

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



Sustainability indicators measure how the sustainable objectives of this financial product are attained.

Product Name: M&G (Lux) Investment Funds 1 - M&G (Lux) Sustainable Allocation Fund
Legal Entity Identifier: 549300G7EE7U31UKHL78

Sustainable investment objective

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** 30%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** 20%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?

To contribute to a sustainable economy by investing in assets supporting environmental and/or social goals, in particular climate change mitigation.

• What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

Fund level sustainability indicators

The Investment Manager will report and monitor the below indicators that will apply to investments in aggregate.

a. Climate change mitigation and environmental solutions:

- Change in CO2 emissions intensity over the previous three year period (compounded annualised growth rate over last three years) (corporate and sovereigns).
- Percentage (%) of sovereigns party to the Paris Agreement (sovereigns).
- Weighted average carbon intensity (corporate).
- Percentage (%) of corporate issuers with ratified Science-Based Targets under the Science Based Target Initiative (SBTi) or an equivalent as assessed by the Investment Manager (corporate).
- Percentage (%) of corporate issuers participating in the Carbon Disclosure Project (CDP) (corporate).
- Tonnes of CO2 emissions avoided by positive impact investments (corporate and sovereigns).

b. Social

- Percentage (%) of sovereign ranked above the Social Progress Index (SPI) Global Average, which assesses how well a society provides its people with material needs, and does not have a negative 5 year trend (sovereigns)
- Number of underserved people reached including patients treated, customers served etc. by positive impact investments (corporate and sovereigns)

c. For positive impact assets:

- Percentage (%) of NAV invested in positive impact assets in the Fund

Security level sustainability indicators

At least one of the following indicators will be apply for each sustainable investment made by the Fund. The Investment Manager is not required to consider, or report on, all of the below sustainability indicators as part of

the analysis for each sustainable investment.

1. Corporate issues

a. Climate change mitigation:

- Whether the corporate has ratified Science-Based Targets under the Science Based Target Initiative (SBTi) or an equivalent as assessed by the Investment Manager
- The Issuer is assessed as having a current temperature alignment of less than or equal to 1.5°C to evidence alignment with current scientific methodologies to address climate change
- Whether the issuer is participating in the Carbon Disclosure Project (CDP)
- The issue has been assessed as having more than 20% of revenues derived from any of the climate change environment impact themes including alternative energy, energy efficiency or green building

b. Other environmental

- The issuer's ESG Environment Pillar Score is at least 7.1, as determined by MSCI
- Percentage (%) of issuer revenues assessed as relating to environmental themes in excess of 20%
- The issue is a green environmental bond as verified by alignment to Climate Bonds Initiative (CBI), International Capital Market Association (ICMA) or another appropriate standard as accepted by the Investment Manager
- The issuer is a renewable energy producer

c. Social

- The issuer's ESG Social Pillar Score is at least 7.1 (leader), as determined by MSCI
- The issuer is a signatory to the UNGC Global Compact
- The issuer's board diversity is in excess of 33%
- Percentage (%) of issuer revenues assessed as relating to social themes in excess of 20%
- Number of underserved people reached including patients treated, customers served etc.

d. United Nations Sustainable Development Goals ("SDGs") alignment:

- The Investment Manager may assess whether an investment is aligned with one or more of the 17 SDGs, using appropriate metrics to determine the strength of that alignment.

2. Sovereign issues

a. Climate change mitigation and environmental solutions:

- The sovereign's Climate Change Performance Index (CCPI) score is not "Very Low"
- The sovereign is a party to the Paris Agreement and the UN Convention on Biological Diversity

b. Other environmental

- The sovereign's ESG Environment Pillar Score being at least 7.1 (leader), as determined by MSCI
- The issue is a green environmental bond as verified by alignment to CBI, ICMA or another appropriate standard as accepted by the Investment Manager

c. Social

- The issuer's ESG Social Pillar Score being at least 7.1 (leader), as determined by MSCI
- The issue is a social bond as verified by alignment to ICMA or another appropriate standard as accepted by the Investment Manager
- The sovereign is ranked above the Social Progress Index (SPI) Global Average, which assesses how well a society provides its people with material needs, and does not have a negative 5 year trend
- The sovereign has fully ratified all of the 8 International Labour Organisation (ILO) human rights conventions

● How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

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

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

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**
The Investment Manager's research process includes consideration of Principal Adverse Impact indicators for all investments where data is available (i.e. not just for sustainable investments), which allows the Investment Manager to make informed investment decisions.

The Fund's consideration of Principal Adverse Impact indicators is used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund are then subject to ongoing monitoring and a quarterly review process.

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

- **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**
All investments purchased by the Fund must pass the Investment Manager's good governance tests, and in addition, sustainable investments must also pass tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.



Does this financial product consider principal adverse impacts on sustainability factors?

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

Further information on the Principal Adverse Impact indicators which are taken into account by the Investment Manager can be found in the Annex to the Investment Manager's website disclosures for the Fund. Information on how the principal adverse impacts were taken into account will be provided in the Fund's annual report.

- No



The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The Fund investment approach is through flexible asset allocation, implemented by investing in securities of companies or governments that uphold high standards of ESG behaviour. The Fund also maintains a core holding of investments considered to have a positive impact through addressing the world major social and environmental challenges ("Positive Impact Assets"). The Fund typically invests 20-50% of its Net Asset Value in Positive Impact Assets with a minimum of 20% and no maximum exposure.

Positive Impact Assets are assessed using the Investment Manager's impact assessment methodology ("Impact Methodology") described below.

The Impact Methodology focuses on three criteria:

- Investment Credentials: the quality and durability of the company's business model and its ability to produce sustainable economic returns;
- Intention: the company's purpose as evidenced by the alignment of its mission statement with its corporate strategy and actions; and
- Impact: the scale of the net positive societal impact and the company's progress in addressing social equality challenges.

The outputs of the Impact Methodology enable the Fund to allocate to the following three investment types:

- "Pioneers", whose products or services have or could have a transformational effect on social equality.
- "Enablers", which provide the tools for others to empower social equality.

- “Leaders”, which spearhead and mainstream sustainability in industries empowering social equality, but which may have more established profitability than pioneers.

The Investment Manager’s engagement with the companies in which the Fund invests is key to the investment approach.

The Fund typically has a lower weighted average carbon intensity than the global equity market (“Positive ESG Outcome”).

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

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

1. The exclusions listed in the ESG Criteria are screened out.
2. The Investment Manager then assesses the sustainability credentials of the remaining companies:
 - a) Under the ESG Criteria of the portfolio, the Investment Manager assesses and scores the ESG credentials of the remaining securities on the basis of external ESG ratings and the Investment Manager’s assessment. Lower scoring securities which are considered as ESG laggards are excluded and the Investment Manager favours issuers with better ESG characteristics.
 - b) Positive Impact Assets are assessed using the Impact Methodology.
3. From the narrowed investment universe, the Investment Manager allocates capital between different types of assets in accordance with the process explained above. Within each asset class the Investment Manager then performs further analysis to consider the valuation of these investments and the appropriate time to purchase in consideration of the Fund’s financial objective.
4. The Investment Manager favours issuers with lower carbon intensity where this is not detrimental to the pursuit of the investment objective. This process typically results in a portfolio with lower carbon intensity than the global equity market. In constructing a portfolio which favours investments with lower carbon intensity, the Investment Manager may nonetheless invest in investments across the full spectrum of carbon intensity. The Fund’s calculation methodology does not include those securities that do not have carbon intensity data respectively, or cash, near cash, some derivatives and some collective investment schemes.

- **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**

The following elements are binding, as part of the Investment Manager’s strategy for this Fund:

- The Fund’s exclusions;
- The Fund’s asset allocation, as set out in the section “What is the asset allocation planned for this financial product?”; and
- Minimum levels of sustainable investments, as set out in the section “What is the asset allocation planned for this financial product?”. Please note that the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is non-binding where the reason for holding less than such minimum is because Taxonomy-aligned investments are held instead (as all such investments are sustainable investments with environmental objectives).

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

- **What is the policy to assess good governance practices of the investee companies?**

The Investment Manager operates data driven quantitative good governance tests used to consider investments into companies. The Investment Manager excludes investments in securities that are considered as failing the Investment Manager’s good governance tests. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



Asset allocation describes the share of investments in specific assets.

What is the asset allocation and the minimum share of sustainable investments?

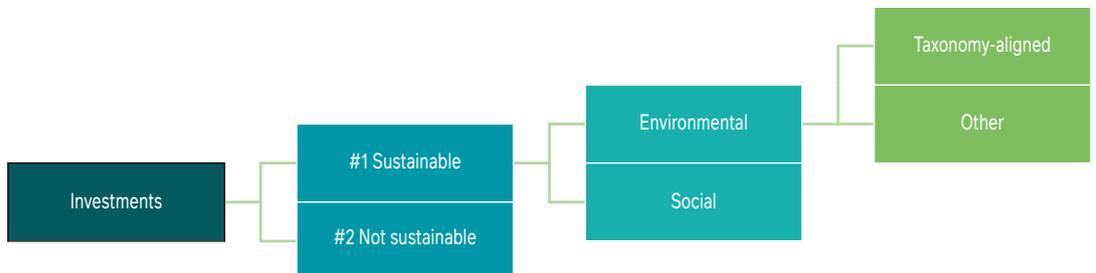
The Investment Manager expects at least 70% of the Fund to be invested in sustainable investments, in pursuit of the sustainable investment objective. The Fund is not required to favour any specific type of sustainable investment, and may invest in assets supporting any environmental and/or social goal, but will pay particular heed to climate change mitigation by using extra sustainability indicators for climate change mitigation, measuring performance on these characteristics at fund level, i.e. even where an investment has been purchased in pursuit of a social objective.

The Fund will invest at least 20% in sustainable investments with a social objective and at least 30% in sustainable investments with an environmental objective that are not aligned to the EU Taxonomy. Subject to those minima, the Fund may flexibly allocate between the different types of sustainable investments based on availability and attractiveness of investment opportunities, whilst keeping the aggregate allocation to sustainable investments with environmental and/or social objectives to a minimum of 70%.

The Fund typically invests 20-50% of its Net Asset Value in positive impact assets with a minimum of 20% and no maximum exposure.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

How does the use of derivatives attain the sustainable investment objective?

Derivatives are only considered to contribute to the sustainable investment objective where such contribution can be evidenced:

1. Where a derivative represents exposure to a single name, it must be a sustainable investment that contributes to the Fund's sustainable investment objective.
2. Where a derivative represents exposure to a diversified financial index, the index's contribution to the sustainable investment objective must be evidenced. For example, the index rules may cause it to operate to deliver certain characteristics that are considered to positively contribute to the sustainable investment objective.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

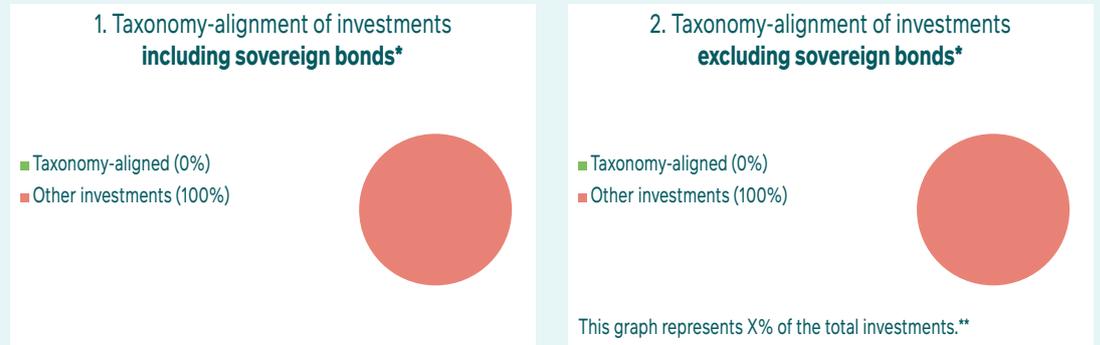
- Yes:
- In fossil gas In nuclear energy
- No

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives -see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

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

- **What is the minimum share of investments in transitional and enabling activities?**
0%

 are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



- **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**
30%



- **What is the minimum share of sustainable investments with a social objective?**
20%



- **What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

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

Derivatives used to take investment exposure to diversified financial indices (excluding technical trades), and funds (i.e. UCITS and other UCIs) may be held for hedging purposes or in connection with cash held for ancillary liquidity and will be subject to such minimum environmental or social safeguard tests as the Investment Manager considers appropriate, for example a minimum weighted ESG score test.

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



- **Is a specific index designated as a reference benchmark to meet the sustainable investment objective?**

No

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objective.

- **How does the reference benchmark take into account sustainability factors in a way that is continuously aligned with the sustainable investment objective?**
Not Applicable
- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**
Not Applicable
- **How does the designated index differ from a relevant broad market index?**
Not Applicable
- **Where can the methodology used for the calculation of the designated index be found?**
Not Applicable



Where can I find more product specific information online?

More product-specific information can be found on the website:

www.mandg.com/country-specific-fund-literature