Sustainability-related disclosures

M&G Real Estate Debt Fund SCSP, SICAV-RAIF – REDF 10

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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 will promote the following ESG characteristics:
(a) Improving the environmental performance of Portfolio Investments over time; and
(b) Excluding investments which are considered harmful to the environment or society.

The Sub-Fund will seek to improve the performance of Portfolio Investments over time. This objective will be measured in the following ways:
(a) Following the expiration of the Investment Period, the Sub-Fund will have committed and/or invested a minimum of 30% of aggregate Commitments to Portfolio Investments that qualify as Sustainable Investments. For the avoidance of doubt, Portfolio Investments (including Sustainable Investments) which have been disposed of and/or realised will be included within this calculation;
(b) Following the expiration of the Initial Period, the Sub-Fund's Portfolio Investments will comprise of at least 30% Sustainable Investments. The percentage of Portfolio Investments that are considered to be Sustainable Investments will be calculated on a cumulative basis as (1) the sum of invested and/or committed Portfolio Investments which qualify as Sustainable Investments, divided by (2) the sum of all invested and/or committed Portfolio Investments, expressed as a percentage. For the avoidance of doubt, Portfolio Investments (including Sustainable Investments) which have been disposed of and/or realised will be included within limbs (1) and (2) of the calculation;
(c) The Sub-Fund will seek to improve the overall energy efficiency of its Portfolio Investments. The energy efficiency for any single Portfolio Investment will be calculated as the average energy performance certificate rating, weighted by floor area, of the real estate which secures that Portfolio Investment; and
(d) The Sub-Fund will seek to improve the aggregate green building certifications of the real estate backing its Portfolio Investments. The green building certification for any single Portfolio Investment will be calculated as the average green building certification, weighted by floor area, of the real estate which secures that Portfolio Investment.

Sustainable Investment means a Green Loan and/or a Sustainability-Linked Loan, in each case, as assessed and determined at the time of acquisition of such Portfolio Investment. Sustainable Investments are deemed to satisfy the requirements of a sustainable investment as defined in the SFDR.

Investment selection, due diligence, ongoing portfolio monitoring and data collection follow a structured process. The Portfolio Manager's methodology in respect of the Sub-Fund to assess attainment of promoted environmental and social characteristics includes analysis of Sustainability Indicators, Principal Adverse Impact (PAI) indicators, adherence to Sub-Fund's binding elements and application of pre-defined criteria to assess Green Loans.

No sustainable investment objective

This Sub-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).

Prior to acquisition and over the holding period of the Portfolio Investments, PAI indicators are assessed and monitored for each sustainable investment to ascertain that it does not cause significant harm.

This Sub-Fund invests in debt secured by real estate assets. PAI indicators are considered on a look through basis at the level of real estate

assets. The following two PAI indicators applicable to real estate assets, as defined in the Annex I of EU Commission Delegated Regulation 2022/1288, are considered:

- exposure to fossil fuels through real estate assets
- exposure to energy inefficient real estate assets

These PAI indicators are part of the Green Loan eligibility criteria and thus for Green Loans are assessed through evaluation of the loan against the criteria. For Sustainability-Linked Loans PAI indicators will be assessed on an investment-by-investment basis as part of due diligence.

Thresholds are established for the two PAI indicators appliable to real estate assets outlined above. PAI indicators are part of Green Loan eligibility criteria. All sustainable investments are evaluated against these thresholds as part of due diligence and periodically thereafter. Portfolio Investments that breach these thresholds do not qualify as sustainable investments.

Due diligence performed prior to making a Portfolio Investment and at least annually during the term of a Portfolio Investment will include consideration of alignment with the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. This is performed through application of Global Norms exclusion related to United Nations Global Compact principles. If a potential investment is assessed to be in breach of the exclusion, it will not be acquired by the Sub-Fund. For existing Portfolio Investments, the Portfolio Manager of the Sub-Fund will engage with the borrower.

Environmental or social characteristics of the financial product

The Sub-Fund will promote the following ESG characteristics:
(a) Improving the environmental performance of Portfolio Investments over time; and
(b) Excluding investments which are considered harmful to the environment or society.

The Sub-Fund will seek to improve the performance of Portfolio Investments over time. This objective will be measured in the following ways:
(a) Following the expiration of the Investment Period, the Sub-Fund will have committed and/or invested a minimum of 30% of aggregate Commitments to Portfolio Investments that qualify as Sustainable Investments. For the avoidance of doubt, Portfolio Investments (including Sustainable Investments) which have been disposed of and/or realised will be included within this calculation;
(b) Following the expiration of the Initial Period, the Sub-Fund's Portfolio Investments will comprise of at least 30% Sustainable Investments. The percentage of Portfolio Investments that are considered to be Sustainable Investments will be calculated on a cumulative basis as (1) the sum of invested and/or committed Portfolio Investments which qualify as Sustainable Investments, divided by (2) the sum of all invested and/or committed Portfolio Investments, expressed as a percentage. For the avoidance of doubt, Portfolio Investments (including Sustainable Investments) which have been disposed of and/or realised will be included within limbs (1) and (2) of the calculation;
(c) The Sub-Fund will seek to improve the overall energy efficiency of its Portfolio Investments. The energy efficiency for any single Portfolio Investment will be calculated as the average energy performance certificate rating, weighted by floor area, of the real estate which secures that Portfolio Investment; and
(d) The Sub-Fund will seek to improve the aggregate green building certifications of the real estate backing its Portfolio Investments. The green building certification for any single Portfolio Investment will be calculated as the average green building certification, weighted by floor area, of the real estate which secures that Portfolio Investment.

Investment strategy

The Sub-Fund aims to achieve attractive risk-adjusted returns by funding, acquiring, originating or investing in loans, bonds and other securities backed directly or indirectly by commercial real estate and / or residential properties located in the UK and Europe.

The Sub-Fund's investment approach combines credit analysis with an assessment of ESG factors. Sustainability considerations are fully integrated in the investment process and ESG credentials are measured through a range of sustainability indicators. A portion of the Sub-Fund's Portfolio Investments will also aim to demonstrate a positive environmental contribution. These will include Green and Sustainability-Linked Loans. For Green Loans eligibility will be determined in accordance with criteria provided by external service provider. Sustainability-Linked Loans will be externally verified. The Sub-Fund will also engage with borrowers and sponsors to promote and encourage improvements in environmental efficiency of the real estate backing the Portfolio Investments.

Good governance practices of borrowers are assessed prior to making a Portfolio Investment and monitored during the term of the Portfolio Investment. Governance factors considered include sound management structures, employee relations, remuneration of staff and tax

compliance. The Sub-Fund does not provide loans to borrowers that do not demonstrate good governance which is determined as part of initial due diligence. Material governance issues arising from periodic due diligence are considered for engagement with borrowers.

Proportion of investments

A minimum of 70% of the Sub-Fund's Portfolio Investments will be aligned to the environmental or social characteristics promoted. This includes a minimum of 30% of Portfolio Investments that qualify as Sustainable Investments, as applied from the expiration of the Initial Period. A minimum of 0% (and a maximum of 30%) of the Sub-Fund's Portfolio Investments includes other investments not aligned to the environmental or social characteristics.

The minimum commitment to Sustainable Investments applies from the expiration of the Initial Period. The percentage of Portfolio Investments that are considered to be Sustainable Investments will be calculated on a cumulative basis as (1) the sum of invested and/or committed Portfolio Investments which qualify as Sustainable Investments, divided by (2) the sum of all invested and/or committed Portfolio Investments, expressed as a percentage. For the avoidance of doubt, Portfolio Investments (including Sustainable Investments) which have been disposed of and/or realised will be included within limbs (1) and (2) of the calculation.

None of Sub-Fund’s investments are expected to be aligned to EU Taxonomy because the Sub-Fund does not currently take into account the EU criteria for environmentally sustainable economic activities as defined in the Taxonomy regulation.

The Sub-Fund does not typically make indirect investments, the Sub-Fund's investments primarily provide direct exposure to real estate debt.

Monitoring of environmental or social characteristics

Investment selection follows a structured process that includes systematic consideration of ESG factors. The deal analysts are responsible for the initial analysis of investments. They verify compliance with the Sub-Fund’s exclusions and assess ESG characteristics related to environmental performance of the real estate asset that is to be funded. Specific ESG commentaries are incorporated in the Credit Committee and Pre-Completion Memos. Investments that are part of the Sub-Fund’s allocation to Green Loans are subject to an assessment against pre-defined criteria as determined by an external service provider. Sustainability-Linked Loans are externally verified. The Portfolio Manager must ensure that the acquisitions align with the environmental characteristics promoted by the Sub-Fund.

For existing investments, progress is monitored against the Sub-Fund's promoted environmental and social characteristics with Sustainability Indicators and PAI indicators. At least annually, these indicators are reviewed to reflect an updated view of the environmental characteristics of each investment and assess performance of the Sub-Fund in relation to ESG. At least annually, the portfolio is reviewed against the Sub-Fund’s exclusions. If this review identifies that the Sub-Fund's ESG exclusions cease to be adhered to, the Portfolio Manager will engage with the borrower to seek to resolve the matter.

Methodologies

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

Criteria to classify investments as Green Loans are based on widely recognised Green Building Certifications (such as BREEAM and LEED) and statutory Energy Performance Ratings (such as Energy Performance Certificates in England and Wales).

Data sources and processing

Data Sources. Data is gathered at the asset level, prior to each investment and on an annual basis for existing Investments to measure the attainment of the promoted environmental or social characteristics. The Sub-Fund obtains the environmental data directly from the borrowers.
Data Quality. Data provided by the borrowers is evaluated by the deal analysts, who conduct a reasonableness check. This process includes evaluating factors such as the reliability of the data source and assessing whether the data points align with their understanding of the borrower.
Data Processing. Sustainability Indicators information is aggregated and tracked by the deal analysts on an ongoing basis. This dataset also incorporates mandatory real estate PAI indicators related to energy inefficient real estate and fossil fuel exposure.

Estimated Data. ESG analysis is based on actual data received from borrowers. Estimated data is not expected to be used in determining key inputs to ESG analysis.

Limitations to methodologies and data

ESG information from third party data providers and/or obtained directly from the borrowers may be incomplete, inaccurate, stale or unavailable. As a result, there is a risk that the Sub-Fund may incorrectly assess an investment. This in turn can result in the incorrect inclusion or exclusion of an investment in the portfolio of the Sub-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 Portfolio Manager 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 Sub-Fund are met.

Due diligence

Prior to making an investment, due diligence is carried out to assess the ESG risk. The Sub-Fund generally instructs specialist third-parties to undertake building surveys and environmental risk assessments in relation to properties that will provide security for the investment The ES issues covered vary by sector and location, but typically include items such as energy performance (e.g. Energy Performance Certificates), flood risk, building sustainability ratings (e.g. certifications such as BREEAM and LEED) and land contamination risk. For the Sub-Fund specifically, due diligence includes the following ESG considerations:

- Baseline eligibility criteria, covering exclusion of borrowers that are in breach of international standards and exposure to tenants that are in breach of international standards and/or operating in sectors deemed not complying with ESG principles;
- EPCs, green building certification and exposure to real estate involved in the extraction, storage, transport or manufacture of fossil fuels.

The outputs of such due diligence inform whether any prospective investment is aligned to environmental or social characteristics promotedby the Sub-Fund. An annual review of the existing investments is performed to assess ESG performance. In addition, for investments that form part of the Sub-Fund's allocation to sustainable investments, assessment includes consideration of:

- Whether the investment can be classified as a Green Loan in accordance with eligibility criteria as determined by an external service provider;
- Whether the investment is or is suitable to be structured as a Sustainability-Linked Loan.

The Sub-fund typically structures loan agreements to include contractual obligations on borrowers during the loan term such as requirements to improve EPC ratings, increase green building certification coverage, and/or to achieve a certain level of green building certification for the properties that we are financing. Due to the nature of the assets in which it invests, our ability to exert the most influence is generally limited to the pre-investment stage, while terms and structure are being negotiated. In this stage, the Portfolio Manager discusses and addresses any identified ESG issues with the counterparty and considers how the transaction structure looks to minimise these risks. The Sub-fund also endeavours to get commitments to provide regular ESG reporting.

Appropriate consideration of ESG factors is a mandatory objective in the due diligence process for analysts and fund managers.

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 borrower behaviour or disclosure. Please refer to the M&G Investments Engagement Policy for further information, available on the M&G website.

Key aims of engagement for real estate debt include:

- Directly negotiate contractual obligations on borrowers during the loan term such as requirements to improve EPC ratings, increase green building certification coverage, and/or to achieve a certain level of green building certification for the properties that we are financing.
- Maintain close dialogue with borrowers to ensure expected environmental improvements are achieved.

- Endeavour to get commitments to provide regular ESG reporting and ensure agreed reporting is provided.

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.

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. Principal Adverse Impact indicators

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

Issuer	PAI	PAI Indicator	PAI Metric
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

Annex 2. ESG Exclusions

The Sub-Fund excludes investments which are considered harmful to the environment or society. To achieve this the Fund applies ESG exclusions outlined below.

The Sub-Fund may not make a Portfolio Investment which, at the time of its acquisition, would be secured by real estate which is within scope of the following:

Exclusion Criteria	Threshold
Global Norms Any real estate that is owned and controlled by or has Significant Tenants that are listed companies assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption.	Significant tenants (>20% of total potential rent)
Controversial Weapons Any real estate that has tenants that are listed companies assessed to derive the majority of their income from or whose primary business activity is the production of anti-personnel mines, cluster munitions, chemical and biological weapons, nuclear weapons outside the non-proliferation treaty, depleted uranium and white phosphorous munitions, blinding laser and non-detectable fragment weapons.	All tenants
Thermal Coal Any real estate that has tenants that are Excluded Companies per the Portfolio Manager's Thermal Coal Investment Policy.	All tenants

Details of the implementation of these exclusions are included in the PPM within "Sub-Fund Special Sections - Investment Restrictions – ESG Exclusions".

M&G Investments

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