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 Sustainable Alpha Opportunities Fund
Legal Entity Identifier: 254900R8VRJEVMA6E584

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**:	☒ 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 51% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ 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	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It will make a minimum of **sustainable investments 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?

The Fund promotes the use of an Exclusionary Approach and a strategy to achieve certain Positive ESG Outcomes.

Exclusionary Approach

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society and to assist it in delivering more sustainable outcomes. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology. Cash may be treated as aligned to the Exclusionary Approach promoted characteristic where it is placed on term deposit with institutions or invested in money market funds which pass the Investment Manager's ESG quality threshold ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to do significant harm to environmental and/or social objectives.

Positive ESG Outcome – ESG Score

The Fund's allocation to corporate bonds typically has a higher weighted average ESG rating than an index used as a proxy for the global corporate bond investment universe. The Fund's calculation methodology does not include those corporate bonds that do not have ESG scores. In constructing a portfolio which favours corporate bonds with better ESG characteristics, the Investment Manager may nonetheless invest in corporate bonds across the full spectrum of ESG ratings remaining within the narrowed universe.

Positive ESG Outcome – Net Zero

The Fund expects to allocate to Net Zero Aligned (as defined below) and Net Zero Aligning (as defined below) assets and companies with net zero targets and expects this allocation to increase over time. This may not be a linear year on year increase. The Fund aims to contribute to the goal of achieving net zero greenhouse gas emissions by 2050, with an interim target of 1.5°C alignment by 2030, where there is sufficient data and credible methodologies to inform the Investment Manager's Net Zero Investment Framework ("NZIF").

"Net Zero Aligned" means an investment that is aligned to a pathway consistent to net zero, as defined by the Investment Manager's interpretation of the Institutional Investors Group on Climate Change's ("IIGCC's") Net Zero Investment Framework.
"Net Zero Aligning" means an asset that is aligning towards a pathway consistent to net zero, as defined by the Investment Manager's interpretation of the IIGCC's Net Zero Investment Framework.

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

Further information on the global corporate bond investment universe can be found in the Investment Manager's website disclosures for the Fund.

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?**

  The sustainability indicators selected to demonstrate the attainment of the promoted environmental and/or social characteristics are:

  Exclusionary Approach:
  - Percentage (%) of NAV held in excluded investments
  - Percentage (%) of ABS below the Investment Manager's threshold for alignment
  - Percentage (%) of cash placed on term deposit with institutions or placed in money market funds below the Investment Manager's ESG quality threshold

  Positive ESG Outcome (ESG Score):
  - Weighted average ESG score of the directly held corporate bonds versus the global corporate bond investment universe weighted average ESG score

  Positive ESG Outcome (Net Zero):
  - Percentage (%) of corporate investments with Net Zero targets

- Percentage (%) of NAV held in investments assessed as Net Zero Aligning
- Percentage (%) of NAV held in investments assessed as Net Zero Aligned
- Temperature Alignment: The current Temperature Alignment (as defined below) of the corporate investments held on the reporting date versus the Temperature Alignment at the Temperature Start Date (as defined below) of the corporate investments that were held at the Temperature Start Date
- Percentage (%) of NAV assessed by Net Zero Investment Framework

"Temperature Alignment" means a data point determined by the Investment Manager from available data which assesses the emissions contribution of a company in context of decarbonisation pathways, to determine a company's contribution to global warming, given as a single implied temperature rise in 2100 above pre-industrial levels.

"Temperature Start Date" means the date on which the Fund has completed its initial allocation to corporate investments in the opinion of the Investment Manager, which then provides a baseline against which future temperature alignment can be measured. This is expected to be the first month end date after the launch of the Fund but the Investment Manager has discretion to determine a different date. Once set, it will not change and will be communicated to investors in the periodic reporting for these sustainability indicators.

- **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?**

The Fund may allocate to sustainable investments of any type, i.e. investments with an environmental and/or a social objective. The Fund is not required to favour any specific type of sustainable investment. The Investment Manager uses a series of proprietary tests based on available data to determine whether and how an investment makes positive contribution(s) towards environmental and/or social objectives.

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?**

Sustainable investments that the Fund intends to make do not cause significant harm to any environmental or social sustainable investment objective as they are required to pass a series of tests applied both before investment and periodically during the holding period, including:

1. Whether they represent significant exposure to businesses the Investment Manager considers harmful
2. Principal Adverse Impact indicators considered to render the investment incompatible with sustainable investment (violations of the UN Global Compact Principles or the OECD Guidelines for Multinational Enterprises, social violations by sovereigns such as being subject to sanctions, negative effects on biodiversity sensitive areas)
3. Other Principal Adverse Impact indicators form part of a materiality assessment to understand whether any exposures are compatible with sustainable investment.

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

The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions. The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process. Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

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

All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests are applied both before investment and periodically during the holding period embed a consideration of the OECD Guidelines and UN Guiding Principles.

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?

- [x] Yes, for sustainable investments, principal adverse impacts are a key part of assessing such investments do not do significant harm as explained above. For other investments the Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available, which allows the Investment Manager to make informed investment decisions, as explained above.

  Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund.

  Information on how the principal adverse impacts on sustainability factors were considered will be available in the Fund's annual report.

- [ ] 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 Fund is an actively managed, diversified fixed income (generally being debt instruments with a fixed, variable or floating rate coupon) vehicle that aims to achieve its investment objective of a total return (the combination of income and capital growth) of the Cash Benchmark plus 3-5% (gross of fees per annum), over any five-year period, while applying ESG criteria. For each point along the interest rate and credit cycle, the Manager seeks to identify the optimal allocation amongst traditional fixed income asset classes, such as government bonds, Investment Grade or Sub-Investment Grade corporate bonds and other less traditional fixed income asset classes.

Sustainability considerations, encompassing ESG factors, are fully integrated into analysis and investment decisions, and play an important role in determining the investment universe and portfolio construction.

In order to identify securities for purchase, the Investment Manager reduces the potential investment universe as follows:

1. The norms-based, sector-based and value-based exclusions listed in the ESG Exclusions section of the prospectus are screened out.
2. The Investment Manager then assesses the ESG credentials of the remaining issuers. Based upon a combination of external ESG ratings and the Investment Manager's assessment, lower scoring issuers classified as ESG laggards are excluded.
3. From this narrowed investment universe, the Investment Manager performs further analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities. The Investment Manager favours issuers with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective. This process typically results in a portfolio with better ESG characteristics. In constructing a portfolio which favours investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings remaining within the narrowed universe.
4. Further, climate considerations play an important role in determining the investment universe and portfolio construction as the Fund aims to contribute to the goal of achieving Net Zero Greenhouse emissions by 2050, with an interim target of 1.5 degree alignment by 2030 by allocating where there is data and credible methodologies to inform the Investment Manager's NZIF.

If a potential investment is intended to contribute to the Fund’s net zero target, it will be assessed using a proprietary framework based on Net Zero Investment Framework developed by Paris Aligned Investment Initiative to determine whether the investment meets pre-defined criteria including having:

- A long term 2050 goal consistent with global net zero
- Short & medium term emissions reduction targets
- Disclosure of scope 1, 2 and material scope 3 emissions
- A quantified plan to deliver targets
- Capital expenditures are consistent with achieving net zero emissions by 2050.

Please note the Investment Manager expects to make further enhancements to the proprietary framework over time, however it will always contain the items listed above. An example of a potential further enhancement is to assess current emissions intensity performance (scope 1, 2 and material scope 3) relative to targets, once sufficient data is available.

Examples of factors relevant to climate analysis include science based targets, climate intent score on the Investment Manager’s proprietary ESG scorecard, alignment with climate solutions as determined by EU Taxonomy, recognition of high and low impact sector materiality, ESG themed bonds (green bonds, transition bonds, sustainability bonds, sustainability linked bonds, green Asset-Backed securities), M&G’s proprietary assessment of contribution to climate and environmental outcomes.

- **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 following elements are binding, as part of the Investment Manager's strategy for this Fund:

  - The Fund’s ESG Exclusions;
  - The amount of the Fund aligned to the promoted environmental and/or social characteristics, as set out in the section "What is the asset allocation planned for this financial product?"; and
  - Minimum levels of sustainable investments, as set out in the section "What is the asset allocation planned for this financial product?".

  Where it is in the best interests of investors, the Fund may temporarily deviate from one or more of these elements, for example if the Investment Manager considers it prudent to hold high levels of cash in response to market conditions.

- **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.

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?**

  Where data is available, the Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. For private companies where data may not be available, qualitative analysis of governance factors is performed. M&G excludes investments in securities that are considered as failing the Investment Manager’s good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

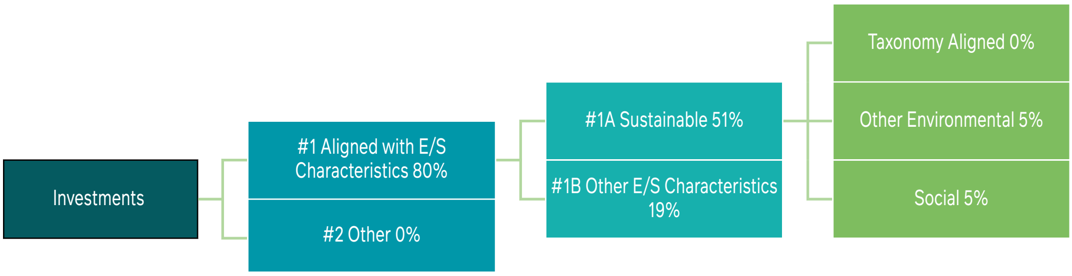
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

A minimum of 80% of the Fund's Net Asset Value are investments aligned to the environmental or social characteristics promoted. This includes a minimum of 51% of Net Asset Value in sustainable investments. A minimum of 5% of the Fund's Net Asset Value is aligned to the environmental objective and a minimum of 5% of the Fund's Net Asset Value is aligned to the social objective. The Fund's strategy assumes flexibility for the portfolio to have varying proportions of investments targeting environmental and social outcomes over time. 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.

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?

  Derivatives may be considered aligned with the promoted environmental and/or social characteristics on the following basis:

  Exclusions:
  1. Where a derivative represents exposure to a single name it must be a permitted investment for the Fund.
  2. Where a derivative represents exposure to a diversified financial index, it must deliver an evidential alignment to the promoted 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 Investment Manager expects that 0% of the 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 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.

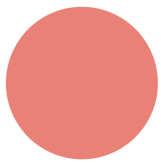
The two graphs below show the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product 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.

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

- Taxonomy aligned: Fossil gas (0%)
- Taxonomy aligned: Nuclear (0%)
- Taxonomy aligned: (No Fossil gas & Nuclear) (0%)

Taxonomy total (0%)

- Non Taxonomy aligned (100%)

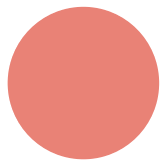


2. Taxonomy-alignment of investments **excluding sovereign bonds***

- Taxonomy aligned: Fossil gas (0%)
- Taxonomy aligned: Nuclear (0%)
- Taxonomy aligned: (No Fossil gas & Nuclear) (0%)

Taxonomy total (0%)

- Non Taxonomy aligned (100%)



This graph represents X% of the total investments.**

* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.
** As there is no Taxonomy-alignment, there is no impact on the graph if sovereign bonds are excluded (i.e. the percentage of Taxonomy-aligned investments remains 0%) and the Management Company therefore believes that there is no need to mention this information.

- **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?
The minimum share of sustainable investments with an environmental objective is 5% of Net Asset Value. None of these assets are expected to be aligned to EU Taxonomy because the 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 Net Asset Value.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

The Fund may hold cash, near cash and money market funds, FX, interest rate derivatives and similar derivatives (which may include certain technical trades such as government bond futures used for duration trades) as "Other" investments, for any purpose permitted by the Fund's investment policy. No minimum environmental or social safeguards are applied to such investments where such instruments are held as "Other" instruments.

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for any reason permitted by the Fund's investment policy and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

The Fund may also hold as Other investments those investments where insufficient data exists to determine the investments' alignment with the promoted characteristics.

It is also possible that the Fund may hold investments that are not in line with the promoted characteristics, e.g. as a result of a merger or other corporate action, or as a result of the characteristics of a previously acquired investment changing. Where this happens, the Fund will generally seek to dispose of them in the best interests of investors, but may not always be able to do so immediately.

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:
ww.mandg.com/investments/institutional/en-global/sustainability-related-disclosures