Hunger.

As an impact fund, measurement of selected sustainability indicators is an important aspect of performance that the Investment Manager monitors. The overarching impact aims have been met and are demonstrated through the key sustainability indicators summarised below.

At the time of commitment, the Fund assigned impact scores to underlying investments based on a proprietary impact framework which draws on the Impact Management Project (IMP) ABC classifications and measures the percentage of impact scores reaching B3 or above (i.e., B3, B4, C2, C3 or C4). As at December 31st 2023, the Fund had made commitments to 13 underlying funds and 6 co-investments, 100% of which were assigned a score of B3 or above at the time of commitment which is in line with the Fund's investment strategy. On an annual basis, a review is performed on all underlying fund investments to assess progress once the underlying funds have begun to deploy capital. As at 31st December 2023, 96.2% of the Fund was assigned a score of B3 or above. The Fund invests a portion of its capital in underlying funds which the Investment Manager believes will generally invest in impactful businesses / projects. Given this, a small proportion of those businesses / projects may not reach the B3 impact score, when assessed by the Investment Manager.

95.8% of the Fund's investments contribute to a range of positive impact outcomes in the overall environmental and social categories that are divided into four subcategories: Environmental Solutions 75.6%, Circular Economy Solutions 3.4%, Better Health 0.2% and Social Inclusion 16.6%.

As an impact fund, the Fund further focuses on the advancement of seven core SDGs. Where applicable, investments in the Fund are classified as having a primary positive impact on these seven SDGs. The contribution to the SDGs are outlined, alongside other sustainability indicators, in the table below.

Sustainability indicators are measured as at 31st December 2023 or, where data at that date is not available yet, it is based on the most recent available data. It is worth noting that in some instances data availability is currently low, which can have a significant impact on the measured performance for certain sustainability indicators. Data availability is expected to improve over time.

Sustainability indicator	Measured performance
As at - 31st December 2022	
%Adjusted GAV in investments providing environmental solutions	59.6%
%Adjusted GAV in investments providing circular economy solutions	4.4%
%Adjusted GAV in investments generating renewable energy	11.6%
%Adjusted GAV in investments providing social inclusion	21.2%
%Adjusted GAV in investments providing better health	0.5%
Water Aggregate L Water Saved / Avoided / Treated	785,745,900
Carbon Aggregate Absolute CO2eT Emissions Saved / Avoided	1,972,017
Energy Aggregate Renewable energy production (MWh)	7,148,465
Portfolio Impact Score (M&G proprietary)	94.6%
%Adjusted GAV in investments with policies addressing at least 1 natural capital theme (biodiversity, water, climate)	41.3%
%Adjusted GAV in investments with energy management, water or wastewater management policies	24.3%
Number of people reached including people treated, customers served in target services	43,193,012
%Adjusted GAV in investments with anti-bribery and corruption, AML or whistleblower policies	64.9%
Weighted average % of female board members	6.2%
Weighted average % of female Investment Committee members	14.1%
%Adjusted GAV in investments with General Partner on Portfolio Company Board	69.6%
%Adjusted GAV in investments with Limited Partner Advisory Committee seat and voting rights	67.6%
%Adjusted GAV in investments aligned to SDG2 - Zero Hunger	10.4%
%Adjusted GAV in investments aligned to SDG6 - Clean Water and Sanitation	5.1%
%Adjusted GAV in investments aligned to SDG7 - Affordable and Clean EN	24.5%
%Adjusted GAV in investments aligned to SDG9 - Industry, Innovation and Infrastructure	21.6%
%Adjusted GAV in investments aligned to SDG12 - Responsible Consumption and Production	4.6%
%Adjusted GAV in investments aligned to SDG13 - Climate Acti	0.1%
%Adjusted GAV in investments aligned to SDG15 - Life on Land	10.0%

Sustainability indicator	Measured performance
As at - 31st December 2023	
%Adjusted GAV in investments providing environmental solutions	75.6%
%Adjusted GAV in investments providing circular economy solutions	3.4%
%Adjusted GAV in investments providing social inclusion	16.6%
%Adjusted GAV in investments providing better health	0.2%
Water - Aggregate - L Water Saved / Avoided / Treated	2,143,653,000
Carbon - Aggregate - Absolute CO2eT Emissions Saved / Avoided	6,355,252
Energy - Aggregate - Renewable energy production (MWh)	11,662,745
Portfolio Impact Score (M&G proprietary)	96.2%
%Adjusted GAV in investments building or operating renewable energy generation assets	28.4%
%Adjusted GAV in investments aligned to SDG2 - No Hunger	8.9%
%Adjusted GAV in investments aligned to SDG6 - Clean Water and Sanitation	9.6%
%Adjusted GAV in investments aligned to SDG7 - Affordable and Clean EN	34.2%
%Adjusted GAV in investments aligned to SDG9 - Industry, Innovation and Infrastructure	23.4%
%Adjusted GAV in investments aligned to SDG12 - Responsible Consumption and Production	3.7%
%Adjusted GAV in investments aligned to SDG13 - Climate Action	0.0%
%Adjusted GAV in investments aligned to SDG15 - Life on Land	6.8%

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

Compared to the previous period, the proportion of investments contributing to positive environmental or social characteristics has increased (95.8% vs 85.7% of 2022 aGAV, which is primarily attributable to a larger cash balance in 2022. The proportion of the Fund that was assigned a score of B3 or above was very similar (96.2% vs 94.6% of 2022 investments). These contributions are in line with expectations for the strategy.

- "Water - Aggregate - L Water Saved / Avoided / Treated" significantly increased from 785,745,900 to 2,143,653,000 in 2023. This was primarily being driven by Investment 13 (see Top Investments table further below), a company focused on installation of sustainable environmental infrastructure such as smart water meters.
- "Energy - Aggregate - Renewable energy production (MWh) " increased from 7,148,465 to 11,662,745. This was primarily driven by the increasing operational renewable energy capacity across several Funds.
- "Carbon - Aggregate - Absolute CO₂eT Emissions Saved / Avoided" increased from 1,972,017 to 6,355,252. This was driven by the increasing operational renewable energy capacity across several Funds and Investment 5 (see Top Investments table further below), a sustainable forestry investment.

Compared to the previous reporting period, the following KSIs have been removed after being identified as not directly relevant to the Fund's ESG strategy.

- %NAV in investments generating renewable energy
- %NAV with policies addressing at least 1 natural capital theme (biodiversity, water, climate)
- %NAV investments with energy management, water or wastewater management policies
- Number of people reached including people treated, customers served in target services
- %NAV with anti-bribery and corruption, AML or whistleblower policies
- Weighted average % of female board members
- Weighted average % of female Investment Committee members
- %NAV with General Partner on Portfolio Company Board
- %NAV with Limited Partner Advisory Committee seat and voting rights

Compared to the previous period, the following KSI has been added:

- %Adjusted GAV in investments building or operating renewable energy generation assets

- **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 economic activities that deliver positive environmental and/or social outcomes that are closely aligned with the UN SDGs (Impact).

For Fund Investments in Article 8 or 9 funds where the Investment Manager is satisfied that the investment process of the manager of the underlying fund (Underlying Fund Manager) can be relied upon, it is concluded that such investment contributes to sustainable objective based on the test performed by the Underlying Fund Manager.

In cases where Underlying Fund Manager's process cannot be relied upon, the fund is not classified under SFDR, for a Co-Investment or a Direct Investment, an assessment of underlying investments is performed. It is checked whether sustainable investments that the Fund makes positively contribute to environmental, circular economy, better health or social inclusion solutions and demonstrate strong ESG characteristics and thus contribute to this objective.

If at the time of Fund's commitment to the underlying fund there are no underlying investments, the alignment of the investment strategy of the Underlying Fund Manager to the Fund's objectives of sustainable investments is assessed.

Sustainable investments that the Fund made during reference period contributed to the environmental and/or social objectives through generating at least 20% of revenue related to environmental solutions, circular economy, better health or social inclusion.

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?**

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 were considered to establish materiality of the PAI indicator to the potential investment to ascertain that investment does not cause significant harm.

For Fund investments in Article 8 or 9 funds where the General Partner's process can be relied upon, it is concluded that the investment does not do significant harm based on the test performed by the General Partner. At the end of the reference period, the Fund held two Article 9 funds falling into this category. Reporting received from the General Partner did not indicate any instances of significant harm for investments within those funds.

For holdings that are not held by an Article 9 fund, PAI data was requested from General Partners and manual assessment of the underlying investments was performed. The Fund also uses a proprietary impact framework to assess the impact quality of the assets, a key part of which is doing no harm. However, this does not map perfectly to the PAIs as defined by SFDR. Therefore, impact assessments have been supplemented by requesting PAI data from General Partners. 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?**

Manual analysis of fourteen mandatory and four optional PAIs was conducted on all sustainable investments held by the Fund in order to confirm that investments do not cause significant harm. This was done by requesting PAI data from General Partners and assessing responses. Currently, data availability for PAIs is limited. A combination of quantitative and qualitative data was provided by General Partners. Where data is scarce other data sources have been taken into consideration in order to assess adverse impacts on sustainability factors. Such data sources include quarterly fund reports, annual sustainability or impact reports, General Partner policies and direct communication with General Partners where clarification was needed. As part of a qualitative review, it was also concluded that there was no exposure to fossil fuels or controversial weapons through underlying fund investments into portfolio companies. A detailed description of the PAIs requested is included below.

The following PAIs were requested and assessed where available:

- Fossil fuel exposure and controversial weapons. Analysis of underlying portfolio companies indicated no such exposure within the Fund's sustainable investments.
- Carbon emissions, carbon intensity, carbon reduction initiatives, non-renewable energy production and consumption, biodiversity impacts, emissions to water and hazardous waste. Materiality of these issues to the investments has been assessed based on the Sustainability Accounting Standards Board (SASB) where applicable. Where these issues have been deemed material for the sector that the investee company operates in, analysis of exposure and mitigants has been performed. No indications of significant harm noted.
- Compliance with the 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. Where data was available, existence of such policies has been checked, and the content of the policies reviewed. Lack of policy alone, in the absence of other concerns in that area, was not assessed to cause significant harm. This has been combined with analysis of whether there have been any significant issues in these areas that would indicate 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. For Fund investments in Article 9 funds where the General Partner's process can be relied upon, it is concluded that the investment does not do significant harm based on the test performed by the General Partner. For all other sustainable investments, qualitative analysis has been carried out to assess for evidence of breaches. This has been supplemented by asking General Partners whether there have been any breaches over the period. 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?

The Fund has made primary commitments to funds that take into account adverse impact indicators. These include two Article 9 funds which are required to commit to making solely sustainable investments. Principle Adverse Impacts have been considered for co-investments during due diligence. Furthermore, a manual analysis of fourteen mandatory and four optional PAIs was also conducted on all sustainable investments held by the Fund where the underlying investments are not held within an Article 9 fund. Outcomes of that analysis and details on how it was performed are outlined in the section above that describes the Do No Significant Harm test. Note that in addition to Do No Significant Harm test performed for sustainable investments, financial product also considers PAIs for all its investments, which is performed as part of due diligence.

In instances where the Investment Manager feels there may be a risk of harm relating to a principle adverse impact, the Investment Manager has discussed this with the Underlying Fund Manager to understand the planned mitigation and remediation actions. The underlying investment will then be monitored on a periodic basis to

understand the progress and determine the need for further engagement with the General Partner. As reporting of PAI data is currently low, the Investment Manager has continued to engage with GPs on the reporting of PAIs and other information relevant to sustainability factors.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: to 31st December 2023

What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Investment 1	Network Utilities; Power Generation x-Renewables; Renewable Power; Social Infrastructure; Transport	13.16%	Europe
Investment 2	Data Infrastructure; Network Utilities; Renewable Power; Transport;	11.44%	Europe
Investment 3	Network Utilities; Other Infrastructure; Renewable Power; Transport;	10.05%	Global
Investment 4	Renewable Power	9.21%	Global
Investment 5	Natural Assets	6.82%	Global
Investment 6	Environmental Services	6.25%	Global
Investment 7	Natural Assets	6.24%	Americas
Investment 8	Power Generation x-Renewables; Renewable Power	5.95%	Americas
Investment 9	Environmental Services; Renewable Power	5.38%	Global
Investment 10	Energy and Water Resources	4.42%	Global
Investment 11	Environmental Services; Power Generation x-Renewables; Renewable Power	3.84%	Americas
Investment 12	Renewable Power	3.53%	Americas
Investment 13	Network Utilities	3.40%	Americas
Investment 14	Environmental Services; Network Utilities; Renewable Power	3.34%	Americas
Investment 15	Infra-Tech	3.03%	Americas



What was the proportion of sustainability-related investments?

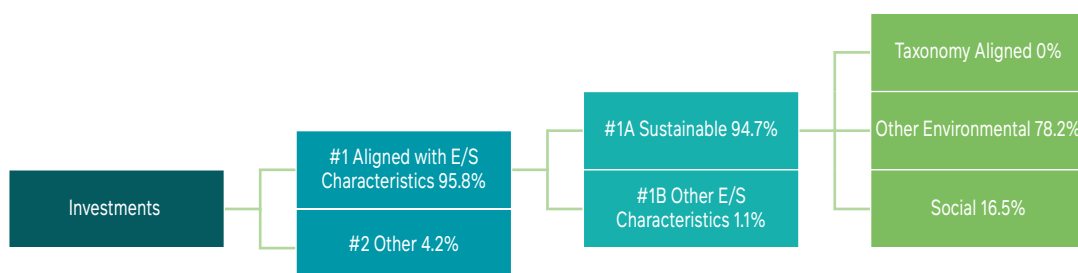
Asset allocation describes the share of investments in specific assets.

What was the asset allocation?

As at December 31st 2023, 95.8% of the Adjusted Gross Asset Value of the Fund promoted environmental and/or social characteristics, which is above minimum commitment of 70%. 94.7% of the Adjusted Gross Asset Value was in sustainable investments, which is above minimum commitment to sustainable investments of 51%. These investments fall into two broad categories of environmental 78.2% and social 16.5% objectives. These allocations meet the commitments of a minimum of 30% of Adjusted Gross Asset Value to be aligned to the environmental objective and a minimum of 5% of Adjusted Gross Asset Value to be aligned to the social objective.

The Fund did not commit to invest in investments aligned to the EU Taxonomy and based on our current information, 0% were aligned to the EU Taxonomy.

4.2% 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.



#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
Renewable Power	33.56%
Network Utilities	19.78%
Natural Assets	16.28%
Environmental Services	8.80%
Power Generation x-Renewables	6.61%
Energy and Water Resources	4.42%
Transport	3.62%
Infra-Tech	3.03%
Other Infrastructure	1.75%
Data Infrastructure	1.47%
Cash	0.38%
Social Infrastructure	0.30%



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

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** 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:

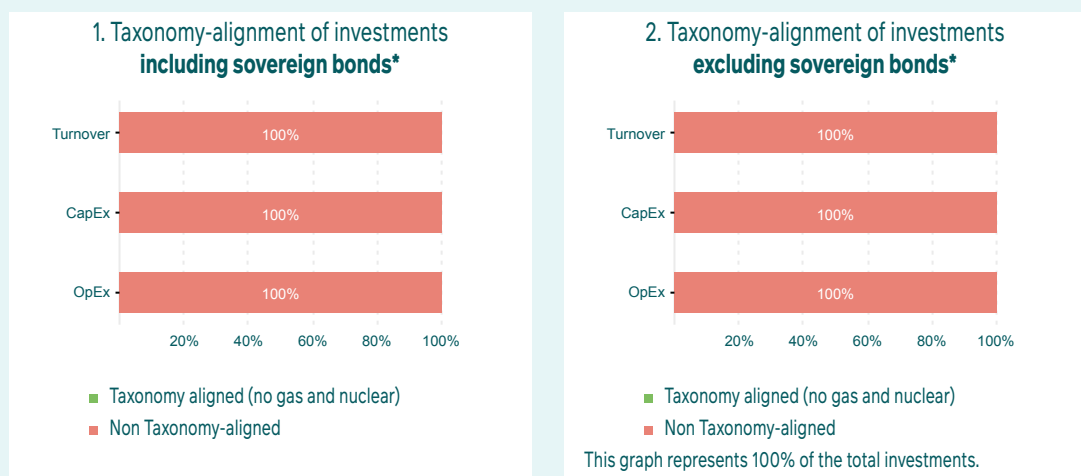
☐ In fossil gas

☐ 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?

Unchanged from 2022, 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.



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?

78.2% of Adjusted Gross Asset Value as at December 31st 2023. This is above the minimum commitment of 30% of sustainable investments with an environmental objective not aligned with the EU Taxonomy.



What was the share of socially sustainable investments?

16.5% of Adjusted Gross Asset Value as at December 31st 2023. This is above the minimum commitment of 5% of sustainable investments with a social objective.



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 continued dialogue with General Partners across 100% of the Fund's investments in efforts to further deliver positive environmental and social outcomes.

Topics included:

- the pipeline of future deals that will further the environmental and social characteristics of the Fund
- ongoing impact management and measurement, as well as holding conversations on application of the 'Do No Significant Harm' principle.
- sharing best practice examples with GPs to drive higher ESG standards including enhanced reporting quality and transparency, and policies and procedures.

The Fund has gathered ESG and impact data on investments through ESG questionnaire sent to GPs. This information is being used in the internal ESG performance analysis and as part of the investment process.



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?

Not applicable.

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?

Not applicable.

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

Not applicable.

- **How did this financial product perform compared with the broad market index?**
Not applicable.