

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Product Name:** M&G (Lux) Investment Funds 1 - M&G (Lux) Emerging Markets Bond Fund  
**Legal Entity Identifier:** LU1670631016

## Environmental and/or social characteristics

### Did this financial product have a sustainable investment objective?

Yes  No

It made **sustainable investments with an environmental objective:**

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective:** \_\_\_%

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 51.65% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

### To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promoted the use of an Exclusionary Approach (as defined below):

The Fund excluded certain potential investments from its investment universe to mitigate potential negative effects on the environment and society. For securitised investments such as asset-backed securities (ABS), this also includes assessing them against the Investment Manager's proprietary scoring methodology ("Exclusionary Approach"). Accordingly, the Investment Manager is promoting environmental and/or social characteristics by excluding certain investments that are considered to be detrimental to ESG Factors.

All investments made by the Fund to attain the environmental or social characteristics were assessed for good governance and have passed the Fund Manager's test for good governance. The Investment Manager operates a data-driven quantitative good governance test used to consider investments into companies. M&G excludes investments in securities that are considered as failing the Investment Manager's good governance test. When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

No reference benchmark has been designated for the purpose of attaining the Fund's promoted environmental and/or social characteristics.

No derivatives were used to attain the environmental or social characteristics.

While the Fund did not have as its objective a sustainable investment, it has a proportion of 51.65% in sustainable investments, 27.12% of them with an environmental objective and 24.53% with a social objective. For further details of the sustainable investments, please see the relevant sections below.

There were no breaches within the reporting period.

### • How did the sustainability indicators perform?

On 26 June 2024 the Fund's Investment Policy was updated to introduce a set of Environmental, Social and Governance (ESG) exclusions. From this date at least 70% of the Fund's portfolio is expected to be aligned to

**Sustainability indicators** measure how the environmental or social characteristics promoted

by the financial product are attained.

specific environmental and/or social (E/S) characteristics and the Fund will hold a minimum proportion of 20% in sustainable investments and consider the principal adverse impacts of investment decisions on sustainability factors. As a result of these changes the Fund became categorised as Article 8 under the Sustainable Finance Disclosure Regulation (SFDR). The indicators mentioned apply to the period 26 June 2024 to 31 March 2025.

The Fund's sustainability indicators to test its compliance with its Exclusionary Approach were met at all times during the reporting period. There were no breaches during the reporting period.

Exclusionary approach: Percentage (%) of NAV held in excluded investments: 0% • Exclusionary approach: Percentage (%) of ABS below the Investment Manager's threshold for alignment: Zero holdings below alignment.

- **...and compared to previous periods?**

The Fund was categorised as Article 8 under SFDR on 26 June 2024. Prior to this date there was no requirement to meet sustainability indicator criteria. Consequently no comparison can be made with the previous reporting period.

- **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

The Fund's commitment to sustainable investments is outlined in the Fund's Prospectus. This states that the Fund will have a minimum proportion of 20% of sustainable investments, comprising those with an environmental objective and a social objective. Those with an environmental objective do not need to qualify as environmentally sustainable under the EU Taxonomy. During the reporting period, the Fund held 51.65 investments that the Investment Manager deems sustainable. These investments have met at least one of the thresholds, defined by the Investment Manager, for positive contribution to a sustainable objective. The Fund held 27.12% of sustainable investments contributing to one or more environmental objectives.

0% of the Fund's sustainable investments with an environmental objective were positively assessed for Taxonomy alignment. 27.12% of the Fund's sustainable investments related to investments with other environmental characteristics, and 24.53% in socially sustainable investments.

- **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Sustainable investments that the Fund made did not cause significant harm to any environmental or social sustainable investment objective as set out in the following section.

0% of the Fund's sustainable investments with environmental objective were positively assessed for Taxonomy alignment.

- **How were the indicators for adverse impacts on sustainability factors taken into account?**

The Fund took the mandatory principal adverse impact (PAI) indicators, as set out in table 1 of Annex 1 of the SFDR Regulatory Technical Standards, and any relevant opt-in indicators from tables 2 and 3, into account to ensure that the Fund's sustainable investments do not do significant harm to any sustainability factor. PAIs 1-6 relating to carbon emissions were taken into account by way of applying the exclusions set out in the Manager's Thermal Coal Policy as well as the Manager's DNSH test which also includes a revenue-based exclusion relating to fossil fuel activities. PAI 14 on controversial weapons was taken into account by applying the Manager's Controversial Weapons Policy. PAI 7 on biodiversity was taken into account by applying a controversy-based exclusion which forms part of the Manager's DNSH test. The Fund also excluded any company which did not pass the Managers' Global Norms Process. The Fund may have applied additional exclusions, as outlined in the Fund's Prospectus, some of which may be relevant to addressing PAIs.

PAIs that were not addressed by way of exclusions were assessed and taken into account as part of the Manager's investment research process.

Where investments are reported as Taxonomy aligned, the economic activities invested in also met the do no significant harm criteria as set out in Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (EU Taxonomy Regulation).

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

- **Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:**

All sustainable investments are subject to the manager's Global Norms Process which assesses adherence to the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.



### How did this financial product consider principal adverse impacts on sustainability factors?

The Investment Manager received principal adverse impact research data to identify the Fund's principal adverse impacts prior to investing. Consideration of certain principal adverse impacts was reinforced by applying the exclusions as set out in M&G house Policies; fund specific exclusions as set out in the Fund Prospectus; or were screened out as a result of the Fund Manager's Global Norms Process. Where no exclusions were applied, principal adverse impacts were assessed as part of the investment research process and monitored by the Fund Manager on an on-going basis.



### What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/04/2024 to 31/03/2025

Largest investments	Sector	% Assets	Country
BRAZIL FEDERATIVE REPUBLIC OF (GOV	Public administration and defence; compulsory social security	2.80%	BR
MEXICO (UNITED MEXICAN STATES) (GO	Public administration and defence; compulsory social security	2.40%	MX
SOUTH AFRICA (REPUBLIC OF)	Public administration and defence; compulsory social security	2.10%	ZA
MALAYSIA (GOVERNMENT)	Public administration and defence; compulsory social security	1.66%	MY
URUGUAY (ORIENTAL REPUBLIC OF)	Public administration and defence; compulsory social security	1.42%	UY
SOUTH AFRICA (REPUBLIC OF)	Public administration and defence; compulsory social security	1.21%	ZA
POLAND (REPUBLIC OF)	Public administration and defence; compulsory social security	1.14%	PL
MALAYSIA (GOVERNMENT)	Public administration and defence; compulsory social security	1.14%	MY
SINGAPORE (REPUBLIC OF)	Public administration and defence; compulsory social security	1.13%	SG
POLAND (REPUBLIC OF)	Public administration and defence; compulsory social security	1.10%	PL
MALAYSIA (GOVERNMENT)	Public administration and defence; compulsory social security	1.09%	MY
Czech Republic	Public administration and defence; compulsory social security	1.02%	CZ
VIET NAM DEBT AND ASSET TRADING CO	Other	1.00%	VN
INDONESIA (REPUBLIC OF)	Public administration and defence; compulsory social security	0.99%	ID
HUNGARY (REPUBLIC OF)	Public administration and defence; compulsory social security	0.98%	HU

These investments represent an annual average of four quarters measured over the reporting period.

Please note that the Investment Manager identifies separate company issues when compiling this table of Top Investments rather than grouping issuers at a company (issuer) level.



### What was the proportion of sustainability-related investments?

In the SFDR Level 2 Pre-Contractual Disclosure (annex to the Fund Prospectus) the Fund committed to 70% of the Fund to be aligned to the promoted E/S characteristics and a minimum of 20% in Sustainable Investments.

Asset allocations below are expressed as a percentage of Net Asset Value (NAV). The figures are calculated as an annual average of three quarterly measurements covering the period 26 June 2024 to 31 March 2025. The % of investments that were aligned to the environmental or social characteristic promoted was 98.61% of NAV. This comprised 51.65% of NAV in sustainable investments, and the remaining 46.96% of NAV in investments with other environmental and or social characteristics.

Sustainable investments allocated to 'Taxonomy-aligned' economic activities are reported under 'Taxonomy-aligned'. The remainder of the sustainable investments is allocated to 'sustainable – other environmental' and/or 'sustainable – social', based on the following two criteria:

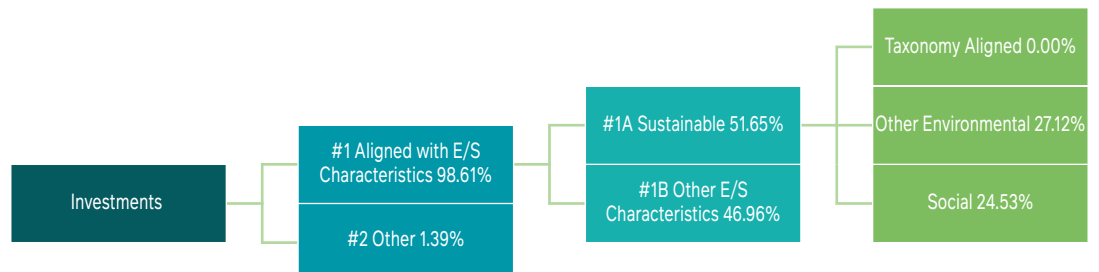
- I. Whether they pass the sustainable investment test on the basis of environmental and/or social contribution (as outlined under question "To what extent was the sustainable investment objective met?" in this report); and
- II. The attribution to environmental and/or social as set out by the Fund's pre-contractual commitment to invest in sustainable investments with environmental and/or social objectives.

Whilst the Fund did not commit to invest in investments aligned to the EU Taxonomy, 0% were aligned to the EU Taxonomy. 27.12% related to investments with other environmental characteristics, and 24.53% related to socially sustainable investments.

All sovereign assets, including those held for liquidity purposes, have been assessed against the manager's sovereign framework and have been allocated to the E/S aligned and/or sustainable investment proportion of the Fund.

**Asset allocation** describes the share of investments in specific assets.

- **What was the asset allocation?**  
The graphic below provides an overview of the asset allocation.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- **In which economic sectors were the investments made?**

The investment breakdown uses NACE (Nomenclature of Economic Activities), as developed by the European Union, and is expressed as a % of Net Asset Value (NAV).

The table shows a breakdown of the sectors and sub-sectors to which the Fund is exposed.

The investment breakdown shown represents an annual average of four quarterly measurements taken over the reporting period.

Economic Sector	% Assets
Public administration and defence; compulsory social security	66.57%

<b>Financial and insurance activities</b>	<b>12.81%</b>
Insurance, reinsurance and pension funding, except compulsory social security	0.51%
Activities auxiliary to financial services and insurance activities	0.88%
Financial service activities, except insurance and pension funding	11.42%
<b>Mining and quarrying</b>	<b>4.03%</b>
Extraction of crude petroleum and natural gas	3.07%
Mining of metal ores	0.96%
<b>Activities of extraterritorial organisations and bodies</b>	<b>2.76%</b>
<b>Manufacturing</b>	<b>2.71%</b>
Manufacture of food products	0.81%
Manufacture of chemicals and chemical products	0.68%
Manufacture of motor vehicles, trailers and semi-trailers	0.10%
Manufacture of other non-metallic mineral products	0.09%
Manufacture of fabricated metal products, except machinery and equipment	0.17%
Manufacture of computer, electronic and optical products	0.44%
Manufacture of basic metals	0.11%
Manufacture of coke and refined petroleum products	0.32%
<b>Transportation and storage</b>	<b>1.66%</b>
Water transport	0.24%
Land transport and transport via pipelines	1.42%
<b>Electricity, gas, steam and air conditioning supply</b>	<b>1.56%</b>
<b>Information and communication</b>	<b>1.48%</b>
Telecommunications	0.74%
Programming and broadcasting activities	0.28%
Information service activities	0.46%
<b>Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	<b>0.76%</b>
Wholesale trade, except of motor vehicles and motorcycles	0.31%
Wholesale and retail trade and repair of motor vehicles and motorcycles	0.15%
Retail trade, except of motor vehicles and motorcycles	0.31%
<b>Administrative and support service activities</b>	<b>0.56%</b>
Rental and leasing activities	0.00%
Office administrative, office support and other business support activities	0.56%
<b>Construction</b>	<b>0.19%</b>
Construction of buildings	0.02%
Civil engineering	0.17%
<b>Real estate activities</b>	<b>0.14%</b>
<b>Water supply; sewerage, waste management and remediation activities</b>	<b>0.02%</b>
Waste collection, treatment and disposal activities; materials recovery	0.02%
<b>Other*</b>	<b>4.74%</b>

\*These investments are investments for which no NACE code is available. Sectors of the economy that derive revenues from economic activities related to fossil fuels as defined in Article 2, point (62), of Regulation (EU) 2018/1999 of the European Parliament and of the Council are incorporated in the above table.



### To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

Whilst the minimum mandatory allocation to Taxonomy-aligned sustainable investments is 0%, the Fund is permitted to allocate to such investments, which would form part of its overall allocation to sustainable investments with environmental objectives. The EU Taxonomy aligned investments made during this reporting period are incidental and may be lower or 0% in future periods.

The Fund held 0 % in Taxonomy-aligned sustainable investments during the reference period. This percentage is determined by taking the quarter-end figure for each quarter in the reference period and averaging it.

No assurance from an auditor, third party or review was undertaken on the EU Taxonomy data.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

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

Taxonomy-aligned activities are expressed as a share of:

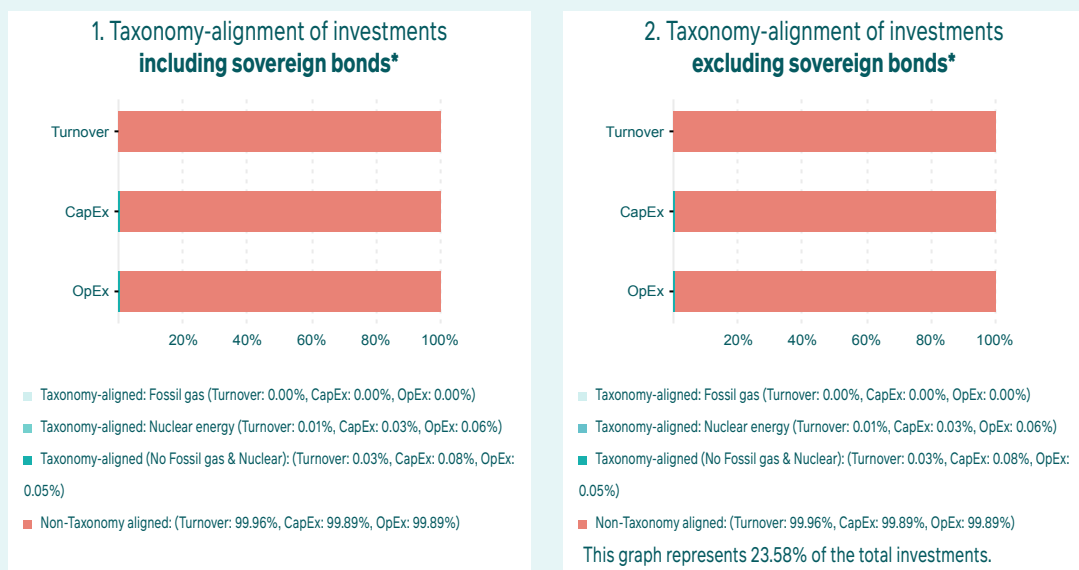
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (CapEx)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (OpEx)** reflecting green operational activities of investee companies.

● **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy<sup>1</sup>?**

- Yes:  In fossil gas  In nuclear energy
- No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The graphs below show the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

Taxonomy Environmental Objective	Percentage of Contribution
Climate Change Mitigation	0.04%
Climate Change Adaption	0.00%
Use and Protection of Water and Marine Resources	0.00%
Transition to a Circular Economy	0.00%
Pollution Prevention and Control	0.00%
Protection and Restoration or Biodiversity and Ecosystems	0.00%

The above graph and table describes the Taxonomy alignment of all investments the Fund has made.

- **What was the share of investments made in transitional and enabling activities?**

The share of the Fund's investments made in transitional activities over the period was 0.02% and in enabling activities was 0.03%. This compares to a minimum percentage commitment of 0% stated in the Fund's precontractual disclosure.

Activity	Percentage Investments
Share of Transitional Activities	0.02%
Share of Enabling Activities	0.03%

- **How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?**

The Fund was categorised as Article 8 under SFDR on 26 June 2024. Prior to this date there was no requirement to meet Taxonomy alignment criteria. Consequently no comparison can be made with the previous reporting period.

Reference period	Including sovereign bonds			Excluding sovereign bonds		
	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
As at - 31 March 2025	0.04%	0.11%	0.11%	0.04%	0.11%	0.11%

 are sustainable investments with an environmental objective that **do not take into account** the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.



- **What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?**

The share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy was 27.12%. This compares to a minimum percentage commitment of 5% stated in the Fund's precontractual disclosure.

Corporate disclosure of Taxonomy alignment is still in a nascent phase and reported Taxonomy alignment data remains low for the time being. We expect the numbers to increase as corporates gain further experience with the reporting of Taxonomy alignment, and as more corporates align their economic activities to the criteria of the EU Taxonomy.



- **What was the share of socially sustainable investments?**

The share of socially sustainable investments was 24.53%. This compares to a minimum percentage commitment of 5% stated in the Fund's precontractual disclosure.



- **What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?**

During the reference period the Fund held varying levels of cash and currency derivatives (which may include certain technical trades such as government bond futures used for duration trades) as "Other" investments, for any purpose permitted by the Fund's investment policy. No minimum environmental or social safeguards were applied. Data was sourced at each quarter end over the full reference period, which ended on 31 March 2025.



- **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Fund applied a set of exclusions to achieve its Exclusionary Approach. Its compliance with the same is reported in the sustainability indicators section above.



- **How did this financial product perform compared to the reference benchmark?**

N/A. No reference benchmark was designated for the purpose of attaining the Fund's environmental and/or social characteristics.

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How does the reference benchmark differ from a broad market index?**  
Not applicable
- **How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?**  
Not applicable
- **How did this financial product perform compared with the reference benchmark?**  
Not applicable
- **How did this financial product perform compared with the broad market index?**  
Not applicable