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 Sustainable Loan Fund
Legal Entity Identifier: 2549001GG9A9B5454692

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 51% 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?

Positive ESG risks and opportunity characteristics
The Fund invests in securities of companies exhibiting strong ESG risk and opportunity characteristics, as expressed by proprietary ESG score or third party ESG score. ESG score considers a broad range of environmental, social and governance factors, such as climate, diversity and inclusion, board composition, disclosure. Each investment made by the Fund meets a minimum score on Manager's proprietary ESG rating system or third party ESG rating.

ESG Exclusions
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 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?**

Positive ESG risk and opportunity characteristics
% NAV in investments providing environmental solutions
% NAV in investments providing circular economy solutions
% NAV in investments providing social inclusion
% NAV in investments providing better health
Weighted Average Carbon Intensity
% NAV with committed Science-Based Targets
% NAV with ratified Science-Based Targets
% NAV aligned to less than 1.5 degree pathway
% NAV participating in Carbon Disclosure Project
Average Corporate ESG score (proprietary)
% NAV below minimum Corporate ESG score (proprietary)

% NAV in Green Bonds
% NAV signatory to UNGC
% NAV with a modern slavery policy
% NAV board gender female +33%
ESG Scorecard - Governance Score
% NAV with UNGC red flag

ESG Exclusions
% 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?**
  To invest in companies that exhibit strong ESG characteristics expressed through a broad range of environmental, social and governance factors and/or their economic activities provide solutions in the areas of environment, circular economy, better health or social inclusion. The Investment Manager uses a series of proprietary tests based on available data to determine whether an investment makes positive contribution towards environmental or social objectives.

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?**
  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.

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

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 principally invests in a diversified portfolio of loans, bonds and notes in any Freely-Transferable Currency. The Fund may also invest, to a limited extent, in other debt and equity-related securities. The investment approach is based on the fundamental analysis of each transaction. All investments are rated according to an internal rating system reflecting current opinion of the creditworthiness of an obligor with respect to the asset on offer. At the time of purchase, each asset needs to meet a minimum public, or if not available, private credit rating.

The Fund may invest in ESG loans, ESG notes and ESG bonds which meet the AIFM's ESG criteria. In addition, the Fund may invest in securities of companies which exhibit strong ESG risk and opportunity characteristics. The AIFM's ESG criteria is achieved through proprietary analysis and/ or the use of third party ESG information.

Qualitative and quantitative analysis is combined to assess a company's ESG risk management and value-creation abilities. An in-house ESG rating system 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 and the state of a company's target-setting will be an input to assessment. 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 annual 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?**
  Subject to the point below, the Fund may not invest in assets which have an ESG Rating by the AIFM or its delegate of lower than 40. If no ESG Rating by the AIFM or its delegate is available then the Fund may not invest in assets which have an ESG Rating from MSCI of below BB.

  The Fund may invest up to 5% of its Net Asset Value in lower-rated assets or non-rated assets where a demonstrable and monitored plan of action and engagement is to be pursued with a view to targeting a higher rating over time.

  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 principles 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 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 fossil fuel power generation. A combined revenue threshold of 5% for such companies is applied. There is also a 1% revenue threshold for 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 these companies are 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. A 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.** 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.
- **Nuclear Power.** Companies involved in the production of nuclear power. A 5% revenue threshold for nuclear power activities is applied.
- **Genetically Modified (GM) Crops.** Companies that derive more than 5% of their revenue from the genetic modification of plants/crops intended for agriculture or human consumption.

[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 CO2 e/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 CO2 e/kWh it is allowed as an investment even if it falls under one of monitored sources of power generation.

Furthermore, 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:(i) undertakes business with, or provides support services to, a company engaged in any activity described above (including, without limitation, payment platforms, web hosting services, transport services and/or general retail), and (ii) which derives the majority of its income from such business or support services. 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: (i) is engaged in the production and/or sale of computer technology, communications equipment, software, medical supplies, vaccines or similar items or any other product or component, that is potentially suitable for use by a company or corporate engaged in any activity described above, and (ii) which derives the majority of its income from such business or support services.

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.

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.

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.

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 proceeds, with the exception of the Global Norms exclusion, which will be applied to the bond issuer.

Towards Sustainability Quality Standard
The Fund seeks to comply with requirements set out in the Towards Sustainability Quality Standard. In case of overlap between the exclusion list above and the exclusions defined by the Towards Sustainability Quality Standard, the stricter threshold will apply. For more information, please refer to the Fund's sustainability-related disclosures.

- **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.

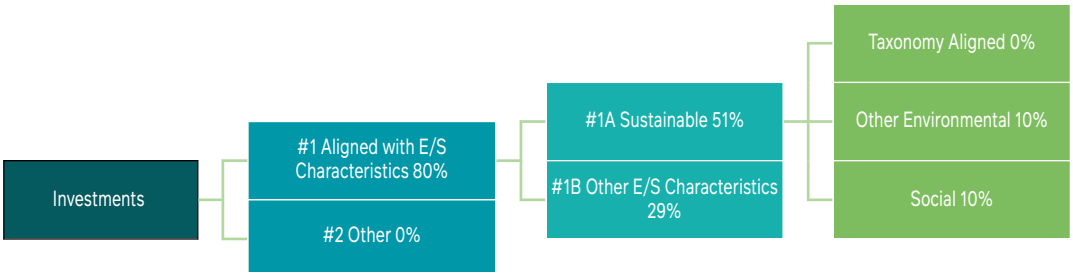
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

A minimum of 80% of the Fund's Net Asset Value are investments aligned to the environmental or social characteristics promoted. This includes a minimum of 51% of Net Asset Value in sustainable investments. A minimum of 10% of the Fund's Net Asset Value is aligned to the environmental objective and a minimum of 10% 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 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.

- **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

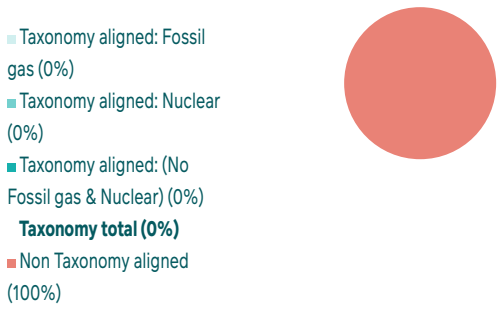
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas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

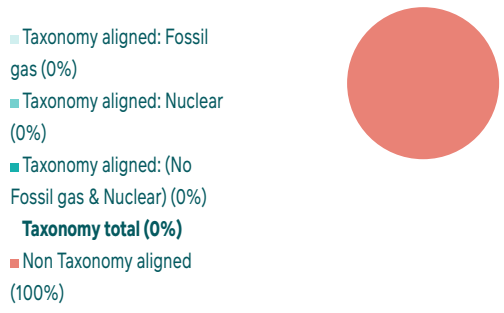
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

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?

The minimum share of sustainable investments with an environmental objective is 10% 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 socially sustainable investments?

The minimum share of socially sustainable investments is 10% of Net Asset Value.

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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