Sustainability-related disclosures

M&G Illiquid Credit Opportunities Fund VIII

254900KYCWD7VHMWL583

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 Fund will seek to invest in assets with an expected return premium over liquid corporate bond market equivalents.

A portion of the fund, typically 15% and, at a minimum, 5% of Fund's Total Commitments, will be invested in assets demonstrating a positive environmental or social impact once the fund is fully drawn. Impact means assets that make a measurable, positive contribution to the environment or society. Impact assets that the Fund targets align with the following impact themes:

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

The Fund will endeavour to align with Net Zero by 2040 through consideration of Principal Adverse Impact (PAI) indicators related to greenhouse gas emissions and carbon reduction initiatives for investments in corporate debt and energy inefficiency and fossil fuel exposure for investments secured by real estate assets.

The Fund will not hold investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.

A minimum of 70% of the Fund's Net Asset Value is aligned to the environmental or social characteristics promoted. This includes a minimum of 5% of Net Asset Value in sustainable investments. Commitment to minimum % of sustainable investments applies at the earlier of (i) the Fund being fully drawn and (ii) 3 years since Fund's launch date.

Investment selection, due diligence, ongoing portfolio monitoring and data collection follow a structured process. Fund's methodology to assess attainment of promoted environmental and social characteristics includes analysis of Sustainability Indicators, PAI indicators, adherence to the Fund's binding elements, application of the Impact Framework to the portion of the portfolio allocated to impact assets and, for most types of investments, scores on in-house ESG scorecard and/or third party ratings.

No sustainable investment objective

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment. The 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 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.

Due diligence performed before investment and at least 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.

Environmental or social characteristics of the financial product

A portion of the fund, typically 15% and, at a minimum, 5% of Fund's Total Commitments, will be invested in assets demonstrating a positive environmental or social impact once the fund is fully drawn. Impact means assets that make a measurable, positive contribution to the environment or society. Impact assets that the Fund targets align with the following impact themes:

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

The Fund will endeavour to align with Net Zero by 2040 through consideration of PAI indicators related to greenhouse gas emissions and carbon reduction initiatives for investments in corporate debt and energy inefficiency and fossil fuel exposure for investments secured by real estate assets.

The Fund will not hold investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.

Investment strategy

The Fund will seek to invest in assets with an expected return premium over liquid corporate bond market equivalents. The AIFM will use internal proprietary research to assess the overall credit risk of the assets and any corporate risk involved.

A portion of the portfolio will aim to demonstrate a positive environmental or social impact. It is expected that such assets will be primarily private or illiquid impact assets sourced by the Investment Manager. These sustainable investments may deliver positive social and/or environmental impact in a wide range of areas. Examples of environmental impact include renewable energy, green transportation, green buildings and waste management. Examples of social impact include healthcare, education, social housing and economic inclusion.

ESG factors that are financially material are integrated into the analysis of all investments. The Fund will use carbon data or estimates of carbon data provided by the AIFM to make investment decisions and structure the Fund portfolio.

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.

Proportion of investments

A minimum of 70% of the Fund's Net Asset Value is aligned to the environmental or social characteristics promoted. This includes a minimum of 5% of Net Asset Value in sustainable investments. A minimum of 0% of the Fund's Net Asset Value is aligned to the environmental objective and a minimum of 0% 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 30%) of the Fund's Net Asset Value are other investments not aligned to the environmental or social characteristics.

None of Fund’s investments 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.

Commitment to minimum % of sustainable investments applies at the earlier of (i) the Fund being fully drawn and (ii) 3 years since Fund’s launch date.

The Fund can gain exposure through both, indirect investments in collective investment schemes or other pooled investment vehicles, and

by investing directly. The proportion of direct and indirect exposures that the Fund takes is expected to vary over time, dependent on investment opportunities.

Monitoring of environmental or social characteristics

Investment selection follows a structured process that includes systematic consideration of ESG factors. The analysts are responsible for the initial analysis of investments. They verify compliance with Fund's exclusions and they assess ESG characteristics using an in-house ESG rating system together with inputs from third party ESG rating providers, where relevant. Specific ESG commentaries are incorporated in the credit papers, which is ratified at the Credit Committee, prior to investment. Investments that are part of the Fund's allocation to the impact assets are subject to an impact assessment against Fund's Impact Criteria, which is summarized in the Impact Assessment Paper. Fund Manager must ensure that the acquisitions align with the environmental and social characteristics promoted by the Fund, which includes consideration of the investment's characteristics in the context of Fund's guideline to align with Net Zero by 2040.

For existing investments, progress is monitored against the Fund's promoted environmental and social characteristics with Sustainability Indicators, PAI indicators, impact metrics for part of the portfolio allocated to impact assets and, for most types of assets, in-house ESG Scorecard and/or third party ratings. At least annually, ESG Scorecard assessment is reviewed to reflect updated view of ESG factors. Performance of the Fund in relation to ESG is reviewed at least annually, which includes assessment of Sustainability Indicators and PAI indicators to determine if environmental and social characteristics promoted are being attained. At least annually, portfolio is checked against the Fund's exclusions.

Methodologies

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

The Fund's Impact Criteria is used to evaluate investments that are part of Fund's allocation to impact assets. The Fund's Impact Criteria sets out the requirements for an asset to qualify as an eligible impact investment for inclusion in the portfolio. The Impact Criteria contains three main thematic areas: Climate & Nature, Better Health and Social Equality. Each of these have 3-6 of their own sub-themes that outline and define the Fund's impact universe. To be considered as impact asset, an issuer must source the majority of its revenue from one or more of the impact areas (and sometimes we may look at alternative measures instead, such as capital expenditure or operational expenditure), thus contributing positively to these issues, as well as meeting various other conditions and exclusions outlined in the Fund's Impact criteria.

The Impact Framework is developed by M&G and is based on the Impact Management Project (IMP) framework, which sets out eligibility criteria that need to be met for an asset to qualify as an impact investment. The Impact Framework contains the Impact Themes that define the Fund's impact universe.

Further, impact metrics are provided by the issuers or derived by M&G from public sources. They are used to monitor if the investments meet its impact objectives.

With regards to the Fund's guideline to align with Net Zero by 2040, the Fund uses analysis of PAI indicators related to greenhouse gas emissions and carbon reduction initiatives to assess the investments in corporate debt and energy inefficiency and fossil fuel exposure for investments secured by real estate assets.

The Fund uses a proprietary ESG scorecard to assess ESG credentials of potential and existing investments. See a summary of the ESG topics it covers and its methodology here: https://www.mandg.com/proprietary-esg-ratings.

Data sources and processing

Data Sources

The Fund implements a systematic approach to ESG data collection and impact measurement. ESG and impact data on underlying investments is collected from issuers or from public sources before each investment and periodically for existing investments to measure the attainment of the promoted environmental or social characteristics.

Due to the private nature of most of the Fund's investments, data coverage by third party providers may be limited. Therefore, data is primarily requested directly from the issuers or derived from public sources by M&G. Where investments are covered by third party providers, e.g. MSCI or Octus, this data is used in the investment process.

Scope 3 emissions are included in the PAI analysis and the M&G ESG scorecard, but only if reported by the company. The availability of Scope 3 data is often limited due to the complexity of collecting data and resources required for sufficient data quality. This data is used but due to potential low coverage, the WACI KSI focuses only on Scope 1 and 2 emissions.

Data Quality

Data received from the issuers typically comes from reputable and, in some cases, audited sources, such as annual reports or sustainability reports. Upon receipt, the analysts perform reasonableness checks of the data, considering factors such as whether datapoints are in line with their broader understanding of the company, reliability of the data sources etc. Collected ESG data is evaluated via use of a proprietary ESG scorecard.

Estimated Data

Estimated data is utilized where actual data is not available. Impact and other metrics may sometimes need to be estimated using the best available data from the borrower or public sources.

If a portfolio company does not disclose its greenhouse gas emissions, a third party estimate may be used.

Limitations to methodologies and data

ESG information from third party data providers and/or obtained directly from the issuers may be incomplete, inaccurate, stale or unavailable. As a result, there is a risk that the Fund may incorrectly assess an issuer. This in turn can result in the incorrect inclusion or exclusion of a company in the portfolio of the Fund. Incomplete or inaccurate or unavailable ESG data may also act as a methodological limitation to a non-financial investment strategy (such as the application of ESG risk and opportunity characteristics). Where identified, the AIFM will seek to mitigate this risk through its own assessment.

Due to the mitigants described above, such limitations do not affect how the environmental or social characteristics of the Fund are met.

Due diligence

ESG due diligence is carried out before each investment and periodically for existing investments. Appropriate consideration of ESG factors is a mandatory objective in the due diligence process for analysts and fund managers. For investments that form part of Fund's allocation to impact assets, impact assessment includes consideration of:• Baseline eligibility criteria, covering exclusion of issuers that are in breach of international standards and/or are operating in sectors deemed not complying with ESG principles.• Thematic eligibility criteria, covering alignment with Fund's impact themes. For corporates, it is typically performed with use of a standard checklist that covers checks against excluded activities and evaluation of PAIs, as well as, an proprietary ESG scorecard. Analysis can also be based on third party ESG ratings, where available. Additionally, ESG considerations in credit analysis focus on material ESG risks that the issuer is exposed to and are incorporated into the credit paper. Controls associated with the components of due diligence listed above are outlined in the 'Monitoring of environmental or social characteristics' section above.

Engagement policies

Where applicable, as an active fund manager, M&G engages with borrowers to add value to the investment process, to increase our understanding, or provide feedback to a borrower. 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.

Many transactions in private debt markets are either bilateral or club deals involving a small number of lenders. This means that individual private debt investors can be very important providers of capital to private debt borrowers, which creates an opportunity for highly effective engagement. The direct contractual nature of a private loan creates more frequent contact and often fosters a closer relationship between the lender and the borrower than is the case between, say, public bondholder and issuer. For a portion of the Fund allocated to impact assets, the Fund takes advantage of being private side in a transaction to:

- Directly negotiate covenants and agree other investor protections upfront to buffer in sufficient downside protection.
- Develop close dialogue with borrowers to ensure that the expected impact is achieved over the life of the investment.
- Work with borrowers to ensure that useful impact metrics are tracked and reported.

Designated reference benchmark

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

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 Manager are required to devise their own method for identifying which investments they should treat as sustainable investments.

The sustainable investment test includes a combination of quantitative and qualitative tests based on available data, as well as the application of judgment and opinion by the 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. The Manager performs an annual assessment of whether or not any underlying asset is satisfying the sustainability test. Where a qualitative assessment has been made, the Manager will monitor overall progress, and potential to progress, when assessing its alignment to SFDR.

Additional Information

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

Annex 1. Principal Adverse Impact indicators

PAI indicators that the Fund considers at the product level are shown in the table below.

Issuer	PAI	PAI Indicator	PAI Metric
Corporate Mandatory	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
Real Estate Mandatory	Exposure to fossil fuels through real estate assets	17	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels
	Exposure to energy-inefficient real estate assets	18	Share of investments in energy-inefficient real estate assets
Corporate Optional	Investments in companies without carbon emissions reduction initiatives	Opt	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement

Annex 2. ESG Exclusions

The Fund may not invest in investments outlined below.

Exclusion Criteria	Threshold
Global Norms The Fund will not hold investments that are assessed to be in breach of commonly accepted standards of behaviour related to human rights, labour rights, environment and anti-corruption.	Breach

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.

M&G Investments

For investment professionals only. Issued by M&G Luxembourg S.A. in the EU and M&G Investment Management Limited elsewhere (unless otherwise stated). M&G Investment Management Limited, registered in England and Wales under number 936683, registered office 10 Fenchurch Avenue, London EC3M 5AG. M&G Investment Management Limited is authorised and regulated by the Financial Conduct Authority (the "FCA"). For the purposes of AIFMD, M&G Luxembourg S.A. will act as Alternative Investment Fund Manager of the proposed fund(s) cited in this document. The registered office of M&G Luxembourg S.A. and is 16, boulevard Royal, L-2449, Luxembourg. M&G Luxembourg S.A. may terminate arrangements for marketing under the new Cross-Border Distribution Directive denotification process.