Thermal Coal Investment Policy

Policy Changes Summary

M&G Investments Coal Investments Policy – Policy Changes Summary

Effective from 6 February 2026, M&G Investments has updated its Thermal Coal Investment Policy ('the Policy'). The Policy was initially adopted in April 2022. The Policy is intended to address the firm's exposure to thermal coal mining, power generation and other coal related operations. The Policy applies to direct investments in publicly listed shares and bonds issued by companies.

The Policy causes additional investment restrictions to apply.

It works by screening companies against thresholds to identify material coal exposure ('Policy Thresholds'). Where material thermal coal exposure is identified, the company is assessed against a range of factors to consider whether M&G Investments may invest in it (or continue to hold it) ('Mitigating Factors'). In particular, the company's transition planning is reviewed against criteria to determine its credibility.

This Policy update is intended to simplify the Policy and make it easier to read and understand. We have made some changes to the Policy Thresholds summarised below (and found at section 2.1 of the Policy). We have also reduced and simplified the Mitigating Factors. These were described in various parts of the Policy, and are now set out in two sections, one covering the factors by which we assess transition planning (section 2.2 of the Policy), and the other covering what happens if a previously acceptable company becomes unacceptable changes to companies (section 2.3 of the Policy).

These changes are not considered material as they do not cause trading to be required for any of the funds in scope, and do not affect the risk profile of the funds including their access to liquidity.

Policy Thresholds

In summary, the revenue threshold for mining has been tightened from 30% to 20%; the revenue threshold for power generation from thermal coal has been tightened from 30% to 20%, and the energy mix threshold for power generation has been deleted. The effect of this is as follows (please see the Policy for more detail):

1. Mining threshold:
   a. Companies that derive more than 20% of their revenue from the sale of thermal coal;
   b. Companies with more than 20 megatons of thermal coal power mining output sold for use in the production of electricity; and
   c. Companies undertaking the construction of new thermal coal mining facilities that will produce thermal coal.
2. Power generation:
   a. Companies that derive more than 20% of their revenue from the sale of electricity generated by unabated thermal coal;
   b. Companies with more than 10 gigawatts of unabated thermal coal power generation capacity; and
   c. Companies undertaking the construction of new thermal coal power generation facilities.
   d. DELETED: where coal represented more than 30% share of energy mix output – with an exemption permissible for power generation for 300 megawatts or less.
3. Other sectors:
   a. Companies undertaking the construction of new thermal coal power generation facilities or thermal coal mining related infrastructure.

Please note there are certain exceptions set out in the Policy. For example, a credible use of proceeds green bond would not be caught by the above thresholds, even if its issuer was, as its proceeds are not financing thermal coal. Please see the Policy for more detail.

Mitigating Factors

In summary, we have reduced the Mitigating Factors to the Transition Planning Criteria and Changes to companies sections at 2.2 and 2.3 of the Policy as set out below.

2.2 Transition Planning Criteria

Where a company is assessed to meet or exceed one or more of the Policy thresholds, we assess the quality of a company's transition planning to determine its readiness and capability to phase out thermal coal. Where we identify that such a company meets at least one of the following transition planning criteria, investment will be permitted:

1. Phase out: A commitment to achieve a phase out from coal that is consistent with the goals of the Paris Agreement (eg by 2030 in OECD markets and 2040 in non-OECD markets), or evidence of consistent reduction in exposure to or utilisation of thermal coal (eg clear evidence that revenue generation from thermal coal is reducing and will continue to do so).
2. Science-based targets: Evidence that a company has set a science-based target consistent with the Paris Agreement.

2.3 Changes to companies

There may be circumstances where a change to a company held by one or more of our funds causes us to review its acceptability for investment because it no longer meets the Policy requirements laid out in section 2.1 and 2.2. For example, due to changes caused by a merger or acquisition. When we become aware of a company no longer meeting the requirements, there is a standard period of investigation to validate this is actually the case. If it is validated the company is no longer aligned with the Policy requirements, time bound engagement may be used to try to bring the company back into alignment with the Policy. During this period of engagement, the companies will remain permitted for investment across all funds in scope (see section 3.1).

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