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 SLK European Loan Fund
Legal Entity Identifier: 549300UFV3MAYSMVT057

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

● ● ☐ **Yes** ● ● ☒ **No**

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

- ☐ 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**:

☐ 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 environmental and/or social characteristics are promoted by this financial product?

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. This includes companies companies deemed to be in breach of United Nations Global Compact Principles, involved in controversial weapons, tobacco, cannabis or coal and restricted companies outlined in the Appendix. Detailed definitions of these exclusions are in the binding elements section below.

The Fund also excludes any issuer with ESG risk factors that have potential material financial impact on the Fund. This is based on analysis of broad range of environmental, social and governance factors, such as climate, diversity and inclusion, board composition, disclosure.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**
  - Weighted Average Carbon Intensity
  - Portfolio ESG rating (external or M&G proprietary)
  - ESG Scorecard - Governance Score
  - %NAV in ESG laggards
  - %NAV with UNGC red flag
  - %NAV held in investments excluded by the Fund's exclusions

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**
  Not applicable. The Fund does not commit to make sustainable investments.

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 the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**
  Not applicable. The Fund does not commit to make sustainable investments.

  - **How have the indicators for adverse impacts on sustainability factors been taken into account?**
    Not applicable. The Fund does not commit to make sustainable investments.

  - **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**
    Not applicable. The Fund does not commit to make sustainable investments.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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

☐ Yes

☒ No, the Fund's strategy is specifically focused on exclusion of issuers that are in breach of international standards and/or are operating in sectors deemed not complying with ESG principles and consideration of ESG risks that are financially material. Systematic consideration of Principal Adverse Impact (PAI) indicators, as defined in the Annex I of EU Commission Delegated Regulation 2022/1288, is not part of the strategy of this Fund.



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 principally invests in a diversified portfolio of Leveraged Loans and sub-participations in Leveraged Loans. The Fund may also invest in senior secured floating rate notes. The investment approach is based on the fundamental analysis of each transaction.

In addition to the above, the AIFM integrates environmental, social and governance (ESG) analysis into its investment decisions by implementing two ESG layers. The first layer takes place in the initial credit analysis, excluding any issuer with ESG risk factors that have potential material financial impact on the Fund. The second layer follows sectorial guidelines, screening out any issuers that are in breach of international standards and/or are operating in sectors deemed not complying with ESG principles.

Qualitative and quantitative analysis is combined to assess a company's ESG risk management and value-creation abilities. An in-house ESG research dashboard is used, leaning on the Sustainability Accounting Standards Board's risk-mapping framework and supplemented by the leveraged finance team's investment experience, to identify material ESG risks to investigate. Climate-related risks are also assessed using the AIFM's proprietary carbon emission tool which estimates portfolio companies' carbon intensity levels. In addition, the leveraged finance team conducts an engagement program with borrowers and sponsors to attest to their governance models, their environmental and social operating guidelines and where appropriate, to engage on key issues such as climate, diversity and inclusion, single use plastic and lobby for greater disclosure of ESG issues. Specific ESG commentaries are incorporated in all credit papers prior to initial investment and are revisited regularly, including at each six-monthly review of the entire portfolio.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**
  For each investment, analysis of ESG risk factors is performed with use of proprietary ESG scorecard, within initial credit analysis and/or based on third party ESG rating or report.

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:

- **Controversial Weapons**. Any company 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.
- **Tobacco**. Companies involved in the production of tobacco, or companies with an ownership in these companies. A 5% revenue threshold for tobacco producers 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.
- **Coal.** Any company or corporation that derives more than 5% of its annual revenues directly from the extraction of thermal coal and/or any company or corporation that derives more than 25% of its annual revenues directly from coal power production.
- **Global Norms.** Companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.

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 in respect of a particular asset are infringed after the acquisition of the asset 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.

The Fund may not invest in an asset where the issuer / borrower is an entity which is listed as restricted company in the Appendix at the time of purchase of the loan.

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.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund does not set a committed minimum rate to reduce the scope of the investments considered prior to the application of the investment strategy.

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.

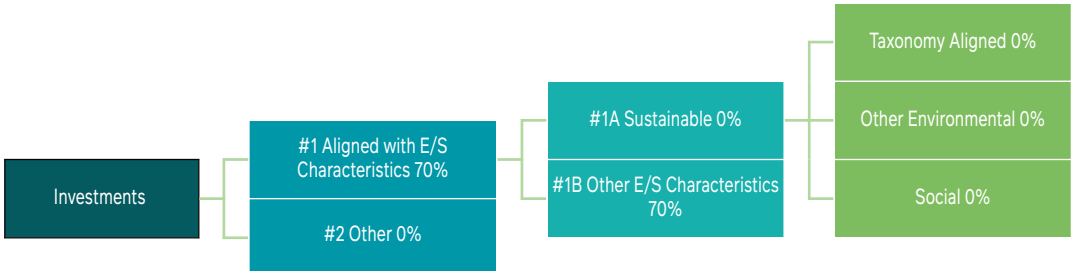
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

A minimum of 70% of the Fund's Net Asset Value are investments aligned to the environmental or social characteristics promoted. None of the assets that are committed to qualify as sustainable. A minimum of 0% (and a maximum of 30%) of the Fund's Net Asset Value are other investments not aligned to the environmental or social characteristics.

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 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain the environmental or social characteristics.

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.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

- **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

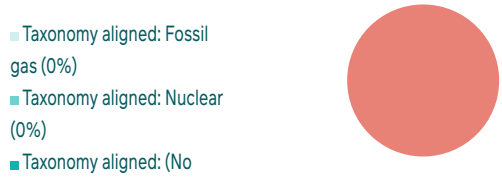
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas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

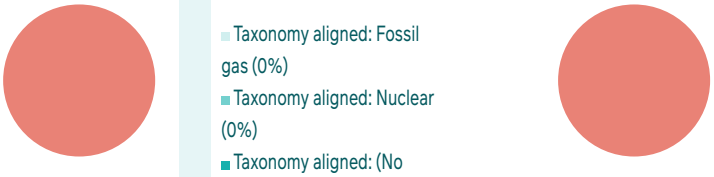
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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 sustainable investments with an environmental objective 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?
Not applicable. The Fund does not commit to make sustainable investments.

What is the minimum share of socially sustainable investments?
Not applicable. The Fund does not commit to make sustainable investments.

What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?
Investments included in "#2 Other" consist of cash and cash equivalents, investments held for hedging or liquidity purposes, investments for diversification purposes or investments for which there is insufficient data.

For investments for which there is insufficient data and investments for diversification purposes, minimum safeguards comprise of exclusion of the 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 determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?
No reference benchmark has been designated to determine whether this Fund is aligned with the environmental and social characteristics that it promotes.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**
  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

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