

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

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

Product Name: M&G SRT Fund II

Legal Entity Identifier: 254900KOLPRMSRFCWB20

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☒ ☐ ☒ **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**:

☐ 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 % 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 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 Fund invests in asset-backed securities (ABS) with positive ESG risk and opportunity characteristics that meet a minimum threshold based on proprietary ABS ESG score. The ABS ESG score considers a broad range of environmental, social and governance factors, such as environmental footprint and data, access and affordability, disclosure, legal, regulatory and structural features, as appropriate. Assessment is performed from three relevant perspectives, including transaction, assets and a key counterparty.

ESG exclusions

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

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 ABS ESG score

% NAV below minimum ABS ESG score

ESG exclusions

% NAV held in investments excluded by the 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?

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.

- **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?**

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

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

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

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

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

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 Fund considers the following principal adverse impact indicators from the Annex I of EU Commission Delegated Regulation 2022/1288 on best efforts basis, where the data is available:
- for a key counterparty, selected corporate PAI indicators listed below;
 - for underlying assets in the ABS secured by corporates, PAI indicator on greenhouse gas emissions;
 - for underlying assets in the ABS secured by real estate, two mandatory PAI indicators relevant to real estate.

Potential adverse impacts are evaluated as part of investment selection process and, where appropriate, considered for engagement with the counterparty. PAI indicators are collected from third parties and/or counterparties with use of a systematised process on a best efforts basis. Note that due to limited data availability for ABS as an asset class, it may happen that for a particular asset only a small proportion of PAIs can be analysed.

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
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 Fund.

☐ No



What investment strategy does this financial product follow?

The Fund invests primarily, whether directly or indirectly, in residual and lower mezzanine ABS including Synthetic Credit Linked Assets and Other Eligible Investments.

The Fund incorporates consideration of ESG factors into its investment process, aiming to invest in ABS with positive ESG risk and opportunity characteristics. The Manager's ESG criteria is evaluated through proprietary analysis with use of ESG information sourced from third parties and/or the counterparties. ABS ESG scorecard expresses risk management and value-creation characteristics of the ABS in qualitative terms within the context of a structured and disciplined framework. Each asset is assigned a score from 1 to 100 (1 representing the highest ESG risk and 100 the lowest), which consolidates ESG assessment of transaction, asset and counterparty across core ESG factors relevant to all securitisations supplemented by key material bespoke issues.

● 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?

Subject to the point below, the Fund may not invest in assets which have an ESG Score on proprietary ABS ESG Scorecard lower than 45 out of 100.

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

The Fund may invest up to 5% of its Net Asset Value in lower-rated assets that do not meet minimum ABS ESG score or non-rated assets where a demonstrable and monitored plan of action and engagement is to be pursued with a view to targeting a higher rating over time.

The Manager or its delegate, acting on behalf of the 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.
- **Thermal Coal.** Companies that engage in activities excluded under the Investment Manager's Thermal Coal Policy. This includes public companies that are in scope of the policy, as well as, privately held companies that engage in such activities.
- **Unconventional Oil and Gas.** Companies that derive revenues from the unconventional extraction of oil and gas (defined as oil sands and Arctic drilling).
- **Adult Entertainment.** Companies involved in the production and / or distribution of adult entertainment.
- **Gambling.** Companies involved in the provision of gambling-related services.
- **Tobacco.** Companies involved in the production and / or distribution of tobacco.

Screening of the exclusions listed above 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.

In addition, the aggregate value of the underlying assets classified within the oil and gas extraction sectors shall not exceed 5% of the greater of the Fund's Net Asset Value or the Committed Capital. Oil and gas extraction activities are represented by the NACE codes 0610 ("Extraction of crude petroleum") and 0620 ("Extraction of natural gas").

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

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

● **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, where relevant. The 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 counterparties.

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



Asset allocation describes the share of investments in specific assets.

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.

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.

What is the asset allocation planned for this financial product?

A minimum of 70% of the Fund's Net Asset Value are investments aligned to the environmental or social characteristics promoted. None of the assets that are committed to qualify as sustainable. A minimum of 0% (and a maximum of 30%) of the Fund's Net Asset Value are other investments not aligned to the environmental or social characteristics.

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

Investments

#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.

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

The 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 Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation. The Fund will not actively target investments in taxonomy-aligned assets as part of its investment policy and, therefore, the Manager expects that 0% of the Funds' investments will be aligned with the environmental objectives under the Taxonomy Regulation.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

☐ Yes:

☐ In fossil gas

☐ In nuclear energy

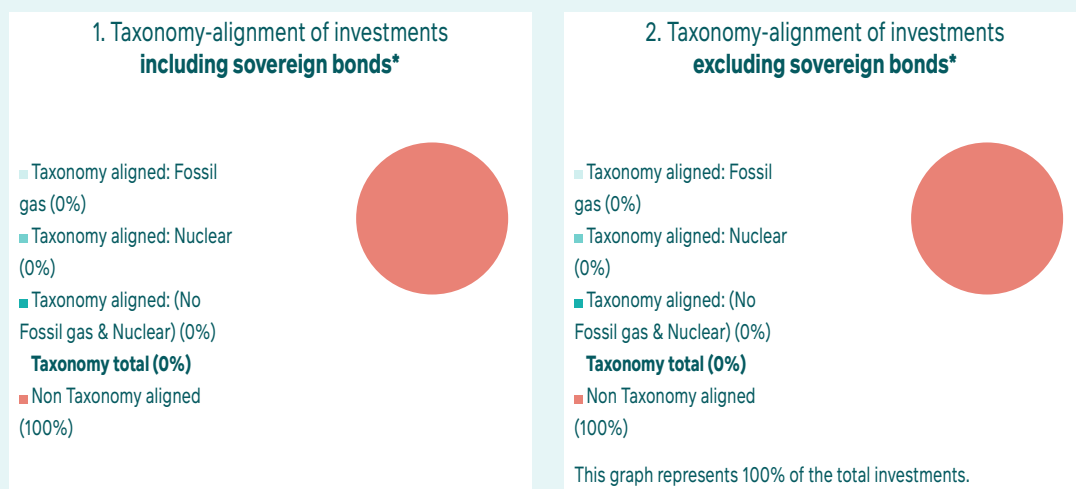
☒ No

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

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.



* 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 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?

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



What is the minimum share of socially sustainable investments?

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



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 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