

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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product Name: M&G (Lux) Global Sustain Paris Aligned Fund
Legal Entity Identifier: 549300IT00LV3HDN7Z63

Sustainable investment objective

Did this financial product have a sustainable investment objective?

☒

Yes

No

☒ It made **sustainable investments with an environmental objective:** 95.5%

☐ 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 made **sustainable investments with a social objective:**

☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a 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 promoted E/S characteristics, but **did not make any sustainable investments**



To what extent was the sustainable investment objective of this financial product met?

The Fund invested in companies that contribute towards the Paris Agreement climate change goal, in line with its sustainable investment objective. The strength of the fund's performance against this objective is evaluated in the sustainability indicators section below.

The alignment percentage indicated in the graphic below shows the allocation between sustainable investments made in pursuit of the sustainable investment objective and "Other" investments.

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

How did the sustainability indicators perform?

Please see the below table for an overview of the fund's performance relative to its sustainability indicators.

The 'Eligibility' figure is a measure of the percentage of fund assets which are eligible to be measured by the sustainability indicator. The 'Coverage' figure indicates the percentage of eligible assets for which data is available.

In the reporting period, the Fund's normalised Weighted Average Carbon Intensity (WACI) was 59.3 t CO2e. The WACI is a measure of the carbon intensity of all underlying holdings, weighted to their allocations in the Fund.

Notably, investee companies providing climate solutions helped to avoid more than 197 million tonnes of CO2 equivalents, according to the latest available company disclosures. Investee companies in this area included Schneider Electric, which produces energy management and automation components, and Linde, a producer of industrial gases which helps its customers to reduce their emissions, for example, by producing hydrogen for ultra-low sulphur diesel, or by creating thermal coatings that improve the energy efficiency of gas turbines and jet engines.

Furthermore, 41.37% of the fund's Net Asset Value (NAV) was held in companies with ratified science-based targets, while a further 28.13% of NAV was held in companies that have committed to science-based targets.

Sustainability Indicator Name	Value	Eligibility	Coverage
As at - 31 March 2023			
Percentage (%) of NAV committed to Science-Based Targets (SBTs)	28.13%	98.17%	73.61%
Percentage (%) of NAV with ratified Science-Based Targets (SBTs)	41.37%	98.17%	73.61%
Percentage (%) of NAV participating in Task Force on Climate-Related Financial Disclosures (TCFD) reporting	83.85%	98.17%	98.08%
Tonnes of CO2 emissions avoided by positive impact investments	197050000 tCO2e	98.17%	12.07%
Total renewable energy produced (megawatt hours)	-	98.17%	0%
Weighted average carbon intensity (WACI) for the fund	59.30 tCO2e	96.24%	100%

- **...and compared to previous periods?**

The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report. The Fund will provide historic comparison in the next Periodic Report.

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 did the sustainable investments not cause significant harm to any sustainable investment objective?**

Sustainable investments that the Fund made did not cause significant harm to any environmental or social sustainable investment objective as they were 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 were compatible with sustainable investment.

- **How were the indicators for adverse impacts on sustainability factors taken into account?**

The Investment Manager's research process included consideration of Principal Adverse Impact indicators for all investments where data was 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 was used as part of understanding the operating practices of the investments purchased by the Fund. Investments held by the Fund were then subject to ongoing monitoring and a quarterly review process.

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

- **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

All investments purchased by the Fund passed the Investment Manager's good governance tests, and in addition, sustainable investments also passed tests to confirm they do no significant harm, as described above. These tests embed a consideration of the OECD Guidelines and UN Guiding Principles.



How did this financial product consider principal adverse impacts on sustainability factors?

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 included consideration of Principal Adverse Impact indicators for all investments where data was 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.



The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/04/2022 to 31/03/2023

What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
UNITEDHEALTH GROUP INC	Financial and insurance activities	7.14%	US
MICROSOFT CORP	Information and communication	6.79%	US
NOVO NORDISK CLASS B	Manufacturing	5.47%	DK
ALPHABET INC CLASS A	Information and communication	4.46%	US
MANHATTAN ASSOCIATES INC	Information and communication	4.20%	US
SCHNEIDER ELECTRIC	Manufacturing	4.12%	FR
WH SMITH PLC	Wholesale and retail trade; repair of motor vehicles and motorcycles	4.08%	GB
UNILEVER PLC	Manufacturing	3.92%	GB
BECTON DICKINSON	Manufacturing	3.72%	US
VISA INC CLASS A	Financial and insurance activities	3.62%	US
TOKIO MARINE HOLDINGS INC	Financial and insurance activities	3.18%	JP
JOHNSON CONTROLS INTERNATIONAL PLC	Manufacturing	3.13%	IE
DISCOVER FINANCIAL SERVICES	Financial and insurance activities	2.93%	US
AMERICAN EXPRESS	Financial and insurance activities	2.90%	US
KUEHNE UND NAGEL INTERNATIONAL AG	Transportation and storage	2.77%	CH



What was the proportion of sustainability-related investments?

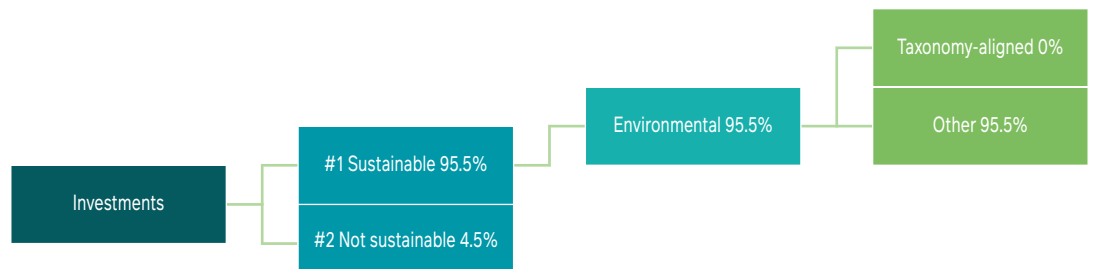
In the SFDR Level 2 Pre-Contractual Disclosure (annex to the Fund Prospectus) the Fund committed to a minimum of 80% to be invested in environmental sustainable investments, in pursuit of the environmental sustainable investment objective.

As of 31 March 2023, 95.50% of the Net Asset Value of the Fund was in sustainable investments, which is above the minimum commitment of 80%. None of the sustainable investments were expected to be aligned to the EU Taxonomy. 0% of the sustainable investments were aligned to the EU Taxonomy, while 95.50% related to investments with environmental objectives.

4.50% of the Fund is comprised of "not sustainable" investments.

• What was the asset allocation?

The graphic below provides an overview of the asset allocation.



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

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

● **In which economic sectors were the investments made?**

The investment breakdown uses NACE (Nomenclature of Economic Activities) and is expressed as a % of Net Asset Value (NAV).

Economic sector	% Assets
Manufacturing	35.38%
Financial and insurance activities	27.91%
Information and communication	22.08%
Wholesale and retail trade; repair of motor vehicles and motorcycles	5.31%
Other	3.76%
Transportation and storage	2.77%
Administrative and support service activities	1.53%
Other service activities	1.27%



To what extent were 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.

The Fund held 0% in Taxonomy-aligned sustainable investments during the reference period. This percentage is determined by taking the quarter end figure for each quarter in the reference period and averaging it. The information was obtained from public disclosures.

No assurance from an auditor, third party or review was undertaken on the EU Taxonomy data.

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.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy¹?**

☐ Yes:

☐ In fossil gas

☐ In nuclear energy

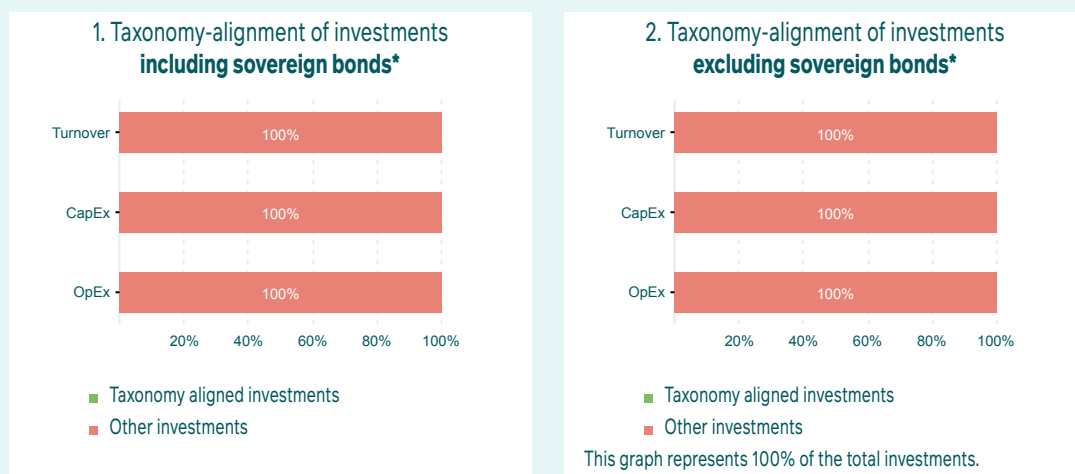
☒ No

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.

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.

The graphs below show the percentage of investments that were 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 was the share of investments made in transitional and enabling activities?

The share of the Fund's investments made in transitional and enabling activities over the period was 0%. This compares to a minimum percentage commitment of 0% stated in the Fund's precontractual disclosure.

Activity	Percentage Investments
Share of transitional activities	0%
Share of enabling activities	0%

● How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

The Fund is not yet able to provide comparison to a previous reporting period as this is the Fund's first SFDR Level 2 Periodic Report. The Fund will provide historic comparison in the next Periodic Report.

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



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 95.50%. This compares to a minimum percentage commitment of 80% in environmentally sustainable investments (i.e., both aligned to the EU Taxonomy and not) stated in the Fund's precontractual disclosure.



What was the share of socially sustainable investments?

The share of sustainable investments with a social objective was 0%. This compares to a minimum percentage commitment of 0% stated in the Fund's precontractual disclosure.



What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?

During the reference period the Fund held varying levels of cash, near cash and money market funds, and derivatives as “Other” investments, for hedging purposes or in connection with cash held for ancillary liquidity. No minimum environmental or social safeguards are applied, other than as stated below:

Where derivatives are used to take investment exposure to diversified financial indices, these 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.



What actions have been taken to attain the sustainable investment objective during the reference period?

The Fund has invested in companies that contribute towards the Paris Agreement climate change goal. Its compliance with the same is reported in the sustainability indicators above.

ESG engagements are also a key focus for the fund in order to help investment companies improve their climate and sustainability standards, to support the fund's sustainable investment objective.

For example, we engaged with Ball Corporation to discuss their decarbonisation plans and push for increased ambition around scope 3 emissions. The company is currently working to align its scope 3 emission reduction target with a temperature increase of no more than 1.5°C above pre-industrial times (rather than 2°C).

Similarly, we encouraged US diversified managed healthcare company UnitedHealth's decarbonisation plans, including scope 3 assessment and Science Based Targets initiative (SBTi) validation.

We were pleased to see that UnitedHealth has now committed to SBTi validation, and plans to submit its targets for approval in 2023. The company recently hired a chief sustainability officer, reporting to the chief executive, and subsequently published a much improved sustainability report in June 2022 (and will take our points on board for next year's report). It intends to create an ESG steering committee, to be in place by the end of year, led by the chief sustainability officer and comprised of business leaders, to help further act on sustainability considerations. The company also plans to have its scope 3 inventory completed by the end of the year. We will continue to engage with UnitedHealth as it moves along its path to decarbonisation.



How did this financial product perform compared to the reference sustainable benchmark?

N/A. No reference benchmark was designated for the purpose of attaining the Fund's sustainable investment objective.

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

- **How did the reference benchmark differ from a broad market index?**
N/A
- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?**
N/A
- **How did this financial product perform compared with the reference benchmark?**
N/A
- **How did this financial product perform compared with the broad market index?**
N/A