

# Sustainability-related disclosures

Catalyst Growth Equity Fund

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Website disclosure provided in accordance with Article 10 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector. Information on the overall sustainability-related impact of the Fund can be found in the Annual Report of the Fund.

## Summary

The Fund will make direct investments in equity and equity-like instruments (including convertible notes and preference shares) of companies. The Fund will have flexibility to invest in both primary and secondary capital of target companies that the Investment Committee believes are aligned to the impact themes laid out in the sustainable investment objective.

The sustainable investment objective of the Fund is to make investments with the intention to generate positive, measurable social or environmental impact, with a particular focus on accelerating the development of technological solutions, to achieve the following outcomes (Impact Outcomes):

- Planetary Health, which includes but is not limited to adaptation and mitigation of climate change by avoiding and/or reducing greenhouse gases, supporting clean energy, reduction of waste or pollution, supporting sustainable agriculture or biodiversity.
- Human Health, which includes but is not limited to preventing disease, improving healthcare delivery or equipment leading to better patient outcomes, supporting digital healthcare, drug discovery or advancements in mental health solutions.
- Access and Inclusion, which includes but is not limited to enhancing availability of services or products that positively impact people's lives or tackle societal challenges, including by improving access to basic needs such as financial services, clean water, education, and digital access and connectivity.

A minimum of 80% of the Fund's Gross Asset Value is in sustainable investments. A minimum of 5% of the Fund's Gross Asset Value is aligned to the environmental objective and a minimum of 5% of the Fund's Gross Asset Value is aligned to the social objective.

Investment selection, due diligence, ongoing portfolio monitoring and data collection follow a structured process. The Fund's methodology to assess attainment of sustainable investment objective includes analysis of Sustainability Indicators, Principal Adverse Impact (PAI) indicators, adherence to the binding elements and application of Fund's Impact Framework. Engagement with investee companies is part of the Fund's strategy.

## No significant harm to the 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 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 are considered to establish materiality of the PAI indicator to the potential investment to ascertain that investment does not cause significant harm. Do No Significant Harm test is embedded in the initial due diligence and periodic monitoring process.

Assessment of PAI indicators is performed before each investment to determine suitability for the 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. In assessing PAI's, a combination of quantitative and qualitative assessment is used to evaluate the impact.

Due diligence performed before investment and 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 Manager will engage with the company.

# Sustainable investment objective of the financial product

The sustainable investment objective of the Fund is to make investments with the intention to generate positive, measurable social or environmental impact, with a particular focus on accelerating the development of technological solutions, to achieve the following outcomes (Impact Outcomes):

- Planetary Health, which includes but is not limited to adaptation and mitigation of climate change by avoiding and/or reducing greenhouse gases, supporting clean energy, reduction of waste or pollution, supporting sustainable agriculture or biodiversity.
- Human Health, which includes but is not limited to preventing disease, improving healthcare delivery or equipment leading to better patient outcomes, supporting digital healthcare, drug discovery or advancements in mental health solutions.
- Access and Inclusion, which includes but is not limited to enhancing availability of services or products that positively impact people's lives or tackle societal challenges, including by improving access to basic needs such as financial services, clean water, education, and digital access and connectivity.

## Investment strategy

The Fund will seek to achieve its Investment Objective by investing in equity and equity-like instruments (including convertible notes and preference shares) of companies (the Portfolio Companies) (each a Portfolio Company Investment). The Fund will have flexibility to invest in both primary and secondary capital of Portfolio Companies that the Investment Committee believes are aligned to the identified Impact Outcomes.

The Fund intends to invest globally and adopts a thematic approach to access and support companies tackling major sustainability challenges, with a particular focus on accelerating the development of technological solutions. The Fund actively seeks to generate intentional, positive impact and aims to establish a proactive role in many of the Portfolio Company Investments.

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

The Fund has developed a proprietary framework to screen and measure investments for their positive social and environmental impact. The Fund has aligned its Impact Framework with the Global Impact Investing Network (GIIN) definitions. The Fund screens for businesses that deliver intentionality, additionality, materiality and measurability, with theory of change defined for each investment (theory of change articulates the challenge, causes, solution needs and market opportunities to address).

The Fund employs the IMP 5 dimension framework to assess impact in potential investments (What, Who, How Much, Contribution, Risk). Alongside the above framework, the "ABC" of enterprise impact and quantification of investor contribution forms the latter half of M&G Catalyst's impact analysis framework, referred to as "IMP + ACT". The IMP Framework (IMP) that tests if the potential investment avoids harm (A), benefits people and the planet (B) or contributes to solutions (C). The above-mentioned IMP Framework is coupled with the investor contribution (ACT), where M&G Catalyst identifies the Fund's contribution on a scale of 1 to 4 defined as: 1 – provide flexibility on risk-adjusted returns, 2 – engage actively, 3 – grow new / under supplied capital markets, 4 – combination of engage actively and grow new / under supplied capital markets.

There are three Impact Outcomes against which each Investment is measured – Planetary Health, Human Health and Access and Inclusion. Due to the inherent nature of the Impact Outcomes targeted by the Fund, it is expected that the Fund's investments will also be contributing to a number of the UN Sustainable Development Goals ('SDGs').

## Proportion of investments

A minimum of 80% of the Fund's Gross Asset Value is in sustainable investments. A minimum of 5% of the Fund's Gross Asset Value is aligned to the environmental objective and a minimum of 5% of the Fund's Gross Asset Value is aligned to the social objective. 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 20% of the Fund's Gross Asset Value are other investments not aligned to the sustainable investment objective.

Minimum commitments outlined above apply from the end of Investment Period . This is due to the fact that closed-end funds, such as this Fund, build up their portfolios over a period of time.

All asset allocations below are expressed as a % of Fund's Gross Asset Value. They reflect planned asset allocation resulting from the

commitments outlined in the paragraph above.

The Fund can gain exposure through both, indirect investments in collective investment schemes or other pooled investment vehicles, and by investing directly. Typically, majority of Fund's investments comprise of direct investments.

## Monitoring of sustainable investment objective

Investment selection follows a structured process that includes systematic consideration of ESG factors. Deal team is responsible for the initial analysis of investments against ESG and impact criteria based on the information obtained directly from investee company as part of due diligence. The outputs of ESG due diligence form a mandatory section in the final investment proposal, which is approved by the Investment Committee prior to initial investment. The Portfolio Manager must ensure that the acquisitions align with the sustainable investment objective by the Fund.

For existing investments, progress is monitored against the sustainable investment objective with use of impact scores, Sustainability Indicators and PAI indicators. At least annually, impact score is adjusted based on outcomes of periodic due diligence. Sustainability Indicators and PAI indicators are assessed periodically to determine if sustainable investment objective is being attained. Performance of the Fund in relation to ESG and impact is reviewed during annual reviews of entire portfolio.

Investments are checked against the Fund's exclusions before each investment and annually for existing investments.

See further details of how due diligence and monitoring steps are integrated within different stages of the investment process in the table in 'Due Diligence' section below.

## Methodologies

Sustainability Indicators, PAI Indicators and adherence to the binding elements of the Fund are used as metrics to measure attainment of sustainable investment objective of the Fund.

The Fund uses Impact Frontiers' (formerly Impact Management Project) Framework based on the IMP+ACT Investment Classification System to understand, manage and measure contribution of investments to targeted impact themes. Investments are allocated to category from A1 to C4 based on the combination of impact of the underlying asset and the contribution that the Fund, as an investor, makes to enable the company to achieve the impact. The Fund will only invest if a minimum score of B1 is met.

## Data sources and processing

### Data Sources

ESG data is gathered before each investment and periodically for existing investments to measure the attainment of sustainable investment objective.

Data is sourced directly from investee companies during due diligence with use of ESG questionnaire and standardised ESG data templates. This process incorporates collection of Sustainability Indicators and PAI indicators.

Scope 3 emissions are included in the PAI analysis if reported by the company. The availability of Scope 3 data is often limited due to the complexity of collecting data and resources required for sufficient data quality.

### Data Quality

The data that is being reported to the Fund is reviewed by the Catalyst investment team.

### Estimated Data

All data collected, where available, is based on actual reported data from investee companies, with limitations outlined below.

## Limitations to methodologies and data

The Fund invests primarily in non-listed businesses, where there is no external data providers that can deliver ESG data. The data used to measure the attainment of the sustainable investment objective of the Fund is based on reported numbers by investee companies which has not been externally verified.

The combination of self-reported data and lack of external verification can lead to a number of uncertainties in data output for the measuring of the Sub-fund's sustainable investment objective. There is a risk that ESG information may be incomplete, inaccurate or unavailable, creating the risk that the Portfolio Manager may incorrectly assess a company, resulting in the incorrect inclusion or exclusion of a company in the Fund. Incomplete, inaccurate or unavailable ESG data may also act as a methodological limitation to a non-financial investment strategy (such as the application of ESG criteria or similar). Where identified, the Portfolio Manager will seek to mitigate this risk through its own assessment. The data that is being reported to the Fund will be checked by Catalyst investment team. Notwithstanding the limitations, the data is derived from the primary source.

Where data is unavailable, the Portfolio Manager will work with its investee companies to address data availability including implementation of reporting practices and frameworks.

## Due diligence

ESG due diligence is carried out before each acquisition and periodically for existing investments. It includes the following considerations:

- Analysis of top risks based on Sustainability Accounting Standards Board (SASB) Materiality map to inform key areas for further ESG due diligence;
- Impact and intent analysis, including theory of change development, five dimensions of impact analysis, IMP+ACT investment classification and alignment with UN Sustainable Development Goals;
- Evaluation of core ESG risks related to climate, governance and social factors
- Identification of key areas for impact, type of investor contribution and engagement plan.

The outputs of such due diligence inform whether any prospective investment is aligned to sustainable investment objective of the Fund. Conclusions are documented on standard ESG assessment template, which is a mandatory section in the final investment proposal paper. An annual review of the existing investments is performed to assess ESG and impact performance.

Please, see below how analysis of relevant impact and environmental, social and governance factors mentioned above is integrated as a core component of the initial and periodic due diligence within the investment process, alongside key controls during investment process lifecycle.

Investment Process Stage	Impact Analysis / Positive Screen	ESG Risk Management / Negative Screen
Stage 1: Origination	Thematic theory of change	ESG Exclusion List
Stage 2: Evaluation/Due Diligence	Intentionality - intentional desire to contribute to solutions that address social and environmental challenges Additionality - what difference will the company make	Applicable international standards Screen for potential negative externalities to identify risks and avoid harm
Stage 3: Greenlight Committee and Initial Investment Review	Materiality - impact potential Measurability - defined impact criteria, identify measurable outcomes, determine preparedness of investee companies 5 dimensions of impact IMP+ACT Classification UN Sustainable Development Goals (SDG) alignment	Material impact risk - likelihood of risk happening, consequences if risk materialise Sustainability risk analysis - ethical considerations, labour and environmental practices, governance, etc
Stage 4: Final Investment Committee Approval	Co-develop impact objectives and KPIs with investee companies Determine type of investor contribution Aim to develop an engagement plan which may be updated post execution if issues arise during the life of the investment	Bring in appropriate specialist skills to focus on ESG risk management, if required Embedding ESG action items arising from due diligence, e.g. conditions precedent and subsequent
Stage 5: Portfolio Monitoring and Value Creation	Active monitoring of ESG metrics and KPIs Timely and regular update to Investment Committee	Incident reporting Continued adherence to the ESG Exclusion List and confirmation of sustainable investment test

## Engagement policies

Where applicable, as an active fund manager, M&G engages with issuers to add value to the investment process, to increase our understanding, or provide feedback to an issuer. Engagements are focused on achieving real world outcomes. M&G focuses on the underlying substance of engagement, delivery of engagement objectives and the relevance for the investment decision when assessing the quality and effectiveness of an engagement. If this is an ESG engagement, the aim is to influence company behaviour or disclosure. For further information on engagement policies, please refer to the M&G Investments Engagement Policy available on the M&G website.

The Fund aims to establish a pro-active role in many of the Investments to reduce negative and improve positive impacts. The Catalyst team conducts an engagement program with investee companies to achieve it. Engagements are planned in accordance with the Principles for Responsible Investment (PRI) definition, meaning purposeful dialogue with an objective. They will also have an investment outcome expressed. This activity is undertaken by the investment team or a third party consultant. All formal engagement notes include ESG objectives, engagement key takeaways, outcomes as well as envisaged next steps are recorded.

## Attainment of sustainable investment objective

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

## Sustainable Investments

### **Sustainable investment test**

A sustainable investment is 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. This can be summarised as three requirements (i) contribute to environmental or social objective; (ii) do no significant harm or “DNSH” and (iii) good governance. Firms such as the Investment Manager are required to devise their own method for identifying which investments they should treat as sustainable investments.

The potential sustainable investments that pass the first phase of DNSH and good governance tests are tested for whether they contribute to environmental and/or social objectives. This testing includes a combination of quantitative and qualitative tests based on available data, as well as the application of judgment and opinion by the Investment Manager. These tests may vary over time in response to the market environment and evolving practice.

## Additional Information

List of PAI indicators that the Fund considers at the product level is provided in Annex 1.

## Annex 1. Principal Adverse Impact indicators

Issuer	PAI	PAI Indicator	PAI Metric
Corporate Mandatory	GHG emissions	1a	Scope 1 GHG emissions
		1b	Scope 2 GHG emissions
		1c	Scope 3 GHG emissions
		1d	Total GHG Emissions
	Carbon footprint	2	Carbon footprint
	GHG intensity of investee companies	3	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	4	Share of investments in companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production	5	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage
		6a	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE A
		6c	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE C
		6d	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE D
		6e	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE E
		6f	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE F
		6g	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE G
		6h	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE H
		6l	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE L
	Energy consumption intensity per high impact climate sector		
	Activities negatively affecting biodiversity-sensitive areas	7	Share of investments in investee companies with sites/ operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
	Emissions to water	8	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
	Hazardous waste ratio	9	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	10	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Lack of process and compliance mechanisms to monitor compliance with UNGC principles and OECD guidelines for multinational enterprises	11	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for multinational enterprises.
	Unadjusted gender pay gap	12	Average unadjusted gender pay gap for investee companies
	Board gender diversity	13	Average ratio of female to male board members in investee companies

	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons)	14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Real Estate Mandatory	Exposure to fossil fuels through real estate assets	17	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels
	Exposure to energy-inefficient real estate assets	18	Share of investments in energy-inefficient real estate assets
Corporate Optional	Investments in companies without carbon emissions reduction initiatives	Opt	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
	Investments in companies without workplace accident prevention policies	Opt	Share of investments in investee companies without a workplace accident prevention policy
	Lack of a human rights policy	Opt	Share of investments in entities without a human rights policy
	Lack of anti-corruption and anti-bribery policies	Opt	Share of investments in entities without policies EN 22 EN on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption

## Annex 2. ESG Exclusions