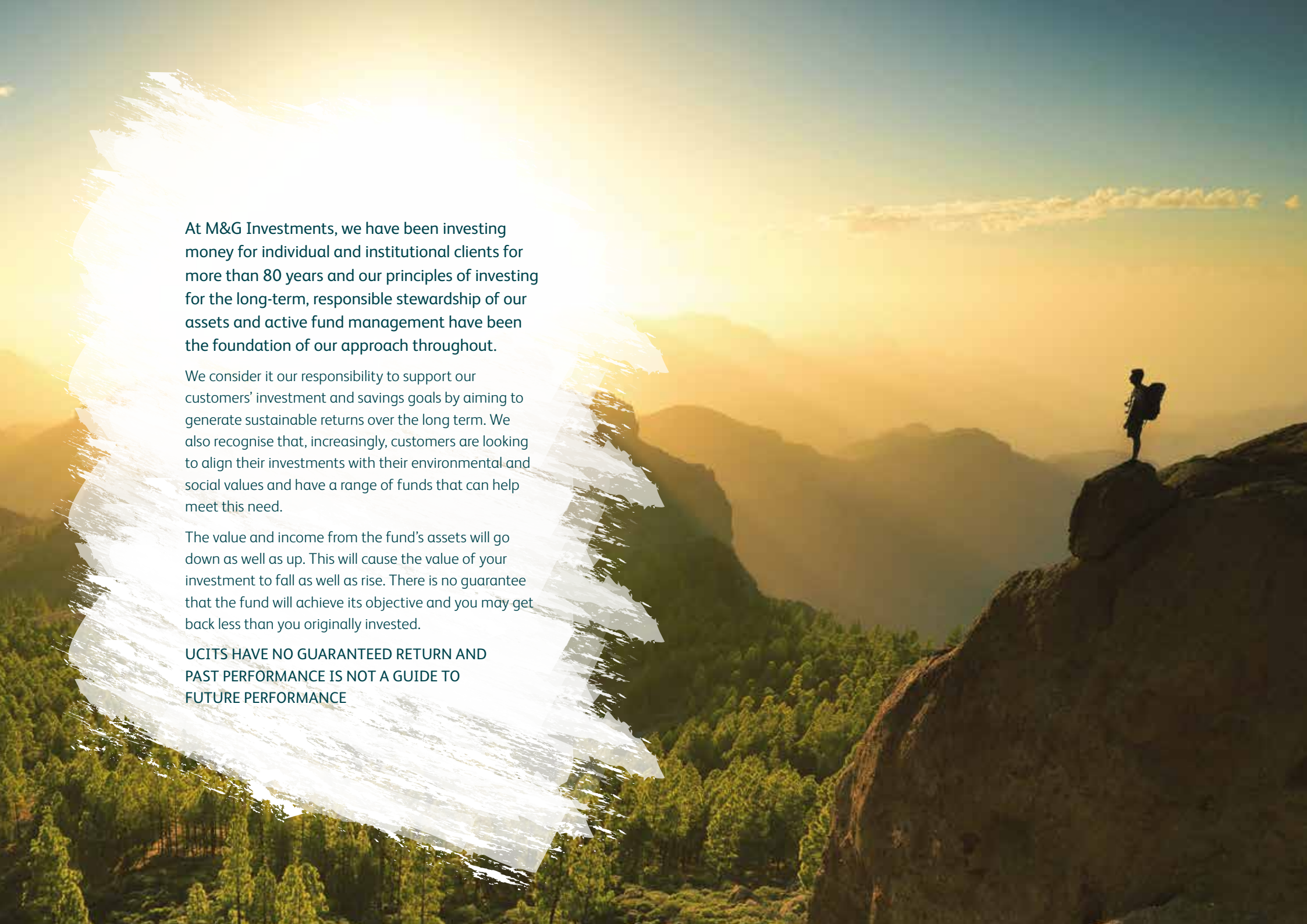




Sustainable and Responsible Investing at M&G

A person with a backpack stands on a rocky peak, looking out over a vast landscape of mountains and a dense forest. The sun is low on the horizon, creating a warm, golden glow across the sky and the scene. The person is silhouetted against the bright light of the sunset.

At M&G Investments, we have been investing money for individual and institutional clients for more than 80 years and our principles of investing for the long-term, responsible stewardship of our assets and active fund management have been the foundation of our approach throughout.

We consider it our responsibility to support our customers' investment and savings goals by aiming to generate sustainable returns over the long term. We also recognise that, increasingly, customers are looking to align their investments with their environmental and social values and have a range of funds that can help meet this need.

The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

**UCITS HAVE NO GUARANTEED RETURN AND
PAST PERFORMANCE IS NOT A GUIDE TO
FUTURE PERFORMANCE**

M&G's approach to responsible investment

As a long-term investor, M&G seeks to promote positive outcomes and effectively mitigate risk in the investments we make. Our approach takes into consideration a broad set of environmental, social and governance factors that can affect an investment, alongside more traditional financial factors such as profitability, assets and liabilities. These 'ESG' factors can be both positive and negative and there is increasing awareness that they can have a material effect on how an investment performs, particularly over the long term.

Our approach to responsible investing shares a number of common principles across our actively managed funds:



ESG Integration

We take ESG factors into consideration across our asset classes: whether investing in equities, bonds, real estate or infrastructure. Our proprietary methodology and tools use ESG data, analysis and interactions to give us an in-depth understanding of how ESG factors are likely to affect the expected risk and return of a potential investment opportunity.

At a portfolio level, our investment decisions include consideration of all material factors, including ESG factors, and we also conduct regular ESG reviews of portfolios.



Engagement and voting

We undertake constructive engagement with management of companies and organisations that aims to better understand ESG strengths and weaknesses and encourage better ESG practices where appropriate.

Our equity and fixed income analysts and portfolio managers will question and challenge management on even difficult topics, feeding the outcomes back into our view of the investment opportunity.

We also consider active and informed voting as an integral part of our responsibility to our clients. By exercising our votes, we seek both to add value and protect our interests as shareholders.



Inclusive thinking

We believe that the consideration of ESG factors is a much more complex and nuanced process than simply screening out companies or industries perceived to be unsavory – the world is rarely black and white, and our research and engagement with companies is carried out on a case-by-case basis. Because of this, we think that the positive effects of ESG integration are one of the elements that make active investing so powerful.



Consistent structure; flexible implementation

While we share a common set of principles, resources and infrastructure across M&G, we do not impose 'top down' house views and we do not manage by consensus. This is equally true for the ESG strategies fund managers adopt. Indeed, individual investment teams have the autonomy, flexibility and experience to design and implement investment processes in a manner they consider most appropriate to their investment strategy and their customers.

While overall ESG has been integrated across equities, property and fixed income portfolios, we have also been actively expanding our range of investment strategies that take a more explicit approach to ESG integration – including a minimum level of exclusions – are focused on sustainability or specifically target positive societal impacts. Please see M&G's product framework on **page 6**.



M&G's approach to climate change

Climate change presents immediate and material systemic risks to the financial stability of the global economy, the long-term environmental health of the planet, and ultimately the cohesive functioning of society. The impacts of rising global temperatures are already being felt, with increasing threats on every continent to natural habitats, human populations and the economy.

As a FTSE100 company and as a long-term asset owner and asset manager, M&G plc has a responsibility to our customers and to wider society to invest in ways which ensure a sustainable future, including tackling climate change and enabling a transition to a low carbon economy. In March 2020, M&G plc announced two new commitments to focus and accelerate our efforts, and those of our partners and investees, to address climate change:

- As an asset owner and asset manager, we aim to achieve carbon net zero investment portfolios by 2050 in line with the Paris Agreement and the UK Government's target.
- As a company, we have committed to reduce our own carbon emissions to net zero by 2030.

ESG product framework at M&G

We have developed a clear and transparent product framework which is designed to help you understand how ESG considerations are applied to our products.

Our equity, fixed income and property funds explicitly and systematically include environmental, social and governance factors in investment analysis and investment decisions. This **ESG integration** underpins a responsible investment approach, and allows investors to better manage risk and generate sustainable, long-term returns. All funds also exclude securities issued by companies directly involved in the manufacture, development or trade of cluster munitions and anti-personnel landmines.

ESG range of funds

Our range of ESG funds will seek to deliver an ESG objective or ESG-related outcome, or are managed in accordance with ESG criteria applied within the Investment Strategy. These funds also have a minimum set of **exclusions**, beyond cluster munitions and anti-personnel landmines, which are:

- companies involved in controversial weapons industry;
- companies deemed to be in breach of the United Nations Global Compact Principles on human rights, labour, the environment and anti-corruption;



- companies involved in tobacco (production, trading and distribution)*;
- adult entertainment (production and those deriving revenue from that business)*;
- companies providing gambling services*.

*Thresholds apply – max revenue of 5% from producers and max revenues of 10% from distributors.

Our **ESG plus** funds may take a best in class approach, or include additional exclusions.

Our **Sustainable** funds are those where the investment universe is driven by sustainability themed considerations, which might include climate change mitigation, pollution prevention, sustainability solutions and approaches that address one or more of the UN Sustainable Development Goals (SDGs). This could also be investment in themes or assets specifically related to sustainability (for example clean energy, green technology or sustainable agriculture). Our sustainable funds may contain an impact element.

Our **Impact** funds aim to invest in companies that deliver material, measurable positive societal impacts by addressing the world's major social and environmental challenges, while generating competitive economic returns.

Further explanations

Best In Class approaches can vary from selecting from among the best performing companies to excluding the worst performing relative to peers, based on analysis of ESG factors.

Exclusions are negative screens that remove companies from the investment universe, based on involvement in an undesirable activity or sector.

Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. This includes engagement with company management and voting at company AGMs.

ESG product framework

ESG Range of Funds

Impact funds



M&G (Lux) Positive Impact Fund



- Seek to deliver a dual-objective: measurable positive impact alongside financial return
- Select companies which address key societal challenges, framed against the SDGs
- Provide transparent impact reporting

Sustainable funds



M&G (Lux) Sustainable Allocation Fund



- Sustainability themed considerations define investment universe
- May apply Best-in-Class
- May include an Impact component

ESG Plus



M&G (Lux) Global High Yield ESG Fund
M&G (Lux) EM Corporate Bond ESG Fund
M&G (Lux) Global Select Fund
M&G (Lux) Pan European Select Fund



- May include additional exclusions
- May apply a Best-in-class approach to either identify sector leading companies or to exclude laggards

ESG Integrated funds



- Company-wide exclusions apply (cluster munitions, anti-personnel landmines). Some strategies may have some additional ESG exclusions
- Financially material ESG data is available to all funds and integrated into the risk management and decision-making process
- Stewardship: Active ownership approach to engagement and voting

M&G fixed income, equity and property funds

Risks associated with the funds

Further details of the risks that apply to each fund can be found in the Prospectus or Key Investor Information Document.

The value and income from the funds' assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the funds will achieve their objectives and you may get back less than you originally invested.

M&G (Lux) Sustainable Allocation Fund and M&G (Lux) Global High Yield ESG Bond Fund are exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency exchange rates.

For M&G (Lux) Global High Yield ESG Bond Fund, high yield bonds usually carry greater risk that the bond issuers may not be able to pay interest or return the capital.

The M&G (Lux) Positive Impact Fund, M&G (Lux) Pan European Select Fund and M&G (Lux) Global Select Fund can be exposed to different currencies.

The M&G (Lux) Positive Impact Fund, M&G (Lux) Pan European Select Fund, M&G (Lux) Global Select Fund and M&G (Lux) Emerging Markets Corporate ESG Bond Fund can be exposed to different currencies. Changes in currency exchange rates will affect the value of your investment.

The M&G (Lux) Pan European Select Fund, M&G (Lux) Global Select Fund and M&G (Lux) Positive Impact Fund hold a relatively small number of investments and, as a result, may experience larger price rises and falls than a fund which holds a larger number of investments.

For M&G (Lux) Global High Yield ESG Bond Fund, M&G (Lux) Sustainable Allocation Fund and M&G (Lux) Emerging Markets Corporate ESG Bond Fund, investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.

For M&G (Lux) Global High Yield ESG Bond Fund and M&G (Lux) Emerging Markets Corporate ESG Bond Fund, the hedging process seeks to minimise, but cannot eliminate, the effect of movements in exchange rates on the performance of the hedged share class. Hedging also limits the ability to gain from favourable movements in exchange rates.

For M&G (Lux) Sustainable Allocation Fund and M&G (Lux) Global High Yield ESG Bond Fund, the funds may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the funds will incur a loss. The fund's use of derivatives may be extensive and exceed the value of its assets (leverage). This has the effect of magnifying the size of losses and gains, resulting in greater fluctuations in the value of the funds.

For M&G (Lux) Emerging Markets Corporate ESG Bond Fund, M&G (Lux) Global High Yield ESG Bond Fund, M&G (Lux) Sustainable Allocation Fund, M&G (Lux) Positive Impact Fund and M&G (Lux) Global Select Fund investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.

For the M&G (Lux) Emerging Markets Corporate ESG Bond Fund, investing in bonds from China, denominated in Renminbi and traded on the China Interbank Bond Market, may be subject to greater clearing, settlement and counterparty risk. These factors could cause the fund to incur a loss.

For M&G (Lux) Positive Impact Fund, M&G (Lux) Global Select Fund and M&G (Lux) Pan European Select Fund, the funds invest mainly in company shares and are therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.

For M&G (Lux) Sustainable Allocation Fund, the fund allows for the extensive use of derivatives.

A selection of our ESG Range of Funds



Impact funds

M&G (Lux) Positive Impact Fund

Launch date: 29 November 2018

Size: €141,2 million (as at 29.05.20)

Euro Share class A

ISIN (Acc.): LU1854107221

ISIN (Dist.): LU1854107148

Seeking positive impact and sustainable wealth

John William Olsen, Fund Manager

- A compelling dual proposition, aiming to invest in companies that address the world's major social and environmental challenges, while generating competitive economic returns.
- A liquid, transparent vehicle based on a solid investment process, providing widespread access to impact investment through listed equities.
- A strategy that can benefit from flows of capital across sectors and industries to help achieve the UN Sustainable Development Goals (SDGs) – a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity.

The fund aims to:

- provide a combination of capital growth and income to deliver a return that is higher than the global stockmarket over any five-year period;
- invest in companies that have a positive impact on society through addressing the world's major social and/or environmental challenges.



Sustainable funds

M&G (Lux) Sustainable Allocation Fund

Launch date: 29 November 2018

Size: €36,6 million (as at 29.05.20)

Euro Share class A

ISIN (Acc.): LU1900799617

ISIN (Dist.): LU1900799708

A flexible asset allocation approach to investing sustainably

Maria Municchi, Fund Manager

- A flexible and diversified asset allocation strategy, providing investors with the potential to benefit from and withstand changing market environments.
- Offers investors diversified exposure to a range of ESG-screened assets and to companies and institutions that seek to have a positive impact on society.
- Having the potential to provide investors with an attractive financial return (combined income and capital growth of between 4% and 8% per annum over any five-year period) while considering ESG and impact factors.

The fund aims to provide a combination of capital growth and income of 4-8% per year over any five-year period, while considering environmental, social and governance (ESG) factors.



ESG Plus

M&G (Lux) Global High Yield ESG Bond Fund

Launch date: 5 October 2017

Size: €57,6 million (as at 29.05.20)

Euro Share classes A-H

ISIN (Acc.): LU1665235914

ISIN (Dist.): LU1665236052

A responsible approach to high yield investing

[James Tomlins, Stefan Isaacs, Co-Fund Managers](#)

- A global high yield bond fund with a special focus on ESG factors.
- Applies a consistent and quantifiable ESG methodology with potential investments filtered through a three-stage screen.
- A genuinely distinctive proposition in the high yield fund space, combining M&G's long-running expertise in high yield credit analysis with leading ESG research from MSCI.

M&G (Lux) Emerging Markets Corporate ESG Bond Fund

Launch date: 25 July 2019

Size: €29,1 million (as at 29.05.20)

Euro Share classes A-H

ISIN (Acc.): LU2008814357

ISIN (Dist.): LU2008814514

Applying ESG criteria to EM corporate bonds

[Charles de Quinsonas, Fund Manager](#)

- Combines M&G's long-running expertise in emerging markets investing with a rigorous assessment of ESG factors.
- Applies a consistent and quantifiable ESG methodology with potential investment filtered through a three-stage screen.
- Drawing on M&G's internal credit analysis capabilities, alongside external ESG research from multiple leading providers, the fund represents a genuinely distinctive proposition for investors looking to gain exposure to the rapidly growing emerging markets corporate bond market.

M&G (Lux) Pan European Select Fund

Launch date:
9 November 2018

Size: €111,6 million
(as at 29.05.20)

Euro Share class A

ISIN (Acc.): LU1670716437

ISIN (Dist.): LU1797818678

High-conviction investing
in quality, sustainable
European companies

[John William Olsen, Fund Manager](#)

- M&G (Lux) Pan European Select Fund is an unconstrained, concentrated portfolio of 25 to 35 well-understood stocks from across Europe, including the UK.
- M&G (Lux) Global Select Fund is an unconstrained, concentrated portfolio of 30 to 40 well-understood stocks, with an emphasis on developed countries.
- A long-term, low-turnover strategy where patience is key. The fund manager aims to take advantage of short-term share price weakness to invest in quality companies; cheaply.
- ESG factors are considered at every stage of the investment process, from initial research on potential investments through to ongoing engagement with investee companies.

M&G (Lux) Global Select Fund

Launch date:
9 November 2018

Size: €75,2 million
(as at 29.05.20)

Euro Share class A

ISIN (Acc.): LU1670715207

ISIN (Dist.): LU1670715116

High-conviction
investing in quality,
sustainable companies





Please note that this website has not been reviewed by the SFC and will contain information about funds that are not registered with the SFC.

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