Progress against our NZAM interim target[1]

C-FS4.1d Provide details of the Climate-related targets for your portfolio[2]

In October 2021, M&G Investments (M&G) published the following initial interim target towards net zero as an asset manager:

- To achieve a 50% reduction in carbon emissions by 2030
- Against $80 billion in assets under management (£58 billion)[3]

As at 30 June 2021 this represented 20% (of £296 billion) of assets managed by M&G. The net zero target is an intensity target (financed carbon emissions (FCE)/AUM) expressed in $tCO_2e/m(\$)$ invested and includes investments in all sectors and regions. The assets in scope of this commitment are comprised of public corporate fixed income and public equity mandates directly managed on behalf of the Prudential With Profits Fund, our internal client. Assets in-scope of the interim target represent 11% of public corporate fixed income and 53% of listed equity assets of the assets managed by M&G.

Update on 2019 baseline and interim target

Since disclosing the interim target, methodologies for the calculation of the 2019 baseline emissions intensity have been aligned to those of the Partnership for Carbon Accounting Financials (PCAF). As a result, emissions intensity for the 2019 baseline year has been recalculated only considering assets for which either reported or estimated emissions data are available from our third party data provider, as set out in M&G's 2022 Sustainability Report (i.e. the AUM denominator now only consists of AUM with emissions data). This is the primary contributor of the higher restated 2019 baseline carbon intensity under the PCAF methodology [Figure 1].

The scope of assets against which M&G is reporting emissions intensity as at YE 2021 has also changed when compared to the mandatory NZAM 2019 baseline year which only considers AUM committed in funds launched before 31st December 2019. This means that reported emissions intensity of public corporate fixed income and listed equity assets as at YE 2021 is representative of a broader set of assets than were present within the 2019 baseline.

Additionally, historic EVIC (Enterprise Value Including Cash) data for FY 2019 has become retrospectively available from our data provider and has been used for the calculation of the updated 2019 baseline.

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[1] The progress report covers calendar year 2021. Numbers are provided in USD to comply with NZAM methodology.
[2] Our NZAM progress report consists of the 23 CDP questions that the NZAM Secretariat has requested signatories to report this year. Answers are based on the CDP questionnaire 2022, which was reported privately.
[3] FX rates (USD:GBP) used consist of 1.35445:1 and 1.32475:1 as of 31/12/2019 and 31/12/2021 respectively (question C-FS4.1d and questions in section 14).

The use of EVIC data for FY 2019 has modified the value of total FCE and emissions coverage. For listed equity, the revised 2019 baseline has been corrected to include a small number of individual funds that existed prior to 2021 when they were consolidated into a single fund.

Revised methodologies have been calculated in line with the Partnership for Carbon Accounting Financials (PCAF) methodology.

Figure 1 shows the revised 2019 baseline intensity for public corporate fixed income and listed equity, as well as progress up until YE 2021.

Figure 1: Emissions of public corporate fixed income and listed equity portfolios

	2019 (Baseline Year)		YE 2021
Portfolio (Covered By Interim Target)	Initial methodology	Revised methodology	Revised methodology
Public Corporate Fixed Income			
FCE Scope 1&2 / AUM baseline (tCO2e/$m invested)	35.75	74.64	64.23
Percentage coverage of the portfolio with emissions data*	*70.7%*	*44.8%***	*63.6%*
2019 AUM *Tonnes CO2 Equivalent*	694,452	657,625	410,217
2021 AUM *Tonnes CO2 Equivalent*	-	-	980,908
Listed Equity			
FCE Scope 1&2 / AUM baseline (tCO2e/$m invested)	65.91	110.24	81.90
Percentage coverage of the portfolio with emissions data*	*88.3%*	*88.6%*	*92.1%*
2019 AUM *Tonnes CO2 Equivalent*	1,431,175	2,836,353	2,317,828
2021 AUM *Tonnes CO2 Equivalent*	-	-	3,940,010
Market Value (USD)		*48.7bn*	*76.2bn****

**Data coverage is based on 86.3% public corporate fixed income and 90.6% listed equity reported data of investee companies.*
*** The revised PCAF methodology reflects the use of AUM with 2019 EVIC data whereas the Initial methodology considered all AUM and data was not solely comprised of EVIC 2019 data.*
**** 2019 MV includes only AUM committed within funds launched before 31st December 2019. MV as at YE 2021 includes total AUM committed under M&G's NZAM interim target, explaining the increase.*

Emissions of public corporate fixed income and listed equity under our NZAM target represent 19.6% and 53.2% of the total Asset Manager fixed income and equity emissions as at YE 2021, based upon the available reported and estimated emissions data from M&G's data provider, as disclosed in the M&G plc Sustainability Report published in June 2022.

Applying the change in methodology for the 2019 baseline [Figure 1], M&G's target reduction of -50% by 2030 for public corporate fixed income portfolios is 37.32 tCO2e/$m and 55.12 tCO2/$m for listed equity portfolios.

In the period to 2021, the intensity for the public corporate fixed income portfolio has reduced by 13.9% when compared to the 2019 revised baseline carbon intensity, equivalent to 28% of the 2030 interim target. Intensity for the listed equity portfolio has reduced by 25.7%, equivalent to 51% of the 2030 interim target.

Science-Based Target

We consider our targets aligned with science-based pathways. The sectoral analysis was conducted using IEA NZE 2050 sector pathways plus IPCC P1 scenario. Regional analysis was conducted as a cross check, using pathways from Climate Action Tracker. For these reasons we consider our targets to be science-based.

At M&G, our focus is to support the decarbonisation of the economy and real-world positive change. We share the ambition to align our investments to 1.5°C and to do so with a science-based approach to portfolio emissions targets. We are encouraged by the success of the SBTi and we engage with many of our investees to set SBTs. We continue to monitor and evaluate the potential to join SBTi.

Policies

C-FS3.6 Does the policy framework for your portfolio activities include Climate-related requirements for clients/investees, and/or exclusion policies?

Yes, our framework includes both policies with client/investee requirements and exclusion policies.

C-FS3.6a Provide details of the policies which include Climate-related requirements that clients/investees need to meet.

M&G plc's position on Thermal coal, released in March 2021, is a forward looking approach that seeks to phase out unabated thermal coal by 2030 for EU/OECD countries and by 2040 for other countries in line with a just transition.

We can only implement our Thermal Coal approach where we receive client consent to do so. This is why, following the release of our position in March 2021, we engaged with regulators and over 230,000 clients and customers to the point the Thermal Coal Investment Policy went live in April 2022. We therefore engaged or communicated with all clients investing in the in-scope asset classes from the total £325bn of third-party managed AUM.

M&G Thermal Coal Policy, which sets out how our approach is implemented as an asset manager, is a type of Sustainable/Responsible Investment Policy and Investment Policy/Strategy. The criteria for the policy is the phase out of thermal coal by 2030 for EU/OECD countries and by 2040 for other countries in line with a just transition, no expansion of unabated thermal coal. This is aligned with climate science (IPCC and IEA Net-Zero 2050 scenario). The value chain stages of client/investee covered by criteria are direct operations and supply chain and clients/investees must be compliant within the next 5 years.

Companies from all sectors we work in can be assessed including but not limited to utilities, energy, materials, transportation, capital goods, technology hardware and equipment and commercial and professional services. The external databases used are not limited to specific sectors and help identify assets from bottom up.

Our PLC position and the asset manager's policy implementation cover public listed equities and fixed-income instruments and single name derivatives, although we intend to add further assets when appropriate data becomes available. Exceptions are possible for plants with an installed capacity < 300 MW, for example in locations where there is no alternative source of energy. Further Individual exceptions may be granted subject to full governance in line with policy .

The asset manager's policy (which we began to implement in 2022) is applicable to all pooled funds (excluding public assets managed by M&G Southern Africa), but for segregated mandates, sub-advised and advised mandates, application of this Policy is subject to client consent, and M&G aims to achieve consent. Public fixed income and public equity assets managed by the asset manager on behalf of the internal client are covered by the PLC position, accounting for 32% of total assets under management as at Dec 31, 2021.

Documents relevant to M&G plc's position on Thermal coal:

https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/Plc%20policies/MG-PLC-Coal-position-statement-02-03-21-b.pdf

https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/responsible-investing/responsible-investment/MG-Investments-ESG-Principles-Statement_Feb-21.pdf

https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/MG-Investments-ESG-Investment-Policy-January-2022.pdf

https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/mginvesments-thermal-coal-investment-policy.pdf

https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/Sustainability/just-transition-statement.pdf

https://www.mandgplc.com/sustainability/just-transition

M&G's Voting Policy applies to all industry sectors and covers both direct operations and supply chain activities. There is no timeframe for compliance with the policy criteria. The policy applies to all equities of the asset manager representing 23.11% of the total asset manager's AUM (excluding sovereign bonds) as of 31 December 2021. We only have voting rights for public equities, reflected in the percentage Asset Manager AUM coverage.

Companies are expected to demonstrate that their operations take proper account of all applicable laws and regulations. Environmental and social issues should form an integral part in long-term planning and decision-making to ensure that non-financial risks are identified, and contingencies are put in place. We encourage companies to regularly publish sustainability reports and to seek shareholder approval of them. Shareholder resolutions relating to environmental and social issues that seek greater disclosure, operational reviews, changes in strategy, etc. will be considered on their merits, taking into account companies' existing practices and Boards' recommendations.

voting-policy-2022.pdf (mandgplc.com)

https://www.mandgplc.com/sustainability/just-transition

C-FS3.6b Provide details of your exclusion policies related to industries and/or activities exposed or contributing to Climate-related risks

M&G Asset Owner Thermal Coal Policy

The M&G Asset Owner implemented a thermal coal exclusion policy in 2021, targeting thermal coal miners and utility companies that use thermal coal to generate electricity for exclusion. Exemptions were allowed for companies that the asset managers managing those portfolios were engaging to reduce their use of thermal coal. These exclusions were implemented on a global basis throughout 2021. The policy applies to Europe, North America and Asia Pacific and applies to new business/investment for new projects.

Exclusions can apply to:

- Thermal coal
- Fuel from liquefied coal
- Coal mining
- Mountaintop removal mining
- Power from coal
- Other thermal coal-related activities that meet criteria

In 2022, the Asset Owner introduced a new iteration of the thermal coal policy that aligns with M&G Investments' (the internal Asset Manager) and M&G plc's thermal coal exclusion position, in line with Powering Past Coal Alliance (PPCA) requirements. Exclusion lists, engagements and exemptions were harmonised.

Released in March 2021, the M&G plc position on thermal coal presented our forward-looking approach to support a just energy transition. Informed by climate science, we committed to reducing our exposure to unabated coal by 2030 in OECD and the EU and by 2040 across the rest of the world. Following the release of the position, the internal Asset Manager engaged with regulators and over 230,000 clients and customers and 630 institutional clients and intermediaries before adoption of M&G Investments' Thermal Coal Investment Policy in April 2022, which defines how we will take action and is now being implemented by our Asset Manager. Thresholds and scope of application are described at:

https://www.mandgplc.com/~/media/Files/M/MandG-Plc/documents/mandg-investments-policies/mginvesments-thermal-coal-investment-policy.pdf

C-FS3.7 Does your organization include Climate-related requirements in your selection process and engagement with external asset managers?

Yes

C-FS3.7a Provide details of the Climate-related requirements included in your selection process and engagement with external asset managers.

We monitor and engage with asset managers covering the majority of assets managed externally to ensure investment activities are consistent with our climate strategy by evaluating our Asset Managers' capabilities in integrating ESG considerations, including climate considerations, into their investment process and investment strategy, prior to their appointment. We also monitor their capabilities in this space on an ongoing basis.

We do so by including climate-related requirements in investment mandates and climate-related requirements in requests for proposals.

We also expect our Asset Managers to work closely with us to design the investment mandates that they manage. This would include how to best incorporate climate risk management into their investment objectives. When our emissions reduction targets are set, we expect our Asset Managers to work with us to achieve their share of emissions reduction in the mandates that they manage for us.

We also expect our Asset Managers to prioritise their engagement activity on our portfolios in line with our ESG priorities when they engage with companies on our behalf. As one of our key priorities is to invest to mitigate the impact of climate change, we expect engagements carried out on our behalf to be aligned to managing the impact of climate risk. This is monitored as part of ongoing due diligence with the individual Asset Managers.

Emissions Targets

C4.1a Provide details of your absolute emissions target(s) and progress made against those targets.

In 2020 we published our 2030 company-wide net zero targets for our corporate operations, these are:

- Reducing Scope 1, 2 and 3 (business travel only) carbon emissions for our business operations by 46% (from a 2019 baseline) aligning with the SBTi. We will offset the remaining emissions to achieve net zero. This amounts to a 4.2% reduction year-on-year.
- Engaging with suppliers of capital goods, purchased goods and services which account for at least 67% of our supply chain emissions to understand their plans for net zero alignment and progress on their own science-based climate targets.

The target includes Scope 1, Scope 2 and Scope 3 emissions including Category 1: Purchased goods and services and Category 6: Business travel. Emissions have been calculated using the Market-based method. The target is 1.5°C aligned.

We have set and published science-based carbon reduction targets within the Net Zero Asset Managers Framework. We are encouraged by the success of the SBTi and we engage with many of our investees to set SBTs. The SBTi recently published a Net Zero Foundations for Financial Institutions paper which will pave the way for the SBTi's Net Zero Standard for Financial Institutions, due to be launched in early 2023. This will help to inform any future decisions we make on whether to join SBTi.

For the base year 2019, the following metrics have been calculated:

Base year Scope 1 emissions covered by target (metric tons CO_2e)	2127
Base year Scope 2 emissions covered by target (metric tons CO_2e)	1880
Base year Scope 3 emissions covered by target (metric tons CO_2e)	9449
Total base year emissions covered by target in all selected Scopes (metric tons CO_2e)	13456
Base year Scope 1 emissions covered by target as % of total base year emissions in Scope 1	100%
Base year Scope 2 emissions covered by target as % of total base year emissions in Scope 2	100%
Base year Scope 3 emissions covered by target as % of total base year emissions in Scope 3 (in all Sco categories)	100%
Base year emissions covered by target in all selected Scopes as % of total base year emissions in all selected Scopes	100%

For the target year 2030, the following metrics have been calculated:

Targeted reduction from base year (%)	100%
Total emissions in target year covered by target in all selected Scopes (metric tons CO_2e)	0

In 2021 we have reported a year-on-year 39% reduction in Scope 1+2 carbon emissions and 80% reduction in business travel emissions. However, we are mindful that our operations continued to be impacted by the pandemic with reduced travel and occupancy of buildings.

The following table provides details on our progress in 2021:

Scope 1 emissions in reporting year covered by target (metric tons CO_2e)	1600.57
Scope 2 emissions in reporting year covered by target (metric tons CO_2e)	168.50

Scope 3 emissions in reporting year covered by target (metric tons CO2e)	367.52
Total emissions in reporting year covered by target in all selected scopes (metric tons CO2e)	2136.59
% of target achieved relative to base year	84.12%

Target Coverage

This target currently covers the Scope 1,2 and 3 emissions we report on, on an annual basis and have direct operational control of. These are emissions from both our office estate and our business travel. Scope 3 supply chain emissions are covered by a separate engagement target. Homeworking will also be addressed in future works. COVID and the resultant lockdowns significantly impacted M&G's business travel emissions in the reporting year. So, although the calculation states M&G has achieved the target, this is not the case once business-as-usual resumes and business travel emissions increase again. Having said this, M&G will endeavour to keep these emissions as low as practically possible to ensure it meets it's 2030 reduction target.

Plan for achieving target, and progress made to the end of the reporting year.

We have set a near term 2030 net zero target for corporate operations, as part of this we have developed a roadmap to target our material emissions sources. This includes a focus on reducing building emissions - in response to our new ways of working we have reconfigured some of our spaces, to help optimise our space and energy usage moving forward, our new offices at Kildean Business Park in Stirling, a replacement for our current Craigforth site, is expected to be rated 'excellent' by leading sustainability assessors using the Building Research Establishment Assessment Method (BREEAM) standards, – putting its sustainability performance in the top 10% of new, non-domestic, buildings in the UK. We are now including sustainability requirements (green lease clauses, availability of environmental data and commitments to transition to renewable energy contracts) when considering new office spaces, as part of our plan to embed sustainability in our future corporate estate. To address our travel emissions we have a new global business travel policy, which supports colleagues in making more sustainable choices around travel, furthermore our corporate fleet is being transitioned to fully electric, targeting 2026 for completion. We are actively engaging with our supply chain on its environmental and carbon impact, which is a significant contributor to our footprint, with an aim to cover a minimum of 67% of our Scope 3 supply chain emissions by 2030. We are speaking with suppliers about their current environmental impact and their plans to reduce that impact aligned with net zero strategies which support the Paris Agreement and adding climate clauses within contracts. In addition we have completed works to assess corporate governance across our material suppliers ensuring that the leadership of our supplier partners are aligned with M&G's own environmental and social values.

Emissions reduction initiatives which contributed most to achieving this target

In 2021 we have reported a year-on-year 39% reduction in Scope 1+2 carbon emissions and 80% reduction in business travel emissions. However, we are mindful that our operations continued to be impacted by the pandemic with reduced travel and occupancy of buildings. Nevertheless we have used the opportunity to implement changes such as our new global travel policy and changes to our offices, and anticipate that these changes will support us in maintaining reduced emissions.

C4.2c Provide details of your net-zero target(s).

M&G has committed to net zero across its AUM/AUA by 2050 .

As stewards of the long-term savings of millions of people, and as an international company of scale, we want to lead by example in helping deliver on the Paris goals. We announced in March 2020 that, as an asset owner and asset manager, we commit to net zero carbon emissions on our total book of assets under management and administration by 2050.

Our focus is to support the decarbonisation of the economy and support real world positive change. We share the SBTi ambition to align investments to 1.5 °C and to do so with a science-based approach to emissions targets. We have set and published initial interim science-based carbon reduction targets within the Net Zero Asset Managers Framework (we aim to reduce our carbon emissions intensity by 50% for a portfolio of $80bn (£58 bn) by 2030, more details available on question C-FS4.1d) and are currently setting targets under the Net Zero Asset Owners Alliance Framework, which will expand our AUM coverage significantly. We are encouraged by the success of the SBTi and we engage with many of our investees to set SBTs. The SBTi recently published a Net Zero Foundations for Financial Institutions paper which will pave the way for the SBTi's Net Zero Standard for Financial Institutions, due to be launched in early 2023. This will help to inform any future decisions we make on whether to join SBTi.

C-FS4.5 Do any of your existing products and services enable clients to mitigate and/or adapt to the effects of climate change?

Yes

C-FS4.5a Provide details of your existing products and services that enable clients to mitigate and/or adopt to climate change, including any taxonomy used to classify the product(s).

The M&G (Lux) Positive Impact Fund is an example of our Positive Impact Funds strategy (internal classification). The Fund is categorised as Impact and has two aims:

- to provide a higher total return (the combination of capital growth and income) than that of the global equity market over any five-year period, and
- to invest in companies that have a positive societal impact through addressing the world's major social and/or environmental challenges.

The total value of this equity fund is $566m[4] which represents 0.13% of the total AUM of M&G's asset manager as of 31 December 2021. The fund enables clients to mitigate climate change. This fund invests in green buildings and equipment, low-emission transport, renewable energy, emerging climate technology such as hydrogen-derived energy production with low or zero CO emissions.

The fund embraces the UN Sustainable Development Goals (SDGs) framework and invests in companies focused on six key areas, three of which are environmental including Climate Action. The fund generally holds around 30 stocks, and will invest in three categories of positive impact companies:

- 'Pioneers', whose products or services have a transformational effect on society or the environment
- 'Enablers', which provide the tools for others to deliver positive social or environmental impact
- 'Leaders', which spearhead the development of impact and sustainability in their industries.

All securities held in the Fund are subject to the ESG Criteria and Impact Criteria. This is achieved through the use of M&G's proprietary analysis and/or third party ESG information. Companies are assessed on their investment credentials and ability to deliver positive social and/or environmental impact, based on M&G's impact assessment methodology articulated around three pillars (Investment case, Intentionality and Impact). The methodology is described in the "ESG Criteria and Impact Criteria".

Several exclusion criteria are applied, including some that will help reduce clients' portfolio carbon emissions: the Fund excludes companies involved in thermal coal and unconventional oil and gas extraction, conventional oil and gas extraction, power-utility firms that derive more than 25% of their revenues from oil & gas and that are not committed to transitioning to renewable energy sources, power utility firms with coal-fired power generation unless it represents less than 10% of revenue and is supported by a clear and explicit pathway to zero coal-fired generation within a five year time frame.

For the fund's environmentally focused impact areas, measurable environmental KPIs are specific to each holding, mapped against the UN SDGs. Calculations are on a company-by-company basis, sourced from reported company data.

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[4] We used a USD to GBP currency rate of 1.34760.

The M&G Climate Solutions Fund is an example of our Climate Solutions Funds Strategy (internal classification). The Fund enables clients to both mitigate and adapt to climate change and has two aims:

- To provide a higher total return (the combination of capital growth and income), net of the Ongoing Charges Figure, than the MSCI World Index over any five-year period; and
- To invest in companies that aim to deliver solutions to the challenge of climate change.

The Fund is a concentrated portfolio of global stocks, investing over the long term in companies that are delivering solutions to the challenge of climate change alongside a financial return, using a disciplined stock selection process. Sustainability and impact considerations are fundamental in determining the Fund's investment universe and assessing business models. The Fund has a concentrated portfolio and usually holds fewer than 40 stocks.

The Fund embraces the United Nations Sustainable Development Goals framework and invests in companies focused on the following areas: clean energy, green technology and the promotion of a Circular Economy.

The Fund invests in three categories of climate solution companies:

- "Pioneers", whose solutions have a transformational effect on the challenge of climate change;
- "Enablers", which provide the tools for others to deliver solutions to the challenge of climate change; and
- "Leaders", which spearhead the development of climate change solutions within their industries.

Selection begins with a global universe of over 4,000 stocks. Companies deemed to be in breach of the UN Global Compact Principles, as well as those involved in a number of excluded/restricted sectors and activities are screened out. The Fund excludes companies that are involved in the extraction of thermal coal, oil, and gas and those that use and/or produce hydraulic fracking technologies.

The remaining opportunity set is scored on III credentials (Investment case, Intentionality and Impact), requiring above average results for consideration within the watch-list.

More specifically, the fund invests in green buildings, renewable energy, low-emission transport, emerging climate technology (hydrogen derived energy production with low or zero CO2 emissions) and all types of climate related activities from our three impact areas; clean energy, green technology; and the promotion of a circular economy.

The Fund's value as of 31 December 2021 was $28m, 0.01% of the total AUM of M&G's asset manager.

The M&G (Lux) Global Sustain Paris Aligned Fund is an example of our Paris Aligned Funds strategy at global level (internal classification). The Fund enables clients to mitigate climate change and has two aims:

- Financial objective: to provide a higher total return (capital growth plus income) than that of the global equity market over any five-year period; and
- Sustainable objective: to invest in companies that contribute towards the Paris Agreement climate change goal.

The Fund invests in a concentrated portfolio of quality, sustainable companies that contribute towards achieving the goals of the Paris Agreement. To achieve its non-financial objective, the Fund invests in companies that contribute toward the goal of the Paris Agreement in a measurable way, through their Low and/or Reducing Carbon Intensity.

The Fund also considers other non-mandatory climate considerations, such as whether companies are providing direct solutions to the climate challenge via their products and services.

Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. The fund also has a number of sector-based and/or values-based exclusions, including fossil fuels extraction and carbon-intensive power generation according to thresholds defined in the “ESG Criteria and Sustainability Criteria” documentation.

Companies on the watchlist that have a WACI of less than half of the benchmark’s WACI are considered to be Low Carbon Intensity, and are eligible for investment on this basis. The remaining constituents of the watchlist are those that have a WACI higher than half of the benchmark’s WACI. To become eligible for the portfolio as Reducing Carbon Intensity Companies, they must have science based targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. These companies are identified using the Science Based Targets Initiative Framework.

The Fund’s value as of 31 December 2021 was $184m which represents 0.04% of the total asset manager’s AUM.

The M&G (Lux) Pan European Sustain Paris Aligned Fund is an example of our Paris Aligned Funds strategy (internal classification). The Fund enables clients to mitigate climate change and has two aims:

- to provide a higher total return (capital growth plus income) than that of the European equity market over any five-year period; and
- to invest in companies that contribute towards the Paris Agreement (PA) climate change goal.

The Fund invests in a concentrated portfolio of quality, sustainable companies such as green buildings and equipment and renewable energy that contribute to achieving the goals of the Paris Agreement. To achieve its non-financial objective, the Fund invests in companies that contribute to the goals of the Paris Agreement in a measurable way, through their Low and/or Reducing Carbon Intensity.

The Fund also considers other non-mandatory climate considerations, such as whether companies are providing direct solutions to the climate challenge via their products and services. Climate considerations, alongside other sustainability factors, therefore, play an important role in determining the investment universe, stock selection and portfolio construction.

Companies that are assessed to be in breach of the UN Global Compact principles, including environment are excluded from the investment universe. The fund also has a number of sector-based and/or values-based exclusions, including fossil fuels extraction and carbon-intensive power generation according to thresholds defined in the "ESG Criteria and Sustainability Criteria" documentation.

Companies on the watchlist that have a WACI of less than half of the benchmark's WACI are considered to be Low Carbon Intensity, and are eligible for investment on this basis. The remaining constituents of the watchlist are those that have a WACI higher than half of the benchmark's WACI. To become eligible for the portfolio as Reducing Carbon Intensity Companies, they must have science based targets aligned with the Paris Agreement or have committed to have them in place within a defined time period. These companies are identified using the SBTi Framework. The Fund's value as of 31 December 2021 was $140m which represents 0.03% of the total asset manager's AUM.

The M&G (Lux) Global Listed Infrastructure Fund was launched in 2017. The Fund invests at least 80% of its Net Asset Value in eligible publicly-listed equity securities issued by infrastructure companies, investment trusts and closed-ended real estate investment trusts ("REITs") across any market capitalisation that are domiciled in any country, including emerging markets. More specifically, the fund invests in infrastructure (utilities, energy, transport, health, education, security, communications and transactions) that fit our investment criteria as described below.

The Fund invests in securities that meet the ESG Criteria and Sustainability Criteria, of which climate is an important aspect (internal classification):

- The exclusions listed in the Investment Policy are screened out. Specific to the utilities sector, which accounts for a significant share of the strategy's exposure, we strictly exclude companies deriving more than 30% of their revenues from coal-fired or nuclear power generation. Additionally, we exclude all coal extraction businesses or upstream hydrocarbon producers from our investible universe.

- The Investment Manager then identifies the companies that are considered suitable for further analysis. The Investment Manager analyses these companies from an ESG perspective using a proprietary infrastructure sector-specific quality assessment. This includes an assessment of ESG Factors, alongside other financial and operational characteristics. Following the ESG-related quality assessment, the Investment Manager then quantifies ESG risks for these companies, to determine whether these have been accounted for in a company's valuation. More information about the abovementioned assessment process can be found in the ESG Criteria and Sustainability Criteria.
- The Investment Manager then performs fundamental analysis to consider the valuation of these companies and the appropriate time to purchase in consideration of the Fund's financial objective.

The Investment Manager seeks to invest in businesses and assets consistent with the transition to a Net Zero Emissions global economy by 2050. As such, the Investment Manager focuses on identifying companies with resilient business models which may support, and benefit from, the climate transition. The Fund enables clients to mitigate climate change.

The Fund's value was $1,565m as of 31 December 2021, which represents 0.36% of the total asset manager AUM.

We are listing in question C-FS4.5a a number of funds managed by the Asset Manager where climate has been identified as a core theme (although not necessarily the only one). Furthermore, we also have a range of Real Estate funds with a commitment to achieve Net Zero GHG emission by 2050 that have set interim targets. However, none of these funds are in the NZAM interim target as of December 2021. The AUM committed to the interim NZAM target relates to funds managed on behalf of our internal Asset Owner.

Carbon Pricing

C11.2a Provide details of the project -based carbon credits originated or purchased by your organization in the reporting period.

Credit organization or credit purchase	Project Type	Project Identification	Verified to which standard	Number of credits (metric tons CO2e)	Number of credits (metric tons CO2e): Risk adjusted volume	Credits cancelled	Purpose
Credit purchase	Forests	NIHT Topaiyo REDD+ 2293	VCS (Verified Carbon Standard)	1000	1000	Yes	Voluntary offsetting
Credit purchase	Hydro	Musi - Verra 487	VCS (Verified Carbon Standard)	1820	1820	Yes	Voluntary offsetting

Engagements

C -FS12.1 b Give details of your Climate -related engagement strategy with your clients.

M&G investment work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management. These types of collaboration and innovation engagements are targeted at clients with the highest potential impact on the climate.

M&G Investments has engaged with the internal asset owner client during the Asset Owner process of setting an interim target as part of their Net Zero Asset Owner Alliance commitment, which will significantly increase the scope of assets managed by M&G Investments on behalf of the internal Asset Owner covered by an interim target. These engagements represent 63% of client related Scope 3 emissions as reported in C-FS14.1a and the portfolio coverage is 36%. Discussions on the NZAOA target covered public equities and fixed income assets, which is why both the % client-related Scope 3 emissions and the portfolio coverage refer to the Asset Owner's total public equities and fixed income AUM compared to the total AUM from the Asset Manager. The Asset Owner is working on including real estate assets under this target. Real Estate (includes indirect, i.e. real estate held through vehicles and partnerships) is not yet included in our coverage for portfolio emissions but is included in portfolio coverage. Numbers are as of Dec 31, 2021.

Furthermore, M&G Investments engages with external asset owner clients to present our Net Zero approach and discuss the clients' climate ambitions. In the future, we will measure success by expanding our scope covered by the NZAM target.

M&G investments also engage with clients from a compliance & onboarding perspective, including climate change considerations in client management mechanism. The type of engagement targets clients with increased climate-related risks.

Another type of compliance and onboarding engagement targeted at clients with increased climate-related risks is in relation to thermal coal.

In March 2021, we announced we will phase out thermal coal from all our actively invested public investments – an ambitious and far reaching commitment which will affect over 270 M&G investment funds and mandates as at 31 December 2021.

Since then, we've written to more than 203,000 direct customers and wholesale clients to explain why we're taking this step, and how this will affect their investments with us. We've also engaged with over 630 institutional clients and intermediaries to seek consent to align their mandates to this new policy on coal, with the vast majority of responses received to date supportive.

The engagements on coal described above relate to 63% of the Asset Manager carbon emissions as of 31 December 2021 reported in question C-FS14.1a and 32% of the portfolio, reflecting the internal Asset Owner AUM invested in public fixed income and public equities, managed by the Asset Manager (excluding public assets managed by M&G South Africa). Numbers are as of Dec 31, 2021. The Position on Thermal Coal applies to all listed equity and public fixed income investments. The M&G Investments Thermal Coal Investment Policy released in 2022) is applicable to all pooled funds, but for segregated mandates, sub-advised and advised mandates, application of this Policy is subject to client consent, and M&G aims to achieve consent. The number only covers in-scope assets managed on behalf of the Internal asset owner, therefore the reported coverage underestimates our actual coverage as it does not include coverage in respect of funds managed by the Asset Manager on behalf of external (i.e. third party) asset owner clients.

C-FS12.1c Give details of your Climate-related engagement strategy with your investees

Engagements targeted at investees with the highest potential impact on the climate include:

1. Information collection (understanding investee behaviour):
   - Included climate-related criteria in investee selection/management mechanism
   - Climate-related criteria is integrated into investee evaluation processes
   - Collect climate-related and carbon emissions information from new investee companies as part of due diligence
   - Collect climate-related and carbon emissions information at least annually from long-term investees

To understand investee behaviour we collected the carbon emissions of all of our holdings to produce a list of our top emitters. This takes into account the scope 1&2 C02 emissions and the market value of the holdings across these asset classes so that we can prioritise engagement with these companies. From here we are assessing the top 100 largest emitter's climate credentials and are looking to engage on climate related issues with all of these companies, such as encouraging companies to report emissions to CDP. On top of this we conduct ESG quarterly reviews of our portfolios. We run the data through MSCI which provides a carbon footprint for the fund and its benchmark, as well as the Weighted Average Carbon Intensity (WACI) of both, this also highlights the companies that are contributing the most to the WACI, and we look to engage with these laggards. We prioritise our assessments on those investees who 1. haven't set up Net Zero targets, 2. those who are frequently on M&G's highest emission exposure over the last three years, 3. M&G hasn't initiated any engagement. As a result, we started from c. 20 investees and we have continued to assess and add more investee companies to this list to engage with on climate related issues.

Engagement targeted at investees with increased climate relate risks include:

1. <u>Engagement & incentivization</u> (changing investee behaviour) covers:
   - Exercise active ownership
   - Support climate-related shareholder resolutions
   - Support climate-related issues in proxy voting

- Implement a stewardship and engagement strategy, with a clear escalation and voting policy, that is consistent with our ambition for all assets under management to achieve net zero emissions by 2050 or sooner
- Engagement with 20 investees with a focus on highest emitters or those responsible for 65% of emission in portfolio (either Direct, Collective, or via Asset Manager)
- Initiate and support dialogue with investee boards to set Paris-aligned strategies
- Encourage better climate-related disclosure practices among investees
- Encourage investees to set a science-based emissions reduction target

During 2021 we recorded 107 climate related engagements with companies. We use a 'traffic light' system within our reporting to highlight if an engagement's objective has been achieved, or not, or if the engagement is ongoing. Green indicates that the objective has been achieved, amber indicates that the engagement is ongoing and red indicates that the objective has not been achieved. Of the 107 climate related engagements 42 were successful and rated green, 60 were amber as the engagement is ongoing and for only 5 the engagement was not achieved and rated red.

2. Innovation & collaboration (changing markets), by carrying out collaborative engagements with other investors or institutions.

   M&G is actively involved with a number of collective engagement initiatives. M&G is an member of Climate Action 100+ and is a co-lead on miner Rio Tinto, chemicals company BASF, auto maker VW and energy company TotalEnergies. We are also active members of working groups on energy companies BP and Petrobras, and chemicals company LyondellBasell, while we sit on the Corporate Programme Advisory Group, which helps set future CA 100+ priorities. During the year we joined the Net-zero Stewardship Working Group as well. An impactful example of our collective efforts is with BASF. We met with BASF on a number of occasions at the beginning of 2021 to urge the company to agree to a net-zero carbon target by 2050 for scope 1 and 2 emissions, and a reduction in scope 1 and 2 emissions by 2030. Having previously only committed to CO_2-neutral growth until 2030, BASF announced a 2030 reduction target and a 2050 net-zero target during its capital markets day in March 2021. We were very pleased with this commitment.

The engagements described above relate to 33.3% of the Asset Manager's public asset Financed Carbon Emissions as of 31 December 2021. This corresponds to 7.4% of the Asset Manager public equities and public corporate fixed income AUM (excluding sovereign bonds and properties).

C-FS12.2 Does your organization exercise voting rights as a shareholder on Climate-related issues?

Yes.

C-FS12.2a Provide details of your shareholder voting record on Climate related issues.

M&G investments use an external service provider to exercise the voting rights as a shareholder. We use ISS proxy research to assess each of the climate resolutions on its own merits. We will often try to speak to company themselves prior to voting a climate resolution. The portfolio coverage for voting disclosed is 100%. Climate-related issues supported in shareholder resolutions may apply to:

- Climate transition plans
- Climate-related disclosures
- Aligning public policy position (lobbying)
- Emissions reduction targets
- Board oversight of climate-related issues.

We publish the rationale for significant votes and when we voted against management.

C12.3 Do you engage in activities that could directly or indirectly influence policy, law, or regulation that may impact the climate?

The engagements that could influence policy, law or regulation that may impact the climate relate to direct engagements with policy makers and indirect engagement through trade associations.

Our public commitment to conduct engagement activities in line with the goals of the Paris Agreement. can be found in the following links:

Sustainability report 2021, pages 2,3, 22…26,27
M&G Climate Transition Plan, page 6

Public policy plays a big role in enabling M&G to deliver our 10-points sustainability plan. M&G works constructively with policymakers to create a policy and regulatory framework that will facilitate the right behaviours and drive the urgent and fundamental economy transformation needed.

We actively engage in consultative processes with our regulators as they develop climate - related initiatives, both in our own right, and through investor organisations such as the UK Sustainable Investment and Finance Association (UKSIF) and trade associations such as the Association of British Insurers (ABI).

The monthly M&G Sustainability Public Policy forum coordinates M&G's public policy position across the Asset Owner and Asset Manager.

We respond to policy and regulation consultations. We engage subject matter experts to comment on regulatory development and we circulate our consultation responses to our internal governance forum the ESG Disclosure Panel to review and sign off. Where relevant, we will consult and share with executive committee member or functional owner to sign off.

We also have a Management Disclosure Committee, which exists to assist the Company in meeting the above requirements. The Committee has responsibility for, among other things, reviewing and commenting on all public disclosures which are of significance to the Group, including but not limited to ESG related content for external publication.

All M&G employees in all jurisdictions are subject to the M&G plc Political Engagement Standard. This requires employees to always consult the Government Affairs team before any external engagement with policy makers is undertaken – which provides a 'safety net' for ensuring that M&G speaks with one voice and is advocating for issues that are in line with M&G's sustainability commitments.

In line with sustainability and sustainable investing as a strategic priority for M&G, all employees have sustainability at the heart of our roles and its delivery is part of everyone's personal objectives.

In our engagement we advocate for high-quality reporting and disclosure by all of those involved in the finance chain; international cooperation and regulatory coherence on sustainability issues.

C12.3a On what policy, law, or regulation that may impact the climate have you been engaging directly with policy makers in the reporting year?

M&G Investments focus of policy, law, or regulation that may impact the climate includes:

- Adaptation and/or resilience to climate change
- Mandatory climate-related reporting
- Sustainable finance
- Transparency requirements
- Verification and audit.

The policies, laws and regulations on which M&G is engaging with policy makers are:

- Sustainability Disclosure Requirement (SDR)
- TCFD Regulation
- European Commission's targeted consultation on the functioning of ESG ratings market in the EU and on the consideration of ESG factors in credit ratings.

These regulations apply to the UK and the EU. We support these regulations with minor exceptions.

Engagement description with policy makers

M&G interacts with policymakers on ESG-related public policy matters at all levels, including Executive Committee / Board. Government Affairs colleagues maintain dialogue with relevant green finance teams in HM Treasure and BEIS. M&G has a seat on the Board of the Association of British Insurers which enables us to shape and steer the UK insurance industry's position and action on sustainability. M&G's Government Affairs Director chairs the ESG-dedicated Committee of the International Regulatory Strategy Group, the practitioner-led body for the UK's financial and professional services.

M&G is a member of a number of trade associations in our key jurisdictions. We actively participate in their committees/working groups on sustainability/stewardship matters. We provide substantive input to our trade associations as part of their formulating an industry response to ESG policy consultations. On a case by case basis, we would also submit our own response, if our views are expressed different to those of our peers or if the matter is of material consequence to our business, clients and the communities we serve.

We provide technical feedback on ESG topics to regulators too – both via our trade bodies (in particular on rules and guidance from the European Supervisory Authorities) and also directly to relevant national competent authorities, such as the FCA, PRA and other rule makers in our key markets. As our regulators continue with sustainability-related initiatives, we have actively engaged in their regulatory change processes and have formally responded to a number of policy papers in 2021, most notably in the UK, on the FCA's new rules to extend the TCFD disclosures regime to asset managers, asset owners and standard listed issuers, its proposals for a new Sustainability Disclosures Requirements (SDR) regime and its request for views on how it can accelerate the pace of meaningful change on diversity and inclusion in financial services.

In addition to engaging directly and via trade bodies, we also participate in conferences, policy working groups convened by government, and have an ongoing relationship with our constituent MPs and those with an active interest in sustainability. We have also sponsored for a number of years the All Party Parliamentary Group on Corporate Governance, reflecting M&G's leadership position as a responsible steward of our clients' money.

Exceptions

As we firmly support recent legislative developments in sustainability, on occasion we would suggest targeted changes in relation to how set proposals could be improved.

<u>Sustainability Disclosure Requirement (SDR):</u>
We were generally supportive of the FCA's labelling regime. We supported the principle of a tiered disclosure that recognises different information needs and capacities of retail and institutional customers, whilst noting the need to carefully consider how additional retail level disclosures should be made in light of the significant amount of existing pre-sale disclosures.

<u>TCFD Regulation:</u>
We were broadly supportive of the proposals to extend climate-related disclosure requirements to asset managers, life insurers and FCA-regulated pension providers and we appreciated the FCA's proportionate and pragmatic approach, including the ability for firms with global and/or group structures to cross reference information to avoid duplications. We

provided specific feedback on the compliance basis of the proposals, considerations around entity and product disclosures specific to retail customers, the feasibility of scenario analysis and data availability limitations.

We agree that TCFD aligned disclosure requirements should go beyond issuers of listed equity shares. Debt issuers should also be required to disclose, if not captured by the equity issuing entity, and we also advocated for the roll out of TCFD aligned disclosure requirements to private companies above certain threshold. Furthermore, we provided feedback on the FCA's questions around Use of Proceed (UoP) Bonds, and strongly emphasised our preference for the FCA to achieve a level of consistency with both with the EU and emerging international standards on development of bond standards and the regulation of ESG data and rating providers.

European Commission's targeted consultation on the functioning of ESG ratings market in the EU and on the consideration of ESG factors in credit ratings:
We expressed our preference for regulatory intervention to improve transparency on the operations of ESG rating providers, as well as to ensure a coherent approach to the incorporation of ESG factors in credit ratings by credit rating agencies.

Evaluation of the alignment of the organization's engagement with the goals of the Paris Agreement

We have evaluated whether our organization's engagement is aligned with the goals of the Paris Agreement, and it is aligned.

C-FS12.5 Indicate the collaborative frameworks, initiatives, and/or commitments related to environmental issues for which you are a signatory/member.

The table below indicates the frameworks, initiatives and commitments for which we are a signatory/member and our role within those.

CDP Signatory	We are collaborating with CDP on water security issues, which, with climate change pose global systemic risk. In 2021 co-presented with CDP's Global Water lead presenting an investor perspective on the need for a just water transition at COP26& the Marrakesh Partnership Global Climate Action Water event.
Climate Action 100+	In 2021 we continued to actively participate in the investor-led initiative CA100+ collective engagement groups. Within CA100+, M&G is the co-lead on miner Rio Tinto, chemicals company BASF, auto maker VW and energy company TotalEnergies. M&G is also the active members of several Working Groups focusing on the companies, such as BP, Chevron, Exxon Mobil, Petrobras ; Air Liquide, LyondellBasell , Anglo American (. M&G sit on the Corporate Programme Advisory Group, which helps set future CA100+ priorities. and the Net-zero Stewardship Working Group.
Climate Bonds Initiative (CBI) Partner Programme	As a member of the CBI Partners Programme. we can share useful insights on sustainable investment opportunities which will help us contribute to achieving the common long-term goal of building climate resilient economies. M&G is increasingly looking to invest not only for financial return, but also to benefit society and the environment. M&G's fixed income department is active across a range of climate finance investments including green investments in private debt, public debt and ABS.

International Corporate Governance Network (ICGN)	We are a member of the ICGN We chair the ICGN's Natural Capital Working Group, a committee focused on governance relating to the natural environment, ecology and biodiversity including climate change and the UN SDGs. While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them.
Net Zero Asset Managers initiative	We were a founding signatory of the NZAM launched in December 2020. In November 2021, we committed to reduce carbon emissions by 50% by 2030 for $80 billion (£58 bn) in public listed equities and bonds, managed within our asset manager business (representing 20% of asset manager AUM managed on behalf of our asset owner business).
Net Zero Asset Owner Alliance	We joined the UN-convened NZAOA in September 2021. As a member we are committed to the transition of £128 billion of our investment portfolios to net zero carbon emissions by 2050 in line with the NZAOA framework, and to set 5 yearly interim targets to reduce our portfolio carbon emissions to zero by 2050.
Paris Agreement Capital Transition Assessment (PACTA)	M&G Investments supports the 2degrees investing initiative – which launches the PACTA - through its membership of the IIGCC.
Partnership for Carbon Accounting Financials (PCAF)	PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the greenhouse gas emissions associated with their loans and investments. M&G have developed its Net Zero Investment Framework portfolio metrics aligned to the PCAF. Financed carbon emissions and weighted average carbon intensity have been calculated in line with the approach prescribed by the PCAF, utilising data sourced from MSCI
Principle for Responsible Investment (UN PRI)	M&G is a signatory to the UNPRI and has committed to adhere to the Principles where they are consistent with M&G's fiduciary responsibilities. The M&G ESG Governance Meeting oversees the governance and management of responsible investment activities as part of M&G's UNPRI signatory status.
RE100	M&G joined the RE100 initiative in 2020 as a first step in a bigger sustainability journey f as we look to deliver our net zero target by 2030 across both our operations and supply chain. M&G is RE100 certified and commits to Committing to 100% renewable electricity.
Task Force on Climate-related Financial Disclosures (TCFD)	M&G plc has released its TCFD Report 2021 as part of the Annual Report 2021.
Task Force on Nature-related Financial Disclosures (TNFD)	We are a member of the TNFD Forum, Through this forum we hope to help shape future biodiversity and nature-related measurement and disclosure.
The Investor Agenda	M&G is a member of the Investor Agenda which draws on expertise from across the investor landscape to set out clearly joint expectations in four interlocking areas – corporate engagement, investment, policy advocacy and investor disclosure.
Transition Pathway Initiative (TPI)	The TPI is a global initiative led by asset owners and supported by asset managers. Aimed at investors and free to use, it assesses companies' preparedness for the transition to a low-carbon economy, supporting efforts to address climate change. M&G actively supports the initiative eg: by responding to its consultations.
UN Global Compact	M&G plc joined the UN Global Compact in March 2021.
Powering Past Coal Alliance (PPCA)	In 2021, M&G plc joined PPCA and announced its position on thermal coal. During the year we also contributed to the PPCA paper on scaling up finance for the just transition beyond coal.
Institutional Investors Group on Climate Change (IIGCC)	M&G is a member of the IIGCC Corporate Programme Advisory Group. Within this M&G is a member of the Paris Aligned Investor Initiative.

Association of British Insurers – Board subgroup on Climate, and Climate Working Group	M&G is a member of the ABI Board, and sits on the ABI Board subgroup on Climate, and isan active member of the Climate Working Group providing significant input into insurance industry's Climate Change Roadmap published in July 2021.

Portfolio Impact

C-FS14.1a Provide details of your organization's portfolio emissions in the reporting year.

The Asset Manger's Scope 1 and 2 portfolio emissions as disclosed in our Sustainability Report 2021 are:

Financed Carbon Emissions (Scope 1 and 2) (000s tCO_2e)	12,412
Coverage	69.3%
Emissions based on reported data	86.7%

The portfolio emissions metric ('Financed Carbon Emissions') corresponds to listed equity and corporate bond assets with available reported and estimated data from our third party provider. Other asset classes have been excluded due to coverage and/or methodology issues. The metric covers Scope 1 and 2 emissions. Emissions metrics have been calculated in line with the approach prescribed by the Partnership for Carbon Accounting (PCAF) and The Global GHG Accounting and Reporting Standard for the Financial Industry utilising emissions data sourced from external provider MSCI. Emissions are attributed proportionally to issuers based on the current value of investment and divided by the enterprise value including cash (EVIC). This is one of the indicators that allows us to monitor progress towards achieving a net zero investment portfolio by 2050.

C-FS14.1b Provide details of other carbon foot printing and/or exposure metrics used to track the impact of your portfolio on the climate.

The table below sets out additional carbon footprinting and exposure metrics as these have been disclosed in the Sustainability Report 2021. Where relevant, numbers have been converted to USD to allow for comparison with other NZAM members. Coverage metrics are over the Asset Manager public equities and corporate fixed income assets, unless stated otherwise.

<table>
<tr><th>Metric</th><th>Metric Value</th><th>Portfolio coverage</th><th>Percentage calculated using data obtained from investees</th></tr>
<tr><td>Weighted average carbon intensity (Scope 1+2) (tCO2e/ $m sales)</td><td>178.5</td><td>81.8%</td><td>74.91%</td></tr>
<tr><td colspan="4">Calculation Methodology - WACI represents the portfolio's exposure to carbon-intensive companies expressed in tons CO2 / $M sales revenue. For the calculation of WACI we used PCAF's approach as indicated in the Global GHG Accounting and Reporting Standard. According to PCAF's methodology, GHG emissions are allocated based on portfolio weights with available reported and estimated data from our third party provider. Internal holding data for public Equities and Public Corporate debt assets as at 31 December 2021 have been combined with Scope 1 and 2 carbon intensity data from MSCI to provide the metric. Other assets classes have been excluded due to data limitations and/or methodology issues. WACI is particularly useful and often used by portfolio managers to identify and select between public market assets as it provides an easy metric to compare businesses, as well as in reporting. We expect WACI to attach a lesser priority to entity level reporting in the future and as such we have included additional metrics as explained below. This is an additional indicator that allows us to monitor progress towards our target to achieving carbon net zero investment portfolios by 2050. The portfolio coverage metric refers to the percentage of Equities and Fixed income assets we have intensity data for</td></tr>
<tr><td>Portfolio carbon footprint (Scope 1 +2) (tCO2e/$m invested)</td><td>73.6</td><td>69.3%</td><td>86.7%</td></tr>
<tr><td colspan="4">Calculation Methodology - Financed Carbon Emissions as disclosed in question C-FS14.1a are normalised by the total value invested in the portfolio (Sum of equities and public corporate debt for the asset Manager) that we have GHG Scope 1 and 2 emissions and EVIC data for. The intensity of emissions per $M invested adds relative analysis where AUM can move over time, whilst acknowledging that FCE is the primary metric for goals and targets. For the calculation of this metrics we have used GHG Scope 1 and 2 emissions data from MSCI as well as EVIC data from MSCI to calculate the total number of Financed Carbon Emissions expressed in tCO2e. FCE is then normalised by the value of investments we have emissions data for. This is a more conservative approach compared to normalising FCE by the total value of investments which can be misleading. This is aligned to our principles of transparency and rigor in how we disclose climate information, enabling a truer and more transparent reflection of our carbon footprint, whilst helping avoid accusations of greenwashing and pushing companies to improve their own climate disclosures. This an additional indicator that allows us to monitor progress towards our target to achieving carbon net zero investment portfolios by 2050. The portfolio coverage metric refers to the percentage of Equities and Fixed income assets we have data for.</td></tr>
</table>

<table>
<tr><th>Metric</th><th>Metric Value</th><th>Portfolio coverage</th><th>Percentage calculated using data obtained from investees</th></tr>
<tr><td>Real Estate GHG Emissions
Scope 1+2 (000s tCO2e)</td><td>83</td><td>90%</td><td>[unknown]</td></tr>
<tr><td colspan="4">Calculation Methodology - Scope 1 and 2 GHG emissions from energy used in assets held by M&G Real Estate funds under management, where the funds are deemed to have operational control over energy services (also known as landlord controlled or managed assets)
Measuring GHG emissions activity in managed assets supports our asset management decision making, so that targeted investment can be identified, made to improve the energy and carbon efficiency where it is technically and financially feasible to do so.
Energy data collected at the asset level from third party property managers, based on a mixture of meter reads, automatic meter data and utility invoices. Estimation was applied to address data gaps using industry defined methodology. M&G Real Estate funds employ the use of specialist ESG consultant to support in data collection, analysis and reporting through the use of a bespoke software platform. Data is collected on a quarterly basis and is subject to both internal and external review annually. GHG data has been prepared in accordance with the GHG protocol, as well as real estate environmental reporting guidelines, including: GRESB Real Estate Assessment, INREV Sustainability Reporting Guidelines and UK Better Buildings Partnership Net Zero Carbon Pathway framework .Data sources which are reliant on manual data entry (meter reads) may include anomalies. The ESG consultant conducts periodic review to address these issues.
Percentage calculated using data obtained from investees is not available for this indicator.</td></tr>
<tr><td>Real Estate GHG Emissions
Scope 1,2+3 (000s tCO2e)</td><td>690</td><td>90%</td><td>[unknown]</td></tr>
<tr><td colspan="4">Calculation Methodology - As above, including relevant Scope 3 downstream and upstream GHG emissions. For M&G Real Estate Fund’s the most significant Scope 3 GHG emissions sources relate to downstream leased assets (energy use by tenants) and capital goods (embodied carbon associated with development and refurbishment activity). Tenant energy use and embodied carbon in developments are significant emissions sources in the real estate sector. By incorporating these Scope 3 emissions activities into our net zero planning we will be better positioned to maintain climate resilience, particularly in regards to evolving carbon and energy building regulation. As above, in addition Scope 3 emission data included the using of tenant provided energy data. Where data could not be obtained, estimation was made using industry benchmark data (GRESB and other data sources). For purchased goods and services and capital goods, financial data was used as a proxy and converted using industry standard emission conversion factors. Tenant energy data is not easily accessible for all funds as it is controlled by the tenant. M&G Real Estate Funds are investing in tenant engagement programmes and smart metering technology to improve data capture for tenant controlled assets. For embodied carbon, industry method for measuring this impact area are continually evolving and are not widely adopted by all development partners. We are seeking to introduce actual measurement of embodied carbon in all new projects through application of our Sustainable Development & Refurbishment Framework. Percentage calculated using data obtained from investees is not available for this indicator.</td></tr>
<tr><td>Net Zero Aligning ‘Committed’ ($m)</td><td>29,385</td><td>12.1%</td><td>100%</td></tr>
<tr><td colspan="4">Calculation Methodology - This metric measures the total value of the Asset Manager portfolio of public equites and public fixed income that corresponds to issuers that have committed to setting SBT as part of the Science Based Targets initiative (SBTi). We have assumed that when a parent company has set a target or a commitment through SBTi then the same target or commitment is cascaded down to the subsidiaries of that company. This metric measures real world impact and alignment. We have chosen to use SBTi as it is a recognised body which independently verifies science based targets for many industries. The SBTi data are valid as of 31 Dec 2021.</td></tr>
</table>

<table>
<tr><td>Net Zero Aligning ‘Targets Set’ ($m)</td><td>49,364</td><td>20.3%</td><td>100%</td></tr>
<tr><td colspan="4">Calculation Methodology - This metric measures the total value of the Asset Manager portfolio of public equites and public fixed income that corresponds to issuers that have set SBT as part of the Science Based Targets initiative (SBTi). We have assumed that when a parent company has set a target or a commitment through SBTi then the same target or commitment is cascaded down to the subsidiaries of that company. This metric measures real world impact and alignment. We have chosen to use SBTi as it is a recognised body which independently verifies science based targets for many industries. The SBTi data are valid as of 31 Dec 2021.</td></tr>
<tr><td>Implied Temperature Rise</td><td>2.7 °C</td><td>87%</td><td>77%</td></tr>
<tr><td colspan="4">Calculation Methodology - Implied Temperature Rise is a single metric measuring the implied contribution to global warming of the entire portfolio. The metric represents the weighted average warming potential across counterparties modelled. This metric gives a forward-looking insight that supports our alignment to net-zero.
The metric has been calculated in tandem with our public market scenario modelling work, primarily based on company-specific GHG emissions sourced from Bloomberg, and SBTi-validated commitments.
The models cover around 87% of all Asset Manager equities, bonds and real estate and relates to internally managed AUM, which is a subset of total Asset Manager AUM. The coverage percentage relates to internally managed AUM, which is a subset of total Asset Manager AUM.</td></tr>
<tr><td>Green Exposure (m$)</td><td>9,541</td><td>3.9%</td><td>[unknown]</td></tr>
<tr><td colspan="4">Calculation Methodology - Identifying climate opportunities and the role that the financial system plays in financing climate mitigation solutions helps in the future to be able to allocate more to fill transition gaps as identified by the IEA's report. This is a metric that measures the Equities and Public corporate debt AUM of Asset Manager that is defined as climate opportunities, either through corporates that sell green solutions (revenues) or through our opportunity to finance climate transition capital/asset with the investment in green bonds.
FTSE Russell is the leading data provider, and we have used the more stringent of the two Green Revenue Percentages, those corporates deemed EU Taxonomy Aligned (FTSE methodology). An addition to this, the total market value of the green bond is assumed to be 'green' if it fits if our definition of green bonds that are CBI aligned and CBI certified (data provided by Refinitiv).
Percentage calculated using data obtained from investees is not available for this indicator.</td></tr>
<tr><td>Fossil Fuel Exposure (m$) (excluding revenue from fossil fuel power generation)</td><td>11,601</td><td>4.6%</td><td>[unknown]</td></tr>
<tr><td colspan="4">Calculation Methodology - This metric provides an overall view of the equites and public corporate Debt Asset Manager AUM exposure to fossil fuels (Oil, Gas, Coal extraction value chains – source MSCI) excluding any company revenue derived from fossil fuel power generation. Whilst the economies rely on these today, they represent higher climate mitigation exposures in a transition to 1.5 degrees in the medium to longer term. This metric is an upcoming principle adverse indicator metric as per the EU SFDR providing greater transparency. Whilst we measure the fossil fuel exposure following the SFDR methodology, we have included an additional fossil fuel exposure metric described below that measures fossil fuel exposure to companies who are using fossil fuels for power generation. We believe that combining these two metrics provide a more realistic and broader view of our exposure to fossil fuels.</td></tr>
</table>

M&G engages with large exposures through the Climate Hotlist 100, the Thermal Coal engagements and through its active participation of Climate Action 100+. Percentage calculated using data obtained from investees is not available for this indicator.			
Fossil Fuel Exposure (m$) (revenue from fossil fuel power generation)	1,407	0.80%	[unknown]
Calculation Methodology - This is an additional fossil fuel metric that captures the portfolio's exposure to companies who derive part of their revenue from fossil fuel power generation. When combined with the metric above (Fossil Fuel Exposure (excluding revenue from fossil fuel power generation)), it provides a wider definition of the portfolio's exposure to fossil fuels. Percentage calculated using data obtained from investees is not available for this indicator.			
Climate engagements (M&G) % of asset manager FCE	33.3%	7.4%	100%
Calculation Methodology - This metric shows M&G's bilateral climate Engagements in 2021 as recorded by the asset manager's Engagement dashboard, calculated as a % of the Financed Carbon Emissions (FCE) of the Asset Manager equities and public corporate debt portfolio. Engagements are conducted in line with the Principle for Responsible Investment's (PRI) definition between an investor and current investee company, conducted with the purpose of improving practice on a Climate target, disclosure or action. Where M&G co leads a CA100+ engagement – this is included in this metric (some overlap with below metric). As a global and responsible investor we see our role to request companies to set Net Zero targets and to impact real world outcomes, and reduce climate transition risk in the future. Alone we cannot do this, but we can play our part alongside other investors to influence outcomes. The measure includes both successful and unsuccessful engagements climate engagements in 2021.			
Engagements (CA100+) % of asset manager FCE	36.7%	8%	100%
Calculation Methodology - This metric shows the % of the asset manager's Financed Carbon Emissions engaged with collectively either directly as a co-lead or working group member or indirectly as a member of the CA100+ initiative. As per above, collective action can in many case be a more powerful influence on corporate climate ambition and plans as members can represent a large part of the capital base of a company. Metrics have been calculated for equities (EQ), fixed income (FI) (excluding sovereign bonds).			

C-FS14.3 Did your organization take any actions in the reporting year to align your portfolio with a 1.5- degree world?

Yes

Questions C4.1b and C12.1d are not relevant for M&G.