

Sustainability-related disclosures

M&G (Lux) Investment Funds 1 - M&G (Lux) Global Themes 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 how the environmental and social characteristics have been met 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 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

Environmental or social characteristics of the financial product

The following elements are binding:

- The Fund's exclusions;
- The Fund's Positive ESG Tilt;
- The amount of the Fund aligned to the promoted environmental and/or social characteristics; and
- Minimum levels of sustainable investments.

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.

Investment strategy

The Fund promotes the use of an Exclusionary Approach and a Positive ESG Tilt (as defined below):

The Fund excludes certain potential investments from its investment universe to mitigate potential negative effects on the environment and society ("Exclusionary Approach").

The Fund maintains a weighted average ESG rating that is either

1. higher than that of the equity market as represented by its investment universe; or
2. equivalent to at least an MSCI A rating, whichever is lower ("Positive ESG Tilt").

In constructing a portfolio positively tilted towards investments with better ESG characteristics, the Investment Manager may nonetheless invest in investments across the full spectrum of ESG ratings. At an individual security level, the Investment Manager favours investments with better ESG characteristics where this is not detrimental to the pursuit of the financial investment objective.

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

The Investment Manager operates a data driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test.

Proportion of investments

The Investment Manager expects at least 70% of the Fund to be aligned to the promoted E/S characteristics. At least 20% of the Fund will be in Sustainable Investments.

Monitoring of environmental or social characteristics

The Fund's Positive ESG Tilt is coded and monitored on a pre and post trade basis as an investment restriction to prevent the Fund being managed in a way that is not compliant with the binding characteristic of the Positive ESG Tilt. The relevant characteristic is reported on as part of the SFDR reporting.

Methodologies

There are a variety of methods that can be used depending on the asset class or metric. Depending on the information type it may be:

- binary pass/fail test
- binary true/false test
- meets a specific score or ESG rating
- contributes a set % of revenue to a climate, environmental or social cause
- based on proprietary systems that analyse data to form a view on ESG factors (eg ESG Scorecard)

Where data is insufficient, fund managers/research analysts may make their own assessment, with oversight from others in the firm.

Data sources and processing

Information is 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 of sustainability reports. Upon receipt, the data is checked by the analysts. To ensure that interpretation of data is consistent, benchmarking exercises are performed where appropriate. Collected ESG data is evaluated via use of a proprietary ESG scorecard, which is populated by the analysts.

Through a combination of external systems such as Aladdin and proprietary systems built specifically for ESG features which monitor the exposure of the funds both at fund and security level both pre and post trade.

Use of estimated data is limited. If a portfolio company does not disclose its greenhouse gas emissions, an estimation is made using the Investment Manager's proprietary carbon emission tool which estimates portfolio companies' carbon intensity levels.

Limitations to methodologies and 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. This in turn can result in the incorrect inclusion or exclusion of a company in the portfolio of 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.

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.

Designated reference benchmark

No reference benchmark has been designated to determine whether this Fund is aligned with the environmental and social characteristics that it promotes.

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