For Investment Professionals only

M&G INSTITUTIONAL

M&G Sustainable European Credit Investment Fund

Monthly fund report

January 2024

The value of investments will fluctuate, which will cause prices to fall and rise and investors may not get back the original amount they invested. There is no guarantee the objective will be achieved.

Investors in France should note that, relative to the expectations of the Autorité des Marchés Financiers, this Sub-Fund presents disproportionate communication on the consideration of non-financial criteria in its management.

The M&G Sustainable European Credit Investment Fund ('The fund') aims to take advantage of opportunities primarily in investment grade corporate bonds denominated in euros and applies a number of ESG focused exclusions to ensure all securities meet our minimum ESG and sustainability criteria. The fund may also invest in GBP, USD and CHF denominated debt, and use futures and swaps for efficient portfolio management. The fund utilises M&G's global research and fund management capabilities to identify fundamental value in corporate and asset backed bonds. The fund focuses on credit management; currency, interest rate and other macro-economic risks are closely controlled. The fund aims to outperform the benchmark Bloomberg Barclays MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index.

Key information

Fund manager	Gaurav Chatley
Fund launch date	7 October 2021
Fund type	Luxembourg SICAV (UCITS)
SFDR Classification	Article 8
Dealing and valuation dates	Daily (settlement t+2)
Annual Charge	0.18% of NAV (Institutional AI share classes) 0.21%/0.25% of NAV (Wholesale LI/L founder share classes)
Share class currencies	EUR, GBP (Hedged)
Minimum investment	€1 million* (EI shares) €500,000* (LI/L shares)
Fund size	€1,785,052,457.93
Number of issues	545
Number of issuers	291
Modified duration** **Spread duration**	4.34 4.54
PV01 **CR01** **IE01**	0.0440% 0.0450% 0.0000%
Average credit rating***	A
Yield**	3.98%
99% 20 day value at risk	3.07%

Source: M&G as at 31 January 2024. *Or Sterling equivalent. **Calculated to worst. ***Linear average credit rating.

Performance target

The fund seeks to return 0.75% gross of fees p.a. above its index over a cycle.

Risks associated with this fund

Market risk: The value of investments and the income from them will rise and fall. This will cause the sub-fund price, as well as any income paid by the sub-fund, to fall as well as rise. There is no guarantee the sub-fund will achieve its objective, and you may not get back the amount you originally invested.

Credit Risk: The value of the sub-fund may fall if the issuer of a fixed income security held is unable to pay income payments or repay its debt (known as a default).

Interest Rate Risk: When interest rates rise, the value of the sub-fund is likely to fall.

Derivatives Risk: The sub-fund may use derivatives to gain exposure to investments and this may cause greater changes in the sub-fund's price and increase the risk of loss.

Counterparty Risk: Some transactions the sub-fund makes, such as placing cash on deposit, require the use of other financial institutions. If one of these institutions defaults on their obligations or becomes insolvent, the sub-fund may incur a loss.

Asset-Backed Securities Risk: The assets backing mortgage and asset-backed securities may be repaid earlier than required, resulting in a lower return.

Contingent Convertible Debt Securities Risk: investing in contingent convertible debt securities may adversely impact the fund should specific trigger events occur and the fund may be at increased risk of capital loss.

Hedged share classes use currency hedging strategies to minimise currency exchange rate risk. There will be imperfections with any hedging strategy, and it cannot be guaranteed that the hedging objective will be achieved. The hedging strategy may substantially limit holders of the hedged share class from benefiting if the hedged share class currency fails against the reference currency.

Please note this is not an exhaustive list, you should ensure you understand the risk profile of the products or services you plan to purchase.

ESG Data Risk: ESG information from third-party data providers may be incomplete, inaccurate or unavailable. There is a risk that the investment manager may incorrectly assess a security or issuer, resulting in the incorrect inclusion or exclusion of a security in the portfolio of the sub-fund.

Fund performance

Past performance is not a guide to future performance.

Total returns	One month	Three months	Year to date	One year	Three years (p.a.)	Five years (p.a.)	Since inception (p.a.)
EI share class (Acc) € (gross)[1]	0.68%	5.80%	0.68%	6.64%	-	-	-2.33%
EI share class (Acc) € (net)[1]	0.67%	5.76%	0.67%	6.49%	-	-	-2.46%
Index[2]	0.13%	5.16%	0.13%	5.87%	-	-	-3.08%
EI share class (Inc) € (gross)[1]	0.68%	5.80%	0.68%	6.65%	-	-	-2.10%
EI share class (Inc) € (net)[1]	0.67%	5.76%	0.67%	6.50%	-	-	-2.23%
Index[2]	0.13%	5.16%	0.13%	5.87%	-	-	-3.08%
AI share class (Acc) € (gross)[1]	0.68%	5.80%	0.68%	6.64%	-	-	-2.32%
AI share class (Acc) € (net)[1]	0.66%	5.75%	0.66%	6.45%	-	-	-2.50%
Index[2]	0.13%	5.16%	0.13%	5.87%	-	-	-3.08%
AI share class (Inc) € (gross)[1]	0.68%	5.80%	0.68%	6.65%	-	-	-2.11%
AI share class (Inc) € (net)[1]	0.66%	5.75%	0.66%	6.45%	-	-	-2.29%
Index[2]	0.13%	5.16%	0.13%	5.87%	-	-	-3.08%

Source: M&G as at 31 January 2024. [1]Please refer to the since inception dates in the Pricing table. [2]Index is the Bloomberg MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index.

Yearly return (gross of fees)	2016	2017	2018	2019	2020	2021	2022	2023
EI share class (Acc) €	-	-	-	-	-	-	-13.24%	8.76
Index	-	-	-	-	-	-	-13.52%	8.06

Index is the Bloomberg MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index. The annual charge for the E share classes for this fund is 0.14%

Pricing

Share class	Inception date	ISIN	Bloomberg code	Price per share	Fund NAV	Annual charge
EUR EI (Acc)	07 October 2021	LU2360511021	MGECIEE LX	€94.23	€561,467,430.14	*
EUR EI (Inc)	07 October 2021	LU2360510999	MGECIEL LX	€89.45	€8,971.66	*
EUR AI (Acc)	07 October 2021	LU2360510304	MGECIEE LX	€94.15	€52,580,313.23	0.18%
EUR AI (Inc)	07 October 2021	LU2360510213	MGECIEE LX	€89.45	€26,843,170.72	0.18%

Source: M&G as at 31 January 2024. *Early Bird E share classes are now closed to new investors.

Positioning

Key characteristics	Fund	Index
Number of issues	545	2,752
Number of issuers	291	507
Modified duration to Worst	4.34	4.36
Spread duration	4.54	4.52
Average credit rating	A	A-
WAL to worst	5.38	4.90
Yield to worst	3.98%	3.54%
Yield to Maturity	3.87%	3.62%
Coupon	2.80%	2.19%

Source: M&G as at 31 January 2024.

Key Sustainability Characteristics	Fund	Index	Reference Universe (ER00)
WACI	47.03	61.27	106.80
Carbon Coverage %	85.8%	99.1%	97.2%
MSCI ESG Score (scale of 0 to 10)	7.34	7.40	7.26
Exposure to UNGC Breaches%	0.00%	0.00%	0.06%
Exposure to Laggards % (issues with an MSCI Rating of B or lower)	0.00%	0.00%	2.37%
% of ESG Labelled Bonds	17.10%	14.14%	18.35%
% of NAV covered by MSCI Ratings	93.78%	100.00%	94.64%

Source: M&G, MSCI and Refinitiv as at 31 January 2024.

Sustainability Indicators

Indicators	KPI
Avoidance of controversial issuers: The Fund excludes companies and countries with severe controversies (UNGC/ Freedom house). UNGC red flags exclusions are considered a house exclusion.	**Exclusion KPI:** 0% exposure to companies deemed to be in breach of the UN Global Compact Principles of human rights, labour, the environment and anti-corruption. 0% is determined as any issue with a "red" flag as determined by UNGC. **Exclusion KPI:** 0% exposure to government bonds from countries considered "Not Free" by the Freedom House organisation.
More sustainable, better run and less harmful businesses: The Fund focuses on businesses which have superior ESG risk management practices and are less harmful to society and the environment. ESG laggards are deemed incompatible and excluded when initially defining this more sustainable universe. The Fund promotes the inclusion of issuers with better ESG characteristics where this is not detrimental to the pursuit of the investment objective.	**Exclusion KPI:** 0% Exposure to investments in ESG laggards. **Reporting KPI:** Weighted average ESG score of the portfolio using MSCI, compared to Sustainable Universe and the wider investment universe of European investment grade corporate bonds (ER00).
Less harmful to the climate: The Fund recognises the critical nature of climate change. Enabling lower carbon intensity economic activities is important now and in the future for the physical environment and for society as a whole.	**Relevant KPI:** The fund will typically have a lower weighted average carbon intensity (WACI) (Scope 1+2 divided by US$ revenues) than the investment universe of European investment grade corporate bonds (ER00).
Positive impact to the environment, society and the climate: The Fund will seek to identify climate transition leaders, and consideration will be made to include ESG Bonds, e.g. green bonds, social bonds, sustainability bonds, transition bonds, sustainability bonds or sustainability linked bonds.	**Reporting KPI:** Exposure (%) to investments in ESG Bonds, such as green bonds, social bonds, sustainability bonds, transition bonds, sustainability bonds or sustainability linked bonds.

Source: M&G as at 31 January 2024

Positioning

Asset class*	Fund	Index	Relative
Covered	2.80%	0.02%	2.78%
Financial	51.18%	48.65%	2.53%
Industrial	30.61%	49.84%	-19.23%
Utility	2.89%	1.19%	1.70%
Securitized	0.80%	0.30%	0.50%
Sovereign	8.89%	0.00%	8.89%
Net cash and derivatives	2.83%	0.00%	2.83%
Total	100.00%	100.00%	0.00%

*ICE BofA level 2 industry sectors. Source: M&G as at 31 January 2024

Rating*	Fund	Index	Relative
AAA	11.26%	0.24%	11.02%
AA	5.94%	5.50%	0.44%
A	39.24%	47.00%	-7.76%
BBB	38.62%	46.47%	-7.85%
BB and below	2.11%	0.79%	1.32%
Net Cash and Derivatives	2.83%	0.00%	2.83%
Total	100.00%	100.00%	0.00%

*Average of S&P, Moodys and Fitch or M&G internal rating

Currency of assets*	Fund	Index	Relative
EUR	99.46%	100.00%	-0.54%
GBP	0.54%	0.00%	0.54%
USD	0.00%	0.00%	0.00%
Net derivatives	0.00%	0.00%	0.00%
Total	**100.00%**	**100.00%**	**0.00%**

*Unhedged currency of assets in portfolio, all non-EUR investments are fully currency hedged.

Top five corporates overweights and underweights by issuer

Overweights	Fund	Index	Relative
Thames	0.62%	0.13%	0.49%
Logicor Financing	0.48%	0.00%	0.48%
MassMutual	0.51%	0.03%	0.48%
Arion Banki	0.51%	0.03%	0.48%
Aroundtown	0.63%	0.17%	0.46%

Underweights	Fund	Index	Relative
Telefonica	0.00%	0.76%	-0.76%
Siemens	0.21%	0.85%	-0.64%
Sanofi	0.00%	0.64%	-0.64%
HSBC	0.25%	0.82%	-0.57%
Orange	0.53%	1.09%	-0.56%

Source: M&G as at 31 January 2024.

Key investment risk guidelines

Key risk guidelines	Maximum
All individual AAA issuers (with the exception of sovereign / supranational / government guaranteed issuers)	Index + 5%
All individual AA and A issuers	Index + 3%
All individual BBB issuers	Index +2%
Aggregate exposure to issuers downgraded to below BBB-	15%
Aggregate purchases of issuers below BBB-	10%
Aggregate exposure to asset backed securities	20%
Duration limit	Benchmark +/- 1 year

Source: M&G as at 31 January 2024

Investment commentary

The market has been debating the timing of the Fed's first interest rate cut for months. Investors are still expecting rate cuts fairly soon, however Powell's remarks following January's meeting led to markets dialling back on the likelihood that a cut will go ahead in March – the market implied probability fell to one-in-three. Generally, sovereign bonds across the US, Europe and UK lost ground as investors dialled back the prospect of rate cuts. Geopolitical concerns have also persisted into 2024, particularly as strikes from Houthi rebels on commercial shipping in the Red Sea led to significant supply-chain disruption. This saw oil prices rising again in January following three monthly declines, with Brent Crude up +6.1% to $81.7/bbl.

Investment Grade (IG) supply continued to beat expectations (and records) in January, as borrowers took advantage of rallying yields to refinance at lower rates. Strong demand continued as investors were eager to buy bonds with elevated yields before central banks start cutting base rates, leading spreads to continue to perform well in the month. Rates were volatile, driven by changing market expectations on the path of interest rates. The EUR IG and GBP IG indices tightened by 7bps and 4 bps respectively, however rising government bond yields resulted in EUR IG delivering slightly positive total returns of 0.09% and GBP IG delivering a negative return of -0.99%.

The European High Yield market started the year positively as spreads continued to grind tighter, ending January 12bps tighter than at the end of 2023. This resulted in Euro HY delivering total returns of 0.83%.

During January, the fund selectively reduced exposure to bonds which had performed well and rotated into higher quality assets, primarily adding positions through the new issue market where we saw compelling relative value opportunities.

In terms of sales, we reduced exposure to various financial and industrial bonds, including those issued by Credit Agricole, Experian, Harley-Davidson, Balder, Teleperformance , AT&T and BT, as well as hybrids issued by Unibail.

We participated in an active primary market, topping up exposure to a number of automotive, banking, capital goods and utility bonds including BMW, Mercedes, Commerzbank and Terna, as well as tier 2 bonds issued by KBC and BBVA. The fund also purchased Autoliv and Volvo, which are now overweight positions vs the fund’s benchmark. Newly issued covered bonds also appeared more attractive on a relative value basis within the banking sector, including those issued by BPCE, ING Bank and Helaba which were added to the Fund during the month.

Lastly, we increased our exposure to the real estate sector via the secondary market, purchasing bonds issued by Vonovia.

Taxonomy summary

In line with its ESG and Sustainability Criteria, the fund promotes environmental characteristics and intends to invest in one or more underlying investments that contribute to climate change mitigation. The ESG Criteria and Sustainability Criteria describe how the securities that the fund invests in are assessed and measured regarding their ability to contribute to climate change mitigation. At the date of this Report, it is however not yet possible to commit to the fund’s minimum alignment with the Taxonomy Regulation, as it is currently not possible to accurately assess such investments in accordance with the EU criteria for environmentally sustainable activities. The “do no significant harm” principle applies only to those investments underlying the fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this fund do not take into account the EU criteria for environmentally sustainable economic activities. The Prospectus will be updated after it becomes possible to accurately disclose the extent the fund’s investments are in taxonomy-aligned environmentally sustainable activities, including the proportions of investments in enabling and transitional activities selected for the fund.

Note on swing pricing effect

The fund operates partial swing pricing whereby the fund swings when net flows on any dealing day are above a pre-determined threshold. The NAV per Share may be adjusted upwards or downwards to reflect the costs attributable to the net inflows and outflows respectively. If net flows do not exceed the pre-determined threshold then the fund is mid-priced. The swing factor is determined monthly using the bid-mid spread of assets in the fund on a given day.

Investment process

At the core of our investment process is our proprietary analysis of the fundamental creditworthiness of issuers, driven by our very well resourced and highly experienced credit research team. Our career analysts are industry sector specialists, and cover both high yield and investment grade issuers. This breadth of coverage gives us unique insights into idiosyncratic company characteristics and global sector dynamics which, in turn, allow us to form an independent and timely view of credit quality and rating migration. As part of the research process, they will identify relevant and material ESG factors, which will be flagged to the investment team through our proprietary ESG scorecard. We then apply a layer of screening to the investable universe in order to exclude any companies that would not meet our minimum ESG and sustainability criteria. Please see the following section on sustainability for further details on this.

The fund manager then compares our fundamental credit and ESG assessment with the relative market valuations to identify mispriced and under / over-valued securities. After the manager has established the investment thesis, the risk / reward of the opportunity and optimal bond issue / currency / maturity / instrument to implement the idea, our trading desk’s dedicated credit and asset backed dealers are responsible for trade execution. The independent risk management team monitors and regularly reviews the portfolio’s risk positions with the fund manager. Our investment process and highly diversified approach to portfolio construction aim to deliver consistent returns above the fund’s benchmark.

Benchmark

Bloomberg Barclays MSCI Euro Corporate ESG BB+ Sustainable SRI Bond Index.

The benchmark is a target which the fund seeks to achieve. The index has been chosen as the Fund’s benchmark as it is an achievable performance target and best reflects the scope of the fund’s investment policy. The benchmark is used solely to measure the fund’s performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The investment manager has complete freedom in choosing which assets to buy, hold and sell in the fund, subject to the investment restrictions set out in the fund’s prospectus, and there are no restrictions on the extent to which the fund’s performance may deviate from the one of the benchmark.

For unhedged and currency hedged share classes, the benchmark is shown in the share class currency.

Fund manager

Gaurav Chatley joined M&G Investments in 2005 as an assistant fund manager in the fixed income team. He became a Credit Fund Manager, managing a range of institutional corporate bond funds, in 2006.

Prior to joining M&G, Gaurav worked for London and Capital Asset Management as an investment analyst, with responsibility for the analysis of quantitative investment strategies.

Gaurav graduated from the London School of Economics with a MSc. in Finance and Economics and holds a degree in Mathematics and Scientific Computing from the Indian Institute of Technology. He is a CFA charterholder.

Introduction to M&G's Approach to Sustainability

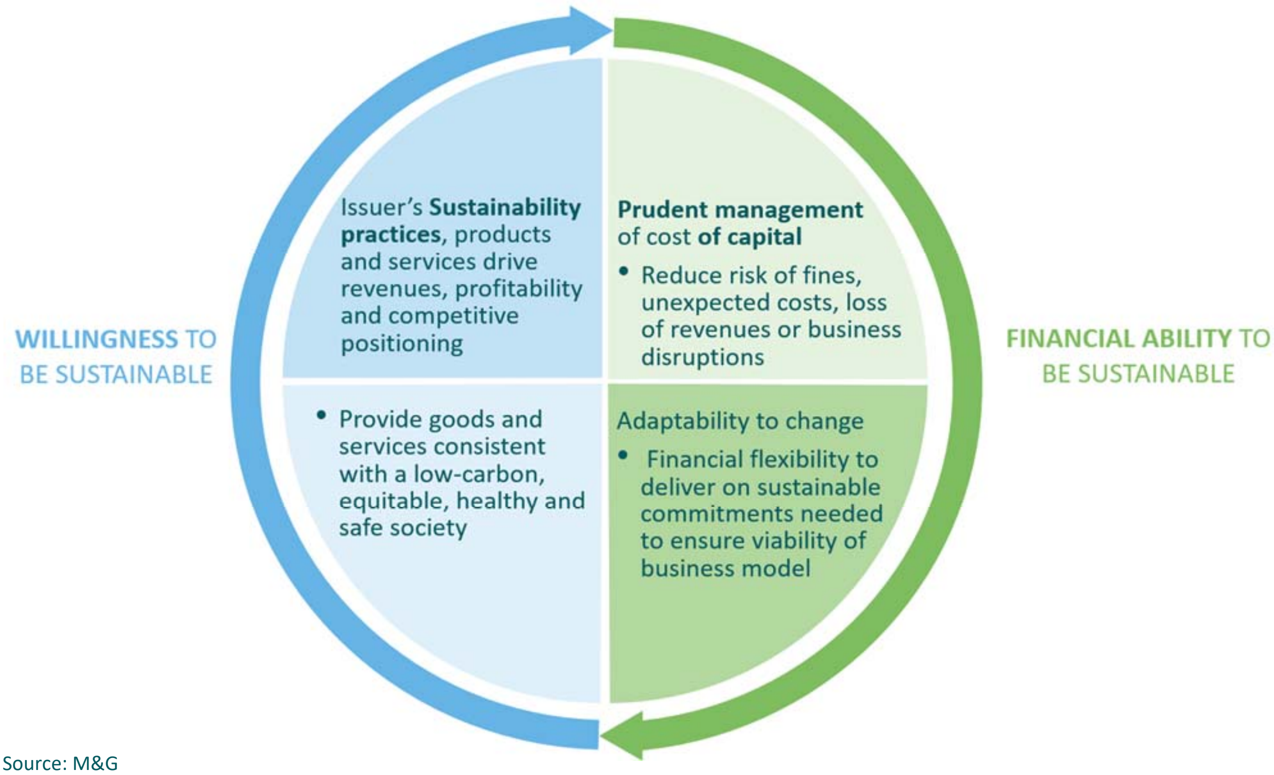
The M&G Sustainable European Credit Investment Fund is designed to offer clients a core sustainable bond proposition. The fund combines M&G's long-running expertise in European credit investing with an assessment of environmental, social and governance (ESG) factors. The fund draws on the M&G fixed income team's well established value-driven investment approach which is backed by significant credit research resources and well-connected trading capabilities.

The fund's investment philosophy and investment guidelines are based on the M&G European Credit Investment Fund, which has been managed by fund manager Gaurav Chatley since its inception in 2011. At the heart of the investment strategy is a bottom-up, research-driven and value-based approach to individual credit selection. We aim to capture risk premia through credit cycles, investing only where we have a strong conviction that a bond's price more than compensates for its associated risks.

The fund puts sustainability factors at the core of its investment approach, with the aim of continuously maximising sustainability elements in the portfolio while maintaining a value-based investment approach. This results in a dual-target approach, combining a financial return objective with a commitment to run the portfolio in line with measurable Sustainability Indicators designed to achieving a sustainable outcome while ensuring that environmental and social safeguards are in place.

Defining sustainable investments

To be considered a sustainable investment, we believe businesses need to demonstrate both a willingness to embrace sustainability and the financial ability to deliver on those commitments. The fund screens bond issuers to identify companies whose sustainability practices drive its capital allocation decisions, with a focus on companies that provide goods and services consistent with creating a low-carbon, healthy and safe society.
However, we only consider a company as being a sustainable investment where its business model is backed by sound financials. Companies need to demonstrate an appropriate level of financial flexibility in order to achieve their sustainable commitments and to ensure the viability of the business over the long term. This includes the prudent management of its cost of capital and the careful management of financially-material ESG risks to reduce the likelihood of fines, unexpected costs, loss of revenues or business disruption.



Source: M&G

Sustainable investment screening

In order to identify securities that meet the fund's sustainability criteria, potential investments undergo a three-stage process (see Roadmap chart). The result is a sustainability themed investment universe, creating the opportunity set for the M&G Sustainable European Credit Investment Fund.

- **Assuring environmental and social safeguards**

The first two stages seek to assure environmental and social safeguards by excluding companies or countries engaged in harmful or unsustainable activities.

Stage 1 - the fund excludes companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment protection and anti-corruption. This stage also excludes government bonds from countries classed as "Not Free" by the Freedom House index based on civil liberties and political rights.

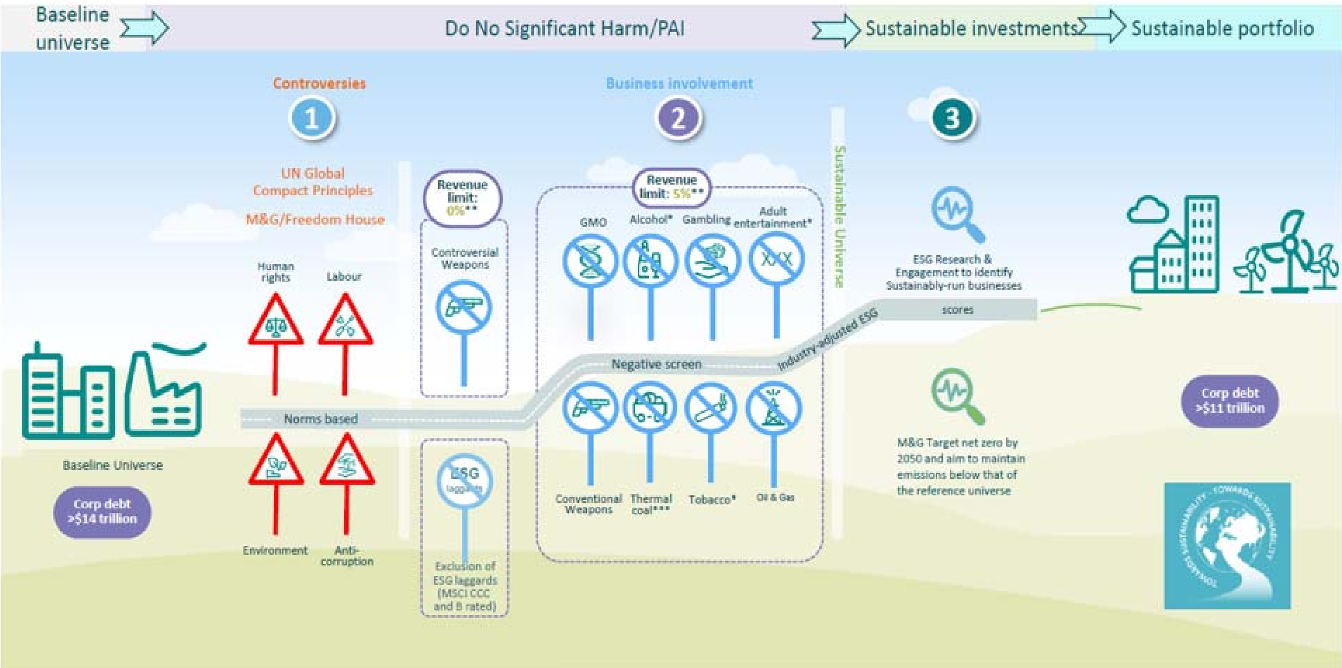
Stage 2 - the fund seeks to exclude companies with business activities deemed to be damaging to the environment and/or the wellbeing of society by virtue of the business activities they are engaged in. We seek to filter out companies that derive a material part of their revenues from the following activities, which can be grouped according to the relevant exclusion criteria:

- **Social** - Tobacco, alcohol, adult entertainment, gambling, conventional weapons
- **Environmental** – Thermal coal, oil & gas, nuclear energy and GMO.

In addition to these exclusions, we also seek to exclude ESG laggards and companies that derive any of their revenue from controversial weapons.

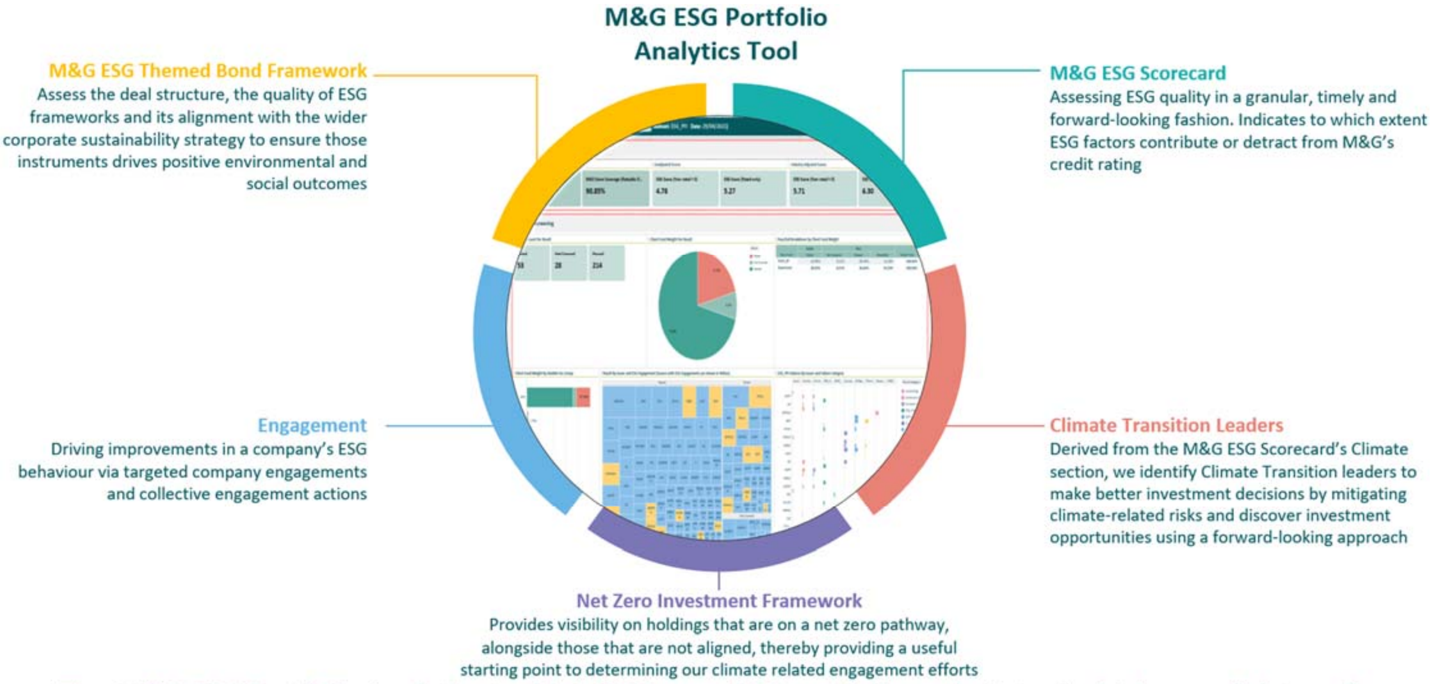
- **Identification of sustainable businesses and exclusion of ESG laggards**

Stage 3 – to ensure the minimum quality standards in how financially-material ESG risks are managed, the fund manager will give consideration to a range of sustainability factors with a focus on investments that meet environmental, climate and social sustainability.



Source: M&G, 2021, *Revenue threshold for retail distribution at 10%, **based on data from external specialist data providers

Actively driving sustainability in fixed income



The M&G ESG Portfolio Analytics tool is M&G's core ESG portfolio analysis tool which consolidates all the ESG Research into a single system

Source: M&G 2021

Once the sustainability-themed universe has been defined through the three-stage screening process outlined above, the fund manager seeks to achieve a positive ESG tilt through the inclusion of issuers which display more favourable ESG characteristics, subject to relative value considerations.

The fund takes an active approach to ESG investing, based on in-depth ESG research and company engagement. We consider ESG analysis to be a vital complement to more traditional credit research, as it allows us to gain a more comprehensive picture of the investment case, while ensuring a more systematic assessment of the risk/reward metrics of a particular fixed income security.

The fund manager has access to a range of external ESG data providers which ensures that the investment team have sufficient ESG data and research when undertaking their analysis. This is complemented by a range of proprietary tools to help optimise the fund's sustainability credentials.

Below we outline some of the key elements in our ESG analysis process to ensure the optimisation of the fund's sustainably credentials.

M&G ESG Scorecard – a proprietary tool that quantifies a variety of ESG factors for individual companies, and indicates the extent to which they are contributing or detracting from an analyst's credit rating. As opposed to many third-party ESG data providers, who base their methodology on data processing and algorithms, we favour a more nuanced approach as we believe that ESG is a largely qualitative domain. The M&G ESG Scorecard therefore emphasises the qualitative aspects of ESG risks while aiming for a granular, forward-looking and timely output.

Climate Transition Leaders - the climate section from the M&G ESG Scorecard is used to identify climate transition leaders. We look at climate intent and disclosure and assess if companies can evidence a net zero transition via science based targets. We believe that identifying climate transition leaders can help us to make better investment decisions by mitigating climate-related risks.

M&G Net Zero Investment Framework - a portfolio screening tool that allows fund managers to better assess the climate risk of their portfolio through a forward looking lens. The tool provides visibility on holdings that are on a net zero pathway, alongside those that are not aligned, thereby providing a useful starting point to determining our climate related engagement efforts.

Engagement – company engagement forms a key part of the fund's investment approach. As well as helping us to gain a better understanding of a company's ESG characteristics and risks, the engagement process can also help to drive improvements in a company's ESG behaviour and performance. M&G's significant scale in fixed income markets, and the need for companies to maintain good relationships with their lenders, means that we are often able to gain valuable access to an issuer's senior management. As well as engaging with companies on an independent basis, M&G also utilises collective engagement alongside other lenders when this is expected to achieve a more fruitful outcome.

M&G ESG Themed Bond Framework - subject to valuations, the fund manager will look for opportunities to expand the fund's allocation to ESG themed bonds, such as green bonds, social bonds, transition bonds, sustainability bonds or sustainability-linked bonds. Within this Framework we assess a bond's deal structure, as well as the quality of its ESG framework and its alignment with a company's wider corporate sustainability strategy to help ensure positive environmental and social outcomes.

ESG Portfolio Analytics Tool - a core portfolio analysis tool which consolidates all the above ESG data into a single system. This allows the fund manager to slice and dice their portfolio using both external and proprietary ESG information, from which they can assess a range of information, such as portfolio ESG scores, enhanced climate information and the details on the companies we are engaging with.

Sustainability Indicators

We continuously monitor a range of Sustainability Indicators to ensure that all our investments are compatible with our definition of a sustainable investment, and to ensure we can evidence enhanced sustainability outcomes at the portfolio level.

The Sustainability Indicators that we currently monitor can be grouped into the following categories:

Avoidance of controversial issuers - the fund excludes companies and countries with severe controversies as defined by the UN Global Compact Principles and the Freedom house organisation.

> **Relevant Sustainability Indicator**: 0% exposure to companies deemed to be in breach of the UN Global Compact Principles of human rights, labour, the environment and anti-corruption. 0% is determined as any issue with a "red" flag as determined by UNGC.

> **Relevant Sustainability Indicator**: 0% exposure to government bonds from countries considered "Not Free" by the Freedom House organisation

More sustainable, better run and less harmful businesses - the fund focuses on businesses which have superior ESG risk management practices and are less harmful to society and the environment. ESG laggards are deemed incompatible and excluded when initially defining this more sustainable universe. The fund also promotes the inclusion of issuers with better ESG characteristics where this is not detrimental to the pursuit of the investment objective.

Relevant Sustainability Indicator: No exposure to business activities deemed to be harmful to society and the environment (for further details refer to Stage 2 of the Sustainable investment screening process above).

Relevant Sustainability Indicator: No exposure to issuers considered to be ESG laggards based on the analysis of M&G's external research providers and M&G's in-house assessment.

Less harmful to the climate - the fund recognises the critical nature of climate change. Enabling lower carbon intensity economic activities is important now and in the future for the physical environment and for society as a whole.

Relevant Sustainability Indicator: Lower weighted average carbon intensity (WACI) (Scope 1+2 divided by US$ revenues) than the Euro Investment grade universe (as represented by the ICE BofA Euro Corporate Index).

A core sustainable bond proposition

Combining M&G's long-running expertise in fixed income investing with in-depth ESG analysis, the fund is designed to offer clients a core sustainable bond proposition which utilises our well established research-driven investment approach. By maximising sustainability elements while applying a value-based approach, we believe the fund strikes the right balance between achieving a favourable ESG outcome while seeking attractive investment returns.

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