

# Sustainability-related disclosures

M&G (Lux) PruFund Growth (Euro) Feeder Fund S2  
254900CQR486DXG6UQ78



Website disclosure provided in accordance with Article 10 of the Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector. Information on how the environmental and social characteristics have been met can be found in the Annual Report of the Fund.

## Summary

This document summarises the information about this Sub-Fund in relation to the Sustainable Finance Disclosure Regulation. It is not marketing material. The information is required by law to help potential investors understand the sustainability related characteristics and/or objectives and risks of this Sub-Fund. You are advised to read it in conjunction with other relevant documentation on this Sub-Fund so you can make an informed decision about whether to invest.

## No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.

## Environmental or social characteristics of the financial product

The Sub-Fund promotes the use of Positive ESG Selection (as defined below):

The Sub-Fund invests in a Capital Redemption Policy. The policy provider (PIA) fully invests the proceeds of such policy via a reinsurance agreement into a Master Sub-Fund which itself is a product categorised under article 8 of SFDR. Accordingly the information supplied in this precontractual annex relates to such Master Sub-Fund where indicated.

The Master Sub-Fund invests at least 70% of its assets in

- (i) undertakings for collective investment which are categorised as an Article 8 or Article 9 fund under the SFDR or are considered equivalent in the opinion of its investment manager ("Funds Promoting ESG Factors"); or
- (ii) index derivatives with rules designed to produce an ESG outcome ("ESG Derivatives"), in each passing its investment manager's good governance tests.

Accordingly, the Investment Manager is promoting environmental and/or social characteristics through investing in investments that are considered to promote ESG factors.

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

## Investment strategy

As described in the promoted characteristics, this Sub-Fund allocates to the Capital Redemption Policy and therefore does not itself follow a specific sustainability strategy separate from that. For the Master Sub-Fund, consideration of ESG Factors is fully integrated into further analysis and investment decisions.

In order to identify investments for purchase, the Master Sub-Fund's investment manager performs the below processes.

### Positive ESG Selection

The Master Fund's investment manager:

- Generates a potential buy list of Funds Promoting ESG Factors and ESG Derivatives by confirming the fund or index rules meet the requirements of Positive ESG Selection. As such, the Master Fund's investment manager will verify through review of the offering

materials for Funds Promoting ESG Factors that such funds are either categorised as article 8 or 9 under SFDR, or the Master Fund's investment manager will form a view that they are equivalent. The usual method for assessing whether a fund is equivalent to article 8 or 9 is that such fund is domiciled outside the EU but contains fund rules that, were it in the EU, would be compliant with article 8 or 9, for example, that such fund is itself promoting environmental and/or social characteristics whilst investing in companies with good governance. ESG Derivatives would have index rules designed to achieve a stated environmental and/or social characteristic and are typically marketed as ESG or Sustainability indices.

### **Good Governance Test**

- The Master Fund's investment manager then performs further analysis to confirm that the product manufacturer and investment manager, or index provider, meet the Investment Manager's good governance tests further described in the respective section below, which combined with Positive ESG Selection creates the buy list.
- The Master Fund's investment manager then performs ongoing analysis, including consideration of ESG factors, to identify and take advantage of investment opportunities.

When assessing good governance practice the Investment Manager will, as a minimum, have regard to matters it sees relevant to the four identified pillars of good governance (sound management structures, employee relations, remuneration of staff and tax compliance).

The provider of the Capital Redemption Policy, PIA, and the provider of the reinsurance policy, PAC, are members of the same group as the Investment Manager and certain common standards of governance apply across the group. The companies involved in the management of the Master Sub-Fund, are also members of the same group and the Investment Manager is also the investment manager of the Master Sub-Fund. The Investment Manager considers all of these companies to exhibit good governance as assessed against the four identified pillars.

As the Master Sub-Fund itself is managed in accordance with the principles of good governance, the Investment Manager does not further assess the contents of the Master Sub-Fund in its capacity as Investment Manager of this Fund (but does have responsibilities for doing so in its capacity as investment manager of the Master Sub-Fund).

## **Proportion of investments**

The Investment Manager expects at least 70% of the Master Sub-Fund NAV to be in investments considered to be aligned to the promoted E/S characteristics. The Master Sub-Fund is permitted to hold up to 30% of its NAV in Other investments.

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically all of the investments are expected to be held indirectly.

## **Monitoring of environmental or social characteristics**

The Sub-Fund's investment strategy is to invest in the Capital Redemption Policy, which does not require monitoring for environmental or social characteristics directly. The Sub-Fund's Investment Manager is also the investment manager of the Master Sub-Fund and therefore can directly monitor the environmental and social characteristics of the Master Sub-Fund. The Master Sub-Fund's Investment Manager identifies suitable funds and indices to invest in by assessing the rules of such instruments. This enables permitted lists to be coded and monitored on a pre and post trade basis as investment restrictions to prevent and detect investments that would not be compliant with the stated investment parameters. Incidents are recorded, and resolved through an incident investigation process, and are reported as part of the SFDR reporting.

Having coded such permitted lists, the Master Sub-Fund Investment Manager is able to monitor the proportion of NAV held in each such category of investment, which in turn allows it to report on the key sustainability indicators.

## **Methodologies**

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund's methodologies to measure how the social or environmental characteristics promoted by the financial product are met.

The Sub-Fund's Investment Manager is able to allocate to any article 8 or 9 fund or any fund assessed as being equivalent. The usual method for assessing whether a fund is equivalent to article 8 or 9 is that such fund is domiciled outside the EU but contains fund rules that, were it in the EU, would be compliant with article 8 or 9, for example, that such fund is itself promoting environmental and/or social characteristics whilst investing in companies with good governance. In both cases, review of the fund materials prior to investment and

ongoing reporting from the underlying manager is the method for assessing continued delivery. The Sub-Fund can allocate to funds promoting any environmental or social characteristic.

Further information on methodology is provided below in the description of the due diligence process.

## Data sources and processing

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund's assessment of its data sources.

Information can be sourced from underlying funds as well as from third party data vendors including companies such as MSCI, Bloomberg or sourced from proprietary research and analysis.

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund's measures to ensure data quality.

Data received from third party vendors typically comes from reputable and, in some cases, audited sources, such as annual reports of sustainability reports. Upon receipt, the data is checked by the analysts. To ensure that interpretation of data is consistent, benchmarking exercises are performed where appropriate. Collected ESG data is evaluated via use of a proprietary ESG scorecard, which is populated by the analysts.

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund's approach to data processing.

Data is processed through a combination of external and internal proprietary systems and digital platform tools which monitor the exposure of the funds both at fund and security level both pre and post trade.

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund in terms of the proportion of data that are estimated.

Use of estimated data is limited. However when an estimation is needed proprietary analysis and tools are used. For example, if an underlying fund's portfolio company does not disclose its greenhouse gas emissions, and the Master Sub-Fund's Investment Manager wishes to validate the underlying fund manager's view, then an estimation is made using the Master Sub-Fund Investment Manager's proprietary carbon emission tool which estimates portfolio companies' carbon intensity levels.

## Limitations to methodologies and data

ESG information from third party data providers and/or obtained from underlying funds invested in by the Master Sub-Fund may be incomplete, inaccurate, stale or unavailable. Where identified, the Investment Manager will seek to mitigate this risk through its own assessment and take any appropriate remediation as necessary.

Where limitations in the methodologies and data have been identified, the Investment Manager and the Master Sub-Fund's Investment Manager seek to mitigate these through governance and oversight. Whilst, as with financial data, it is impossible to completely eliminate the risk of impact of an external data vendor error, the Investment Manager does conduct its own reviews and challenges where it believes investments have been misclassified. Where the methodologies and/or data are insufficient post mitigation to evidence that an investment is in compliance with the promoted characteristics, such investment may only be purchased if it is suitable for inclusion as an "Other" investment, and the Investment Manager will continue to consider what further information can be obtained through additional research.

## Due diligence

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund's Due Diligence:

ESG due diligence is carried out as part of the fund selection process and as part of ongoing oversight.

Each building block fund is assessed from a 'top-down' perspective based on the fund's promoted characteristics or sustainable investment objective, and then from a 'bottom-up' perspective by looking at the investments it makes and whether this meets the top down characteristics / objective. The overall quality of the ESG aspect of the portfolio is then further assessed through Investment Due Diligence

(IDD) in order to ensure it is properly implemented.

As part of its regular manager oversight activities, the Master Sub-Fund Investment Manager influences underlying investment managers' ESG policies and processes (which include their engagement) to align more closely with our policies, and carries out due diligence on all aspects of their ESG chain, including values and philosophies, investment processes, portfolio construction, company engagement and monitoring.

The Master Sub-Fund Investment Manager will consider replacing an investment if an underlying investment manager's ESG policies, processes or service do not comply with our own policies, and if we are unable to obtain a service that meets our requirements.

The Master Sub-Fund Investment Manager's due diligence engagement with underlying investment managers includes issuing an Operational Due Diligence Questionnaire (ODDQ) requesting responses to questions covering each of these topics. Responses and any supporting documentation are reviewed. The Master Sub-Fund Investment Manager then will request a meeting with the underlying investment managers, either onsite or via a conference call, to discuss each topic in further detail as required.

In addition to this the Master Sub-Fund Investment Manager also reviews the Dun & Bradstreet Financial Analytics Report, which provides an independent assessment of the business risk of the firm.

## Engagement policies

The Sub-Fund invests in the Capital Redemption Policy with its promoted characteristics being achieved via the investment being ultimately linked to the Master Sub-Fund. Therefore typically the Sub-Fund relies on the Master Sub-Fund's Engagement Policies.

The Investment Manager believes that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. The Investment Manager believes that if a company is run well, and sustainably, it is more likely to be successful in the long run. The Investment Manager undertakes all investment stewardship engagements and proxy voting with the goal of protecting and enhancing the long-term value of client's assets, with engagement representing an integral part of how the Investment Manager integrates environmental, social and governance (ESG) considerations in its investment process.

In general, the Investment Manager relies on the underlying investment managers allocated to by the Master Sub-Fund to engage with investee companies on their behalf. Active ownership that focuses on transitioning companies towards the creation of a more sustainable economy is possible and desirable across all types of investment mandates. Underlying investment managers are expected to report on their voting records and other aspects of active ownership. In order to ensure that they carry this out appropriately, the Master Sub-Fund Investment Manager assesses their engagement policies and processes to ensure that they comply with the requirements of active ownership set out in Shareholder Rights Directive II and the Stewardship Code.

## Designated reference benchmark

No reference benchmark has been designated to determine whether this Fund is aligned with the environmental or social characteristics that it promotes.

