European SRI Transparency Code

M&G (Lux) Positive Impact Fund

31 August 2020-31 August 2021

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Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of M&G Investments. Our full response to the European SRI Transparency Code, found below, is available on our website.

Compliance with the Transparency Code

M&G is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. M&G Investments meets the full recommendations of the European SRI Transparency Code.

1. List of Funds Covered by the Code

Name of the fund(s): M&G (Lux) Positive Impact Fund

Dominant / preferred SRI strategy	Impact Investing
Asset class	Equities
Exclusion standards and norms	• UN Global Compact Principles • Controversial weapons • Other weapons • Alcohol • Tobacco • Gambling • Adult Entertainment • Animal testing on non-medical grounds • Genetically modified crops • Thermal coal and unconventional oil and gas extraction • Conventional oil and gas extraction • Nuclear power • Limits on coal/oil & gas power generation
Fund Capital as at 31 May 2020	M&G (Lux) Positive Impact Fund: €141m
Other Labels	N/A
Links to relevant documents	• **KIID**: found here • **Prospectus**: found here • **Fund Overview** – found here • **ESG Policy and Process** – Found here • **Annual Impact Report** – found here • **Annual Reports and Accounts** – found here

2. The Fund Management Company

2.1. Name of the fund management company

M&G was founded under its original name of 'Municipal and General Securities' in 1901 as the financial arm of a British engineering company. M&G revolutionised British finance in 1931 when it launched the first-ever mutual fund for the general public. Since then, the firm has concentrated on the management of investment funds and has undergone over 85 years of innovation. In 1968, the company changed its name to M&G.

In 1999, M&G was acquired by Prudential and formally merged with Prudential's institutional fund management arm, Prudential Portfolio Managers Limited (PPM) on 31 December 2000. M&G is the name of the investment management division of Prudential plc in Europe. In August 2017, the group combined its asset manager, M&G, and Prudential UK & Europe to form M&G Prudential, a leading savings and investments business. In 2018, Prudential plc announced its intention to demerge M&G plc and give it a premium listing on the London Stock Exchange. On 21st October 2019 the demerger took place.

M&G plc is a leader in the provision of retirement income, savings and investments, managing investments for both individuals and for large institutional investors, such as pension funds around the world. As an active long-term manager of our customers' money, we invest in a very wide range of different asset classes and markets around the world. And, in keeping with our long history and tradition, we have never stopped innovating for our customers. You can find more information here: https://global.mandg.com/who-we-are. Our address is: M&G plc, 10 Fenchurch Avenue, London, EC3M 5AG.

2.2. SRI Principles

Since M&G's asset management business was founded in 1931, responsible ownership has been a constant – as a long-term investor, we are ideally placed to influence corporate behaviour. Beyond traditional governance issues, including remuneration and board composition, we also consider a wider range of factors that can have meaningful impacts on our investments. Environmental matters and social issues are important aspects of assessing an investment, and our approach integrates environmental, social and governance (ESG) factors into our investment decision-making process across our business.

M&G believes that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance. Consequently, ESG issues are integrated into investment decisions wherever they have a meaningful impact on risk or return. We apply this approach to ESG analysis across our equity, fixed income and property strategies, and in all sectors in which we invest.

M&G is a long-term investor, and since ESG issues tend to evolve over the longer term, we consider such factors to be a fundamental component of our investment process. We regard it as part of our fiduciary responsibility to include ESG issues in our investment views, as we do for all factors that influence long-term investment results for our clients.

Part of our ESG focus includes actively engaging with companies to understand the issues affecting them, and, where appropriate, to encourage positive change. Our position as long-term investors makes this necessary, and as active investors possible.

M&G is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and has committed to adhere to the Principles where they are consistent with M&G's fiduciary responsibilities. We believe the Principles are consistent with both M&G's longstanding values and the independence of the various investment teams' processes.

M&G is also an active member of a number of bodies and initiatives focused on responsible investment. These include the Investment Association, the Asian Corporate Governance Association, the Institutional Investors Group on Climate Change, the UK Sustainable Investment and Finance Association, the Better Buildings Partnership, the Green Bond Principles, Climate Action 100+ and the 30% Club, among many others. M&G regularly actively contributes to and leads policy discussions with our industry peers and governmental bodies.

The M&G Responsible Investment Advisory Forum oversees the governance and management of responsible investment activities as part of M&G's UNPRI signatory status. Chaired by M&G's Head of Corporate Finance and Stewardship, the Forum includes among its members a representative from each business unit involved in investment management, as well as representatives from M&G plc as an asset owner.

Further details on responsible investment at M&G can be found here. Specific details of M&G's stewardship activities over 2019 can be found following the same link, under 'Reports' – M&G Investments 2019 Corporate Finance and Stewardship Report.

2.3. Sustainable investment process

- Responsible investment policy found here
- Voting rights policy found here
- Engagement policy found here

2.4. Integration of ESG risks and opportunities, including climate change

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.

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

Our research and engagement with companies is carried out on a case-by-case basis and by integrating ESG factors into traditional financial analysis.

In April 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.

This approach is focused on the delivery of two primary outcomes. The first is a structured process for understanding and managing the climate-related risks to our investments across asset classes, incorporating a climate risk management programme that focuses on the largest emitters; this is derived from a mapping of high-carbon sectors and our holdings within them, based on portfolio carbon foot-printing and elements of climate change scenario analysis. The second broad outcome is the identification of investment opportunities that represent the solutions to tackling climate change.

We believe companies that clearly understand the risks to their business – and have put in place measures to mitigate and adapt to these risks, as well as capitalising on long-term opportunities – will be better positioned to deliver stronger, investment outcomes in the long run.

Our analysis provides the basis for a risk and opportunity evaluation and structured engagement programme, which prioritises greater transparency in corporate disclosures and a clearer demonstration of corporate decarbonisation plans. In this way, we will use our position as an investor to encourage the transition to a low-carbon economy. To build on this analysis and engagement activity, we are developing a voting approach that integrates an assessment of climate performance more structurally into our voting decisions for all companies.

We assess the carbon footprint of our portfolios to understand their exposure to carbon emissions, incorporating a climate risk management programme that focuses on the largest emitters and looking at both the physical risks of global heating and transition risks. We also identify the best tools to run scenario analysis for different temperature changes, helping to understand how companies and portfolios are aligned with the Paris Agreement.

We participate with other investors and stakeholders to push for improved climate-related disclosures and risk management and to encourage positive change. We collaborate with the Institutional Investors Group on Climate Change (IIGCC), we were a founding signatory of Climate Action 100+ and are members with the IIGCC Paris Aligned Investor Initiative. We will continue our participation in other industry-led collective engagement groups and climate change initiatives to help accelerate progress in investment approaches and wider policy direction.

Further information on M&G Investments' approach to climate change can be found here.

2.5. Sustainable investment resources

We have a 10-strong Corporate Finance and Stewardship team which acts as a dedicated central ESG resource across the firm. The team oversees M&G's stewardship activities, including company engagement and voting at AGMs. Within this team there are three ESG analysts. In addition to this, the team has a variety of experienced members who cover voting, company engagement, environmental and social issues, company management, capital raising and governance. All analysts and fund managers have access to the breadth of M&G resources and capabilities, including the Corporate Finance and Stewardship team. All team members are listed below, along with their years of experience.

M&G Corporate Finance and Stewardship team

Name	Years	Focus	Name	Years	Focus
Rupert Krefting	23	Head of team	Lee Kinsville	19	Voting
Christopher Andrews	19	Communications	Anita McBain	19	Responsible investment and ESG
Matthew Beardmore-Gray	34	Governance	Jeremy Punnet	19	Governance
Ben Constable-Maxwell	20	Sustainability and Impact	Guy Rolfe	6	ESG
Caitlin Joss	5	ESG	Katie Allan	3	ESG

M&G also has a Central Analyst team, which consists of experienced career analysts, specialised in complex or technically challenging sectors, including insurance, banks, technology, pharmaceuticals, energy, industrials and retail. The team aims to support fund managers with high-quality, objective research to help them make informed decisions, adapted to their specific fund mandates and objectives. These analysts embed ESG factors into their research whenever financially material – this has been formalised over the past two years. There are approximately 50 analysts covering fixed income and 10 covering equities.

In addition to this, each investment team has a number of dedicated analysts who also take ESG factors into consideration within research. In addition, whenever an ESG topic is raised during a meeting with a company, it is tagged in the meeting notes, allowing M&G to track relevant ESG trends and monitor companies' efforts over time. Please find attached a number of ESG slides which summarise the group's approach to ESG.

2.6. Responsible Investment initiatives

General Initiatives	Environmental / Climate Initiatives	Social Initiatives	Governance Initiatives
PRI – Principles For Responsible Investment SIFs – Sustainable Investment Forum GIIN – Global Impact Investing Network IMP – Impact Management Project IMP+ACT Alliance	CDP – Carbon disclosure Project Climate Bond Initiative Green Bond Principles Climate Action 100+ IIGCC – Institutional Investors Group on Climate Change	30% club	ICGN – International Corporate Governance Network The Stewardship Code The Investment Association The Investor Forum

3. The SRI Fund

Name of the fund(s) to which this Code applies and its (their) main characteristics.

Name	**M&G (Lux) Positive Impact Fund**
Asset class	Equity
ISIN	LU1854107221
Legal form	SICAV
Fund domicile	Luxembourg
Inception date	29/11/2018
AUM*	€141m
Strategy	Global Large-Cap Growth Equity

* As at 31 May 2020.

3.1. Fund's aims by integrating Impact factors

The M&G (Lux) Positive Impact Fund seeks to identify companies that are producing a net positive impact on society and/or the environment via their products and services, as well as having sound and sustainable business models. We believe that by investing in companies with a positive impact the fund has the potential to deliver both societal and financial returns. We also want to open up impact investing to a broader audience than previously possible by offering a daily liquidity fund accessible to all types of investors.

3.2. Resources used for Impact evaluation of the investment universe

All fundamental analysis is done in-house using our proprietary 'Triple I' or III methodology to analyse the Investment case, Intentionality and Impact of a company. Three embedded analysts are dedicated to this. Conducting our own due diligence is sacrosanct because the time horizon when we consider investing in a company is five to ten years and portfolio turnover is kept to a minimum. Fundamental research is not conducted with the view to building an informational edge but to build comfort about every aspect of a company, the negatives as well as the positives. We believe that forming a 360-degree picture helps avoid behavioural biases, such as anchoring on specific outcomes. The research is done independently of any portfolio activity. On completion of the research, the due diligence report goes on "the shelf" waiting for the right time and price to invest in that company.

Once a company has been analysed through the III process and has been deemed potentially appropriate for the watch-list, the wider Positive Impact team will debate its merits . Purposefully, the team draws on the experience of people from across the business in order to challenge the research from multiple perspectives, including specialists on smaller companies, emerging markets and multi asset investing, together with Ben Constable Maxwell leading on impact and John William Olsen, on investment.

Only once the team is unanimously convinced of the appropriateness of the company will it be added to the watch-list.

3.3. Impact criteria

The fund takes into account a company's intentionality, additionality, materiality and measurability.

Intentionality measures the specific intent of a company to deliver a particular social and/or environmental impact. This should be clear in the company's mission statement, strategy and day-to-day operations, and cannot be inadvertent.

Additionality measures how much a company adds to a specific societal and/or environmental challenge. It asks whether the world would be different if that particular company did not exist or was inadequately funded, as well as how replicable its products or services would be.

Materiality measures the level to which a company helps solve a given societal and/or environmental challenge or contributes to a particular UN Sustainable Development Goal.

Measurability assesses how measurable the impact of a company is. This is one of the most challenging aspects of impact investing – particularly in public markets where impact tends to be less direct than in private markets. To achieve measurability, we have assigned each company in the portfolio a key performance indicator (KPI) to measure its impact.

3.4. Climate change related criteria

Three out of six impact areas in which the fund seeks to invest are related to climate. These are:

- Climate action – investing in companies that have a direct positive impact in mitigating the effects of climate change, most notably through the production of renewable energy, or by increasing the efficiency of renewable energy being produced.
- Environmental solutions – investing in companies that are delivering direct and indirect solutions to the environmental challenges the world in facing. This includes companies helping to reduce energy use, improve energy efficiency and provide environmental diagnostic solutions.
- Circular economy – investing in companies that are helping to create a more circular economy and effectively dealing with the ever-growing accumulation of waste that we as a society are producing.

3.5. Impact analysis and evaluation methodology

Selection begins with a global universe of over 4,000 stocks, which is then initially screened for minimum liquidity and market-cap criteria, as well as screening out any companies deemed to be in breach of the UN Global Compact Principles on human rights, labour , the environment and corruption, as well as companies involved in the production of tobacco, alcohol, adult entertainment, controversial weapons, other weapons, conventional oil and gas extraction, thermal coal and unconventional oil and gas extraction, nuclear power, limits on coal as well as oil and gas extraction and the provision of gambling services (i.e. companies that are not capable of demonstrating positive impact to society). In addition we exclude companies that test their products on animals for non-medical purposes as well as companies involved in genetically modified crops.

From this remaining pool of stocks, we 'screen in' a watch-list of some 150 impactful companies that can be purchased if the timing and price are right. These companies are analysed under the team's 'Triple I' approach', examining the Investment case, Intentionality and Impact of a company to assess its suitability for the fund. As part of this analysis, we score companies on these III credentials and require above-average results within each 'I' area for consideration within the watch-list, as well as consensus agreement of a company's merits from the entire Positive Impact team. We do all of this analysis ourselves.

Once a company has been analysed through the III process and been deemed potentially appropriate for the watch-list, the wider Positive Impact team will debate it merits. Only when the team is unanimously convinced of the appropriateness of the company will it enter the watch-list.

A summary of this selection process is included below:

4,000 companies	**Our investable universe: 150 companies**	**Our portfolio: 25-35 companies**
Sufficient liquidity (market cap > \$500 million and > 20% of total portfolio invested in market cap < \$2bn Strict limits UN Global Compact principles, tobacco, adult entertainment, gambling, alcohol, thermal coal, nuclear, old sands	Watch-list consensually approved by impact team and sanctioned by responsible investment advisory forum Above-average individual score for: Investment credentials Intentionality Impactfulness	Conviction-based approach 3 distinct types of companies: Pioneers, Enablers, Leaders Portfolio construction and risk: Diversification* Volatility vs returns ** Country/FX factor sensitivity***
Companies worth a closer look	**Companies we would like to own (at the right price)**	**A portfolio that can cope with different market conditions**

*Diversification is the practice of investing in a variety of assets, which typically should perform independently of each other. This is a risk management technique where, in a well-diversified portfolio, a loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio. **Volatility is the degree to which the price of a given security, fund, or index changes. It is calculated as the degree of deviation from the norm for that type of investment over a given period of time. The higher the volatility, the riskier the security tends to be. ***The relative exposure to specific country or currency risks.

3.6 Impact evaluation review – controversy management

We update the III reports if a company controversy, or other material factor, has occurred that could alter the III score. We report on the fund's impact on an annual basis.

As active and long-term shareholders, engagement with investee companies is an integral part of our investment approach and where possible we attempt to resolve controversies through engagement.

Ultimately, if a controversy materially changes a company's III score or breaches any part of our exclusion policy, and engagement attempts have failed, we will divest from the company.

4. Investment Process

4.1. Impact research integration into portfolio construction

At a portfolio level, the fund seeks to be diversified across six different impact areas. These are:

- **Better Health, Saving Lives** (covers pioneering medical technology and products as well as affordable quality healthcare
- **Better Work and Education** (covers companies whose products and services support safe working practices and access to quality education for the underserved)
- **Social Inclusion** (covers financial, communications inclusion and activity aimed at tackling inequalities)
- **Climate Action** (covers renewable energy)
- **Environmental Solutions** (covers energy efficiency, sustainable transport and green technology)
- **Circular Economy** (covers businesses which promote the sharing, reuse and recycling of products and services)

Within these impact areas, we invest in three categories of positive impact companies:

- **Pioneers** – companies whose products or services have a transformational effect on society or the environment
- **Enablers** – companies that provide the tools for others to deliver positive social or environmental impact
- **Leaders** – companies that spearhead and normalise sustainability and impact in their industry.

We will buy a company from our watch-list when we believe the timing is right and its valuation is attractive. The fund has a long-term, high-conviction and low-turnover approach.

4.2. Climate change integration into portfolio construction

As mentioned previously, three of the six impact areas in which we seek to invest are related to climate. These are:

- **Climate action** – investing in companies that have a direct positive impact in mitigating the effects of climate change, most notably through the production of renewable energy, or by increasing the efficiency of renewable energy being produced.
  Environmental solutions – investing in companies that are delivering direct and indirect solutions to the environmental challenges the world in facing. This includes companies helping to reduce energy use, improve energy efficiency and provide environmental diagnostic solutions.
- **Circular economy** – investing in companies that are helping to create a more circular economy and effectively dealing with the ever-growing accumulation of waste that we as a society are producing.

For the remainder of the portfolio, which focuses on social areas, climate change is evaluated as part of the business model assessment.

4.3. Impact analysis scope

All issuers held in the portfolio are subjected to an Impact analysis.

4.4. Impact evaluation process change

The impact evaluation process has not changed in the last 12 months.

4.5. Investment in social goals/social enterprises

Every investee company pursues strong social and/or environmental goals, and have been validated for their intention to deliver a positive impact either on society or the environment. Inadvertent impact does not count. Having a social and/or environmental objective needs to be part of the company’s mission statement, strategy and actual day-to-day operations.

4.6. Securities lending

The fund does not engage in securities lending activities.

4.7. Derivative instruments

Derivatives may solely be used for efficient portfolio management and hedging.

4.8. Investments in mutual funds

The facility to invest in mutual funds is included in the fund prospectus purely for liquidity management purposes: more specifically, to cater for the exceptional circumstance where the fund would need to accommodate large flows that could not be managed in small tranches. In this situation, the allocation would be temporary and replaced as quickly as possible by underlying stocks.

5. ESG Controls

5.1. Internal and/or external control mechanisms

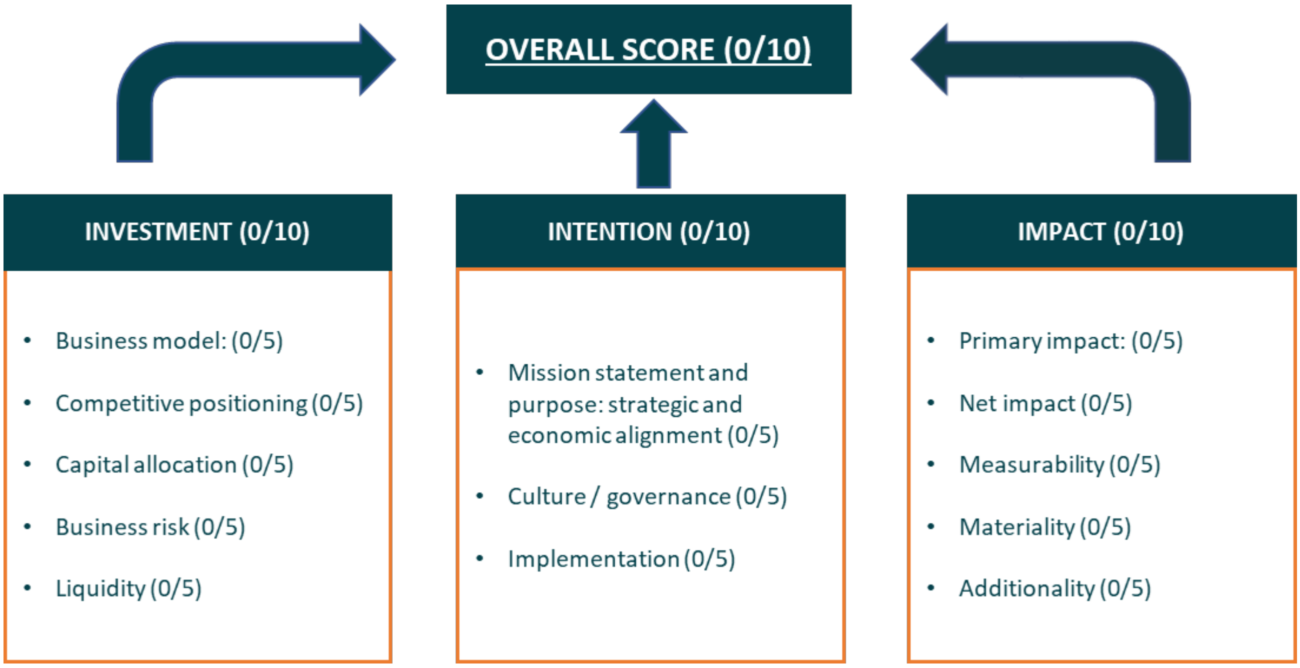
Adherence to the fund's exclusions is monitored on a daily basis using third-party providers ISS and MSCI. In addition, the fund undergoes an internal ESG review every quarter. This is performed by the Stewardship team and includes climate evaluation.

6. Impact Measures and ESG Reporting

6.1. Impact quality assessment

The III methodology is designed to robustly and consistently apply set criteria and standards for rating the impact and investment case of companies considered for inclusion in the investment universe. Only companies that score an above-average rating are included in our watch-list. This consists of impactful companies that we can buy when the timing and price are right.

Each 'I' score is derived from the assessment and rating of its key drivers, fully outlined below. We aim to achieve an optimal balance of quality companies, with a solid, established culture that is consistent with management's vision and strategy. We believe that this will enable a company to effectively create positive environmental, social or economic impact for the regions and people it serves.



The overall III impact score is derived in the following manner:

- Each of the criteria within an 'I' category is assigned a score from 0-5
- We then generate a total score for the 'I' category by summing up the (0-5) scores and generating a percentage, which is represented as a score out of 10
- The final III score is the average of each category (Investment, Intention, Impact)

Each company must score above 5 in each of the three categories to be eligible for addition onto the watchlist. For example, a company that scored 8/10 on Investment, 4/10 on Intention and 7/10 on Impact would not be considered as all three categories failed to score above 5/10, even though the average III score is 6.3/10.

Furthermore, if a company has a 1/5 score for:

- The net impact subcategory category within the Impact bucket, and;
- The measurability subcategory within the Impact bucket,

they would automatically be rejected as we view these subcategories to be critical to the impact case.

Investment score (out of 10)

There are five broad areas we explore when considering a company's investment score:

Quality of the business model (out of 5)

- We ascertain the strength of the business model, by assessing elements such as: the sustainability of the business model; health of the industry in which it operates; the avenues to grow (organic and inorganic); and the company's 'moat' (i.e. competitive advantages). Performance track record is also key in proving the business case. This helps us establish whether the company is built for longevity and growth and how sustainable its moat is. Ultimately, we aim to invest in strong business models operating in disciplined industries.

Competitive positioning (out of 5)

- We are generally interested in companies that have a strong competitive position (i.e., in the top five in terms of market share) in the business areas in which it operates, or has scope to grow this. Points of strong differentiation (e.g., customer relationships, distribution channels, economies of scale, brand strength) versus peers are also key. We tend to favour disciplined companies with strong positions in industries with high barriers to entry.

Capital allocation (out of 5)

- Here, we consider the management's track record on capital allocation by assessing M&A appetite and execution; the overall strength of the company balance sheet (growth and leverage balance); dividend policy and cash and capital management.

Business risk (out of 5)

- We aim to consider business and industry specific risks that the company might face. This also challenges the strength of the moat, the business model and possible risks to it. Ultimately, we want to understand how material the effect of internal and external risks could be to the sustainability of the business model over a period of 10 years.

Liquidity (out of 5)

- The liquidity of the company is essential when establishing the investability of the candidate stock. We aim to reach a healthy balance of impactful, while also commercial, companies.

Intention score (out of 10)

There are three broad areas we explore when considering a company's Intention score:

Mission statement and purpose, strategic and economic alignment (out of 5)

- The group's mission statement, vision or purpose should generally talk to the impact case. This indicates that the company's intention is heavily aligned to driving impact and is therefore likely to operate with this in mind over the long term.
- However, there are several cases in which a company's mission or vision may not overtly mention the positive impact case, but the business model is heavily aligned to positive economic, social or environmental impact. 'Enablers' (companies who help the end-customer achieve positive impact), tend to fall into this category. Given this, the alignment of the business model is key in giving some credit to companies whose mission statement might fall short of including the impact case, but whose daily activities and business strategy generates significant positive impact anyway.
- We also assess companies whose mission statements may have impact-related statements, but whose business model or strategy may not entirely fulfil this mandate. In such a case, a call is made on whether the intentions of the company are genuine and consistent with the business' strategy/vision.

Governance/culture (out of 5)

- We probe the track record of the management team, by assessing business performance under its leadership, consistency of the strategy and general market and our perceptions of the management team. We also consider the composition and track record of the board, focusing on the independence (are Chairman and CEO roles combined, for example), the tenure (is it an entrenched board) and the female representation of the board (is it at or above 20%, the 2020 target). We have used employer-review website Glassdoor to get a sense of the culture of the firm as well, to gauge its consistency between management strategy and the experience of employees.

Implementation (out of 5)

- Execution on the group's impact case and business alignment to this is another measure we use to ascertain the candidate company's intentionality. This may include the plans set forth to reach impact targets and the progress or impact already created by the business model. This helps us understand whether the company has fully committed to driving positive change.

Impact score (out of 10)

There are five areas we explore when considering a company's impact score:

Primary impact (out of 5)

- The primary Sustainable Development Goal (SDG) and key performance indicators (KPIs) the candidate company is addressing – the SDG on which it has the most material impact.

Net impact (out of 5)

- The primary SDG and KPI it is addressing, as well as other secondary SDGs and KPIs it is addressing.
- We also investigate any negative impacts the company may have. This should either be non-existent or immaterial to overall group revenues or profitability (less than 10%).

Measurability of the impact (out of 5)

- This looks at the ability to measure the impact generated by the company (i.e., carbon footprint reduced/number of people saved by drug created by company etc). This generally represents the number of people impacted by a company's activities or how far-reaching the impact is.
- This may be more difficult to get from 'enablers', as their contribution to the positive impact case is likely more indirect since it depends primarily on the end market user. In general, published disclosure may not fully give us a sense of this. Therefore, dialogue with management tends to provide greater colour on the impact generated.

Materiality of impact (out of 5)

- *This represents revenues that relate to sustainability or social activities (i.e., revenues to SDGs). We believe that if the revenues stemming from SDGs are material in the context of the group operations, this will likely be a major driver of the strategy and represent sustainability of the positive impact created.*

Additionality (out of 5)

- We consider the question of how the world/region would look if the candidate company did not exist. Here we consider elements such as the scale of the company (market share) and reach (number of regional and global offices), valuable aspects of the business model that are difficult to replicate (e.g., the strength and scale of the distribution network).

6.2. Impact indicators

As fundamental stock-pickers, we focus on company-specific impact indicators. In addition, as the fund is diversified across quite disparate impact areas, we feel that attempting to aggregate our companies' impact at a portfolio level would be not be practical or meaningful.

We have therefore decided to assess how each company's business activity is aligned to specific societal impact challenges that need investment, and are investable. Revenue alignment is often a good proxy. In the case of earlier stage companies, we may use asset mix and investments in research and development. For insurers and financials, we map the proportion of low-end market customers to evaluate the impact.

We believe that the SDGs provide a solid, accepted framework for determining material impact areas, and help frame the measurement of how those positive impacts are being achieved. We assign all of our investments a primary SDG that we believe they are addressing, and determine specific, SDG-aligned key performance indicators (KPIs), against which we measure the materiality of the impacts they are achieving. We track these KPIs on an annualised basis.

6.3. Communication resources

We publish a Monthly Fund Review, an Annual Impact Report and an Annual Report and Accounts. These documents are available on our website.

6.4. Voting and engagement policies

M&G's Corporate Finance and Stewardship team oversee our stewardship of the companies in which we invest. Active voting is an integral part of our investment approach. M&G has a robust voting policy in which we seek to exercise our principles and stewardship responsibility. We believe exercising our votes adds value and protects our interests as shareholders. Proxy voting records are published quarterly on M&G's website. We report quarterly on all our votes at M&G, which can be found here.