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.

Product Name: M&G Impact Financing Fund
Legal Entity Identifier: 549300NH4WFMLRUE1Z95

Sustainable investment objective

Does this financial product have a sustainable investment objective?

● ● [x] **Yes** ● ● [ ] **No**

- [x] It will make a minimum of **sustainable investments with an environmental objective**: 15%
  - [ ] in economic activities that qualify as environmentally sustainable under the EU Taxonomy
  - [x] in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- [x] It will make a minimum of **sustainable investments with a social objective**: 15%
- [ ] 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?

The sustainable investment objective of the Fund is to invest predominantly in debt and debt-like assets that aim to demonstrate a positive environmental and/or social impact.

In particular, all sustainable investments of the Fund will demonstrate characteristics that align with the following Impact Themes:

- climate and nature;
- better health;
- social equality.

Investments that contribute to sustainable investment objective are made with the intention to generate positive, measurable social or environmental impact alongside a financial return.

The Fund will not invest in activities that are considered to be harmful to the society or the environment. The Fund screens out any issuers that are in breach of international standards and/or are operating in sectors deemed not complying with ESG principles.

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective. The Fund's investments are not in EU taxonomy-aligned environmentally sustainable economic activities.

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

- **What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?**
  - %NAV in investments providing environmental solutions
  - % NAV in investments providing circular economy solutions
  - %NAV in investments providing better health
  - %NAV in investments providing social inclusion
  - %NAV in investments aligned to SDG1 - No Poverty
  - %NAV in investments aligned to SDG3 - Good Health and Wellbeing
  - %NAV in investments aligned to SDG4 - Quality Education
  - %NAV in investments aligned to SDG7 - Affordable and Clean Energy

- %NAV in investments aligned to SDG11 - Sustainable Cities and Communities
- Carbon - Aggregate - Absolute CO2eT Emissions Saved / Avoided
- Energy - Aggregate - Renewable energy production (MWh)

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 do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?**
  Before investment and at least annually during the holding period, a check is performed to validate that sustainable investments exclude economic activities that are deemed to cause harm to people and/or the environment. Further, fourteen mandatory and four optional Principal Adverse Impact (PAI) indicators from the Annex I of EU Commission Delegated Regulation 2022/1288 are considered to establish materiality of the PAI indicator to the potential investment to ascertain that investment does not cause significant harm. Do No Significant Harm test is embedded in the initial due diligence and periodic monitoring process.

  - **How have the indicators for adverse impacts on sustainability factors been taken into account?**
    Assessment of PAI indicators is performed before each investment to determine suitability for the Fund and at least annually during the holding period to inform areas for engagement with the issuers and determine appropriateness of investment classification as sustainable. Where data is available, quantitative assessment is performed. For remainder of PAIs, qualitative analysis is used to evaluate the impact.

  - **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**
    Due diligence performed before investment and annually during the holding period includes consideration of alignment with the UN Guiding Principles on Business and Human Rights. If potential investment is assessed to be in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises, it will not be acquired. For existing investments, the Manager will engage with the issuer.

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

☒ Yes, at the product level, the Fund considers principal adverse impacts through assessing and monitoring fourteen mandatory and four optional principal adverse indicators from the Annex I of EU Commission Delegated Regulation 2022/1288. PAI indicators are collected from issuers for each applicable reference period with use of a systematized process and a best effort basis. Adverse impacts are considered for engagement with the issuers.

Corporate mandatory indicators:
1. Greenhouse gas (GHG) emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sectors
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste and radioactive waste ratio
10. Violations of UNGC principles and OECD Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UNGC principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons

Corporate voluntary indicators:
Investments in companies without carbon emission reduction initiatives
Investments in companies without workplace accident prevention policies
Lack of human rights policy
Lack of anti-corruption and anti-bribery policies

The information on how principal adverse impacts on sustainability factors were considered will be available in the Annual Report of the Fund.

☐ No

What investment strategy does this financial product follow?

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

The Fund will invest predominantly in diversified portfolio of private or illiquid debt and debt-like assets that aim to demonstrate a positive environmental and/or social impact. The AIFM will use internal proprietary research to assess the overall credit risk of the asset and any corporate risk involved. The AIFM will also use internal analysis and, where deemed appropriate, external legal opinion to make a judgement as to the relative legal or structural risks associated with any asset.

Before investment, all assets are assessed against impact eligibility criteria specified in the Impact Framework. All sustainable investments of the Fund will demonstrate characteristics that align with the Fund's Impact Themes.

To avoid a delayed drawdown process, the AIFM will initially invest client subscriptions, directly or through Collective Investment Schemes, in more liquid instruments, which will include debt instruments, such as liquid bonds and loans, and asset-backed securities which will then be sold to acquire private or illiquid impact assets as they are sourced by the Investment Manager.

- **What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?**
  All sustainable investments that the Fund invests in need to meet impact eligibility criteria outlined in the Impact Framework.

The AIFM, or its delegate, acting on behalf of the Fund, may not make an investment in any company or corporate which, at the time of purchasing an asset, is within scope of the following:

- Global Norms. Companies assessed to be in violation of the United Nations Global Compact (UNGC) or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. Companies assessed to be in violation mean companies that are found to be in severe, repeated and/or systemic breach of these rules.
- Controversial Weapons. Companies involved in any activities related to controversial weapons (meaning controversial weapons as referred to in international treaties and conventions, United Nations principles and, where applicable, national legislation). This includes companies assessed to be involved in anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons outside the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser, non-detectable fragment weapons. A 0% revenue threshold for such companies is applied.
- Fossil Fuels. Companies involved in the exploration, mining, extraction, manufacturing, distribution (including transportation, storage, trade and retail) or refining of thermal coal, conventional and unconventional oil and gas and companies involved in the fossil fuel power generation. A combined revenue threshold of 5% for such companies is applied. A 1% revenue threshold is applied to the exploration, mining, extraction, distribution or refining of hard coal and lignite. Companies that derive 50% or more of their revenues from electricity generation with a GHG intensity of more than 100 g CO2 e/kWh are excluded[1].
- Adult Entertainment. Companies involved in the production and / or distribution of adult entertainment. A 5% revenue threshold for such companies is applied.
- Gambling. Companies involved in the provision of gambling-related services. A 5% revenue threshold for such companies is applied.
- Tobacco. Companies involved in the production, cultivation and / or distribution of tobacco. 0% revenue threshold for production and cultivation of tobacco is applied and a 5% revenue threshold for the distribution of tobacco is applied.
- Defence and Other Weapons. The Fund excludes companies that derive revenues from the production or sale of weapons systems, components, and/or support systems and services or the manufacture and retail of civilian firearms and ammunition. For the avoidance of doubt, this does not include the provision of generic systems and services that are not weapons-specific. A 5% revenue threshold for such companies is applied.
- Predatory lending. Companies whose primary business activity is payday lending and/or coercive loan origination. A 5% revenue threshold for such companies is applied.
- Cannabis. Companies or corporations which earned any revenue from producing or selling cannabis for non-medical or recreational purposes, which shall include production and sale of end products containing cannabis for the same purposes. A 5% revenue threshold for such companies is applied. Any revenue derived from medical cannabis must be explicitly permissible under applicable legislation.
- Alcohol. Companies involved in the production and/or distribution of alcohol for consumption. A 5% revenue threshold for producers and a 10% revenue threshold for distributors (wholesale and retail) is applied.

[1]Due to data limitations, screening for GHG intensity directly may not be practical, therefore the Manager may monitor revenues from the sources of power generation that are known to have GHG intensity exceeding 100g CO2e/kWh (typically power generation from combustion, e.g. fossil fuels) as a proxy. Where for a particular company it can be evidenced that emissions are below 100g CO2e/kWh it is allowed as an investment even if it falls under one of monitored sources of power generation.

After the purchase of an investment, the Investment Manager will continue to monitor the limits listed above but they may be exceeded for reasons beyond the control of the Manager. If they are exceeded after purchase the Manager will record such matters and adopt as a priority objective to resolve that situation, but it will not be considered a breach. The Investment Manager shall be under no obligation to dispose of the assets in the event that limits are infringed after the acquisition of an asset and may disregard them where it believes that to do so is in the best interests of the Shareholders but no further acquisitions of such asset will be made while the limits are infringed save that for a breach of the PAB Exclusions which will corrected in a manner and timing that is in the best interest of the investors.

The investment restrictions applying to thermal coal, as set out in The Investment Manager's Thermal Coal Investment Policy, apply to the Fund and may have an effect on the assets in which the Fund invests. The effect is limited to types of assets that are in scope of the Coal Policy.

EU Paris-Aligned Benchmark (PAB) Exclusions
The Fund applies PAB exclusions defined in Article 12(1)(a)-(g) of Commission Delegated Regulation (EU) 2020/1818. These exclusions are incorporated into the exclusions list above.

Application of PAB exclusions to asset-backed securities
Due to data limitations on asset-backed securities, look-through to underlying assets based on revenues is not feasible. Therefore, sector classification of underlying assets and key counterparty is used as a proxy. Based on this information, assets with exposure to sectors excluded by PAB are not permitted for investment.

European Green Bonds that have been issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631) do not need to be assessed under the exclusions outlined in this Annex. In respect of investments in other use of proceeds instruments, the exclusions outlined in this Annex will be applied to the bond/loan proceeds, with the exception of the Global Norms exclusion, which will be applied to the bond/loan issuer.

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

- **What is the policy to assess good governance practices of the investee companies?**
  Good governance practices of investee companies are assessed prior to making an investment and monitored during the holding period as part of initial and periodic due diligence. Governance factors considered include, but are not limited to: sound management structures, employee relations, remuneration of staff and tax compliance. The Fund does not invest in issuers that do not pass good governance test performed as part of initial due diligence. Material governance issues arising from periodic due diligence are considered for engagement with issuers.

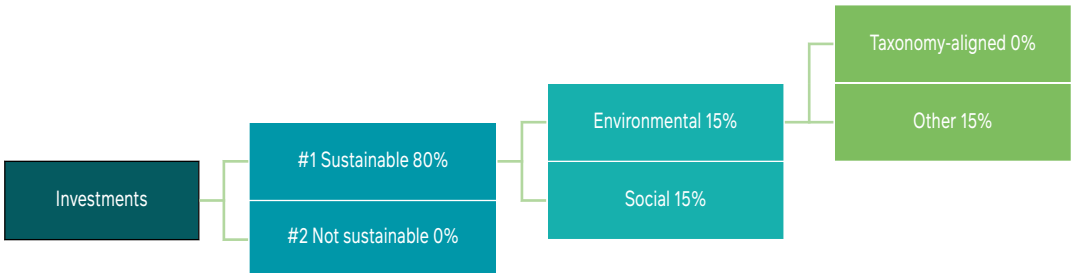
Asset allocation describes the share of investments in specific assets.

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

A minimum of 80% of the Fund's Net Asset Value is in sustainable investments. A minimum of 15% of the Fund's Net Asset Value is aligned to the environmental objective and a minimum of 15% of the Fund's Net Asset Value is aligned to the social objective. Fund's strategy assumes flexibility for the portfolio to have varying proportions of investments targeting environmental and social outcomes over time. A minimum of 0% (and a maximum of 20%) of the Fund's Net Asset Value are other investments that do not contribute to the sustainable investment objective.

All asset allocations below are expressed as a % of Fund's Net Asset Value. They reflect planned asset allocation resulting from the commitments outlined in the paragraph above.

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?**
  The Fund does not use derivatives to attain the sustainable investment objective.

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

The Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy Regulation. The Fund does not target investment in taxonomy-aligned assets as part of its investment policy and therefore Investment Manager expects that 0% of the Funds' investments will be aligned with the environmental objectives under the Taxonomy Regulation.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?**

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

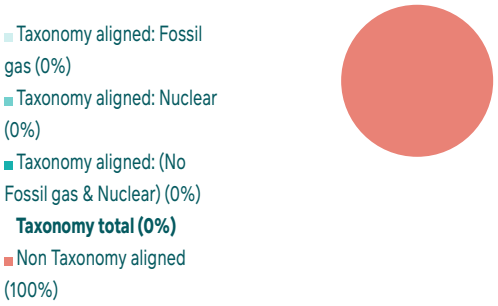
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas 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.

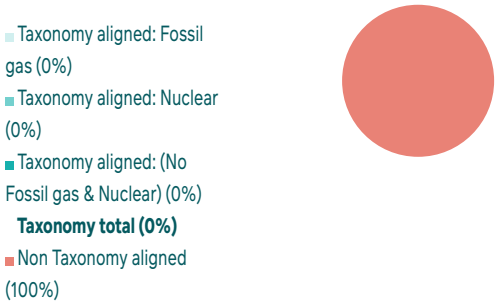
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



This graph represents 100% of the total investments.

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

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

The Fund does not set a minimum share of investments in transitional and enabling activities.

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?

The minimum share of sustainable investments with an environmental objective is 15% of Net Asset Value. None of these assets are expected to be aligned to EU Taxonomy because the Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation.

What is the minimum share of sustainable investments with a social objective?

The minimum share of sustainable investments with a social objective is 15% of Net Asset Value.

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

"Not Sustainable" includes cash and cash equivalents, investments held for hedging or liquidity purposes and capital awaiting deployment in private or illiquid impact assets. Investments held for liquidity purposes or awaiting deployment in private or illiquid impact assets investments meet Investment Manager's good governance requirements and one of the following criteria:

- green bonds or loans, social bonds or loans and sustainability bonds or loans that have been reviewed and assessed by a reputable second-party opinion provider;
- liquid debt instruments that are aligned with the Funds Impact Themes, or;
- liquid debt instruments have an ESG score from an ESG Ratings provider or the AIFM that is above a minimum threshold defined by the AIFM.

They also exclude companies that are assessed to be in breach of the UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises.

For other ancillary assets (i.e. cash, cash equivalents and hedging instruments) no minimum environmental or social safeguards have been put in place.

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

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

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/investments/institutional/en-global/sustainability-related-disclosures