

M&G's Inducements Disclosure Statement

1 Introduction

The UK Financial Conduct Authority's (FCA's) rules which implement the amended Markets in Financial Instruments Directive¹ (MiFID II) have set specific rules relating to Inducements and oblige us to provide you, our Professional Clients, with information pertaining to our approach on Inducements.

The summary below identifies the types of receipts, payments and non-monetary benefits we may make or receive along with an indication of our approach and how we implement it in accordance with these rules. Any services or entertainment paid for or received by M&G must be designed to enhance the quality of the service to the end customer and not impair the ability of M&G to act honestly, fairly and professionally in the best interest of its clients.

2 Categories of Inducements

All the receipts, payments or non-monetary benefits received and paid for fall into the following categories:

- a. Items received from you, or paid by you, (or a person acting on your behalf) or items provided to you, or paid to you (or a person acting on your behalf);
- b. Fees which directly enable, or are necessary for, the provision of the services we provide to you (such as custody fees, settlement and exchange fees), and which do not give rise to a conflict with our duty to act honestly, fairly, professionally and in accordance with your best interest; and
- c. Items received from, or paid by, a third party (or a person acting on their behalf) or provided to, or paid to, a third party (or a person acting on their behalf). Such receipts, payments or non-monetary benefits are designed to enhance the quality of the services we provide to you and designed not impair our duty to act in your best interests.

3 A summary of our approach on Inducements

M&G has designed this document with regard to its core activity of providing portfolio management services.

a. Portfolio Management

Where M&G provides portfolio management services (or independent advice) to you, as a Professional Client, we cannot accept and retain any fee, commission or monetary benefits where these are paid or provided by any third party or person acting on behalf of a third party. Additionally, M&G may not accept, from any third party, any non-monetary benefits other than acceptable minor non-monetary benefits.

b. Investment Research

Third party investment research will not be considered an inducement where M&G either pays for it out of its own resources or makes a payment from a client research payment account.

Clients will not be charged for investment research because M&G has elected to pay for third party investment research from its own resources.

M&G may receive, without making payment, the following types of investment material which are considered to be minor non-monetary benefits according to the FCA rules:

¹ MiFID II takes effect from 3 January 2018. There is an associated regulation titled the Markets in Financial Instruments Regulation (MiFIR), which is not relevant for the purposes of inducements.

- Generic information or documentation relating to financial instruments or investment services such as short-term market commentary; economic releases or brief unsubstantiated summaries of a third party's own opinion.
- Written material that is commissioned and paid for by a corporate issuer or potential issuer
- Research relating to a new issue that is made available to prospective investors.
- A research trial that lasts no longer than three months and is not repeated within 12 months.

c. Other acceptable minor non-monetary benefits

M&G may also accept or provide the following minor non-monetary benefits:

- Participation in conferences, seminars and other training events on the benefits and features of a specific financial instrument or investment service.
- Hospitality of a reasonable de minimis value, such as food and drink during a business meeting or a conference, seminar or other training events mentioned above.

d. Alternative Investment Fund Manager (AIFM)

Where M&G acts as an AIFM, the FCA rules on inducements may not apply if, the AIF in accordance with its core investment policy:

- (a) does not generally invest in financial instruments that can be registered in a financial instruments account opened in the books of a depositary or physically delivered to the depositary; or
- (b) generally invests in issuers or non-listed companies to potentially acquire control over such companies either individually or joint with other funds, the inducement rules will not apply.

We take all reasonable steps to ensure that our approach to Inducements is properly managed. Consequently, our investment processes are overseen by senior management and monitored by our Compliance department who evaluate, on a periodic basis, the range of goods, services and non-monetary benefits used to determine whether they continue to be appropriate and deliver, on a consistent basis, benefits to you. In addition, our approach to Inducements is reviewed periodically. If there are any material changes to our approach we will communicate these to you.

If you have any questions or require further detail regarding this, please contact your usual M&G contact.