Sustainability-related disclosures

Luxembourg Specialist Investment Fund FCP-RAIF - M&G Catalyst Capital 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. 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.

Summary

The Sub-fund intends to achieve its investment objective by investing predominantly in private equity or equity related securities with a main focus on the core member states of the OECD, with a particular focus on investments which exhibit operational and structural complexity.

The Sub-fund will typically invest in assets that demonstrably contribute to a sustainable economy, aiming to improve environmental and social outcomes as categorised by the themes of climate action, environmental solutions, circular economy, social inclusion, better health, better work and education as core components of a sustainable economy. Each investment is assessed with use of the Impact Management Project's Framework, based on the IMP+ACT Investment Classification System to understand, manage and measure contribution to the targeted themes.

The Sub-fund will not invest in the activities that are considered to be harmful to the society or the environment. To this end, the Sub-fund operates an ESG exclusion list (Catalyst Exclusion List) as part of the Portfolio Manager's investment process, which includes norms-based, sector-based and/or values-based exclusions and applies the Portfolio Manager's Coal Policy.

A minimum of 70% of the Sub-fund's Gross Asset Value are investments aligned to the environmental or social characteristics promoted. This includes a minimum of 51% of the Sub-fund's Gross Asset Value in sustainable investments. A minimum of 10% of the Sub-fund's Gross Asset Value is aligned to the environmental objective and a minimum of 10% of the Sub-fund's Gross Asset Value is aligned to the social objective.

Investment selection, due diligence, ongoing portfolio monitoring and data collection follow a structured process. The Sub-fund's methodology to assess attainment of promoted environmental and social characteristics includes analysis of Sustainability Indicators, Principal Adverse Impact (PAI) indicators, adherence to the binding elements and application of Impact Management Project's Framework. Engagement with investee companies is part of the Sub-fund's strategy.

No sustainable investment objective

This Sub-fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The Sub-fund intends to partially invest in sustainable investments as defined by Sustainable Finance Disclosure Regulation (SFDR).

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 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 initial due diligence and periodic monitoring process.

Assessment of PAI indicators is performed before each investment to determine suitability for the Sub-fund and at least annually during the holding period to inform areas for engagement with an investee company 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.

Due diligence performed before investment and periodically 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 Portfolio Manager will engage with the investee company.

Environmental or social characteristics of the financial product

The Sub-fund will typically invest in assets that demonstrably contribute to a sustainable economy, aiming to improve environmental and social outcomes as categorised by the themes of climate action, environmental solutions, circular economy, social inclusion, better health, better work and education as core components of a sustainable economy. Each investment is assessed with use of the Impact Management Project's Framework, based on the IMP+ACT Investment Classification System to understand, manage and measure contribution to the targeted themes.

The Sub-fund will not invest in the activities that are considered to be harmful to the society or the environment. To this end, the Sub-fund operates an ESG exclusion list (Catalyst Exclusion List) as part of the Portfolio Manager's investment process, which includes norms-based, sector-based and/or values-based exclusions, and applies the Portfolio Manager's Coal Policy.

Investment strategy

The Sub-fund intends to achieve its investment objective by investing predominantly in private equity or equity related securities with a main focus on the core member states of the OECD, with a particular focus on investments which exhibit operational and structural complexity. The Sub-fund will operate a flexible strategy and may also invest in mezzanine, junior or other debt opportunities with the potential to generate returns expected to meet or exceed the Sub-fund's target return.

The Sub-fund further intends to achieve an attractive financial return whilst creating a positive impact for people, communities and the planet. The targeted impact will differ across the portfolio from robust ESG risk management to actively seeking intentional, positive impact. The objective will be to establish a pro-active role in many of the Investments to reduce negative and improve positive impacts.

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

Proportion of investments

A minimum of 70% of the Sub-fund's Gross Asset Value are investments aligned to the environmental or social characteristics promoted. This includes a minimum of 51% of the Sub-fund's Gross Asset Value in sustainable investments. A minimum of 10% of the Sub-fund's Gross Asset Value is aligned to the environmental objective and a minimum of 10% of the Sub-fund's Gross Asset Value is aligned to the social objective. The Sub-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 30%) of the Sub-fund's Gross Asset Value are other investments not aligned to the environmental or social characteristics.

None of the Sub-fund's investments are expected to be aligned to EU Taxonomy because the Sub-fund does not currently assess the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation.

The Sub-fund can gain exposure through both, direct investments and indirectly through pooled undertakings for collective investment. Typically, majority of Sub-fund's investments comprise of direct investments.

Monitoring of environmental or social characteristics

Investment selection follows a structured process that includes systematic consideration of ESG factors. Deal team is responsible for the initial analysis of investments against ESG and impact criteria based on the information obtained directly from investee company as part of due diligence. The outputs of ESG due diligence form a mandatory section in the final investment proposal, which is approved by the Investment Committee prior to initial investment. The Portfolio Manager must ensure that the acquisitions align with the environmental and social characteristics promoted by the Sub-fund.

For existing investments, progress is monitored against the Sub-fund's promoted environmental and social characteristics with use of impact

scores, Sustainability Indicators and PAI indicators. At least annually, impact score is adjusted based on outcomes of periodic due diligence. Sustainability Indicators and PAI indicators are assessed periodically to determine if environmental and social characteristics promoted are being attained. Performance of the Sub-fund in relation to ESG and impact is reviewed during annual reviews of entire portfolio.

Investments are checked against the Sub-fund's exclusions before each investment and annually for existing investments.

Methodologies

Sustainability Indicators, PAI indicators and adherence to binding elements of the Sub-fund are used as a metrics to measure attainment of environmental or social characteristics promoted by the Sub-fund.

The Sub-fund uses Impact Management Project's Framework based on the IMP+ACT Investment Classification System to understand, manage and measure contribution of investments to the targeted impact themes. Investments are allocated to category from A1 to C4 based on the combination of impact of the underlying asset and the contribution that the Sub-fund, as an investor, makes to enable the company to achieve the impact.

Data sources and processing

Data Sources

ESG data is gathered before each investment and periodically for existing investments to measure the attainment of promoted environmental or social characteristics.
Data is sourced directly from investee companies during due diligence with use of ESG questionnaire and standardised ESG data templates. This process incorporates collection of Sustainability Indicators and PAI indicators.

Data Quality

The data that is being reported to the Sub-fund is reviewed by the Catalyst investment team.

Estimated data

All data collected, where available, is based on actual reported data from investee companies, with limitations outlined below.

Limitations to methodologies and data

The Sub-fund invests primarily in non-listed businesses, where there is no external data providers that can deliver ESG data. The data used to measure the attainment of the sustainable investment characteristics promoted by the Sub-fund is based on reported numbers by investee companies which has not been externally verified. The combination of self-reported data and lack of external verification can lead to a number of uncertainties in data output for the measuring of the Sub-fund's environmental and social characteristics. There is a risk that ESG information may be incomplete, inaccurate or unavailable, creating the risk that the Portfolio Manager may incorrectly assess a company, resulting in the incorrect inclusion or exclusion of a company in the Sub-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 criteria or similar). Where identified, the Portfolio Manager will seek to mitigate this risk through its own assessment. The data that is being reported to the Sub-fund will be checked by Catalyst investment team. Notwithstanding the limitations, the data is derived from the primary source. Where data is unavailable, the Portfolio Manager will work with its investee companies to address data availability including implementation of reporting practices and frameworks. Due to the mitigants described above, such limitations do not affect how the environmental or social characteristics of the Sub-Fund are met.

Due diligence

ESG due diligence is carried out before each acquisition and periodically for existing investments. It includes the following considerations:

- Analysis of top risks based on Sustainability Accounting Standards Board (SASB) Materiality map to inform key areas for further ESG due diligence;
- Impact and intent analysis, including IMP+ACT investment classification and alignment with UN Sustainable Development Goals;
- Evaluation of core ESG risks related to climate, governance and social factors;
- Identification of key areas for impact and engagement plan.

The outputs of such due diligence inform whether any prospective investment is aligned to environmental or social characteristics promoted

by the Sub-fund. Conclusions are documented on standard ESG assessment template, which is a mandatory section in the final investment proposal paper. An annual review of the existing investments is performed to assess ESG and impact performance.

Engagement policies

Where applicable, as an active fund manager, M&G engages with companies to add value to the investment process, to increase our understanding, or provide feedback to a company. Engagements are focused on achieving real world outcomes. M&G focuses on the underlying substance of engagement, delivery of engagement objectives and the relevance for the investment decision when assessing the quality and effectiveness of an engagement. If this is an ESG engagement, the aim is to influence company behaviour or disclosure. For further information on engagement policies, please refer to the M&G Investments Engagement Policy available on the M&G website.

The Sub-fund aims to establish a pro-active role in many of the Investments to reduce negative and improve positive impacts. The Catalyst team conducts an engagement program with investee companies to achieve it. Engagements are planned in accordance with the Principles for Responsible Investment (PRI) definition, meaning purposeful dialogue with an objective. They will also have an investment outcome expressed. This activity is undertaken by the investment team or a third party consultant. All formal engagement notes include ESG objectives, engagement key takeaways, outcomes as well as envisaged next steps are recorded.

Designated reference benchmark

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

Sustainable Investments

Sustainable investment test

A sustainable investment is 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. This can be summarised as three requirements (i) contribute to environmental or social objective; (ii) do no significant harm or “DNSH” and (iii) good governance. Firms such as the Investment Manager are required to devise their own method for identifying which investments they should treat as sustainable investments.

The potential sustainable investments that pass the DNSH and good governance tests and are tested for whether they contribute to environmental and/or social objectives. This testing includes a combination of quantitative and qualitative tests based on available data, as well as the application of judgment and opinion by the Investment Manager. These tests may vary over time in response to the market environment and evolving practice. This is a complex topic that varies between investment management firms, and an example is provided below to assist investor understanding.

Additional Information

List of PAI indicators that the Sub-fund considers at the product level is provided in Annex 1.
List of ESG exclusions that the Sub-fund applies is provided in Annex 2.

Annex 1- PAI Table

PAI indicators that the Sub-fund considers at the product level are shown in the table below.

Issuer	PAI Indicator	PAI	PAI Metric
Corporate	GHG emissions	1a	Scope 1 GHG emissions
		1b	Scope 2 GHG emissions
		1c	Scope 3 GHG emissions
		1d	Total GHG Emissions
	Carbon footprint	2	Carbon footprint
	GHG intensity of investee companies	3	GHG intensity of investee companies
	Exposure to companies active in the fossil fuel sector	4	Share of investments in companies active in the fossil fuel sector
	Share of non-renewable energy consumption and production	5	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
	Energy consumption intensity per high impact climate sector	6a	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
	Activities negatively affecting biodiversity-sensitive areas	7	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
	Emissions to water	8	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
	Hazardous waste ratio	9	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	10	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	Lack of process and compliance mechanisms to monitor compliance with UNGC principles and OECD guidelines for multinational enterprises	11	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.

	Unadjusted gender pay gap	12	Average unadjusted gender pay gap for investee companies
	Board gender diversity	13	Average ratio of female to male board members in investee companies
	Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons	14	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Sovereigns and Supranationals	GHG intensity	15	GHG intensity of investee countries
	Investee countries subject to social violations	16	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
Corporate	Investments in companies without carbon emissions reduction initiatives	Optional	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
	Investments in companies without workplace accident prevention policies	Optional	Share of investments in investee companies without a workplace accident prevention policy
	Lack of a human rights policy	Optional	Share of investments in entities without a human rights policy
	Lack of anti-corruption and anti-bribery policies	Optional	Share of investments in entities without policies EN 22 EN on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption

Annex 2. ESG Exclusions

The Sub-fund will not invest in the activities that are considered to be harmful to the society or the environment. To this end, the Sub-fund operates an ESG Exclusion List as part of the Portfolio Manager's investment process, which includes norms-based, sector-based and/or values-based exclusions. The Catalyst Exclusion List is shown below. In addition to the Catalyst Exclusion List, the Portfolio Manager's Coal Policy applies to the Sub-fund.

The Sub-fund will exclude the following:

Exclusion Criteria	Threshold
International standards Any company or corporation which is listed on an EU or UN sanctions list or is in severe and/or systemic breach of United Nations conventions and declarations, including the United Nations Global Compact, on human rights including child labour and labour rights, on environmental protection and on systemic corruption.	Breach
Illegality Products, activities or materials deemed illegal under host country law or regulation.	0%
Tobacco Any companies or corporations that directly, or through entities it controls, have revenues from producing or processing tobacco into the final product and/or earned more than 10% from its distribution.	0% P / 10% D
Cannabis Any company or corporate that directly, or through entities it controls, produces or sells cannabis for non-medical or recreational purposes, which shall include production and sale of end products containing cannabis for the same purpose.	0%
Controversial Weapons Any company or corporation involved in a controversial weapons industry meaning chemical and biological weapons such as white phosphorus, weapons and armour made from depleted uranium, nuclear weapons (including those outside the Nuclear Non-Proliferation Treaty) as well as cluster bombs and anti-personnel landmines.	0%
Defence and Other Weapons Any company or corporation which earned more than 5% of its revenues from the manufacturing of weapons or tailor-made components thereof. Weapons are defined as products or basic components of products that have been 'designed to injure/kill'. Tailor-made components are components that are developed primarily in order to be integrated into a weapon system.	5%
Coal Any company or corporate involved in the extraction of thermal coal.	0%
Unconventional Oil and Gas extraction Any company or corporation involved in the unconventional extraction of oil and gas such as shale oil, shale gas, oil sands and Arctic drilling.	0%
Conventional Oil and Gas extraction Any company or corporation involved in the conventional extraction of oil and gas.	0%
Alcohol Any company or corporation which earned more than 5% of its revenues from production of alcohol.	5%
Gambling Any company or corporation that earned more than 5% of its revenues from the provision of gambling services.	5%
Pornography Any company or corporation that earned revenues derived from producing, directing or publishing adult entertainment materials. Any company or corporation that practise animal testing on nonmedical grounds.	0% 0%
Carbon-Intensive Power Generation Any company or corporation that derives more than 0% power production from coal and more than 5% from oil and gas.	0% CP / 5% OGP

The Portfolio Manager assesses the company or corporation's commitment to transitioning to a low carbon pathway by reviewing independently assessed climate risk management, management's approach to decarbonisation commitments and relevant statements made by the company. The Portfolio Manager engages with company management to help facilitate this transition.

M&G Investments

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