

Sustainability-related disclosures

M&G (Lux) Global Sustain Paris Aligned Fund
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Website disclosure provided in accordance with Article 10 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector. Information on the overall sustainability-related impact of the Fund can be found in the Annual Report of the Fund.

Summary

This document summarises the information about this Fund in relation to the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help potential investors understand the sustainability related characteristics and/or objectives and risks of this Fund. You are advised to read it in conjunction with other relevant documentation on this Fund so you can make an informed decision about whether to invest.

No significant harm to the 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.

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. 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.

Sustainable investment objective of the financial product

To invest in companies that contribute towards the Paris Agreement climate change goal.

Investment strategy

The Fund invests in Low Carbon Intensity Companies and Reducing Carbon Intensity Companies.

Low Carbon Intensity Companies have a carbon intensity lower than 50% of the weighted average carbon intensity of the Fund's investment universe, and an ongoing commitment to decarbonisation.

Reducing Carbon Intensity Companies have science based targets aligned with the Paris Agreement or have committed to have them in place within a defined time period, and an ongoing commitment to decarbonisation.

The Fund also considers non-mandatory factors such as whether companies are providing solutions to the climate change challenge.

The Fund will typically have a weighted average carbon intensity of less than half of its investment universe ("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 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. Potential investments are identified by reference to their carbon intensity and whether they provide solutions to the climate change challenge. The Investment Manager analyses these companies using internal and external research, combining qualitative and quantitative methods with an assessment of ESG Factors to build a watchlist of companies assessed to have sustainable business models.
3. The Investment Manager then performs further analysis to consider the valuation of these companies and the appropriate time to purchase in consideration of the Fund's financial objective. 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 less than half of its investment universe. 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.

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.

Proportion of investments

The Investment Manager expects at least 80% of the Fund to be invested in environmental sustainable investments, in pursuit of the environmental sustainable investment objective.

The Fund is not required to favour any specific type of environmental sustainable investment."

The Fund does not use derivatives to attain its sustainable investment objective and is unlikely to invest in collective investment schemes to achieve its sustainable investment objective. Therefore typically all of the sustainable investments are expected to be held directly.

Monitoring of sustainable investment objective

Monitoring of the sustainable investment objective is undertaken through systems and digital investment platform tools. These are applicable on an ex-ante, ex-post basis in the investment process. Surveillance occurs on an ongoing basis in the investment platform tools using codified rules to assess compliance with the requirement to invest in sustainable investments in pursuit of the sustainable investment objective. The Investment Manager undertakes quarterly reviews at portfolio level inclusive of binding commitments and Key Sustainability Indicator (KSI) outputs.

Methodologies

Key Sustainability and Principal Adverse Indicators alongside binding elements of the Fund are used to demonstrate attainment of sustainable investment objective of the Fund. Regarding the underlying metrics, there are a variety of methods used subject to the asset class, instrument or information type:

- binary pass/fail test e.g. exclusion of sanctioned companies, countries or industries
- meets or exceeds a specific threshold e.g. revenue that contributes to an environmental outcome, or more than a % of board diversity
- industry recognised third party certification evidencing sustainability performance e.g. CBI certified Climate bond
- proprietary analysis to form an assessment of the sustainability characteristics e.g. net zero alignment or impact

Data sources and processing

The data sources used to monitor the indicators which align to the sustainable investment objective of the Fund are both sourced from third party data vendors such as MSCI or Bloomberg or sourced from proprietary research and analysis.

Data received from third party vendors typically comes from reputable and, in some cases, audited sources, such as annual reports or sustainability reports. Basic data quality metrics are tested using appropriate technological tools. More domain-specific checks are carried out by sustainability subject matter experts within the front office. To ensure that interpretation of data is consistent, benchmarking exercises are performed where appropriate. External ESG data is supplemented through the application of a proprietary ESG scorecard, with independent calibration reviews to drive consistency of approach.

Data are processed in a combination of external and internal systems and digital platform tools. Definitions and calculation logic are applied to transform raw attributes into metrics which are used for disclosures and to apply investment restrictions. Using these metrics, fund exposures are monitored at both portfolio and security level, ex ante and ex post.

Use of estimated data is limited and relates primarily to carbon emissions when reported data is unavailable. Where estimated data points are ingested or employed, appropriate data quality checks are to ensure that metrics can be used with due care in the investment process. The Investment Manager develops proprietary tools where appropriate, including models to estimate carbon emissions for companies which do not report. Such proprietary estimates are not used in regulated disclosures.

Limitations to methodologies and data

As mentioned above, sustainable investment objectives are monitored through indicators which are often based on data. ESG information from third party data providers and/or obtained directly from the issuers may be incomplete, inaccurate, stale or unavailable. As a result, there is a risk that the Fund may incorrectly assess an issuer or information that is an input into an indicator. This in turn can result in the incorrect inclusion or exclusion of a company in the portfolio or incorrect outcome for an indicator in the Fund.

Incomplete, inaccurate or unavailable ESG data may also act as a methodological limitation to a non-financial investment strategy (such as the application of ESG risk and opportunity characteristics). Where identified, the Investment Manager will seek to mitigate this risk through its own assessment. In the case that particular data points are not available, it is expected that the Investment Manager's own assessment will be sufficient to ensure that the attainment of sustainable investment objective is not materially affected.

Internal methodologies and policies are subject to appropriate governance and oversight, in which limitations are recognised and accepted, with controls applied appropriate. Exceptions from frameworks are subject to appropriate governance by specialists in our Stewardship and Sustainability team and/or Governance committees such as the ESG Governance Meeting according to the materiality of the departure from policy. Common limitations include: lack of coverage of business involvement screening; lack of key sustainability metrics; divergence of market standards across different geographies.

Where limitations in the methodologies and data have been identified, the Investment Manager seeks to mitigate these through governance and oversight. Whilst, as with financial data, it is impossible to completely eliminate the risk of impact of an external data vendor error, the Investment Manager does conduct its own reviews and challenges where it believes investments have been misclassified. Where the methodologies and/or data are insufficient post mitigation to establish that an investment is a sustainable investment in pursuit of the sustainable investment objective, such investment may not be purchased.

Due diligence

ESG due diligence is carried out as a part of fundamental investment research. Research analysts assess the Principal Adverse Impact metrics and identify key sustainability risks in order to evaluate and express their materiality for the subject company or investment. Analysts reflect their assessments in either written research or an ESG Scorecard.

Where applicable, the analyst uses the ESG Scorecard to evaluate 15 mandatory and common factors and additional idiosyncratic factors deemed relevant to the subject company's risk profile and business mix. The mandatory factors for evaluation are as follows:

- Climate: Disclosure, Intensity, Footprint, Vulnerability, Intent
- Governance: Ownership & Control, Political Interference & Sovereign Concerns, Strategy and Financial policy, Disclosure and Transparency, Board, Regulation, Compliance and Oversight, Cybersecurity, Corporate culture and controversy
- Social: Modern Slavery, Diversity & Inclusion
- Sector-specific Key Issues determined from the SASB Materiality Map.

In addition to the proprietary assessments described above, investment decision-making may also take account of third party ESG ratings, where available.

Appropriate consideration of ESG factors is a mandatory objective in the due diligence process for analysts and fund managers.

The section above entitled 'Monitoring of environmental or social characteristics' details the controls associated with the components of due diligence listed herein.

Engagement policies

M&G believes that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. We believe that if a company is run well, and sustainably, it is more likely to be successful in the long run. We undertake all investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of client's assets, with engagement representing an integral part of how we integrate environmental, social and governance (ESG) considerations in our investment process. We are committed to being transparent about how we conduct investment stewardship activities in support of long-term sustainable performance for our clients. The precise nature of the engagement will vary depending on the investments held, but these overarching principles will inform M&G's conduct when engaging with companies, whether through voting equities in general meetings or in our participation in bondholder committees.

Attainment of sustainable investment objective

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective.

Annex

Issuer	PAI	PAI Indicator	PAI Metric
Investee Companies	1a	GHG emissions	Scope 1 GHG emissions
	1b		Scope 2 GHG emissions
	1c		Scope 3 GHG emissions
	1d		Total GHG Emissions
	2	Carbon footprint	Carbon footprint
	3	GHG intensity of investee companies	GHG intensity of investee companies
	4	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	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 a percentage
	6a	Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE A
	6b		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE B
	6c		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE C
	6d		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE D
6e		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE E	
6f		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE F	
6g		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE G	
6h		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE H	
6l		Energy consumption in GWh per million Euro of revenue of investee companies, per high impact climate sector - NACE L	
	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
	8	Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
	9	Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
	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
	11	Lack of process and compliance mechanisms to monitor compliance with UNGC 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.
	12	Unadjusted gender pay gap	Average unadjusted gender pay gap for investee companies

	13	Board gender diversity	Average ratio of female to male board members in investee companies
	14	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Sovereigns and Supranationals	15	GHG intensity	GHG intensity of investee countries
	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
Real Estate	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
	18	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets
Investee Companies	Optional	Investments in companies without carbon emissions reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
	Optional	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
	Optional	Lack of a human rights policy	Share of investments in entities without a human rights policy
	Optional	Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies EN 22 EN on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption