

Sustainability-related disclosures

M&G European Living Property Fund SCSP, SICAV-RAIF
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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 how the environmental and social characteristics have been met can be found in the Annual Report of the Fund.

Summary

The Fund invests in real estate assets, mainly in Residential, Purpose Built Student Accommodation and Senior Living real estate assets, through existing stock and development opportunities which will be held as an investment.

The Fund aims to invest in buildings which either have high environmental standards or the Manager seeks to improve the environmental footprint of the building. Continuous improvement in environmental and social performance of the assets is driven through the Fund's ESG targets.

The Fund will not invest in activities that are considered to be harmful to the society or the environment. It will not invest in real estate assets that have 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, or any tenants that are listed companies involved in the controversial weapons.

A minimum of 70% of the Fund's Gross Asset Value is aligned to the environmental or social characteristics promoted. This includes a minimum 51% of Gross Asset Value that qualifies as sustainable investments with environmental objective.

Investment selection, due diligence, ongoing portfolio monitoring and data collection follow a structured process. Fund's methodology to assess attainment of promoted environmental and social characteristics includes analysis of Sustainability Indicators, Principal Adverse Impact (PAI) indicators, adherence to the Fund's binding elements and where possible, utilises accredited third-party systems to assess, certify and benchmark the ESG performance of assets, such as Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment and Building Research Establishment Environmental Assessment Method by BRE Group (BREEAM). Engagement with tenants is part of the Fund's strategy.

No sustainable investment objective

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The Fund intends to partially invest in sustainable investments as defined by Sustainable Finance Disclosure Regulation (SFDR).

Before investment and over the holding period of the asset, PAI indicators are assessed and monitored for each sustainable investment to ascertain that it does not cause significant harm. The following four PAI indicators applicable to real estate assets, as defined in Annex I of EU Commission Delegated Regulation 2022/1288, are considered:

- exposure to fossil fuels through real estate assets
- exposure to energy inefficient real estate assets
- greenhouse gas emissions
- energy consumption intensity

For assets meeting the EU Taxonomy Technical Screening Criteria for environmentally sustainable economic activity, the relevant do no significant harm criteria specified in EU Taxonomy Regulation are applied. The tests are applied in addition to the PAI indicators.

Thresholds are established for PAI indicators related to fossil fuels and energy inefficiency. PAI indicators related to greenhouse gas emissions and energy consumption intensity are considered through the requirements of Green Building Certification. All sustainable investments are evaluated against these PAIs as part of initial due diligence and periodically thereafter. For assets meeting the EU Taxonomy Technical Screening Criteria for environmentally sustainable economic activity, thresholds for adverse impacts are specified within the EU Taxonomy Regulation. Assets that breach established PAI thresholds do not qualify as sustainable investments.

All real estate assets which qualify as sustainable investments screen their significant tenants against a list of listed companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. Investments do not qualify as sustainable if they are assessed to be in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises.

Environmental or social characteristics of the financial product

The Fund aims to invest in buildings which either have high environmental standards or the Manager seeks to improve the environmental footprint of the building. Continuous improvement in environmental and social performance of the assets is driven through the Fund's ESG targets.

The Fund will not invest in activities that are considered to be harmful to society or the environment. It will not invest in real estate assets that have 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, or any tenants that are listed companies involved in controversial weapons. These exclusions are applied at the time of investment and upon new lettings where the AIFM or its delegate has control. Significant tenants are defined as tenants whose rent constitutes 20% or more of overall rental income of the real estate asset.

Investment strategy

The Fund invests in real estate assets, mainly in Residential, Purpose Built Student Accommodation and Senior Living real estate assets, through existing stock and development opportunities which will be held as an investment. The AIFM and the Portfolio Manager will seek to maximise total returns through income and capital growth at real estate asset level through strategic asset allocation, stock selection, asset management and efficient property management. In addition, the AIFM, Portfolio Manager and Asset Manager have an overarching approach to ESG Investment which is applied on an ongoing basis and regularly reviewed to align with scientific and technological improvements, changes in the global economy, and evolution in sustainability and ethics.

Environmental and social characteristics are considered within the Fund's investment process, including setting of binding elements, as well as, aspirational targets relating to reducing the impact of real estate assets on the environment, supporting the wellbeing of occupiers, and encouraging community engagement which are monitored using performance indicators, and external industry ESG benchmarks (such as GRESB).

The Fund does not invest in investee companies and therefore Good Governance test is not applicable to its investments.

Proportion of investments

A minimum of 70% of the Fund's Gross Asset Value is aligned to the environmental or social characteristics promoted. This includes a minimum 51% of Gross Asset Value that qualifies as sustainable investments with environmental objective. The Fund's strategy assumes flexibility for the portfolio to have varying proportions of investments targeting environmental outcomes aligned and not aligned with EU Taxonomy over time. As such the minimum share of sustainable investments with an environmental objective aligned with the EU Taxonomy is 5% of the assets. Similarly, the minimum share of sustainable investments with an environmental objective not aligned with EU Taxonomy is 5% of the assets. There is no minimum set for the proportion of the Fund's assets that are not aligned to the environmental or social characteristics promoted and they will not exceed 30% of the Fund's assets.

The Fund does not typically make indirect investments, Fund's investments primarily provide direct exposure to real estate assets.

Monitoring of environmental or social characteristics

Investment selection follows a structured process through selection, review and approval. The relevant Investment Committee (IC) and the Fund Board examine ESG credentials of investments. The IC advises the Fund Board, which approves investment decisions. A summary of ESG performance, assessment of the investment against promoted environmental and social characteristics and sustainable investment definition is provided in the investment paper presented to the IC and Fund Board for every acquisition. The relevant IC and Fund Manager must ensure that acquisitions align with the environmental and social characteristics promoted by the fund and that any issues identified can be managed as part of the business plan with appropriate financial underwriting.

On an ongoing basis, progress is monitored against the Fund's promoted environmental and social characteristics with use of Sustainability Indicators and PAI Indicators. This is performed by the Real Estate ESG team and communicated to the Fund Management team. Performance of the Fund in relation to ESG is reviewed at least every six months at the relevant IC and by the Fund Board.

Where applicable, tenant exclusions monitoring is performed prior to acquisition by the Deal Owner and upon any new leases by the Asset Manager. For existing assets, a monthly check against the exclusion list is completed as part of Financial Crime process.

Methodologies

Sustainability Indicators, PAI Indicators and adherence to binding elements of the Fund are used as metrics to measure attainment of environmental or social characteristics promoted by the Fund.

Where possible, the Fund uses accredited third-party systems to assess, certify and benchmark the ESG performance of assets under management, such as GRESB Real Estate Assessment and BREEAM.

For each EU-Taxonomy aligned investment, the proportion of an investment that is EU Taxonomy aligned is based on % of CapEx in EU Taxonomy aligned activities. Since Fund's strategy is to acquire real estate assets and hold them over long-term, the most relevant metric out of Revenue, CapEx and OpEx is considered to be CapEx (Revenue is only relevant to assets that are leased out and generate rental income which is likely to not apply to some of Fund's holdings, OpEx is only relevant to assets that are operational which is likely to not apply to some of Fund's holdings, such as assets under development).

Through EU Taxonomy-aligned investments, the Fund aims to contribute to the objective of climate change mitigation or climate change adaptation.

Data sources and processing

Data Sources

Data is gathered at the asset level, prior to each investment and on a quarterly basis for existing assets to measure the attainment of the promoted environmental or social characteristics. The Fund obtains the environmental and social data from third parties, such as Property Managers, and internal Asset Managers.

Data Quality

Oversight of data collection is maintained by the Real Estate ESG team, supported by a third party consultant. Asset level data collection involves extensive engagement with data providers: third party Property Managers and internal Asset Managers, who in turn engage with tenants. Energy use intensity data (and other utility consumption information) is subject to trend-based analysis as part of the review process. Where data provided by third party consultant is prepared for the purpose of external disclosure it is subject to a process of internal review and sign off. Where estimation is required, information is prepared in accordance with established industry guidelines (INREV Sustainability Reporting guidelines, GRESB Real Estate Assessment methodology).

Data Processing

Sustainability Indicators information is aggregated and tracked by the Real Estate ESG team on an ongoing basis in an asset level database. This dataset also incorporates mandatory real estate PAI indicators related to energy inefficient real estate and fossil fuel exposure. PAIs in relation to greenhouse gas emissions and energy use intensity are tracked by a third party consultant using a proprietary data management platform. All assets are onboarded to the system at the point of acquisition.

Estimated Data

There are instances where the Fund is not able to access asset level information as the tenant in occupation has full responsibility over the procurement of utility services. In such cases we apply the use of appropriate estimation using benchmark data. Scope 3 carbon emissions (capital goods, purchased goods and services, indirect investment where applicable) may also be subject to estimation where actual data is not available. In such cases, estimation is based on the use of benchmark data, or financial data as a proxy following established industry norms for calculating such impacts.

Limitations to methodologies and data

Asset level analysis is reliant on information provided by third parties, such as Property Managers and consultants. While the Fund engages with data providers to query any identified data quality concerns, it is unable to fully verify the accuracy of information received. Equally, where information is obtained in good faith from tenants (e.g. in relation to scope 3 carbon emissions) the Fund is not able to query the accuracy of such information. Sometimes, actual data for Scope 3 emissions may not be available. In such cases, we will use estimation as described in the section above.

These issues do not have a significant bearing on the measurement of whether environmental or social characteristics being promoted are met, as the combination of both Sustainability Indicators and PAIs is reliant on a diverse range of both internal and external data sources.

Due diligence

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

- Identification of material environmental, social and governance (ESG) risks and subsequent mitigation measures – these included but are not limited to:
 - Environmental risks – e.g. net zero alignment; energy efficiency; green building certification, physical climate risks
 - Social risks – Health and safety including fire risk; facilities that support occupier wellbeing
 - Governance risks – screening to ensure occupiers do not violate governmental sanctions, host country laws or other restrictions governing financial involvement with specified individuals, entities, companies or countries; screening to ensure occupiers do not violate M&G exclusions policies as applicable to real estate.
- Compliance and overarching alignment with applicable laws (local, international and regulatory)
- For assets being acquired as developments or major refurbishments (either as direct holdings or fundings) we will apply the Sustainable Development Standard which sets out the minimum standards we seek to be achieved for these types of acquisitions.

Controls associated with the components of due diligence listed above are outlined in the 'Monitoring of environmental or social characteristics' section above.

Engagement policies

The Fund engages with its tenants to encourage the adoption of better practices on environmental and social issues. The Fund seeks to identify opportunities to support environmental information sharing and collaborate on mutually beneficial environmental initiatives. Where feasible, the Fund will incorporate relevant clauses into lease contracts and use these as a means to access tenant utility data and/or improve environmental performance. Engagement also forms part of the asset management and third-party property manager engagement process, which includes physical meetings and electronic communication with tenants. This enables the efficient execution of Fund's aim to drive continuous improvement in environmental and social performance of the assets.

Designated reference benchmark

No reference benchmark has been designated to determine whether this Fund is aligned with the environmental and social characteristics that it promotes.

Additional Information

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

List of ESG exclusions that the Fund applies is provided in Annex 2.

Annex 1. Principal Adverse Impact indicators

PAI indicators that the Fund considers at the product level are shown in the table below.

Issuer	PAI	PAI Indicator	PAI Metric
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
Real Estate Optional	GHG emissions	Opt	Scope 1 GHG emissions generated by real estate assets
		Opt	Scope 2 GHG emissions generated by real estate assets
		Opt	Scope 3 GHG emissions generated by real estate assets
		Opt	Total GHG emissions generated by real estate assets
	Energy consumption intensity	Opt	Energy consumption in GWh of owned real estate assets per square meter

Annex 2. ESG Exclusions

The Fund will not invest in activities that are considered to be harmful to society or the environment. To achieve this the Fund applies ESG exclusions outlined below.

The Fund may not invest in an asset which, at the time of purchase and at the time of any new letting where the AIFM or its delegate has control over the letting, is within the scope of the following:

Exclusion Criteria	Threshold
Global Norms Any Real Estate Asset that 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.	Significant tenants (>20% of overall rental income)
Controversial Weapons Any Real Estate Asset that has tenants that are listed 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.	All tenants

The AIFM or its delegate will apply the exclusions at the time of new lettings as far as it is able within the context of national and local laws and regulations regarding landlord and tenant relations.

Significant tenants could be listed or private companies. Private companies are not assessed against the exclusions due to the lack of coverage of private companies within currently available data used for screening.

After the purchase of a Real Estate Asset or after lease renewal limits related to Global Norms and Controversial Weapons listed above may be exceeded for reasons beyond the control of the AIFM or Portfolio Manager and/or as a result of market movements. Thus, if they are exceeded after the purchase of a Real Estate Asset or after lease renewal 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 are infringed after the purchase of a Real Estate Asset or after lease renewal and may disregard them where it believes that to do so is in the best interests of the Fund.