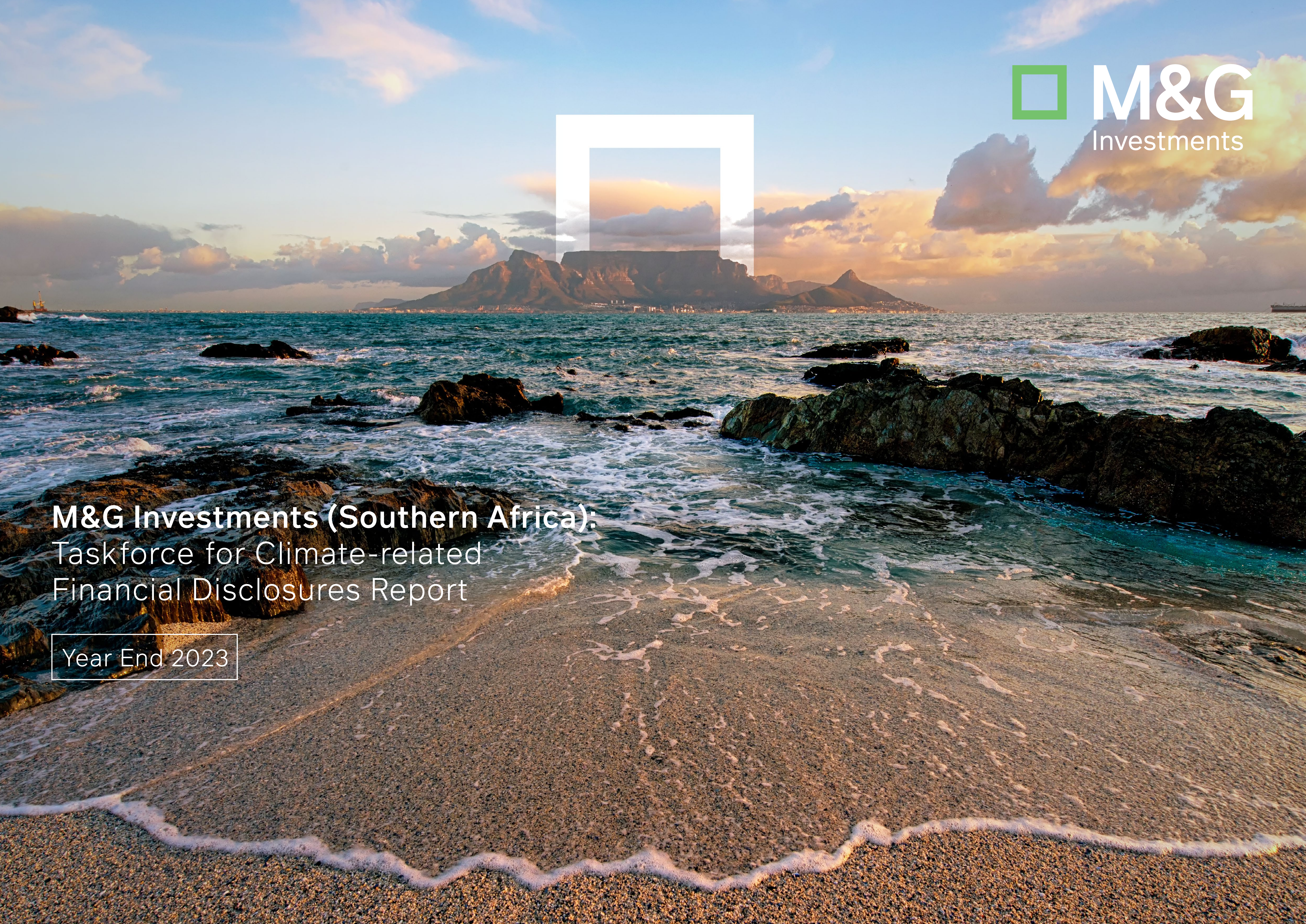

M&G Investments (Southern Africa): Taskforce for Climate-related Financial Disclosures Report

Year End 2023

M&G Investments

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TCFD report overview and context

This is our second Taskforce for Climate-related Financial Disclosures (TCFD) report for the M&G Investments Southern Africa Group ("M&GSA Group").

As a subsidiary (not wholly owned), of M&G plc (M&G plc Group) both M&GSA, and its majority owner, M&G Group Limited* (MGG) take strong lead from M&G plc Group strategies as well as develop and execute on strategies within the M&GSA Group. Both MGG and M&GSA also collaborate on engaging South African entities that have particularly high carbon emissions yet operate in the complex South African transition context.

This report will cover and reference M&G plc Group processes where they are relevant or apply to M&GSA Group.

*MGG's ownership is facilitated through M&G FA Limited ("M&G FA"). More information on this structure can be found on the M&GSA website.

TCFD pillars

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Climate oversight and governance

M&GSA Group is a subsidiary of the M&G plc Group. The latter's climate policies and objectives are not only key guideposts for our climate approach and bear referencing, but we play a role in supporting these through our own engagements and structures.

The overarching M&G plc Group climate approach aims to drive real-world decarbonisation and support the transition to a net-zero economy.

From an investment perspective, decarbonisation can be influenced through three key channels:

- Investment strategies: Making changes to our investment portfolios and supporting climate solutions
- Stewardship: Engaging issuers to implement ambitious transition plans
- Advocacy: Engaging regulators and industries to drive at sector and asset class levels.

(This approach is also followed within M&GSA Group and as illustrated elsewhere in this report.)

The M&G plc Board is ultimately responsible for the oversight of M&G plc Group's sustainability strategy, including climate change. The Board and its sub-committees consider climate-related risks, opportunities and other issues.

M&GSA Group framework for climate

The framework for climate in the South African context is a combination of corporate frameworks, but additionally influenced by legislation.

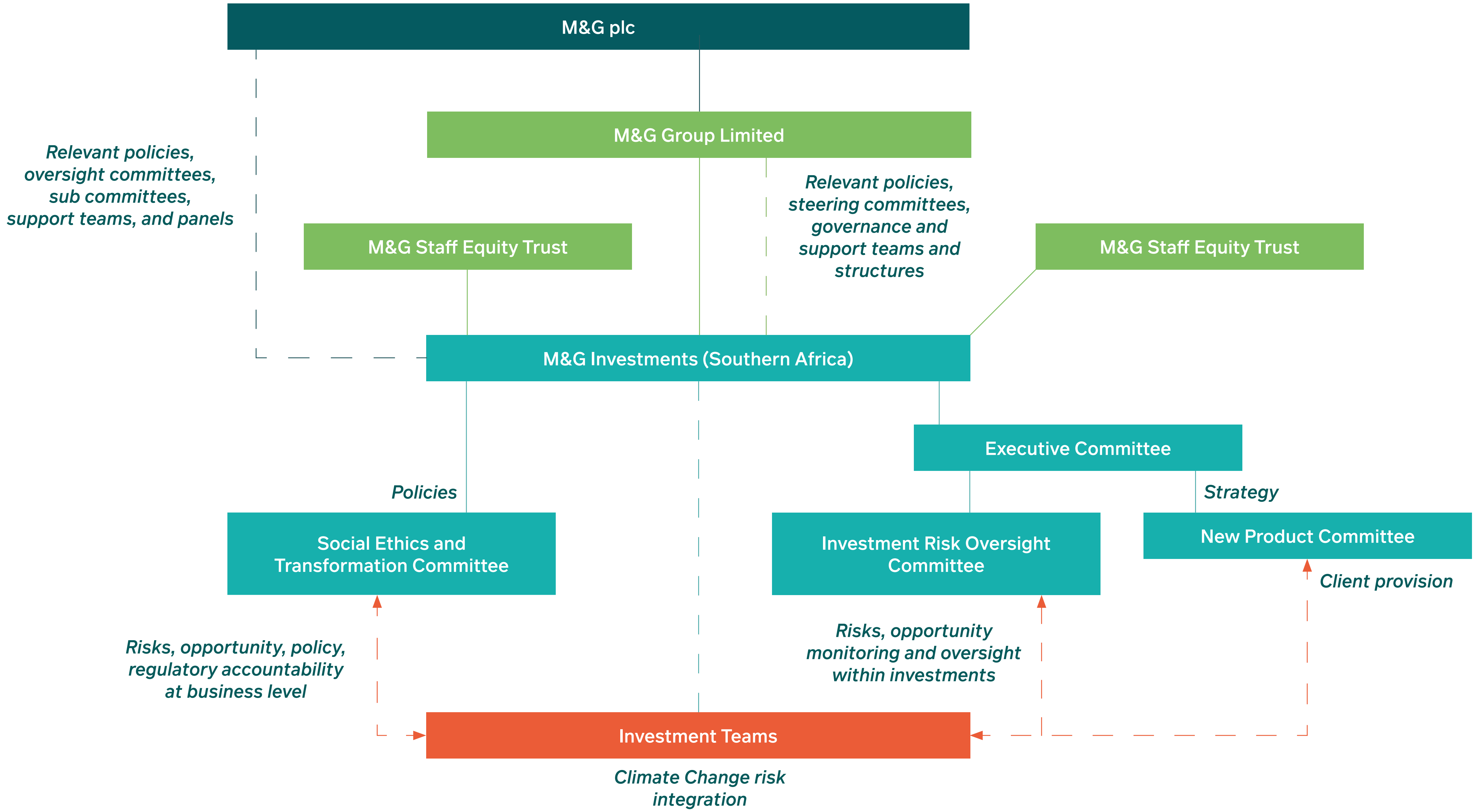
Under M&GSA Group's South African regulatory framework, the business' "environment, health and public safety, including the impact of the company's activities and of its products or services" fall under the Social Ethics and Transformation (SET) Committee. This is a function of the South African Companies Act and Regulations ((Regulation 43 (5), and Section 72 (4) of Act 71 of 2008)), making the SET Committee a formal and legislated subcommittee of the M&GSA Group Board of Directors.

This sub-committee carries the regulatory oversight function related to climate risk and governance, and receives quarterly reports from the ESG Team, inclusive of climate risk and governance aspects.

The Terms of Reference (ToR) for the SET Committee assigns the accountable officer as the Chief Executive Officer (CEO) of M&GSA Group. The SET Committee is required to be chaired by an independent director, and comprises the CEO as a member, as well as a shareholder representative and attendees comprising senior management. The SET Committee has oversight of M&GSA Group's climate risk, climate governance, climate reporting, climate change strategy, and the company's climate commitments. In this way, the M&GSA Group Board has ultimate responsibility and oversight of climate-related risks, governance, opportunities and strategies.

While M&GSA Group's primary reporting remains through the local reporting line to the M&GSA Group CEO, the M&G plc group provides oversight and governance through various channels. M&GSA Group is a subsidiary of M&G Group Limited ("MGG") via its own subsidiary and holding company M&G FA Ltd. MGG forms a significant part of the Asset Management segment of the M&G plc group. The M&GSA Group CEO reports to the CEO of the M&G plc Asset Management business. The M&GSA Group Board is comprised of two MGG nominees (again via its subsidiary M&G FA), which currently includes the Chief Investment Officer (CIO) of Equities, Multi-Asset and Sustainability at MGG. Further alignment is achieved through reporting lines for the heads of each M&GSA Group function to their respective heads within MGG.

The SET sub-committees role in the broader governance and risk structure is reflected below.



M&GSA Group's Responsible Investment Policy

Incorporation of ESG risks and opportunities is reflected in the M&GSA Group's Responsible Investment Policy. This policy is subject to oversight by the Investment Risk Oversight Committee and the Social Ethics and Transformation Committee, a sub-committee of the Board of Directors of M&GSA Group. Details of these committees can be found above.

In terms of this policy, the Chief Investment Officers, asset class heads, and analysts all hold accountability for incorporating ESG (which includes climate change aspects) into their portfolio construction, risk assessment and investment analysis.

The M&G plc Group: The overarching approach to climate change

The M&G plc Group approach to climate change is reflected in their 2023 annual reports. References are made here to explicit climate commitments and the broader context of the M&G plc group to inform the reader.

Climate change is a global problem beset by huge complexity, uncertain timing and economy-wide impacts. The scientific community has given us a clear idea of the many interconnected effects of a warming planet, with extreme events already affecting lives and livelihoods across the world. Adding to the urgency, there are signs that we are moving closer to planetary tipping points – thresholds beyond which change could become irreversible. While it is widely recognised that there has been progress on many fronts, not least when it comes to renewable energy, decarbonisation is not happening at the scale and pace needed to keep the global temperature rise within 1.5 degrees Celsius.

As part of the broader M&G plc Group, we want to help advance private and public action, playing our part by using the levers we have to drive positive real-world change, such as engagement, investment strategy and advocacy. This includes communicating clear transition expectations to investees and stakeholders, as well as offering financing and enabling solutions available through the broader M&G plc Group and related entities in order to support our clients on their climate journey.

In the Southern African context

For M&GSA Group, we are particularly aware of the need for decarbonisation pathways to recognise the local context and investment levers we can deploy. A whole economy transition is required within a local, just transition context for Southern African economies and communities.

Southern Africa remains extremely coal dependent for its provision of electricity, provision of fuel and exports for trade, as well as providing employment for a region with some of the most extreme levels of unemployment and financial inequality in the world.

Engagement, advocacy and investment integration of the dependency on thermal coals, and the associated risks, is critical to playing a responsible and meaningful role in climate change and transition frameworks. An acknowledgement of the urgency to address climate change, while avoiding unintended consequences on a socio-economic level, is particularly difficult to achieve in this region.

Our M&GSA Group climate journey

M&GSA Group has taken steps to undertake operational climate and engagement activities to both reduce the use of fossil fuels and to play our part in decarbonising our investment impacts. This journey can be evidenced in the below timeline, from our initial investments in our own operational installation of solar panels at our Cape Town headquarters through to the emerging investment, engagement and sustainability policy activities.

Strategy: M&G Southern Africa Group

M&GSA Group recognises, as part of the M&G plc Group and as a signatory of the Principles of Responsible Investments (PRI), the urgent need to decarbonise across its various industries and economy. M&GSA Group equally recognises the risks and opportunities of the South African energy landscape within the country's broader climate change agenda.

The four channels in which M&GSA Group can facilitate this, in keeping with its fiduciary duty to clients, include:

(i) Investment strategies: Making changes to our investment portfolios

Where engagement activities and the outlook on climate-related risk have proved more challenging, M&GSA Group may take (and has taken) this into account when adjusting our investment strategies. In cases where climate change risk is more prevalent in some stocks or issuers, this is considered in our investment analysis and integration of ESG themes. This may (and has in one instance) lead to potentially reducing the exposure of our portfolios to some stocks and issuers. Downward tilts have historically been, and continue to be, applied when engagements on climate change matters have not progressed to outcomes aligned with global low-carbon transition frameworks.

(ii) Stewardship: Engaging issuers to implement credible transition plans

Engagement for the development and implementation of credible climate transition plans is one of the strongest elements of our strategy.

(iii) Advocacy: Engaging with industry and policy makers

We leverage our influence for advocacy with leading industry experts and policy makers around climate change themes. Highlights of this work include:

- Engagement with Eskom, South Africa's national energy provider
- Engagement and feedback on the SA Real Estate Investment Trust (REIT) Association's SA REIT Sustainability Guide
- Engagement with the Presidential Climate Committee
- Ongoing Engagement with the PRI (Principles of Responsible Investments) on aspects of concepts and frameworks of a Just Transition
- Engagement and discussion via the South African Association for Savings and Investment (ASISA) where a member of the ESG team is a member of the Responsible Investment Committee
- Guest lectures on ESG integration in investment processes at the University of Cape Town Graduate School of Business, touching on issues and questions of climate.

Our advocacy work continues to evolve advocacy and engagements on sustainability themes, including climate change or related topics such as water, can be found in our Sustainability Report

(iv) Divestment: Exiting stocks or issuers

Divestment presents the last resort for issuers or stocks who are unwilling or unable to make the necessary changes to provide M&GSA group and/or MGG sufficient comfort that they are transitioning sufficiently within their industry and socio-economic context, presenting an unacceptable level of risk for our clients and misalignment with our policy requirements. Our priority as an active investment manager is to encourage change through engagement and voting over divestment where possible.

Taking action in 2023

2023 saw strong collaboration at a group level with MGG's teams. Extensive work was done on the top emitters held by M&GSA Group with thermal coal exposures. This involved collaborative engagements, joint completion of detailed research and information and data templates, and review of this work with the MGG Climate Committee. (This committee assesses compliance with the MGG Thermal Coal Investment Policy and may result in exclusions of certain entities or issuers depending on the policy's application.)

South African stocks with thermal coal exposures were discussed at this committee. Stocks and issuers were considered on their ability to meet Paris aligned targets or net-zero ambitions, willingness to engage and align, and goals and objectives for engagements for the next 12 months were set.

Following these discussions, entity and issuer specific engagement targets were set for key emitters, and engagements held in late 2023 and into 2024 with key emitters, with the scope widening beyond just thermal coal exposure but also including high emitters in the M&GSA Group client universes.

Targets

Both M&G plc and M&GSA Group are conscious of the difference between 'paper' emissions reductions and decarbonisation in the real world. We also realise the importance of a just transition, where the costs and benefits are shared fairly between generations, communities and regions.

While the wider M&G plc Group has committed to net-zero emissions across its investments and operations by 2050 at the latest, M&GSA Group has not formalised targets for its investments or operations. In particular, the dependance of the South African economy on fossil fuel makes target setting of a net-zero ambition extremely difficult to achieve. Discussions around potential ambitions in this regard is ongoing within the business operations.

After the close of this reporting period, early 2024 was dedicated to creating a report outlining the South African context of a just transition. Further work has been done on the implications of various actions under different scenarios given the economic and investment context of the region.

Risks and opportunities

Climate risk

The identification, assessment and management of climate-related risks, along with other ESG-related risks, is integrated into the broader M&G plc Group's ESG Risk Management Framework.

Climate change falls under sustainability and ESG, a principal risk for the M&G plc Group and M&G Southern Africa, and is therefore a key area of oversight for the M&G plc Group Risk and Compliance teams as well as the oversight functions covered in the climate governance and oversight section of this report.

Consideration of sustainability risk is built into our decision-making, with sustainability themes and risk factors being incorporated into our general investment and risk management processes.

M&G Investments Southern Africa's role

M&GSA operates in a region with a high exposure to climate risk on a multitude of levels and is exposed to a number of high emitting entities, which are crucial for the ongoing economic activity of the nation.

As part of identifying the risks of some of the entities covered further below, it's important to understand the dependencies and vulnerability of the Southern African region. As highlighted elsewhere, much work has been done in early 2024 to research the South African landscape and generate reports, which have been shared both internally and with the South African asset management industry and employees at the UN PRI.

Key committees and functions on aspects of climate risk identification and management

Climate change is an area that impacts many areas of M&GSA Group's business. As reflected in Figure 1, we also have an Investment Risk Oversight Committee, which is a sub-board Executive Committee.

(i) Investment Risk Oversight Committee

The Investment Risk Oversight Committee is a sub-committee of the Executive Committee and meets and receives quarterly reports on ESG risks from the ESG team, and aspects that impact the investment portfolios of M&G Investments and its clients, including those of climate risk.

(ii) Investment Team

Climate risks are integrated into the investment process through:

i. the accountability of analysts (formally through the Responsible Investment Policy)
ii. practical accounting of climate risks into the investment process in their modelling work (where possible) and using the inhouse integration system. These include existing and those under development and trial.
iii. presentations to their peers in the investment team for voting on stocks and issues
iv. monitoring and control functions on these risks. This process will be discussed in more detail in the upcoming M&GSA Group Sustainability Report.

(iii) New Product Committee

The New Product Committee manages climate-related risks to the business by ensuring our product suite remains relevant and responsive to the unique needs of our clients and other stakeholders. It also helps track new global developments and advances to improve the quality and extent of climate-related solutions, in concert with MGG's global expertise from the broader M&G plc group. This committee reports into M&GSA Group's Executive Committee.

M&GSA Group's Client Services teams are responsible for communicating with clients on their climate-related risk views, policies and requirements in the approach to climate risks.

Climate risk as a business

As a business, we are impacted by both the physical and transition risks of climate change. We are exposed to physical and transition risks in our operations and through our supply chain, both of which could have an impact on our costs. The M&G plc Workplace Solutions team based in London actively monitors the Group operational footprint, mitigating against the risks arising, and assists us with interpreting our collated data in the Southern African operations.

Transition and physical impacts

Both the broader M&G plc Group and M&GSA Group take a holistic view of climate risks across a range of timeframes:

- short term: <3 years (consistent with our business planning cycle)
- medium term: 3-10 years
- long term: 10+ years.

Both transition and physical risks have the potential to impact the value of the assets we manage on our clients' behalf, which directly influences our revenue and the value of assets held on our balance sheet. The main categories of these risks are illustrated in the table below and are applicable across our different legal entities and business areas. We understand that climate-related risks can overlap and interact, creating compound and cascading impacts, and that the precise timing and sequence is hard to predict.

Given this uncertainty, the transition and physical risks outlined below have potential to arise over a range of timeframes. We believe that both transition and physical risks may start to materialise over the short term, with the likelihood and potential impact of the risks rising and continuing to increase over time.

Climate risks

	Transition				Physical	
	Policy and legal	**Technology**	**Market**	**Reputation**	**Acute physical**	**Chronic physical**
Description	Carbon pricing, climate regulation, other activities. Increased intensive failure to meet material prices	Renewable energy, cleaner transport investor and services from greenwashing, technologies, causing regulatory potential stranding	Changes in consumer and investor preferences (e.g. avoidance of carbon-intensive products and services) and related pressure on input/material prices	Damage to company's standing and restrictions on carbon-intensive emission products or failure to meet commitments or greenwashing claims	Increased frequency of extreme weather events (e.g. wildfires and heat-waves)	Longer-term shifts and severity in climate patterns (e.g. sea level rise, storms, and changes in precipitation patterns) and associated impacts on food and water security, human health, and geopolitical risk
Investment impacts	Impact of net client flows and asset values on AUMA					
Corporate impacts	Revenue, expenses, business continuity, and ability to attract and retain employees					

Monitoring and management

Derisking involves pulling our levers – investment strategy, stewardship, advocacy and operational change – to ensure that the portfolios we manage, and our operations, are aligned with the transition, and resilient to physical impacts.

We are willing to accept some time-bound transition risk exposure, as long as we can build confidence that investees are on sufficiently ambitious decarbonisation trajectories.

In South Africa, we have a proprietary database that has aspects of climate risks and records related engagements.

Our first-line risk management approach is engagement with our investments that are key emitters of Greenhouse Gases (GHG), particularly those that are prominent in our narrow investment universe in Southern Africa. For example, engagements in the period (and post this reporting period) have included, amongst others, aspects such as gaining better insights into how targets will be practically achieved (for an oil and gas company), setting long term targets for net zero (paper company), and relevant required capital expenditure required for achieving these goals (diversified miner).

Physical risk is more prominent for some of the asset classes we manage than others, such as listed real estate, and involve location-specific assessments of existing and new assets. In terms of our M&GSA group business operations, we are managing transition risks, for example through our renewable energy solutions (such as rooftop solar).

We also benefit from M&G plc Group level assistance, working towards increasing access to resources to group databases and reports. For example, this includes the carbon data reflected further in this report in terms of our investment universe, and the work done by M&G plc Group related teams to model data in instances where the public data was insufficient or had gaps for the Southern Africa investment universe.

Climate opportunities

The climate transition presents major long-term investment opportunities across asset classes and markets, both from a mitigation and adaptation perspective.

Many drivers are now converging to accelerate the shift away from fossil fuels, including technological progress, falling costs of renewable energy and storage, and government policy. We cannot predict the exact pace of change, but climate action is a structural opportunity aligned with the M&G plc Group's strategy.

Whether clients are looking for climate- focused strategies, including energy transition opportunities, or increased exposure to sustainability and impact- oriented funds, MGG offers a wide range of capabilities. We are also driving action in our operations, by reducing our direct and indirect impacts, and educating our employees.

Climate strategies and solutions: MGG offerings available to M&GSA Group clients

Opportunities for climate strategies and solution funds with Southern African assets remain quite limited. Many offerings are not yet listed, and/or offer concerns around liquidity or yields. Viable products for our typical client profiles are under consideration, but not yet offered at time of writing.

To the extent that clients of M&GSA Group can invest offshore, we are able to offer them exposure to climate strategies and solutions-based products in the M&G plc Group, which are strongly placed to finance and enable climate solutions, both in developed and emerging markets.

Offerings include responsAbility and the M&G plc Group's Planet+ range of funds. This offers targeted strategies that provide our clients with exposure to solutions providers and Paris-aligned benchmarks. The Group's wider product offering is also evolving: the share of strategies in their SICAV fund range compliant with SFDR Articles 8 (where a financial product promotes environmental or social characteristics) and 9 (where a financial product has sustainable investment as its objective) has risen to 79% at the end of 2023, up from 54% at the end of 2022.

MGG is evolving the frameworks it uses to assess transition and net-zero alignment, including the classification of climate solutions and critical 'transition enablers'. This is feeding into strategy development – for example, the newly launched Sustainable Alpha Opportunities fund (SAOF) uses the evolved net-zero investment framework categories as part of its monitoring criteria.

Across the global business, the M&G plc Group continue to identify attractive climate-related investments in many markets, and we expect the opportunity set of climate solutions to continue to expand as the transition builds momentum. As these come to market, M&GSA Group hope to make many of these available to our clients to expand our climate and solutions-based offerings.

Climate transition alignment

At the group level, MGG uses top-down analysis to help monitor and manage exposures and portfolio decarbonisation. However, to address climate-related risks and opportunities properly, each issuer and asset needs to be assessed on an individual basis.

These evolving frameworks and tools allow MGG to build a clearer picture of issuers' climate profiles, including the identification of critical 'transition enablers' who are helping the world mitigate and adapt. They also support their stewardship efforts, by highlighting areas of misalignment and, therefore, priorities for engagement.

Because of the high carbon exposures of many South African entities, many flag for collaborative engagement, or escalation to the MGG Climate Committee.

The data and exposures on the M&GSA Group, including those in this report, assist in understanding our climate exposures. Additionally, scenario analysis is conducted at the MGG level and this data is provided to the M&GSA Group for use in considering its exposure to higher emitters.

In a similar vein to the broader group, each issuer and asset is assessed on an individual basis. Either on their own or in collaboration with colleagues from MGG, engagements are held with high emitters to understand how these risks are being prioritised and mitigated.

Implementation Strategy

Details on how these strategies are implemented is discussed further HERE (insert link to four key aspects under strategy)

A specific example of climate implementation into the investment process includes the reduction of exposure to Sasol, a theme that has continued into 2024. (At the time of writing at end August 2024, the exposure is less than 20% of the exposure held at end of 2023). Much of this reduction centers around the uncertainty of this entity's operations to meet very long-term climate ambitions and goals given its dependence on fossil fuel, and the viability and practical difficulties it currently faces in transitioning to cleaner fuel stocks for its production processes.

Thermal coal policy M&GSA Group

M&GSA Group is currently exempt from the MGG's Thermal Coal Investment Policy on the grounds of its client base requirements and the practical implementation of retirement fund regulations. Internal research, data analysis and potential responses have been prepared by M&GSA Group in this regard. Despite this current exemption, M&GSA is very active in engagement (more on this in the following section) with heavy thermal coal miners and utilisers (for example power generation). The impact of future uncertainties of these entities is accounted for in the investment integration process, and a primary emitter, Sasol, was down weighted during the period on grounds of this uncertainty.

M&GSA Group: Issuer and stock engagements

Climate focused engagement with investee companies continues to be a key lever of stewardship to drive ESG value for our beneficiaries at M&GSA Group and MGG levels. This year, M&GSA initiated a series of engagements focused on entities low-carbon transition plans.

Asset classes included both fixed income and equity, targeting the highest Financed Carbon Emissions (FCE) across M&GSA's portfolio. These initiatives aim to reduce its investment-related emissions and push for critical industry leaders in South Africa's economy to improve their carbon emission performance.

The top-emitting companies' part of this engagement focus consist of some of the country's leading industry players across the energy and commodity sectors, which make up Southern Africa's broader transition landscape and some of the most significant carbon footprints nationally in South Africa. Engaging with these entities and pushing for companies to improve their disclosures is therefore a key channel to reduce these climate-related risks on both a portfolio level and a national emissions scope. Sectors engaged thus far include mining, paper and pulp manufacturing, and energy and chemicals.

These engagements and analyses were jointly undertaken with the broader MGG's Climate Committee that has driven the same engagements across the global portfolio, thus standardising the approach. Some of the key aspects covered include ensuring that companies:

- Disclose their emissions performance
- Disclose any relevant mid-term and long-term emission reduction targets
- Sufficiently oversee transition plans
- Have effective decarbonisation strategies
- Have relevant CAPEX linked to initiatives of these plans
- Have aspects of lobbying and just transition initiatives, amongst other themes

Engagements provide shareholders with opportunities to voice their concerns and comments on aspect of an
organisation's operations and strategies, allowing for dialogue and constructive discourse between investors and businesses.

An example of an engagement over this period included an analysis of a leading paper and pulp manufacturer within the industry. The organisation's decarbonisation plan and initiatives in incorporating greater renewable energy sources, amongst other projects, were commendable, however the group lacked a long-term net-zero commitment to reduce its emissions. Environmental risks such as "natural disasters and extreme weather events" and "failure to mitigate climate change" have become increasingly more prevalent in global risk perceptions[1] over the last decade, placing the emphasis on long-term net-zero commitments as a significant driver of climate change mitigation efforts.

For this reason, it was necessary to engage with and strongly encourage the organisation to set a long-term net-zero target, despite its ongoing work to mitigate its carbon footprint. This request has been well received by the organisation and has been taken to the board for review as the outcomes of this engagement objective finalise.

M&GSA continue to engage with leading corporations on the JSE on their climate change strategies and transition plans, using its shareholder rights and platform to push for greater disclosure and performance in mitigating climate change.

[1]The Global Risks Report 2023, 18th Edition, World Economic Forum

Public policy and industry engagement

We recognise that the climate transition will not reach the necessary pace and scale without the right public policy frameworks and remain committed to advocacy and industry collaboration to create a more supportive environment for ambitious climate action.

Public policy advocacy that affects climate – M&GSA Group

M&GSA engaged with the Presidential Climate Committee in early 2023 on aspects of the Just Economic Transition ("JET") Plan and potential impacts of the Carbon Board Adjustment Mechanism.

Additionally, the Chair of the Presidential Climate Committee was engaged in the same period through industry bodies around transitioning South Africa's power supply, Eskom, away from coal.

Industry advocacy that affects climate – M&GSA Group

M&GSA engaged on climate impacts on biodiversity through participation in industry workshops, including those with the World Wildlife Fund (WWF) and peer asset managers, and industry meetings on climate related disclosure facilitated through ASISA RI committee, on which one of the ESG Team
members sits.

The impact on water of climate change in Namibia was addressed as an aspect of a training workshop in Windhoek given to retirement fund industry and consulting staff through the local retirement fund industry body, raising awareness of potential impacts to the region and economy. Also discussed was the green hydrogen economy that Namibia is investing in on a national level.

Further aspects of our focus and industry advocacy on water supply, which will be adversely affected by climate change, on the South African region are discussed in our Sustainability Report.

Metrics and targets

Greenhouse Gas Emissions Statement: Operations

Our global greenhouse gas (GHG) emissions have been compiled in accordance with the United Kingdom's Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Provision of this data and oversight has been with assistance from teams based in the broader M&G plc Group for whose assistance we are grateful.

GHG emissions are broken down into three scopes. We have included full reporting for Scope 1 & 2, and selected Scope 3 reporting as best practice:

- Scope 1 emissions are our direct emissions from the combustion of fuel, fugitive emissions and company-owned vehicles if applicable.
- Scope 2 emissions cover our indirect emissions from the purchase of electricity (including use of company electrical vehicles), heating and cooling. We have reported our Scope 2 emissions using both the location and market-based methods in line with the GHG Protocol Scope 2 Guidance.
- Our Scope 3 footprint includes water consumption (category 1) and waste generation (category 5) where data is available.

M&GSA Group has recently started 2023 data collection for business travel (category 6) booked through our travel providers, however, is not a full set of data to be included in this year's GHG inventory. Data is presented gross of any carbon credits.

The financed emissions (category 15) from our investment portfolios are reported separately on pages 82-84.

While the metrics in the following table have not been subject to any independent assurance, they have been produced using the same methodology as the climate metrics disclosed by M&G plc group, over which limited assurance was obtained for certain metrics. Refer to the M&G plc Annual Report and Accounts for further details.

Information on definitions of metrics reported and limitations relating to data used are detailed in the M&G plc Group's 2023 Environmental Metrics Basis of Reporting ('Basis of Reporting') published on M&G plc's website. We have restated certain metrics for the year ended 31 December 2022 in line with the policy set out in the M&G plc Group's Basis of Reporting.

M&GSA Business Operations - Emissions

Location	Scope	Scope category	2023	2022 (Restated)	2022 (Previously Stated)
South Africa	Scope 1 (tCO2e)	Oil (generators)	5.99	5.35	5.23
	Scope 2 (tCO2e) Location based	Electricity, purchased heat and steam	418.84	546.11	533.31
	Scope 2 (tCO2e) Market based (supplier and residual mix)	Electricity, purchased heat and steam	0	0	0
	Scope 3 (tCO2e)	Water	0.33	0.24	0.23
	Scope 3 (tCO2e)	Waste	0.01	0.01	NA
Namibia	Scope 1 (tCO2e)	Oil (generators)	-	0	0
	Scope 2 (tCO2e) Location based	Electricity, purchased heat and steam	1.67	3.97	3.97
	Scope 2 (tCO2e) Market based (supplier and residual mix)	Electricity, purchased heat and steam	1.67	0	0
	Scope 3 (tCO2e)	Water	0.00 12	0.0026	0.002

Emissions have been restated to reflect newly available emissions data for the period that was not available at the time of publishing the 2022 figures last year.

Use of and approach to carbon credits

M&G SA Group's operational emissions as tracked (reflected above) have been partially offset through the use of carbon credits.

M&G plc prioritises absolute emissions reduction, recognising that the use of carbon credits to offset residual emissions should be the last resort. In line with current industry guidance, the group does not anticipate using carbon credits to offset over 10% of their residual emissions to reach net zero.

For 2023, as part of the group, M&G plc have purchased carbon credits in a nature-based project. The project has been assessed against our offsetting principles, which align to the Oxford Principles for Net Zero Aligned Carbon Offsetting. M&G plc continues to assess the voluntary carbon market and emerging guidance when purchasing carbon credits.

Operational emissions targets

M&GSA currently does not have targets to reduce our corporate emissions individually but feeds into the M&G plc Group targets. This TCFD report is the second year of reporting and measuring our corporate emissions. With this in consideration, we acknowledge data limits to our current carbon footprint boundary. Areas of our footprint that we aim to improve on (where reliable data can be viably collected) includes:

- better reporting and managing our waste
- including employee commuting within scope 3
- reporting refrigerants

As mentioned, we plan to include business air travel next year and we continue to explore ways of improving our carbon footprint data.

In addition to the above, while we have not yet committed to targets, we have already implemented ways to improve our water and energy use to reduce emissions by installing and making use of the following:

- LED lights for the majority of our office areas
- electronic timers and sensor controls for lighting in our spaces
- electronic timers to all water boilers and geysers
- electric tap controls on our water fixtures and dishwashers
- low-flow shower heads

We are also planning to install two electric vehicle plug points at our head office's parking bay for employees who have electric vehicles to allow them to charge their cars.

While we continue to improve aspects of our carbon emissions, we are mindful of the need to set targets and aim to follow our wider Group's initiatives once our data is more complete and of better quality, thus providing us with a reliable base year from which we can measure our emissions performance.

M&GSA Group performance during the year

In 2023, our total Scope 1 and 2 location-based GHG emissions for our South African offices were 425 tCO2e, which is a 21% reduction from 2022. This decrease is largely attributed to a reduction in Scope 2 emissions due to less electricity used at our offices when the economy experienced a significant amount of loadshedding throughout the year. For this reason, a slight increase in Scope 1 emissions were seen in 2023, as our offices relied more on diesel generators to maintain a constant power supply during loadshedding.

Material changes for Namibia were seen across Scope 2 emissions. While the number of employees has increased during the last three years, (2 employees in 2022, 4 in 2023 and 6 in 2024), Scope 2 emissions decreased by 58%. This could largely be attributed to a decrease in electricity consumption as the M&G Namibian team moved into a more efficient energy consuming building, relocating from Bonsec Heights (closed in 2023) to the Namibia Maerua Office Tower (opened in 2023).

Renewable energy

M&GSA continues to make use of renewable energy from our solar panels that were installed on our Cape Town office's building. Our renewable energy consists of a 66kW system of solar panels that were installed in 2016.

Enforcement actions

No fines or regulatory actions have occurred during the year for environmental incidents.

Investments - climate metrics

M&GSA Group use a range of metrics to identify and assess climate-related risks and opportunities. This includes absolute emissions metrics as well as intensity-based indicators that enable comparison across different issuers and portfolios.

The key metrics used are financed carbon emissions (FCE), carbon footprint, and weighted average carbon intensity (WACI). For example, the M&G plc group assesses FCE change at portfolio level to monitor the overall portfolio emissions exposure. WACI is used to understand our portfolio exposure to carbon-intensive issuers.

While we monitor Scope 3 emissions as a proxy for risk exposure to inform targeted actions, such as engaging companies on transition plans, disclosure of this emissions category remains poor, which makes it less reliable for decision-making.

Emissions are calculated on the same basis as M&G plc Group and have been calculated based on the Partnership for Carbon Accounting Financials (PCAF) principles. This year a data quality score has been included – covering public assets (equities and corporate debt) and sovereign debt emissions – for the first time. The score is based on PCAF methodology and ranges from one to five, where one represents the highest data quality and five is the lowest. Details on definitions of metrics reported and limitations of data used can be found on pages 89-90, with more information provided in our Environmental Metrics Basis of Reporting available on M&G plc's website.

In the analysis, 'coverage' refers to the proportion of in-scope AUMA for which we have sufficient environmental, financial, or other data required in the calculation of a given metric. Asset classes such as cash, derivatives and asset-backed securities (ABS) are not included, reflecting a lack of either climate accounting standards or mature data sources for these types of assets.

While the metrics presented below have not been subject to any independent assurance, they have been produced using the same methodology as the climate metrics disclosed by M&G plc group, over which limited assurance was obtained for certain metrics. Refer to the M&G plc Annual Report and Accounts for further details.

M&GSA Group's assets: Equities and corporate debt

The table below presents M&GSA Group's emissions metrics relating to investments in listed equities and public corporate debt.

	2023	2023 Coverage	2022 (Restated)	2022 Coverage (Restated)	2022 (As Previously Presented)	2022 Coverage (As Previously Presented)
AUMA in-scope for metrics presented (ZARm)	211,629	N/A	232,887	N/A	204,576	N/A
Financed carbon emissions (FCE) – Scope 1 & 2 ($ktCO_2e$)	3,073	96%	5,365	94%	3,496	91%
Data quality score – Scope 1 & 2	2.2	N/A	1.5	N/A	N/A	N/A
Financed carbon emissions (FCE) – Scope 3 ($ktCO_2e$)	10,310	95%	15,901	94%	22,430	90%
Data quality score – Scope 3	2.2	N/A	1.9	N/A	N/A	N/A
Carbon footprint – Scope 1 & 2 (tCO2e/ZARm invested)	15	N/A	25	N/A	19	91%
Carbon footprint – Scope 3 (tCO2e/ZARm invested)	51	N/A	73	N/A	122	90%
WACI – Scope 1 & 2 (tCO2e/ZARm sales)	28	94%	42	93%	48	93%
WACI – Scope 3 (tCO2e/ZARm sales)	145	94%	154	92%	188.8	92%

Analysis of 2023 compared with restated 2022 metrics

For 2023, despite an increase in coverage, there has been a reduction in FCE and carbon footprint. This is due to the reduction of holdings in a high-emission intensity issuer in our portfolios and shifts in its market value (which do not reflect real-world decarbonisation). This was to some extent offset by an underlying increase in real-world emissions of investee companies that remain in the portfolio.

The fall in Scope 3 FCE was driven largely by a reduction of holdings in a small number of high-emission intensity issuers in our M&GSA and client portfolios. An example of a decrease in FCE is demonstrated by our decision to decrease our exposure to Sasol, one of our highest emitting issuers. A decrease in these holdings, subsequently decreased the reported FCE of our emissions.

Restatement of 2022 metrics previously presented

In 2023, we changed our data hierarchy for the use of third-party emissions data for public equities and corporate bonds to include Bloomberg as a secondary source with a view to increasing coverage - further details on our data hierarchy is set out in the Basis of Reporting, available on the M&G plc website. As a result of this change, we have restated the 2022 metrics previously presented to include the additional source.

Sovereign debt

In the table below, which shows M&GSA Group's investments in sovereign debt, we have included financed domestic production and consumption emissions, and their respective weighted average intensities. The presentation has been updated this year to show metrics both as including and excluding land use, land use change and forestry (LULUCF). *

M&GSA Group's assets: Sovereign debt

The table below presents M&GSA Group's emissions metrics relating to investments in listed sovereign debt

	2023			2022 (restated)			2022 (Previously stated)		
	incl. LULUCF	Exclude. LULUCF	Coverage	Incl. LULUCF	Exclude. LULUCF	Coverage	Incl. LULUCF	Exclude. LULUCF	Coverage
AUMA in-scope for metrics presented (ZARm)	69,248*	69,248*	N/A	73,453*	73,453*	N/A	N/A	N/A	N/A
Financed sovereign production emissions - Scope 1 ($ktCO_2e$)	2,199	2,142	100%	2,410	2,353	100%	N/A	2,818	100%
Data quality score – Scope 1	4.0	4.0	N/A	4.0	4.0	N/A	N/A	N/A	N/A
Financed sovereign consumption - Scope 1,2,3 ($ktCO_2e$)	1,656	1,630	95%	1,826	1,797	96%	N/A	5,102	96%
Data quality score – Scope 2 and 3	4.0	4.0	N/A	4.0	4.0		N/A	N/A	N/A
Weighted average sovereign production (US$)	0.58	0.57	99.6%	0.64	0.62	99.5%	0.04*	N/A	100%
Weighted average sovereign consumption intensity - Scope 1,2,3 (tCO_2e/ Capita)	7.3	7.2	95%	7.4	7.3	95%	N/A	17.1	96%

Restatement of 2022 metrics previously presented

We have reviewed our methodology for sovereign debt emissions against PCAF's Financed Emissions Standard. As a result, we have restated the 2022 sovereign debt emissions for the following methodology changes:

i. The calculation of sovereign production emissions relies on the determination of an attribution factor, using data on the sovereign's gross domestic product (GDP) adjusted for the purchasing power parity (PPP) rates in international dollars. Previously this was converted using the World Bank's PPP conversion factor for the UK and used along with the investment holding in GBP to determine the attribution factor. We have updated our methodology to determine the attribution factor using PPP-adjusted GDP (international dollar) and the sovereign bond market value (US$). The change in production emissions following restatement is primarily a result of this change. Financed sovereign production emissions have also been recalculated using a higher quality data source where this source is available for the assets in-scope.

ii. In addition to the changes above, financed sovereign consumption emissions are now reported excluding exported emissions. Previously no adjustment was made for exported emissions, which is the main driver for the change in restated consumption emissions. There has also been a change in the scope of OECD data used for imported emissions which are included in the overall calculation.

The restatements set out above in relation to the absolute values of emissions have resulted in the restatement of weighted average intensity metrics for production and consumption metrics. There have been no other changes to methodology to produce these metrics.

Portfolio alignment

Portfolio alignment indicators help us assess which portfolio companies have committed to, or are in the process of, aligning to the Paris Agreement temperature goals. While companies are not net zero today, this reflects target setting and plans for emissions reductions and is, therefore, a gauge of the transition alignment of our investment strategies going into the future. The binary net-zero alignment data below is based on public commitments from companies to set science-based targets and have these validated by the Science Based Targets Initiative (SBTi). SBTi is a widely used framework for independently validated science-based targets. The metrics presented exclude companies that may have established climate targets, but have not committed to, or had targets validated by the SBTi.

Science-based targets

The table below shows the proportion of M&GSA's AUMA that have either committed to or set SBTi targets, together representing R59.13 billion, or a total of 22 issuers.

The number of issuers with SBTi commitments has increased despite SBTi tightening its criteria in 2023 and removing companies across the globe that have not submitted their targets for validation within 24 months.

	2023	2022
SBTI Coverage	28%	13%
SBTI number of issuers committed or target set	22	16
ZAR m issuers committed or target set	59 153	29 893

Metric definitions

Financed Carbon Emissions (FCE)

represent the absolute greenhouse gas emissions associated with a portfolio of investments where there is available reported data or estimates. Financed emissions are influenced by change in financial factors such as market movements and portfolio values, which are separate to real world emissions.

Carbon footprint

refers to FCE normalised by the market value of a portfolio (GHG emissions per million pounds of investment). This indicator is particularly useful for comparative purposes, but, similar to FCE ,is sensitive to financial factors that do not relate to decarbonisation. Carbon footprint is used to monitor progress against our net zero interim targets.

Weighted Average Carbon Intensity (WACI)

provides a single metric summing the individual emissions intensities of issuers in a portfolio based on their weightings, indicating our portfolio exposure to carbon-intensive issuers.

For both carbon footprint and WACI, the current portfolio value is based on market value and is limited to assets for which all data necessary for the calculation of financed carbon emissions is available.

M&G plc and M&GSA use data sourced from third-party data providers (e.g. MSCI and Bloomberg) to calculate the above emissions metrics. While high-level checks on the data received is performed, we are reliant upon the accuracy of source data received from these third-party vendors.

Details on the calculation methodology, data sources and limitations of each metric produced is available in our Environmental Metrics Basis of Reporting 2023 available on the M&G plc website.

In addition to backward-looking metrics that are focused on emissions, M&GG monitor a range of indicators that provide information on whether an asset or portfolio is exposed to higher climate-related transition risks or opportunities.
These include:

- Exposure to fossil fuels: These metrics show the value of our exposure to issuers with revenues derived from the whole value chain of oil, gas and coal, with a separate metric for issuers that generate revenue from fossil fuel-based power generation. These metrics indicate transition risk, given the necessity of phasing out fossil fuels to meet the Paris Agreement.

- Climate commitment of issuers: M&G plc monitors net-zero alignment across ‘committed’ and ‘targets validated’ SBTi categories and green exposure. These metrics, calculated for public listed equities and corporate debt portfolios, are helpful in monitoring our overall position at portfolio level.

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