30 June 2023

Financial Market Participant: M&G Luxembourg S.A.,
LEI: 213800KHFEP1L58PDC25

Statement on principal adverse impacts of investment decisions on sustainability factors

Summary

M&G Luxembourg S.A. (M&G Lux), LEI: 213800KHFEP1L58PDC25 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of M&G Lux.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

Principal adverse impacts (PAIs) are the most significant negative impacts of investment decisions on sustainability factors relating to (i) climate and the environment, and (ii) social and employee matters, respect for human rights anti-corruption and anti-bribery matters.

M&G Lux is a Management Company incorporated in Luxembourg and authorised under Chapters 15 and 16 of the Luxembourg Law of 17 December 2010 to act as an Undertakings for Collective Investment in Transferable Securities Directive (UCITS) Manager as well as an Alternative Investment Fund Manager (AIFM) of Alternative Investment Funds in accordance with the law of 12 July 2013 (AIFM Law), UCITS Manager and AIFM collectively known as investment fund managers. M&G Lux is further authorised to provide discretionary portfolio management and investment advisory services under its top-up MiFID license.

Reference to ‘funds’ in this statement means funds for which M&G Lux act as the fund management company. Given M&G Lux has delegated its portfolio management function to M&G Investments, the PAI of investment decisions made on behalf of these funds is undertaken by the delegated group entities within M&G Investments. In many cases, the actions taken or actions planned will refer to activities or commitments being made by M&G Investments, and this is made clear within this statement on PAIs on investment decisions on sustainability factors. M&G Lux is a ‘financial market participant’ (FMP) under Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation) requiring it to assess and report to investors on any PAIs of investment decisions on sustainability factors.

The PAI of the funds managed by M&G Lux are considered by measuring and monitoring the aggregated negative impact on sustainability factors of funds’ investments under management. Across these funds, the mandatory PAI indicators are considered as set out in the Environmental, Social and Governance (ESG) Investment Policy and as detailed in the sections below. The active ownership efforts include engagement, proxy voting, attending annual general meetings and are described in more detail in the section on engagement below.

Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the Commission Delegated Regulation (EU) 2022/1288, consisting of the Regulatory Technical Standards (RTS) under the EU Sustainable Finance Disclosure Regulation (SFDR) are set out in Table 1 below, covering investments in investee companies, sovereign and real estate. The additional indicators selected, as per the SFDR RTS and the methodology described in section 'Description of policies to identify and prioritise PAIs on sustainability factors' below, are set out in Table 2 and 3. For each of these indicators, M&G Lux have included information to describe the actions that have been taken and actions that are planned and/or targets set to avoid or reduce the PAIs identified.

As per the SFDR RTS the information on the impact of funds' investments under M&G Lux's management on these indicators will be published by 30 June 2023, and continually on an annual basis. The information provided covers the period of 1 January until 31 December 2022. From 2024 onwards, a historical comparison of the data in the previous report will be provided. Subsequently, year-on-year data will be added until a historic comparison of performance over the past five years is provided. Data is not available for 2021 as it pre-dates the SFDR RTS and therefore no data is provided for the preceding year in this year's report.

Indicators applicable to investments in investee companies

Table 1: Climate and other environment-related indicators

Adverse sustainability indicator	Metric	Impact[1] (2022)	Impact[2] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions					
1. GHG emissions	Scope 1 GHG emissions	3,254,091.58 tCO_2e	n/a	Coverage: 74.86% Coverage = Value of investments in investee companies held within M&G Lux funds (eg, public equity, public fixed income, private equity, private debt) where data is available / total value of investments in investee companies within M&G Lux funds	**General approach, actions taken and actions planned:** M&G Investments is a signatory to Net Zero Asset Managers Initiative and committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. M&G Investments has published interim targets and report on progress against these publicly. The 2021 update of progress is available online[3] and the 2022 update of progress will be found within the M&G plc Sustainability Report, to be published in June 2023. M&G Investments will continue to play its part by using the levers at its disposal to drive real-world change. This includes communicating clear transition expectations to investees and stakeholders, as well as financing and enabling solutions to support clients on their climate journey. More detailed information can be found within the Annual Report and Sustainability Report[4]. From an investment perspective, decarbonisation can be achieved through two principal channels: investment strategies (making changes to investment portfolios and supporting climate solutions) and stewardship (engaging issuers to implement ambitious transition plans). M&G Investments is utilising both these levers, as described below and recognises the importance of directly financing and enabling climate mitigation and adaptation, particularly where capital is scarce. In April 2022, M&G Investments Thermal Coal Investment Policy[5] came into effect, which seeks to ensure a rapid phase-out of this major source of global emissions (2030 in OECD and EU countries and 2040 for the rest of the world). M&G Investments Thermal Coal Investment Policy applies to all public assets actively managed by M&G Investments on behalf of its clients. For segregated mandates, sub-advised and advised mandates, application of this policy is subject to client consent, and M&G Investments aims to achieve consent. This policy is applicable to funds managed by M&G Lux as per the above scope. For further detail on the parameters and implementation of this exclusion, please refer to the full policy[6].
	Scope 2 GHG emissions	776,605.16 tCO_2e	n/a	Coverage: 74.87%	

[1]Information on impact will be published by 30 June 2023, and continually on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year.
[2]Information on impact compared to previous year will be reported by 30 June 2024, and continually on an annual basis.
[3]https://www.mandg.com/~/media/Files/M/MandG-Plc/documents/Sustainability/2022/2021-nzam-report.pdf
[4]M&G plc Annual Report and Sustainability Reports are available online at: www.mandg.com
[5]M&G Investments Thermal Coal Policy available at: https://www.mandg.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/mginvesments-thermal-coal-investment-policy.pdf. For more information on M&G plc approach to coal see: https://www.mandg.com/sustainability/environment/coal
[6]M&G Investments Thermal Coal Policy available at: https://www.mandg.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/mginvesments-thermal-coal-investment-policy.pdf. For more information on M&G plc approach to coal see: https://www.mandg.com/sustainability/environment/coal

Adverse sustainability indicator	Metric	Impact[1] (2022)	Impact[2] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
	Scope 3 GHG emissions	18,180,794.18 tCO_2e	n/a	Coverage: 70.90%	It is a forward-looking policy that goes beyond basic quantitative screening to assess the credibility of transition plans in accordance with phase-out timelines and involves engaging with investee companies to achieve real-world positive change, by supporting them in transitioning towards a more sustainable economy. As a result of the implementation of this policy, companies expanding in new coal, over certain mining or generation thresholds or where there is no credible plan to phase out coal are excluded. Over the coming year, M&G Investments will continue to prioritise climate considerations in the investment process, through research analysis and via further engagements with investee companies. **Engagement and exclusions:** Climate is a key focus of M&G Investments, engagement priorities. It has run a top-down climate engagement programme, since 2020, for investee companies in both developed and developing markets, focusing on strategy, disclosure, goals and targets to achieve decarbonisation. M&G Investments maps its holdings to determine a targeted climate engagement list, based on the top 100 highest emitters and largest M&G Investments-wide exposure in listed equities and fixed income. This is where engagement activity is focused. For further details of this engagement programme please see the M&G Investments Stewardship Report[7]. M&G Investments engages with key high emitters within its portfolios both bilaterally and collectively. M&G Investments is an active member of the Climate Action 100+ (CA100+)[8] engagement group, participating in working groups and co-leading on several engagement workstreams. Climate engagements focus on strategy, disclosure, goals and targets to achieve decarbonisation. For each company, a specific engagement strategy is devised with a clear, defined objective and key performance indicators to determine progress to delivery, and a timetable for such engagement.
	Total GHG emissions	22,211,490.92 tCO_2e	n/a	Coverage: 70.73%	
2. Carbon footprint	Carbon footprint	541.67 tCO_2e per €M EVIC	n/a	Coverage: 70.73%	
3. GHG intensity of investee companies	GHG intensity of investee companies	924.38 tCO_2e per €M revenue	n/a	Coverage: 74.78%	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	8.76%	n/a	Coverage: 83.24%	
5. Share of non-renewable energy consumption and production	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 percentage of total energy sources	70.94%	n/a	Coverage: 57.54%	

[7]M&G Investments 2022 Stewardship Report: mg-investments-annual-stewardship-report-2022.pdf (mandg.com)
[8]For more information on the Climate 100+ Initiative see: https://www.climateaction100.org/

Adverse sustainability indicator	Metric	Impact[1] (2022)	Impact[2] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
6. Energy consumption intensity per high-impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	A-Agriculture, forestry and fishing: 0.02 GWH per €M revenue B-Mining and quarrying: 6.92 GWH per €M revenue C-Manufacturing: 2.31 GWH per €M revenue D-Electricity, gas, steam and air conditioning supply: 4.99 GWH per €M revenue E- Water supply, sewerage, waste management and remediation activities: 0.37 GWH per €M revenue F-Construction: 0.09 GWH per €M revenue G-Wholesale and retail Trade, repair of motor vehicles and motorcycles: 0.56 GWH per €M revenue H-Transportation and storage: 1.88 GWH per €M revenue L-Real estate activities: 0.34 GWH per €M revenue	n/a	Coverage: 35.23%	In addition to the exclusion applied by the application of the M&G Investments Thermal Coal Policy, typically funds managed by M&G Lux that are categorised as Article 8, and all funds subject to Article 9 under SFDR apply an exclusionary approach to mitigate potential negative effects on the environment and society, and for some funds, to assist them in delivering more sustainable outcomes. Fund seeking to mitigate potential negative effects on the environment and society will prohibit investments in thermal coal (as described above), as well as, excluding companies deriving revenues from unconventional oil and gas extraction (such as oil sands and Arctic drilling) as well as other exclusions not relevant to this PAI. M&G Investments applies revenue thresholds when applying these exclusions and may also grant exceptions against the exclusions. This is described in more detail in the fund documents. For all Sustainable and Impact funds, an exclusion on fossil fuel exposure is applied to assist these funds in achieving more sustainable outcomes. For these funds, all companies with more than a combined de minimis threshold (<5%) of revenue generated through oil and gas, thermal coal, liquid fuel and natural gas are excluded. If funds' documentation allows, where M&G Investments considers the company (or issuer) has a credible transition plan to address the excluded activity, this will allow investment, if all other conditions are met. For example, where the M&G Investments determines a power company is transitioning away from its reliance on coal-fired power plants in a credible manner. Such exceptions to the fund-level exclusions are subject to any other applicable requirements such as commitments to maintain a minimum level of sustainable investments.
Biodiversity					
7. Activities negatively affecting biodiversity sensitive areas	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	0.07%	n/a	Coverage: 66.43%	**General approach, actions taken and actions planned:** M&G Investments continues to develop approaches to evaluating material biodiversity risks. Data quality and coverage remains challenging for the whole investment industry to undertake this meaningfully across all sectors. For relevant sectors, biodiversity is considered in research analysis and/or due diligence. Biodiversity is a factor within the M&G Investments ESG scorecard, a proprietary tool designed to enable measurement and comparison of ESG risk exposure and management across time or holdings. This provides an understanding of the potential negative effects on biodiversity by a company, where it is considered material for a company or a sector so these can be taken into account in investment decision making

Adverse sustainability indicator	Metric	Impact[1] (2022)	Impact[2] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
					and/or to prioritise engagement. For investments where the ESG scorecard is not utilised, due diligence includes qualitative consideration of material sustainability risks, including biodiversity where relevant. Over the coming year, M&G Investments will continue to factor biodiversity considerations, driven by data, where available, where material, into the investment process, through research analysis and via further engagements with investee companies. **Engagement and exclusions:** In 2021, M&G Investments began to consider biodiversity as an important topic of engagement and has explored tools and data sets to increase its ability to identify target areas. Biodiversity will be part of company engagement on a bottom-up basis where companies are deemed to be outliers on biodiversity. For further details of engagements undertaken on biodiversity please see the M&G Investments Stewardship Report[9]. There are no specific biodiversity exclusions applied due to the data coverage issues highlighted above. If M&G Investments has evidence that a company has caused or is causing a significant negative impact on biodiversity, which is also a breach of UN Global Compact principle 7, a company may be excluded from the universe as per the M&G Investments Global Norms process and principles. A decision to exclude or engage will be made by M&G Investments Global Norms Committee. Where M&G Investments has quantitative evidence of negative impacts on biodiversity sensitive areas it would not consider these to be sustainable investments.
Water					
8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	19.63 tonnes of emissions per €M invested	n/a	Coverage: 4.28%	**General approach, actions taken and actions planned:** IData sourcing, quality and coverage remains challenging (for the whole investment industry) to undertake this meaningfully across all sectors, but where possible, external modelling on water use is utilised to inform analysis. For relevant sectors, M&G Investments has sought to consider water as part of research analysis and/or due diligence. M&G Investments ESG scorecard enables an understanding of potential negative effects on water, where material for that sector so these can be considered in investment decisions and/or to prioritise engagement. M&G Investments will continue to factor water considerations, driven by data, where available, where material, into the investment process, through research analysis and via further engagements with investee companies.

[9]M&G Investments 2022 Stewardship Report: mg-investments-annual-stewardship-report-2022.pdf (mandg.com)

Adverse sustainability indicator	Metric	Impact[1] (2022)	Impact[2] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
					Engagement and exclusions: Where water is deemed a material ESG factor for a company and evidence demonstrates this risk is not being managed effectively, via the ESG Scorecard or due diligence, engagement would be undertaken to positively influence company behaviour and performance. Engagements on this topic would have clear objectives, key performance indicators and a defined timeline. There are no specific exclusions applied to water due to the data coverage issues highlighted above. If M&G Investments has evidence that a company has caused or is causing a significant negative impact on water, which is also a breach of UN Global Compact principle 7, a company may be excluded from the universe as per the M&G Investments Global Norms process and principles. A decision to exclude or engage will be made by M&G Investments Global Norms Committee.
Waste					
9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	5.31 tonnes of hazardous waste per €M invested	n/a	Coverage: 32.63%	**General approach, actions taken and actions planned:** Data sourcing, quality and coverage remains challenging (for the whole investment industry) to undertake this meaningfully across all sectors. For relevant sectors, M&G Investments have sought to consider waste as part of research analysis and/or due diligence, where considered material. The M&G Investments ESG scorecard enables an understanding of the potential negative effects on waste management, where material for a sector so these can be considered in our investment decisions and/or to prioritise engagement. M&G Investments will continue to factor waste and hazardous waste considerations, driven by data, where available, where material, into the investment process, through research analysis and via further engagements with investee companies. **Engagement and exclusions:** Where hazardous or radioactive waste is deemed a material ESG factor for a company, via the ESG Scorecard or due diligence, M&G Investments would aim to engage to positively influence company behaviour and performance. These engagements would have clear objectives, key performance indicators and a defined timeline. There are no specific exclusions applied to waste due to the data coverage issues highlighted above. If M&G Investments has evidence that a company has caused or is causing a significant negative impact relating to hazardous or radioactive waste, which is also a breach of UN Global Compact principle 7, a company may be excluded from the universe as per the M&G Investments Global Norms process and principles. A decision to exclude or engage will be made by M&G Investments Global Norms Committee.

Table 1: Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse sustainability indicator	Metric	Impact[10] (2022)	Impact[11] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters					
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.29%	n/a	Coverage: 65.68%	**General approach, actions taken and actions planned:** M&G Investments supports and encourages adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption. These norms are codified in various sources, such as the United Nations Global Compact (UNGC), OECD Guidelines for Multinational Enterprises, as well as the International Labour Organisation (ILO) Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, and the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework. These norms represent best practices supporting a sustainable society, and M&G Investments believes adherence to these will result in the best outcomes for customers in the long term.
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	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	39.60%	n/a	Coverage: 80.96%	**Engagement and exclusions:** Engagement with companies deemed to be in breach of these norms is undertaken to positively influence company behaviour and encourage the remediation of issues and the prevention of reoccurrences. In all Article 8 and 9 funds, issuers deemed to be in breach of global norms are excluded from the investment universe. To do this for publicly traded investments, M&G Investments utilises internal expertise, supported by norms-based screening data from several vendors, including specialist advisors, to identify companies that violate global norms in the areas of human rights, labour standards, environmental standards and anti-corruption. These cases are assessed via M&G Investments Global Norms process and are voted on by the Global Norms Committee, using a principles-based approach to create the final exclusion list. For private assets, assessment of adherence to global norms would be considered on the same principles and processes and assessed as part of due diligence processes and on-going monitoring. M&G Investments Stewardship & Sustainability team monitors, on an ongoing basis, for new cases or potential breaches with the ability to add new names to the list at any point. In addition, the full list of excluded names is reviewed no less than bi-annually. For privately traded investments, M&G Investments uses internally conducted analysis as part of due diligence to determine whether company is in breach of the global norms. If they are considered in breach, they would be considered for exclusion using the same guidelines and governance process described above and an outcome would be decided through voting of the Global Norms Committee.

[10]Information on impact will be published by 30 June 2023, and continually on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year.
[11]Information on impact compared to previous year will be reported by 30 June 2024, and continually on an annual basis.

Adverse sustainability indicator	Metric	Impact[10] (2022)	Impact[11] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
					M&G Investments will continue to factor Global Norms considerations into the investment process, through research analysis and via the use of exclusion and engagement at the discretion of the Global Norms Committee.
12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	16.65%	n/a	Coverage: 26.50%	**General approach, actions taken and actions planned:** M&G Investments believe that an investee company board of directors with gender balance and minority ethnic representation, which encompasses a diverse range of backgrounds, skills, and experience, provides a balanced input into long-term strategic decisions. M&G Investments, therefore, has set an ambition, for public assets, for investee companies to have board gender equality by 2027. Expectations on pathways to get there differ between large and small companies and across geographies. M&G Investments also believes in pay equity and progress on pay-gap metrics is assessed alongside other diversity and inclusion metrics to inform engagement and voting decisions. **Engagement and exclusions:** Engagement priorities for gender diversity, and diversity and inclusion more broadly, are informed using available tools and data, prioritising those companies considered to be laggards. Some challenges on data availability remain so M&G Investments engages where appropriate to push for greater disclosure. M&G investments diversity engagement programme aims to push for progress from a D&I perspective and to broaden out the discussion of diversity beyond board level gender diversity and ensure that companies are considering ethnic representation as well. In regard to voting, minimum expectations for companies are set on a regional basis. For example, higher expectations, in terms of percentage of representation on boards, are placed on UK, European, Northern American and Australian companies than those in emerging markets. If M&G Investments has evidence that a company has caused or is causing a significant negative impact through poor diversity and inclusion performance company may be excluded from the universe as per the M&G Investments Global Norms process and principles. A decision to exclude or engage will be made by M&G Investments Global Norms Committee. M&G Investments will continue to factor diversity and inclusion considerations, driven by data, where available, into the investment process, through research analysis and via further engagements with investee companies.
13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33.29%	n/a	Coverage: 75.26%	

Adverse sustainability indicator	Metric	Impact[10] (2022)	Impact[11] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00%	n/a	Coverage: 82.66%	**General approach, actions taken and actions planned:** In response to the ‘Convention on Cluster Munitions’ and the ‘Anti-Personnel Mine Ban Convention’ M&G Investments does not invest in companies, or securities issued by companies, directly involved in the manufacture, development or trade of cluster munitions and anti-personnel landmines across any fund. **Exclusions:** For all funds categorised as Article 8 or 9 SFDR, companies involved in the direct manufacture, development or trade of the following activities are excluded with a 0% revenue threshold: • Chemical weapons • Biological weapons • Nuclear weapons outside the non-proliferation treaty • Depleted uranium weapons • White phosphorus munitions • Blinding laser weapons • Non-detectable fragment weapons

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator	Metric	Impact[12] (2022)	Impact[13] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental					
15. GHG intensity	GHG intensity of investee countries	707.86 tCO_2e per €M GDP	n/a	Coverage: 74.86% Coverage = Value of investments in sovereigns and supranationals held within M&G Lux funds where data is available / total value of investments in sovereigns and supranationals within M&G Lux funds	**General approach, actions taken and actions planned:** M&G Investments monitors a set of country data on climate performance. These include GHG emissions, renewable energy, energy use and climate policy, via the use of the Climate Change Performance Index (CCPI). This data has been incorporated in the Sovereign Bond Framework, which is used for the sustainability analysis of government bonds and enables proprietary assessment of sovereign bonds for consideration as sustainable investments, as per the SFDR. **Exclusions:** For Article 8 and 9 SFDR funds, M&G Investments excludes sovereigns with a 'very low' rating by the CCPI. M&G Investments reserves the ability to utilise proprietary analysis to override this rating, should there be evidence to warrant such action.
Social					
16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Absolute: 5 (Count of unique countries) Relative: 4.00% (Percentage of unique countries with social violations)	n/a	Coverage: 100.00%	**General approach, actions taken and actions planned:** M&G Investments monitors a set of country data on social performance. These include sanctions against states, non-cooperative tax jurisdictions, political instability and social progress factors. This data has been incorporated in the Sovereign Bond Framework, which is used for the sustainability analysis of government bonds and enables our assessment of sovereign for consideration as sustainable investments, as per the SFDR. **Exclusions:** For Article 8 and 9 SFDR funds, M&G Investments excludes sovereigns assessed as non-cooperative tax jurisdictions or which have EU or UN sanctions. This assessment is separate and in addition to any sanctions which legally prohibit investment.

[12]Information on impact will be published by 30 June 2023, and continually on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year.
[13]Information on impact compared to previous year will be reported by 30 June 2024, and continually on an annual basis.

Indicators applicable to investments in real estate assets

Adverse sustainability indicator	Metric	Impact[14] (2022)	Impact[15] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels					
17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.00%	n/a	Coverage: 100.00% Coverage = Value of direct real estate investments held within M&G Lux funds where data is available / total value of direct real estate investments within M&G Lux funds	**General approach, actions taken and actions planned:** M&G Investments considers exposure to fossil fuels across real estate assets at the point of acquisition. In general, the most common exposure to in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels is via petrol stations associated with supermarkets. No exclusions are applied.
Energy efficiency					
18. Exposure to energy-inefficient real estate assets	Share of investments in energy inefficient real estate assets	23.56%	n/a	Coverage: 99.83%	**General approach, actions taken and actions planned:** M&G Investments considers exposure to energy inefficient assets both at acquisition and regular reviews at a fund level. This includes monitoring of distribution to different energy performance certificate ratings of properties held within real estate funds. Article 8 real estate funds promote environmental improvement of the real estate assets, which may be achieved by increasing the proportion of higher rated assets over time through thoughtful acquisition and repositioning of existing assets. **Exclusions:** Funds do not currently exclude assets on the basis of energy efficiency. However, the energy performance rating will be considered by the fund as part of the due diligence of real estate assets which will consider alignment against local market regulatory requirements. This will also consider if appropriate costs associated with improvement to an efficient standard have been factored into the investment appraisal. Investments may not be made if is felt the risk of current or future energy performance requirements cannot be feasibly achieved.

[14]Information on impact will be published by 30 June 2023, and continually on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year.
[15]Information on impact compared to previous year will be reported by 30 June 2024, and continually on an annual basis.

Other indicators for principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Table 2: Additional climate and other environmental-related indicators

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact[16] (2022)	Impact[17] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Emissions					
4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	32.99%	n/a	Coverage: 81.64% Coverage = Value of investments in investee companies held within M&G Lux funds (eg, public equity, public fixed income, private equity, private debt) where data is available / total value of investments in investee companies	**General approach, actions taken and actions planned:** See general approach outlined under emissions section in Table 1. This metric supports an understanding of company exposure to transition risk by not having carbon emission reduction initiatives aimed at aligning with the Paris Agreement, as well as misalignment with our own climate commitments. **Engagement/voting:** See approach outlined under emissions section in Table 1. **Exclusions:** See approach outlined under emissions section in Table 1.

[16]Information on impact will be published by 30 June 2023, and continually on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year.
[17]Information on impact compared to previous year will be reported by 30 June 2024, and continually on an annual basis.

Table 3: Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact[18] (2022)	Impact[19] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters					
1. Investments in companies without workplace accident-prevention policies	Share of investments in investee companies without a workplace accident prevention policy	12.31%	n/a	Coverage: 79.43% Coverage = Value of investments in investee companies held within M&G Lux funds (eg, public equity, public fixed income, private equity, private debt) where data is available / total value of investments in investee companies	**General approach, actions taken and actions planned:** This metric is used to support assessment of company exposure to health and safety risk. Failure to manage health and safety risks can result in significant fines and penalties, as well as reputational damage. M&G Investments' company analysis, due diligence, as well as ESG scorecard enables monitoring of compliance and performance of companies in relation to health and safety risk, so this can be considered in investment decisions and/or to prioritise engagement. Consideration of this topic also supports the Fundamental Principles and Rights at Work of the ILO, as well as the need to protect and respect human rights outlined in the United Nations Guiding Principles for Business and Human Rights (UNGP). **Engagement and exclusions:** See approach to social and employee issues outlined in Table 1 above.

[18]Information on impact will be published by 30 June 2023, and continually on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year.
[19]IInformation on impact compared to previous year will be reported by 30 June 2024, and continually on an annual basis.

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact[18] (2022)	Impact[19] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Human rights					
9. Lack of a human rights policy	Share of investments in entities without a human rights policy	10.94%	n/a	Coverage: 82.71%	**General approach, actions taken and actions planned:** This metric is used to support assessment of company exposure to human rights risk. Failure to manage human rights can result in significant fines and penalties, as well as reputational damage. M&G Investments' company analysis, due diligence, as well as ESG scorecard enables monitoring of companies in relation to human rights and specifically risks associated with modern slavery (which is an umbrella term that can describe slavery, human trafficking, forced labour, debt bondage, forced marriage and the sale and exploitation of children). Modern slavery is counter to value creation and is illegal. Investee companies are encouraged to create safeguarding mechanisms and systems to enable identification and avoidance and in doing all they to reduce its prevalence. It is in the interests of clients that these factors are considered in investment decisions and/or to prioritise engagement. Consideration of this metric also supports the broader consideration of global norms which are codified in various international frameworks and principles, such as the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the United Nations Global Compact and the Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework. **Engagement/voting and exclusions:** In all Article 8 and 9 Funds, issuers deemed to be in breach of global norms are excluded from the investment universe. To do this for publicly traded investments, M&G Investments utilises internal expertise, supported by norms-based screening data from several vendors, including specialist advisors, to identify companies that violate global norms in the areas of human rights, labour standards, environmental standards and anti-corruption. These cases are assessed via M&G Investments Global Norms process, and are voted on by the Global Norms Committee, using a principles-based approach to create the final exclusion list. For private assets, assessment of adherence to global norms would be considered on the same principles and processes and assessed as part of due diligence processes and on-going monitoring.

Adverse impact on sustainability factors (quantitative and qualitative)	Metric	Impact[18] (2022)	Impact[19] (year n-1)	Explanation	Actions taken, and actions planned and targets set for the next reference period
Anti-corruption and anti-bribery					
15. Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	4.78%	n/a	Coverage: 82.66%	**General approach:** This metric is used to support assessment of company exposure to corruption and bribery risk. Failure to manage these risks can result in significant fines and penalties, as well as reputational damage. M&G plc is subject to and must comply with all relevant legislation and regulation related to money laundering, terrorist financing, sanctions, fraud, bribery, corruption and tax evasion ('Financial Crime') in the countries in which it operates, plans to operate or conducts any business-related activity. M&G plc actively supports the global fight against Financial Crime and is committed to preventing, detecting and, where necessary, reporting instances of such criminal conduct to appropriate authorities and regulators. M&G plc is committed to the prevention of Financial Crime and strives to ensure that highest possible standards of crime prevention and awareness are maintained by all M&G plc employees. M&G Investments ESG scorecard enables us to understand compliance of companies in relation to broad governance issues including consideration of corruption and bribery risk, so this can be considered in investment decisions and/or to prioritise engagement. **Exclusions:** M&G plc is compliant with applicable financial sanctions regimes, which include as a minimum, but not limited to those administered by: • The Security Council of the United Nations • The United States Department of the Treasury's Office of Foreign Assets Control (OFAC) • The Council of the European Union • and any other sanction authorities where M&G plc operates. Any company sanctioned by any of these regimes is automatically excluded from the investment universe. If M&G Investments has evidence that a company, which is not subject to the aforementioned sanctions, has significant issues associated with bribery and corruption, it may be excluded from the universe as per the M&G Investments Global Norms process and principles. A decision to exclude or engage will be made by M&G Investments Global Norms Committee.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Identifying principle adverse impacts

The SFDR defines PAI as the negative impact, caused by an investment decision or investment advice, on sustainability factors, namely:

- environmental factors
- social and employee matters
- respect for human rights
- anti-corruption and anti-bribery.

PAIs are measured through a series of regulatory defined 'indicators', as set out in Tables 1, 2 and 3 above which seek to measure in a comparable and systematic way impacts on (i) climate and the environment and (ii) social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

M&G Investments' ESG Investment Policy (ESG Investment Policy), which is applied to all funds managed by M&G, including M&G Lux, describes the ESG investment principles which are used to inform and guide all investments made as an asset manager. These principles are consistent with M&G plc's ESG principles and reflect the firm's purpose and corporate values of Care and Integrity. Consideration of PAI indicators and sustainability risks are reflected in the ESG investment policy, and particularly in principles A and B:

- Principle A: ESG factors that have the potential to have a material financial impact are considered within investment processes. In addition, for funds / mandates that promote specific ESG, sustainability or impact characteristics and/or objectives (and as such categorised as Article 8 or Article 9 under SFDR), we will manage these funds according to the commitments made in the fund documentation / investment mandate.
- Principle B: For all investments, the implications for society and the environment are considered, to be part of investment stewardship and in line with M&G Investments' fiduciary duty to customers.

Principle A focuses on the implications of sustainability risks for investments, 'the outside-in,' whereas Principle B focuses on the impact of the sustainability implications of investments on the outside world, 'the inside-out'.

Identification and consideration of PAIs is undertaken in the following ways, in line with the ESG Investment Policy:

- ESG factors are considered as part of pre-investment/due diligence which enables ' Investments to identify exposure to PAIs and other material sustainability risks. For funds categorised as Article 8 and 9 SFDR funds, this may preclude investment, depending on the environmental/social characteristics or objectives of the fund made in the fund documentation / investment mandate.

- Article 8 and 9 funds may apply ESG exclusions to limit their exposure to harmful company behaviour, as described above. Different exclusion sets apply to funds – M&G Investments has fund exclusions limiting exposure to most harmful impacts or where activities are prohibited by regulation (eg, sanctions, Thermal Coal Policy, controversial weapons). Planet+ and sustainable exclusions which are applied to our Article 8 and funds, as detailed in the fund documentation/ investment mandate prohibit a wider set of harmful activities and enable M&G Investments to limit exposure in these funds to harmful environmental/social behaviour (this is described in more detail in the above).
- M&G Investments undertakes regular monitoring and screening of portfolios under M&G Investments' management against ESG factors. Where M&G Investments identifies companies with a significantly negative impact on environmental and social factors this may result in further analysis and may be a driver for active ownership activities, including voting and engagement, as a means to mitigate that impact. On-going negative impact on sustainability factors which cannot or is not being remediated by a company may ultimately lead to divestment. Monitoring of PAI is subject to data availability and quality.

M&G Investments considers PAI on entity level by measuring and monitoring the aggregated negative impact on sustainability indicators of funds under M&G Investments management' investments.

Governance in relation to policies

The ESG Investment Policy is owned by the MGG Chief Executive Officer (CEO) or their delegated deputy. The ESG Investment Policy was first implemented in November 2021, and last updated in May 2023. This Policy was first approved by the M&G Group (MGG) Board in October 2021. It will be refreshed at least annually. Any changes proposed as a result of the refresh will require approval at the M&G Executive Committee, which has delegated authority for ESG matters from the MGG Board. Responsibility for ESG across all of MGG's activities (including M&G Lux) lie with the MGG Executive Committee (ExCom) and their delegated committees.

Methodologies to select indicators

M&G Investments' ESG Investment Policy describes the framework governing the approach to ESG and sustainability, as well is in relation to specific requirements set out within SFDR. The ESG Investment Policy identifies several key issues of focus across all investments, namely:

- climate
- diversity
- adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption
- good corporate governance.

These core areas of focus have been identified due to their importance across all sectors and markets, their potential materiality either on financial performance and/or the implications for society and the environment of negative performance on these issues by the investments.

In addition to the eighteen mandatory PAI indicators (fourteen corporate indicators, two sovereign indicators and two real estate indicators) outlined within this statement (in Table 1 above), the SFDR and SFDR RTS require that at least two (2) additional opt-in indicators are identified and reported (as per Table 2 and 3 above), with at least one (1) related to environmental factors and the other to a social factor.

M&G Investments has used the following principles to select the additional indicators:

- Materiality: the applicability of the indicators for the entire asset base to ensure that the data provided is meaningful and insightful at both an aggregate and individual level. Materiality also accounts for the probability of occurrence and the severity of those PAIs. Alignment with M&G Investments' key issues of focus as outlined above.
- Ongoing Relevance: the indicators selected are binary rather than relative which means that the data is likely to be consistent year-on-year and the indicators will stay relevant. This allows for a forward-thinking approach to the collection of PAI data to ensure comparability across sectors and asset classes. The binary nature of the indicators demonstrates the presence or absence of key management controls which are indicative more generally of the strength and effectiveness of the investee's governance.
- Data Availability: to ensure there is, and will continue to be, sufficient, accurate and meaningful coverage for reporting.

The selection of additional indicators will be reviewed annually by the Sustainability Steering Committee for the whole of M&G Investments and then applied, alongside the wider review of by considering the above factors, which recognise the value that PAI indicators provide in aggregate whilst also considering the availability of data, materiality and ongoing relevance of occurrence across the portfolio.

Table 4: Additional PAI Indicators selected by M&G Investments and methodology used to select these

Adverse sustainability impact	Indicators applicable to investments in investee companies	Metric	Justification for selection as additional indicator
Additional climate and other environment-related indicators (As selected from Table 2 of SFDR RTS[20])			
Emissions	Investments in companies without carbon emission reduction initiatives (additional indicator No.4)	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	1. Material in our understanding of company exposure to transition risk 2. Widely relevant across all sectors 3. Data availability – high
Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (As selected from Table 3 of SFDR RTS)			
Social and employee matters	Investments in companies without workplace accident prevention policies (additional indicator No.1)	Share of investments in investee companies without a workplace accident prevention policy	1. Material in our understanding of company exposure to health and safety and accident risk 2. Widely relevant across all sectors 3. Data availability – high
Human rights	Lack of a human rights policy (additional indicator No.9)	Share of investments in entities without a human rights policy	1. Material data point in understanding more granular risk associated with human rights and UNGC/OECD/global norms compliance 2. Widely relevant across all sectors, particularly useful for sectors/companies with high human rights risk 3. Data availability – high
Anti-corruption and anti-bribery	Lack of anti-corruption and anti-bribery policies (additional indicator No.15)	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	1. Material data point in understanding more granular risk associated with bribery and corruption risk and UNGC/OECD/global norms compliance 2. Widely relevant across all sectors, particularly useful for sectors/companies with high human rights risk 3. Data availability – high

[20]https://ec.europa.eu/finance/docs/level-2-measures/C_2022_1931_1_EN_annexe_acte_autonome_part1_v6.pdf

Margin of error with our methodologies

The calculation of PAIs is based on the average of the adverse impacts of M&G Lux's investments at the end of each quarter (31 March, 30 June, 30 September and 31 December). The intention behind the use of at four data points is to capture the change in investments across a given financial year, as some investments may not be held from beginning to end of the period in consideration, and their relative weights may change across time. Even with this approach there is still a limitation that investments held only between two of these dates will not be captured in the impact values provided.

The adverse impact values provided are not an aggregation of the entire adverse impact of the entity, but the aggregation of the impacts caused by exposures to different types of asset classes (investee companies, sovereigns and supranational or real estate assets) in the relevant indicators in Table 1 of Annex I. To provide greater transparency when assessing the adverse impacts 'Coverage' is provided against each indicator. These are calculated as follows:

Coverage % = Value of investments where data is available / Value of eligible assets (eligibility is calculated by adding the value of all underlying holdings that are corporate holdings for investee company metrics, all sovereign holdings for sovereign metrics, all direct real estate holding for real estate metrics).

The methodology to identify PAI is always subject to data availability and quality. M&G Investments is reliant on the quality of data received from eg, investee companies and third-party data providers. To the extent possible, data reported by investee companies is prioritised. This is done in order to minimise the reliance on third-party estimations, contributing to improving the overall quality of the data M&G Investments uses as input in its investment and active ownership processes. Where reported data is not available or of adequate quality, M&G Investments may choose to use proxy data provided by third-party data providers if it believes this is of a robust and meaningful quality. A limitation in terms of data availability is that M&G Investments may not be able to gather the same level of information about the impact of indirect investments, eg, fund-of-fund investments and certain derivatives or private companies although best efforts is made to gather this information. M&G Investments continuously strives to improve data coverage and data quality.

Data sources

M&G Investment's Investment Data Platform provides a central sustainability data lake and generates entity PAI reporting sourced from several sources including third-party data providers, directly from investee companies or assets, and M&G Investments' own proprietary ESG systems and exclusion lists. For a given indicator, multiple data sources may be used. Data sourcing may include:

i. third-party data vendors who undertake ESG data (including PAI data) collection on M&G Investments' behalf (which may include direct compilation or assessment or calculation against PAIs)

ii. direct sourcing from portfolio companies or assets

iii. research or on desk assessment (qualitative or quantitative).

The selection of any vendor for PAI usage considers the following aspects:

i. Data quality and accuracy: Whether the vendor's product delivers accurate information

ii. Data availability: Breadth of coverage for the broad range of asset classes

iii. Data Methodology: whether methodologies and proprietary tools or estimates deployed are in line with the regulatory and/or M&G Investments' requirements

iv. Market position: There continues to be evolution in the ESG data vendor market, selection should consider current breadth of clients and market position, on-going development, market consolidation

v. Ease of use: Is the vendor already used for across M&G Investments for data sourcing (for sustainability or non-sustainability reasons)

vi. Flexibility: Ensuring no single data vendor or aggregator has over-all control and the group can source data and information as is required.

M&G Investments' PAI methodology applies a range of data, including values, scores and weights sourced from investee companies and several third-party data providers. For a given indicator, multiple data sources may be used. The above also indicates the data hierarchy built created to manage for PAI data in M&G Investments' Investment Data Platform:

i. For public companies: primary source is MSCI. if there is no data available from MSCI, then seek to source data from Bloomberg.

ii. For private companies: data hierarchy for public companies applies first. For leveraged loans, source via Findox. For other private companies and funds, source via Apex or via on desk data collection processes.

iii. If data sources above are insufficient, the SFDR regulations allow for proxy or estimated data to be used. At the moment, this is only used if provided via a data vendor and no proprietary M&G tools are currently used for estimation.

iv. PAI 10 – Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises, the proprietary M&G Global Norms Exclusion list is used as the source of this reporting.

Data sourcing is on a best-efforts basis. M&G Investments believes the above data collection processes and third-party sourcing enables demonstration of best efforts. However, the immature ESG data landscape means that there will be gaps in data against all mandatory and opt in indicators as explained within this statement. Data in some asset classes (eg, private assets, securitised assets etc) is by its nature less available and inherently harder to measure and source, data quality can also be poor and in some cases, this may be excluded from the data in this statement due to the quality and reliability issues. M&G Investments engages as far as it is able to source this data and seeks to assess exposure to PAIs both quantitatively where it can, but also qualitatively where quantitative data is not available. Due to data availability and ability to look through to the underlying holdings, M&G Investments does not currently calculate the adverse impacts for derivatives or Asset Backed Securities (ABS), this approach will be reconsidered if ability to assess these types of investments improves. As such, M&G Lux is not currently able to report data for these assets classes and they are not included in the data above.

M&G Investments applies various measures to control the data quality, both third-party and internal. To ensure robust and appropriate data quality and oversight a series of controls have been embedded throughout the sourcing, matching, transformation and distribution of data. These controls focus on the six dimensions of data quality accuracy, completeness, timeliness, uniqueness, consistency and validity. Controls include but are not limited to alert monitoring of data feeds, data quality rules and the integration of a data quality operational model. The external data providers and other data sources are assessed on an ongoing basis for data quality, coverage and other attributes. The external data providers will be reviewed on a periodic basis against other products in the market to ensure quality and coverage of data is maintained. On an on-going basis, responsibility for selection of replacement or additional providers is required to meet the principles above and is owned by Market Data Services as directed by the Sustainability Steer Committee.

Engagement policies

M&G Investments believes that the long-term success of companies is supported by effective investor stewardship, high standards of corporate governance and transparent engagement policies. M&G Investments believes that if a company is run well, and sustainably, it is more likely to be successful in the long run. M&G Investments undertakes all investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of client's assets. M&G Investments is committed to being transparent about how it conducts investment stewardship activities in support of long-term sustainable performance for its clients. The principles of how engagement is undertaken is set out in the M&G Investments Engagement Policy, which is available publicly[21] and covers all funds and portfolios managed, whether directly or via a delegation, by M&G Investment Management Limited and M&G Alternatives Investment Management Limited (excluding M&G Investments South Africa), including M&G Lux.

M&G Investments follows and is supportive of the UK Stewardship Code, the benchmark in the UK for institutional investors to meet ownership responsibilities in respect of their holdings. The code is voluntary and operates on a comply-or-explain basis. The Financial Reporting Council, the independent regulator overseeing financial reporting, accounting and auditing and corporate governance, monitors compliance with the code. For more information on M&G Investments and the UK Stewardship Code, please see the appendix of the M&G Investments Annual Stewardship report on our website[22].

M&G Investments' engagements form an integral part of how M&G Investments integrates environmental, social and governance (ESG) considerations in its investment process. M&G Investments subscribes to the definition of engagement, endorsed by the United Nations Principles of Responsible Investing (UN PRI), as interactions between the investor and current or potential investees to influence ESG practices and/or improve ESG disclosure. M&G Investments engages with companies to add value to the investment process or provides feedback to the company, focussing on achieving positive real-world outcomes. M&G Investments' preference is to engage rather than divest in order to support and where possible accelerate the transition for an issuer on key ESG risks or on improving their approach to meet customer and stakeholder expectations. As such, the M&G Investments Engagement Policy is consistent with and closely linked to M&G Investments ESG Investment Policy.

The Stewardship & Sustainability (S&S) team of M&G Investments is an advocate of responsible share ownership and oversees M&G Investments stewardship of the companies in which it invests. Active voting is an integral part of M&G Investments' investment approach, which is why M&G Investments believes exercising its votes adds value and protects its client's interests as shareholders. For more information on M&G Investments' voting, please see the voting policy https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments.

Of the 14 mandatory PAIs applicable to investee companies and four optional PAIs established by SFDR, M&G Investments current top-down, thematic engagement programmes systematically address 10 of these, as described in Table 5 below.

[21]M&G Investments Engagement Policy, Voting Policy, Voting History and Annual Stewardship Report is available under the Stewardship section: https://www.mandg.com/who-we-are/mandg-investments/responsible-investing-at-mandg-investments
[22]See above footnote for M&G Investments Annual Stewardship Report.

PAIs that fall outside of these 10 will be considered on a bottom-up basis as described in Tables 1, 2 and 3 above.

Table 5: Additional PAI Indicators selected by M&G Investments and methodology used to select these

Adverse sustainability indicator	Metric	Engagement
GHG emissions	Scope 1, 2 and 3 emissions and Total GHG emissions	Climate is a key focus of M&G Investment's engagement priorities. We have run a top-down climate engagement programme since 2020 for investee companies in both developed and developing markets, focusing on strategy, disclosure, goals and targets to achieve decarbonisation. We map our holdings to determine a targeted climate engagement list, based on the top 100 highest emitters and largest M&G Investments wide exposure in listed equities and fixed income. This is where engagement activity is focused.
Carbon footprint	Carbon footprint	
GHG intensity of investee companies	GHG intensity of investee companies	
Exposure to companies active in the fossil fuel sector	Share of investments in companied active in the fossil fuel sector	
Share of non-renewable energy consumption and production	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	
Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	
Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	
Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises.	Global Norms violators are excluded from our Planet+ range of strategies, and all funds which are classified as Article 8 and 9. For other strategies, Global Norms violations are a key engagement trigger, and we monitor our portfolios for such violations, or potential violations, using a variety of data providers and ongoing controversy monitoring. For funds without an exclusion, we seek to positively influence company behaviour and encourage the remediation of issues and the prevention of reoccurrence.
Board gender diversity	Average ratio of female to male board members in investee companies	M&G Investments engages on board diversity where companies are failing to meet our minimum expectations, as laid out in our Voting Policy. For those boards, where improvement is not forthcoming, escalation includes voting against relevant directors at Annual General Meetings.

Every reporting period, M&G Investments will conduct a review on whether there is a reduction of the mandatory and optional PAIs. When there is insufficient progress, M&G Investments will consider whether the engagement policies and its strategic engagement priorities described above will be adapted in terms of the selection of engagement themes, selection of companies for engagement and/or voting, as well as the process during engagements including escalation strategy and objectives setting.

References to international standards

In the next paragraphs, the internationally recognized standards with a concrete link to the PAIs are outlined.

Global norms (eg, UN Global Compact, OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Rights)

As an asset manager, M&G supports and encourages adherence to global norms on environmental, social and employee matters, human rights, labour standards, anti-bribery and anti-corruption. These norms represent best practices supporting a sustainable society, and M&G Investments believe adherence will result in the best outcomes for customers in the long term. These norms are codified in various sources, such as the OECD Guidelines for Multinational Enterprises, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, the United Nations Global Compact and the UN Guiding Principles on Business and Human Rights: Implementing the United Nations 'Protect, Respect and Remedy' Framework.

Link to sustainability indicators

The PAI(s) detailed below are used to measure adherence to the respective standards:

UN Global Compact:

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 1)
- Lack of a human rights policy (PAI 9: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

UN Guiding Principles on Business and Human Rights:

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 1)
- Lack of a human rights policy (PAI 9: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

OECD Guidelines for Multinational Enterprises:

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 1)
- Lack of a human rights policy (PAI 9: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy:

- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10: Table 1)
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises) OECD Guidelines for Multinational Enterprises (PAI 11: Table 1)
- Investments in companies without workplace accident prevention policies (PAI 1: Table 1)
- Lack of a human rights policy (PAI 9: Table 1)
- Lack of anti-corruption and anti-bribery policies (PAI 15: Table 1).

Convention on cluster munitions:

- Controversial weapons (PAI 14: Table 1).

Methodology and data used

M&G plc has signed the United Nations Global Compact (UNGC) and endorses the OECD Guidelines for Multinational Enterprises. Overall, the United Nations Universal Declaration of Human Rights, the International Labour Organization's (ILO) labour standards, the United Nations Guiding Principles for Business and Human Rights (UNGPs), the United Nations Global Compact (UNGC) and the OECD Guidelines for Multinational Enterprises outline minimal behavioural standards. These requirements apply to all parts of M&G plc including M&G Lux.

In all Article 8 and 9 Funds, issuers deemed to be in breach of global norms are excluded from the investment universe. To do this for publicly traded investments, M&G Investments utilises internal expertise, supported by norms-based screening data from several vendors, including specialist advisors, to identify companies that violate global norms in the areas of human rights, labour standards, environmental standards and anti-corruption. These cases are assessed via M&G Investments Global Norms process and are voted on by the Global Norms Committee, using a principles-based approach to create the final exclusion list.

Data sources used to assess PAIs and compliance with any M&G Investments exclusions (eg, Thermal Coal) or fund specific exclusions (as set out in the fund documentation) include: MSCI, ISS Ethix, RepRisk, Findox, analyst due diligence and on-going assessment of controversy.

Paris Agreement

M&G Investments is a signatory to Net Zero Asset Managers Initiative and committed to supporting the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. M&G Investments has published interim targets and report on progress against these. Initially confined to asset owner funds, M&G Investments is seeking to gradually increase to include third-party client mandates and reach 100% of AUM. The transition to carbon net zero is about reshaping the whole economy to operate within planetary boundaries. This includes communicating clear transition expectations to investees and stakeholders, as well as financing and enabling solutions to support our clients on their climate journey. More detailed information can be found within the M&G plc Annual Report and Sustainability Report.

Link to sustainability indicators

Climate indicators:

- Greenhouse gas emissions (PAI 1-6, Table 1, plus additional indicator 4. Investments in companies without carbon emission reduction initiatives, Table 2).

In addition to the PAI climate indicators, a range of other climate indicators are captured for use as part of investment decision making as well as for client and entity/plc reporting. These are disclosed in the M&G plc Annual Report and Sustainability Reports.

Methodology and data used

M&G Investments uses Net Zero Asset Managers Initiative requirements as the way in which it measures and reports progress in relation to M&G Investments' net-zero commitments. In November 2021, M&G Investments sets an initial interim target to halve the emissions intensity of 20% of assets under management and administration (AUMA) by 2030 (Scope 1 and 2 emissions). In September 2022, M&G Investments published its first Net Zero Asset Managers initiative (NZAMi) progress report, against the in-scope assets in 2021 of £58 billion. M&G Investments is increasing assets in scope of its interim target significantly, from 20% to 30.4% of the AUMA, reflecting c.£92 billion as of 31 December 2022. The updated interim targets include an increase in public equity and public corporate debt assets committed to be managed in line with net zero as well as a new interim target for direct real estate assets.

The Net Zero Investment Framework (NZIF) is M&G Investments' approach to achieving its ambitious targets and draws on its work as a member of the Paris Agreement aligned Investor Initiative and the Institutional Investors Group on Climate Change (IIGCC) to establish actions, metrics and methodologies to enable M&G Investments to decarbonise its portfolios, reduce climate related risk and allocate more to climate solutions. The framework provides guidance to investors on how to assess alignment of assets wans resources to set targets for a number of asset classes. By setting concrete targets at portfolio and asset class level, combined with smart capital allocation and engagement and advocacy activity, M&G Investments can maximise its impact in driving real-world decarbonisation.

Scenario modelling is a key tool to help M&G Investments understand how physical and transition risks, and opportunities, could impact the assets it manages over time. It has licensed Aladdin Climate, an investor-focused climate model for assessing transition and physical risk for public assets. Aladdin Climate is embedded within the main investment research and monitoring workflows, providing climate information alongside traditional investment information, unlike previous standalone scenario-modelling solutions. For its private assets, M&G Investments has expanded the existing Marsh model to quantify the potential financial impacts from physical risks on its infrastructure assets, in addition to its real estate equity holdings that are already modelled. M&G Investments uses climate models that have sufficient coverage across key funds and its largest issuers, while covering its most significant asset classes: equities, corporate and sovereign debt, real estate and infrastructure.

Data points such as future GHG emissions, emissions intensity, physical climate damages, energy flows, energy demand and technological capabilities are provided by M&G Investments modelling partners at an issuer, sector, and portfolio level. The data points are then aggregated to calculate a climate-adjusted valuation metric and temperature-alignment metric for the portfolio. With these results M&G Investments seeks to improve its systematic approach to identifying and evaluating climate-related risks. As with any model, the results are heavily influenced by the assumptions made. M&G Investments recognises that the climate models are based on stylised scenarios and attempt to capture the possible future interplay between physical climate impacts, policy and regulation, and consumer behaviour at a global scale. More information on the key forward looking metrics M&G Investments is monitoring and the types of scenarios used can be found in the M&G plc Annual Report 2022[23] p84.

Data sources used to assess PAIs and compliance with M&G Investments' broader climate commitments and targets include: MSCI, ISS Ethix, RepRisk, Findox, Science-Based Targets Initiative, CA100+, Carbon Disclosure Project, as well as our own proprietary tools and research assessments (eg, Net Zero Investment Framework, Climate Transition Leaders Lists, Coal Tool, ESG Scorecard).

[23] M&G plc Annual Report 2022 https://www.mandg.com/investors/annual-report

Historical comparison

The earliest historical comparison will be provided in June 2024.