

**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 Secure Income Fund  
**Legal Entity Identifier:** 254900ZUKWSLU75G9W53

## 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 28.13% 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 sub-fund invests in securities of companies or issuers exhibiting positive ESG risk and opportunity characteristics that meet a minimum threshold based on proprietary ESG score, third party ESG score or, in some cases, by proprietary analysis. ESG score considers a broad range of environmental, social and governance factors, such as climate, diversity and inclusion, board composition, disclosure, where appropriate. For the asset types that have ESG scores, each investment made by the Sub-fund meets a minimum score on the Portfolio Manager's proprietary ESG rating system or third party ESG rating. For asset types that are not in scope of these ratings, proprietary analysis against pre-defined criteria is performed to identify investments that demonstrate ESG credentials above minimum threshold.

A portion of the sub-fund, typically 15% and, at a minimum, 5% of the Net Asset Value (though this is only a requirement from the first anniversary of the sub fund's launch) will be allocated to impact assets that make a measurable, positive contribution to the environment or society. The sub-fund targets impact assets with environmental and social objectives that align with the following themes: climate and nature, better health and social equality.

The sub-fund will not invest in activities that are considered to be harmful to society or the environment. The sub-fund screens out any issuers that are in breach of international standards and/or are operating in sectors deemed not complying with ESG principles. All investments in the sub-fund as at 28th June 2024 were compliant with this requirement.

As at 28th June 2024, 28.13% of the sub fund's NAV invested in sustainable assets from companies or issuers exhibiting positive ESG risk and opportunity characteristics. Of this, the sub-fund had 8.3% of its net asset value invested in assets that met the impact criteria above.

All investments in the fund as at 28th June 2024 were compliant with the requirement to not invest in activities that are considered to be harmful to society or the environment. The Sub-fund did not invest in assets which have an ESG Score on proprietary Corporate ESG Scorecard lower than 40 out of 100 or on proprietary Asset-Backed Security ESG Scorecard lower than 45 out of 100. If no proprietary ESG Score by the Portfolio Manager or its delegate is available then the Sub-fund did not invest in assets which have an ESG Rating from MSCI of below BB or in assets which have an ESG Rating from Sustainalytics of above 30.4.

The sub-fund did not invest in any company or corporate which, at the time of purchasing an asset, was within scope of the following sectors. Additionally, asset-backed securities do not have exposure to the following sectors.

- **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.
- **Fossil Fuels.** Companies involved in exploration, mining, extraction, distribution (including transportation, storage, trade and retail) or refining of thermal coal, conventional and unconventional oil and gas and companies involved in fossil fuel power generation. A combined revenue threshold of 5% for such companies is applied.
- **Adult Entertainment.** Companies involved in the production and / or distribution of adult entertainment. A 5% revenue threshold for such companies is applied.
- **Gambling.** Companies involved in the provision of gambling-related services. A 5% revenue threshold for such companies is applied.
- **Tobacco.** Companies involved in the production and / or distribution of tobacco. A 5% revenue threshold for such companies is applied.
- **Defence and Other Weapons.** Companies that derive revenues from the production or sale of weapons systems, components, and/or support systems and services or the manufacture and retail of civilian firearms and ammunition. For the avoidance of doubt, this does not include the provision of generic systems and services that are not weapons-specific. A 5% revenue threshold for such companies is applied.
- **Predatory lending.** Companies whose primary business activity is payday lending and/or coercive loan origination. A 5% revenue threshold for such companies is applied.
- **Cannabis.** Companies or corporations which earned any revenue from producing or selling cannabis for non-medical or recreational purposes, which shall include production and sale of end products containing cannabis for the same purposes. A 5% revenue threshold for such companies is applied. Any revenue derived from medical cannabis must be explicitly permissible under applicable legislation.
- **Alcohol.** Companies involved in the production and/or distribution of alcohol for consumption. A 5% revenue threshold for producers and a 10% revenue threshold for distributors (wholesale and retail) is applied.

All securities held within the sub-fund met the criteria of 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?**

Key ESG metrics relevant to the sub fund's ESG strategy are captured through Sustainability Indicators which are used as metrics to measure the attainment of the environmental or social characteristics promoted by the fund.

The assets categorised as having a positive ESG risk and opportunity characteristics, and are defined as sustainable for the purpose of this report, account for 28.13% of the sub-fund's NAV.

- There is a minimum threshold ESG score for corporate issuers. All corporate issuers meet the threshold and the average score is 51.48. All scores are based on an internal proprietary scoring system employed by the investment manager.
- There is a minimum threshold ESG score for ABS issuers. All ABS issuers meet the threshold and the average score is 50.20. All scores are based on an internal proprietary scoring system employed by the investment manager.
- **Weighted average Carbon intensity** - the sub fund measures its exposures to carbon intensive businesses using Weighted Average Carbon Intensity. The sub-fund had a Weighted Average Carbon Intensity of 23.30 tCO<sub>2</sub>e/€M sales. This based on data coverage of 78.63% of issuers.
- **% NAV with committed Science-Based Targets** - measuring the % of the sub-fund's NAV which has issuers with climate targets (and their quality). The sub-fund had 11.17% of NAV with committed science-based targets, with coverage of 38.06%.

- % NAV with ratified Science-Based Targets - measuring the % of the sub-fund's NAV which has issuers with climate targets (and their quality). The sub-fund had 3.74% of NAV with ratified science-based targets, with coverage of 38.06%.
- % NAV aligned to less than 1.5 degree pathway - The sub-fund measures the % of issuers which are aligned to a temperature pathway consistent with the goal of transitioning to a low carbon economy. The sub-fund had 13.00% exposure to companies aligned to a less than 1.5 degree pathway.
- % NAV participating in Carbon Disclosure Project - The sub-fund measures the % of issuers volunteering to improve their climate related disclosures. The sub-fund had 14.17% exposure to companies participating in the Carbon Disclosure Project (CDP).
- % NAV in Green, Social or Sustainability Bonds/Loans - The sub-fund seeks to identify companies with sustainability frameworks and sustainability performance targets that form the basis of credible and authentic labelled instruments, tracked as exposure to green, social or sustainability bonds/loans. The sub-fund had 0.00% exposure to these instruments.
- % NAV board gender female +33% - The sub-fund measures for its underlying corporate exposures the percentage of the company's board which is comprised of female directors. The sub-fund had 9.94% exposure to companies whose board comprised more than 33% female board members, with coverage of 18.70%.
- 2.03% of NAV is invested in investments providing environmental solutions.
- 0.00% of the NAV is invested in investments providing circular economy solutions.
- 15.86% of the NAV is invested in investments providing better health.
- 2.10% of the NAV is invested in issuers providing social inclusion.

The assets categorised as impact in the sub-fund fell into at least one of the three impact themes: climate and nature, better health and social equality. These impact assets also aligned with one of the Sustainable Development Goals (SDGs) also evidenced in the sustainability indicators:

- 4.16% of the NAV is invested in assets aligned with SDG3 - Good Health and Wellbeing.
- 0.00% of the NAV is invested in assets aligned with SDG4 (Quality Education) and SDG7 (Affordable and clean energy)
- 2.10% of the NAV is invested in assets aligned with SDG11 - Sustainable Cities and Communities.

Sustainability indicator	Measured performance
As at - 28 June 2024	
Average Corporate ESG score (proprietary)	51.48 ESG Score
% NAV below minimum Corporate ESG score (proprietary)	0.00 %
Average ABS ESG score (proprietary)	50.20 ESG Score
% NAV below minimum ABS ESG score (proprietary)	0.00 %
Weighted Average Carbon Intensity	23.30 tCO2e / €m sales
% NAV with committed Science-Based Targets	11.17 %
% NAV with ratified Science-Based Targets	3.74 %
% NAV aligned to less than 1.5 degree pathway	13.00 %
% NAV participating in Carbon Disclosure Project	14.17 %
% NAV in Green, Social or Sustainability Bonds / Loans	0.00 %
% NAV board gender female +33%	9.94 %
% of investments in Real Estate debt assets secured by a property with green building certification	0.00 %
% NAV in impact assets	8.30 %
% NAV in investments providing environmental solutions	2.03 %
% NAV in investments providing circular economy solutions	0.00 %
% NAV in investments providing better health	15.86 %
% NAV in investments providing social inclusion	2.10 %
% NAV in investments aligned to SDG3 - Good Health and Wellbeing	4.16 %
% NAV in investments aligned to SDG4 - Quality Education	0.00 %
% NAV in investments aligned to SDG7 - Affordable and Clean Energy	0.00 %
% NAV in investments aligned to SDG11 - Sustainable Cities and Communities	2.10 %
% NAV held in investments excluded by the Sub-fund's exclusions	0.00 %

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

This fund was launched in October 2023, and as such this is the first time SFDR data has been reported for this fund. Therefore, comparisons to previous years are not currently available. It is noted that current data is being reported on a best efforts basis for a 9 month period, during which time the fund was in a ramp-up phase, and many of its minimum commitments do not technically apply in the fund's first 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?**

The sustainable investments that the sub-fund makes must have particular positive ESG risk and opportunity characteristics. The investment manager uses a series of proprietary tests to assess this. Sustainable investments that the sub-fund made during the period contributed to environmental or social objectives through, for example, generating at least 20% of revenue related to environmental solutions, circular economy or better health.

A portion of the sustainable investments are classified as impact, and make a measurable, positive contribution to the environment or society. Investments were made within all three impact themes outlined above.

**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.

Assessment of sustainable investments involved an analysis of all PAIs as defined by SFDR. Analysts are also required to refresh ESG analysis annually on all assets held by the fund, including a review of the M&G proprietary ESG scorecard, including a review of M&G proprietary ESG scorecard which helps with elements such as "good governance" and all PAIs.

Based on the analysis, it has been concluded that sustainable investments held by the sub-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 level, 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 according to the 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: to 28/06/2024

Largest investments	Sector	% Assets	Country
Investment 1	Asset backed	4.68%	Ireland
Investment 2	Asset backed	3.02%	Global
Investment 3	Healthcare	2.25%	Germany
Investment 4	Healthcare	2.24%	United Kingdom
Investment 5	Technology & electronics	2.24%	United Kingdom
Investment 6	Automotive	2.10%	United Kingdom
Investment 7	Asset backed	2.10%	United Kingdom
Investment 8	Capital goods	2.07%	Italy
Investment 9	Basic industry	2.03%	United States
Investment 10	Mortgage backed	2.01%	United Kingdom
Investment 11	Asset backed	1.98%	European Union
Investment 12	Asset backed	1.96%	European Union
Investment 13	Asset backed	1.95%	Ireland
Investment 14	Asset backed	1.95%	European Union
Investment 15	Asset backed	1.95%	Ireland

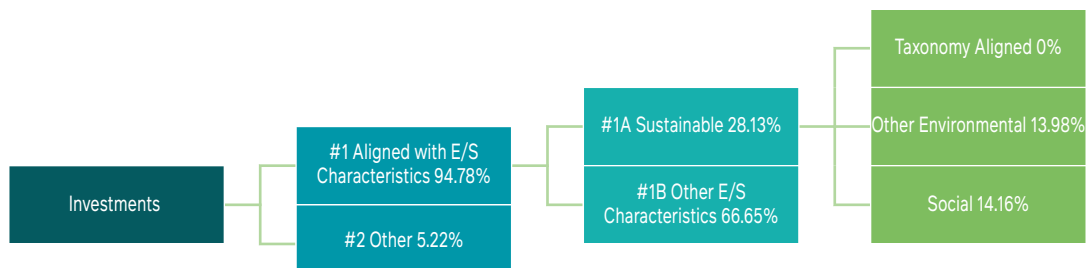


## What was the proportion of sustainability-related investments?

**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
Asset Backed	36.35%
Healthcare	13.96%
Mortgage Backed	7.71%
Technology & Electronics	6.88%
Capital Goods	6.73%
Consumer Goods	5.36%
Other	5.22%
Transportation	4.53%
Basic Industry	3.94%
Services	2.63%
Automotive	2.10%
Real Estate	1.78%
Commercial Mortgage Backed	1.67%
Banking	1.15%



### 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:

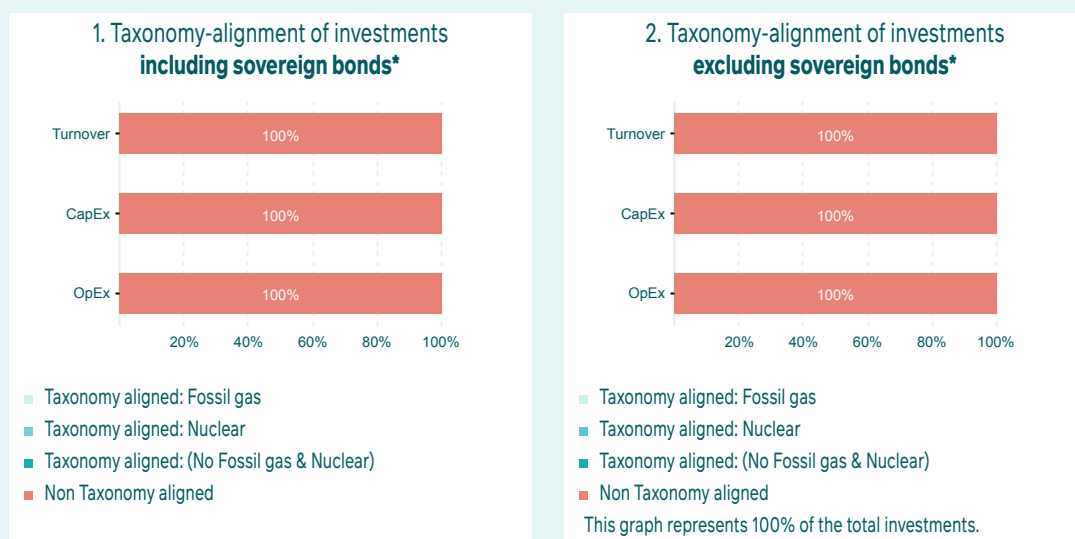
- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?**

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

<sup>1</sup> 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 sub-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?**

The sub-fund is not yet able to provide comparison to a previous reporting period as this is the sub-fund's first SFDR Level 2 Periodic Disclosure report.

 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?**

13.98% of Net Asset Value as at 28 June 2024.



**What was the share of socially sustainable investments?**

14.16% of Net Asset Value as at 28 June 2024.



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

“Not Sustainable” investments includes assets that meet sector exclusion criteria, have a minimum score under the investment manager's proprietary ESG scorecard and pass the good governance test, but not meet sustainability criteria, as well as cash and cash equivalents, and investments held for hedging or liquidity purposes.

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. Additionally, for impact assets, an impact assessment was undertaken to assess the measurable and positive contribution to the environment or society under the three impact themes.

The sub-fund also expects to engage with the borrowers in order to assess their governance models, environmental and social operating guidelines and engage on key issues such as climate, diversity and inclusion. To qualify as an ESG engagement, the interaction with the company must require an objective, action and an outcome from the engagement.

The sub-fund was launched in October 2023 and no engagements have been completed since the launch date. However, it is expected that engagement will be completed in sub-fund in the future.



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

Not applicable. No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

**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. No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

- **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.