

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) Optimal Income Fund
Legal Entity Identifier: 54930080N30V4FEXKY59

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 57.08% 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 by excluding 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 included assessing them against the Investment Manager's proprietary scoring methodology. Accordingly, the Investment Manager promoted 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 Investment 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, as a minimum, has 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 had a proportion of 57.08% in sustainable

investments, 30.24% of them with an environmental objective and 26.84% with a social objective. For further details of the sustainable investments, please see the relevant sections below.

Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

- **How did the sustainability indicators perform?**

The Fund's sustainability indicators to test its compliance with its Exclusionary Approach were met at all times during the reporting period, ending 31 March 2026. 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

The indicators shown were not subject to assurance/review provided by an external party.

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

In the 2023/2024 reporting period there were two inadvertent breaches with the Fund buying asset-backed securities (ABS) which are not permitted under our internal screening rules. However in the 2024/2025 reporting period and in this (2025/2026) reporting period there were no ABS which fell below the investment manager's threshold for alignment.

- **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 Prospectus. This states that the Fund will have a minimum proportion of 20% of sustainable investments, comprising those with an environmental objective and/or a social objective. Those with an environmental objective do not need to qualify as environmentally sustainable under the EU Taxonomy.

As at 31 March 2026, the Fund held 57.08% investments that the Investment Manager deemed sustainable. These investments met at least one of the thresholds, defined by the Investment Manager, for positive contribution to a sustainable objective.

0% of the Fund's sustainable investments with an environmental objective was positively assessed for Taxonomy alignment. The Fund held 30.24% of sustainable investments contributing to one or more environmental objective. 26.84% were in socially sustainable investments.

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.

- **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.

- **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.

- **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.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



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 qualitatively and monitored by the Fund Manager on an ongoing 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: 01/04/2025 to 31/03/2026

Largest investments	ISIN	Sector	% Assets	Country
TREASURY BOND 2.75% 15/11/2047	US912810RZ30	Public administration and defence; compulsory social security	4.31%	US
TREASURY NOTE 3.375% 15/05/2033	US91282CHC82	Public administration and defence; compulsory social security	2.90%	US
TREASURY BOND 1.375% 15/08/2050	US912810SP49	Public administration and defence; compulsory social security	2.85%	US
TREASURY NOTE 4% 15/02/2034	US91282CJZ59	Public administration and defence; compulsory social security	2.76%	US
TREASURY NOTE 4.375% 15/05/2034	US91282CKQ32	Public administration and defence; compulsory social security	2.72%	US
TREASURY NOTE 4.625% 15/02/2035	US91282CMM00	Public administration and defence; compulsory social security	2.63%	US
TREASURY BOND 4.375% 15/08/2043	US912810TU25	Public administration and defence; compulsory social security	2.56%	US
UK CONV GILT 4.75% 22/10/2043	GB00BPJJKP77	Public administration and defence; compulsory social security	2.48%	GB
TREASURY BOND 1.25% 15/05/2050	US912810SN90	Public administration and defence; compulsory social security	2.29%	US
FRANCE (REPUBLIC OF) 4% 25/04/2055	FR0010171975	Public administration and defence; compulsory social security	1.66%	FR
TREASURY NOTE 2.875% 15/05/2032	US91282CEP23	Public administration and defence; compulsory social security	1.61%	US
TREASURY NOTE 4.25% 15/05/2035	US91282CNC19	Public administration and defence; compulsory social security	1.54%	US
TREASURY BOND 4.75% 15/02/2045	US912810UJ50	Public administration and defence; compulsory social security	1.52%	US
TREASURY BOND 4.625% 15/05/2044	US912810UB25	Public administration and defence; compulsory social security	1.36%	US
FRANCE (REPUBLIC OF) 0.75% 25/05/2053	FR0014004J31	Public administration and defence; compulsory social security	1.32%	FR

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

Please note that the Investment Manager identifies separate company/sovereign issues when compiling this table of Top 15 holdings rather than grouping issuers at a company/sovereign (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 at 31 March 2026. The percentage of investments that were aligned to the environmental or social characteristics promoted was 95.93% of NAV. This comprised 57.08% of NAV in sustainable investments, and 38.85% of NAV in investments with other environmental and or social characteristics.

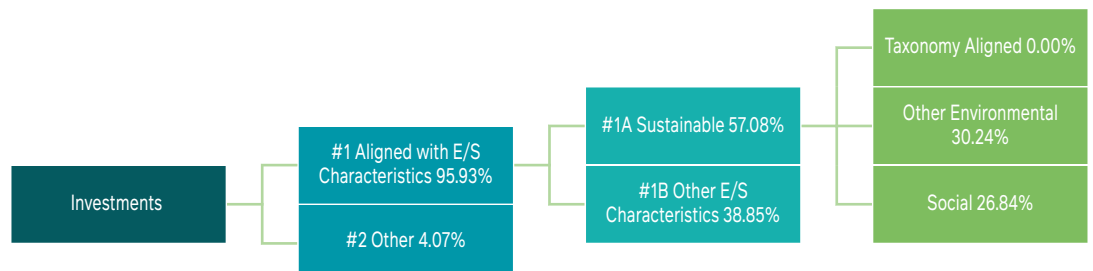
The Fund held 0% in sustainable investments with an environmental objective aligned to the EU Taxonomy. 30.24% related to investments with other environmental characteristics (sustainable), and 26.84% related to socially sustainable investments. It held 4.07% as "Other" investments (see details later in this report).

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?

Asset allocation values for the current period may not be comparable to the previous period(s) due to changes relating to the (a) presentation of incidental EU Taxonomy aligned investments (b) methodology in how assets contributing to both environmental and social objectives are allocated and/or (c) basis of the calculation of data (year-end versus average of four quarters). These changes did not have any impact on the Fund's minimum commitments and the attainment of these commitments.



#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 is as at 31 March 2026.

Economic Sector	% Assets
Public administration and defence; compulsory social security	52.82%
Financial and insurance activities	31.52%
Financial service activities, except insurance and pension funding	27.10%
Insurance, reinsurance and pension funding, except compulsory social security	2.96%
Activities auxiliary to financial services and insurance activities	1.46%
Information and communication	5.65%

Publishing activities	1.12%
Programming and broadcasting activities	0.13%
Telecommunications	0.95%
Computer programming, consultancy and related activities	0.10%
Information service activities	3.35%
Wholesale and retail trade; repair of motor vehicles and motorcycles	3.05%
Retail trade, except of motor vehicles and motorcycles	3.05%
Activities of extraterritorial organisations and bodies	2.26%
Manufacturing	1.45%
Manufacture of paper and paper products	0.07%
Manufacture of coke and refined petroleum products	0.28%
Manufacture of chemicals and chemical products	0.04%
Manufacture of basic metals	0.06%
Manufacture of computer, electronic and optical products	0.69%
Manufacture of motor vehicles, trailers and semi-trailers	0.31%
Electricity, gas, steam and air conditioning supply	0.60%
Accommodation and food service activities	0.45%
Accommodation	0.45%
Real estate activities	0.44%
Transportation and storage	0.32%
Land transport and transport via pipelines	0.21%
Warehousing and support activities for transportation	0.11%
Mining and quarrying	0.24%
Mining of coal and lignite	0.00%
Extraction of crude petroleum and natural gas	0.24%
Mining support service activities	0.00%
Other service activities	0.09%
Other personal service activities	0.09%
Administrative and support service activities	0.04%
Employment activities	0.04%
Professional, scientific and technical activities	0.02%
Advertising and market research	0.02%
Arts, entertainment and recreation	0.00%
Gambling and betting activities	0.00%
Other*	1.02%

*These investments are investments for which no NACE code is available.

A breakdown of the sub-sectors the Fund is exposed to, including any sub-sectors of the economy that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage, and trade of fossil fuels, is provided above.



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 Fund held 0% in Taxonomy-aligned sustainable investments as at 31 March 2026

The Fund has previously reported incidental EU Taxonomy aligned investments throughout relevant sections of the report. However, for this reporting period and going forward, any incidental EU Taxonomy aligned investments are only reported in the Taxonomy alignment section below but not elsewhere in the report including the asset allocation section.

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 Taxonomy¹?

☒ Yes:

☐ In fossil gas

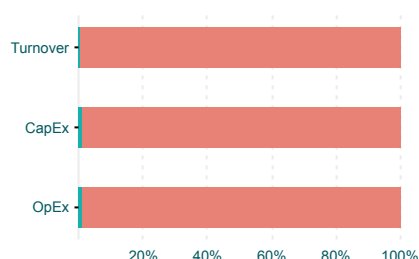
☒ In nuclear energy

☐ No

¹ 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.

1. Taxonomy-alignment of investments including sovereign bonds*



■ Taxonomy-aligned: Fossil gas (Turnover: 0.00%, CapEx: 0.00%, OpEx: 0.00%)
 ■ Taxonomy-aligned: Nuclear energy (Turnover: 0.00%, CapEx: 0.01%, OpEx: 0.00%)
 ■ Taxonomy-aligned (No Fossil gas & Nuclear): (Turnover: 0.44%, CapEx: 0.95%, OpEx: 0.76%)
 ■ Non-Taxonomy aligned: (Turnover: 99.56%, CapEx: 99.04%, OpEx: 99.24%)

2. Taxonomy-alignment of investments excluding sovereign bonds*



■ Taxonomy-aligned: Fossil gas (Turnover: 0.00%, CapEx: 0.00%, OpEx: 0.00%)
 ■ Taxonomy-aligned: Nuclear energy (Turnover: 0.00%, CapEx: 0.02%, OpEx: 0.00%)
 ■ Taxonomy-aligned (No Fossil gas & Nuclear): (Turnover: 0.93%, CapEx: 2.01%, OpEx: 1.61%)
 ■ Non-Taxonomy aligned: (Turnover: 99.07%, CapEx: 97.97%, OpEx: 98.39%)
 This graph represents 47.18% of the total investments.

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

Taxonomy Environmental Objective	Percentage of Contribution
Climate Change Mitigation	0.44%
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 describe the incidental EU Taxonomy alignment of all investments the Fund has made.

The EU Taxonomy data was not subject to a third-party review or an assurance provided by an auditor. Alignment has been obtained using multiple third-party data providers and is based on figures reported by companies to meet their obligations under the EU Taxonomy Regulation. Due to inconsistencies in how taxonomy-related information are reported across the investment chain, the sum of the percentage contribution across the six Taxonomy Environmental objectives in the table above may not equate to the sum of the Taxonomy-aligned investments disclosed in the bar graph. We continue to seek ways to enhance the consistency and reliability of the information presented. These figures are presented for transparency purposes only and did not affect the way the Fund has been managed.

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

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

The share of the Fund's investments made in transitional activities as at 31 March 2026 was 0% and in enabling activities was 0.22%. This compares to a minimum percentage commitment of 0% stated in the Fund's precontractual disclosure.

Activity	Percentage Investments
Share of Transitional Activities	0.00%
Share of Enabling Activities	0.22%

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

The fund held a higher percentage of taxonomy-aligned investments overall as at 31 March 2026 compared with previous periods.

Please note that the methodology to calculate the asset allocation has changed from the previous reference periods and as such the data is not an exact comparison.

The figures within 'Excluding sovereign bonds' as at 31 March 2025 have been restated to align with the methodology applied as at 31 March 2024 and the current reporting period, improving comparability of disclosures over time. This restatement does not reflect a change in how the Fund is managed.

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

Reference period	Including sovereign bonds			Excluding sovereign bonds		
	Turnover	CapEx	OpEx	Turnover	CapEx	OpEx
As at - 31 March 2026	0.44%	0.96%	0.76%	0.93%	2.03%	1.61%
As at - 31 March 2025	0.15%	0.78%	0.64%	0.83%	4.08%	3.09%
As at - 31 March 2024	0.31%	1.85%	1.48%	0.31%	1.85%	1.48%



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 30.24%. This compares to a minimum percentage commitment of 5% stated in the Sub-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 26.84% as at 31 March 2026. 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?

As at 31 March 2026, the Fund held cash, money market funds and FX derivatives fund as "Other" investments, for any purpose permitted by the Fund's investment policy. No minimum environmental or social safeguards were applied.



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?

N/A

● 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?

N/A

● How did this financial product perform compared with the reference benchmark?

N/A

● How did this financial product perform compared with the broad market index?

N/A