M&G Investments

Precontractual 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: Luxembourg Specialist Investment Funds (4) - M&G Diversified Private Credit Fund
Legal Entity Identifier: 254900ZUKWSLU75G9W53

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

- [ ] Yes
- [x] No

- [ ] It will make a minimum of **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 will make a minimum of **sustainable investments with a social objective**:
- [x] It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 25% of sustainable investments
  - [ ] with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - [x] with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
  - [x] with a social objective
- [ ] It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?

Positive ESG risk and opportunity characteristics
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.

Allocation to impact assets
A portion of the Sub-fund, typically 15% and, at a minimum, 5% of the Net Asset Value, will be allocated to the impact assets that make a measurable, positive contribution to the environment or society. This minimum commitment is applied in line with timeframes specified in the section on asset allocation. The Sub-fund targets impact assets with environmental and social objectives that align with the following themes (Sub-fund's Impact Themes):

- climate and nature
- better health
- social equality

ESG exclusions
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. Excluded activities are described in the binding elements section below.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics.

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

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

Positive ESG risk and opportunity characteristics

- Average Corporate ESG score (proprietary)
- % NAV below minimum Corporate ESG score (proprietary)
- Average ABS ESG score (proprietary)
- % NAV below minimum ABS ESG score (proprietary)
- Weighted Average Carbon Intensity
- % NAV with committed Science-Based Targets
- % NAV with ratified Science-Based Targets
- % NAV aligned to less than 1.5 degree pathway
- % NAV in Green, Social or Sustainability Bonds / Loans
- % NAV board gender female +33%
- % of investments in Real Estate debt assets secured by a property with green building certification

Allocation to impact assets

- % NAV in impact assets
- % NAV in investments providing environmental solutions
- % NAV in investments providing circular economy solutions
- % NAV in investments providing better health
- % NAV in investments providing social inclusion
- % NAV in investments aligned to SDG3 - Good Health and Wellbeing
- % NAV in investments aligned to SDG4 - Quality Education
- % NAV in investments aligned to SDG7 - Affordable and Clean Energy
- % NAV in investments aligned to SDG11 - Sustainable Cities and Communities

(these sustainability indicators relate to both, impact assets and positive ESG risk and opportunity characteristics)

ESG Exclusions

- % NAV held in investments excluded by the Sub-fund's exclusions

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

Objectives of sustainable investments that the Sub-fund makes are as follows:

- To invest in economic activities that have a positive environmental and/or social impact or provide solutions in a wide range of areas, including environment, circular economy, better health or social inclusion and thus contribute towards this objective. This may include impact assets, as well as companies which generate revenues that align to these themes.
- To invest in companies that exhibit strong ESG characteristics expressed through a broad range of environmental and social factors. Portfolio Manager uses a series of proprietary tests based on available data to determine whether an investment makes positive contribution towards environmental or social objectives. Examples include demonstrating alignment with the goals of the Paris Agreement or meeting thresholds related to gender diversity.

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 do the sustainable investments that the financial product partially intends to make, 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 society 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. For assets secured by real estate, two mandatory PAI indicators relevant to real estate are analysed instead. Do No Significant Harm test is embedded in the initial due diligence and periodic monitoring process.

  - **How have the indicators for adverse impacts on sustainability factors been taken into account?**
    Assessment of PAI indicators is performed before each investment to determine suitability for the Sub-fund and at least annually during the holding period to inform areas for engagement with the issuers and determine appropriateness of investment classification as sustainable. Where data is available, quantitative assessment is performed. For remainder of PAIs, qualitative analysis is used to evaluate the impact.

  - **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**
    Due diligence performed before investment and at least annually during the holding period includes consideration of alignment with the UN Guiding Principles on Business and Human Rights. If potential investment is assessed to be in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises, it will not be acquired. For existing investments, the Portfolio Manager will engage with the issuer or, in the event of serious, repeated violations with lack of improvement, consider divestment.

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.

Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes, at the product level, the Sub-fund considers principal adverse impacts through assessing and monitoring fourteen mandatory and four optional PAI indicators from the Annex I of EU Commission Delegated Regulation 2022/1288. For assets secured by real estate, two mandatory PAI indicators relevant to real estate are considered. Adverse impacts are considered for engagement with the issuers. PAI indicators are collected from issuers for each applicable reference period with use of a systematised process and a best effort basis.

Corporate mandatory indicators:
1. Greenhouse gas (GHG) emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sectors
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste and radioactive waste ratio
10. Violations of UNGC principles and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

Corporate voluntary indicators:
Investments in companies without carbon emission reduction initiatives
Investments in companies without workplace accident prevention policies
Lack of human rights policy
Lack of anti-corruption and anti-bribery policies

Real estate mandatory indicators:
17. Exposure to fossil fuels through real estate assets
18. Exposure to energy-inefficient real estate assets

The information on how principal adverse impacts on sustainability factors were considered will be available in the annual report of the Sub-fund.

☐ No

What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Sub-fund invests, on a global basis, in a wide range of credit investments which provide the Sub-fund a contractual coupon income from its portfolio. The Portfolio Manager will use its credit investment processes and research capabilities to identify investment opportunities for the Sub-fund. Such investment opportunities may be obtained by applying a variety of techniques across a potentially wide range of different types of credit investments.

The Sub-fund incorporates consideration of ESG factors into its investment process, aiming to invest in companies with positive ESG risk and opportunity characteristics. The Portfolio Manager's ESG criteria is achieved through proprietary analysis and / or the use of third party ESG information. Qualitative and quantitative analysis is combined to assess a company's ESG risk management and value-creation abilities. To do that, the in-house ESG scorecard may be used, leaning on the Sustainability Accounting Standards Board's risk-mapping framework and supplemented by the analysts' experience, to identify material ESG risks to investigate. For asset types that are not in scope of the ESG scorecard, proprietary analysis against pre-defined criteria is performed to assess ESG credentials of investments.

A portion of the portfolio allocated to impact assets aims to demonstrate a positive environmental or social impact. Before investment, these assets are analysed using M&G's impact assessment process, to ensure alignment with the Sub-fund's Impact Themes.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The Sub-fund will hold at least 5% of the Net Asset Value in impact assets that make a measurable, positive contribution to the environment or society. This commitment is applied in line with timeframes specified in the section on asset allocation.

Subject to the point below, the Sub-fund may 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 may 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. For asset types that are not in scope of Corporate ESG Scorecard or Asset-Based Security Scorecard, the Sub-fund may not invest in assets that do not meet proprietary pre-defined criteria that reflect ESG factors relevant to the asset type.

The Sub-fund may invest up to 5% of its Net Asset Value in assets with ESG Scores below the minimums outlined above or that do not meet proprietary pre-defined ESG criteria where a demonstrable and monitored plan of action and engagement is to be pursued with a view to targeting a higher rating over time.

ESG Exclusions

The investment restrictions applying to thermal coal, as set out in Section 5.3 of the General Section entitled "The Portfolio Manager's Thermal Coal Investment Policy", apply to the Sub-fund and may have an effect on the assets in which the Sub-fund invests. The effect is limited to the types of assets that are in scope of the Coal Policy.

For investments in companies and corporates, the Portfolio Manager, acting on behalf of the Sub-fund, may not make an investment which, at the time of purchasing an asset, is 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 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.

For investments in asset-backed securities (including credit securities and related derivatives issued by securitisation vehicles collateralised by a range of assets including, but not limited to, residential and/or commercial mortgages, credit card receivables and loans and those asset-backed securities may be publicly or privately placed), economic activities listed above are excluded but due to limited data availability on revenues screening is performed based on sector classification of the security supported by the qualitative analysis, where the data is available. If sector classification of key counterparty (being counterparty considered most relevant to the transaction, typically entity such as sponsor, originator, servicer etc.) represents excluded activity, such counterparty is excluded from investment. If market value of underlying assets with sector classification representing excluded activities exceeds 10% of market value of asset-backed security, that security is excluded from investment. This is applied at the time of purchase of asset-backed security.

For investments in loans related to real estate, the Sub-fund may not make investments which, at the time of acquisition, are secured by real estate which is within scope of the following:

- **Global Norms**. Any real estate that is owned and controlled by or has Significant Tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.
- **Controversial Weapons**. Any real estate that has tenants that are listed companies assessed to derive the majority of their income from or whose primary business activity is the production of anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons outside the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser and non-detectable fragment weapons.
- **Thermal Coal**. Any real estate that has tenants that are Excluded Companies per the Portfolio Manager's Thermal Coal Investment Policy.

Significant Tenant means a tenant whose rent constitutes 20% or more of the total potential rent derived from the relevant property at the time of purchase. Tenants could be listed or private companies. Tenants that are private companies are not assessed against the exclusions due to the lack of coverage of private companies within currently available data used for screening. This is applied at the time of purchase of property-related debt asset.

After the purchase of an investment, the Portfolio Manager will continue to monitor the limits listed in this section above, but they may be exceeded for reasons beyond the control of the Portfolio Manager. If they are exceeded after purchase the Portfolio Manager will record such matters and adopt as a priority objective to resolve that situation, but it will not be considered a breach. The Portfolio Manager shall be under no obligation to dispose of the assets in the event that limits in respect of a particular asset are infringed after the acquisition of the asset where it believes that to do so is in the best interests of the Shareholders, but no further acquisitions of such asset will be made while the limits are infringed.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Sub-fund does not set a committed minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- **What is the policy to assess good governance practices of the investee companies?**

Good governance practices of investee companies are assessed prior to making an investment and monitored during the holding period as part of initial and periodic due diligence. Governance factors considered include, but are not limited to: sound management structures, employee relations, remuneration of staff and tax compliance. The Sub-fund does not invest in issuers that do not pass good governance test performed as part of initial due diligence. Material governance issues arising from periodic due diligence are considered for engagement with issuers.

Asset allocation describes the share of investments in specific assets.

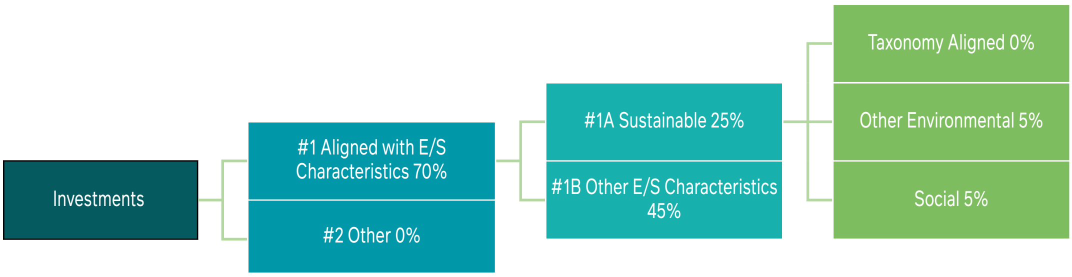
What is the asset allocation planned for this financial product?

A minimum of 70% of the Sub-fund's Net Asset Value are investments aligned to the environmental or social characteristics promoted. This includes a minimum of 25% of Net Asset Value in sustainable investments. A minimum of 5% of the Sub-fund's Net Asset Value is aligned to the environmental objective and a minimum of 5% of the Sub-fund's Net Asset Value is aligned to the social objective. The Sub-fund's strategy assumes flexibility for the portfolio to have varying proportions of investments targeting environmental and social outcomes over time. A minimum of 5% of the Sub-fund's Net Asset Value is in impact assets. A minimum of 0% (and a maximum of 30%) of the Sub-fund's Net Asset Value are other investments not aligned to the environmental or social characteristics.

The commitments to minimum allocation to impact assets, sustainable investments and assets aligned with promoted environmental or social characteristics will apply after the first anniversary of the Launch Date of the Sub-fund to allow for the initial ramp up of its portfolio. From the first anniversary of the Launch Date onwards, commitments will be tested before each Subscription Day that falls on the last Business Day of a calendar quarter (March, June, September, December) to allow for the 3-month period to deploy cash inflows received.

All asset allocations below are expressed as a % of the Sub-fund's Net Asset Value. They reflect planned asset allocation resulting from the commitments outlined above.

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.



#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.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

  The Sub-fund does not use derivatives to attain the environmental or social characteristics.

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

The Sub-fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation.

The Sub-fund will not actively target investments in taxonomy-aligned assets as part of its investment policy and, therefore, the Portfolio Manager expects that 0% of the Sub-fund's investments will be aligned with the environmental objectives under the Taxonomy Regulation.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?**

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

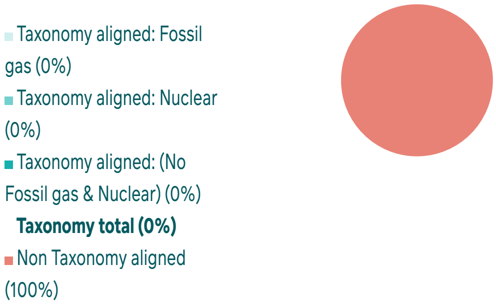
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas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

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

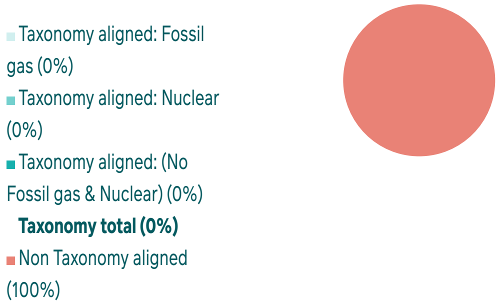
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show the minimum percentage of investments that are 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.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



This graph represents 100% of the total investments.

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

- **What is the minimum share of investments in transitional and enabling activities?**

The Sub-fund does not set a minimum share of investments in transitional and enabling activities.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective is 5% of the Net Asset Value.

None of these assets are expected to be aligned to EU Taxonomy because the Sub-fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation.

What is the minimum share of socially sustainable investments?

The minimum share of socially sustainable investments is 5% of the Net Asset Value.

What investments are included under “#2 Other”, what is their purpose and are 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.

Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No reference benchmark has been designated to determine whether this Sub-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 is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**
  Not applicable.

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
  Not applicable.

- **How does the designated index differ from a relevant broad market index?**
  Not applicable.

- **Where can the methodology used for the calculation of the designated index be found?**
  Not applicable.

Where can I find more product specific information online?

More product-specific information can be found on the website:
www.mandg.com/investments/institutional/en-global/sustainability-related-disclosures