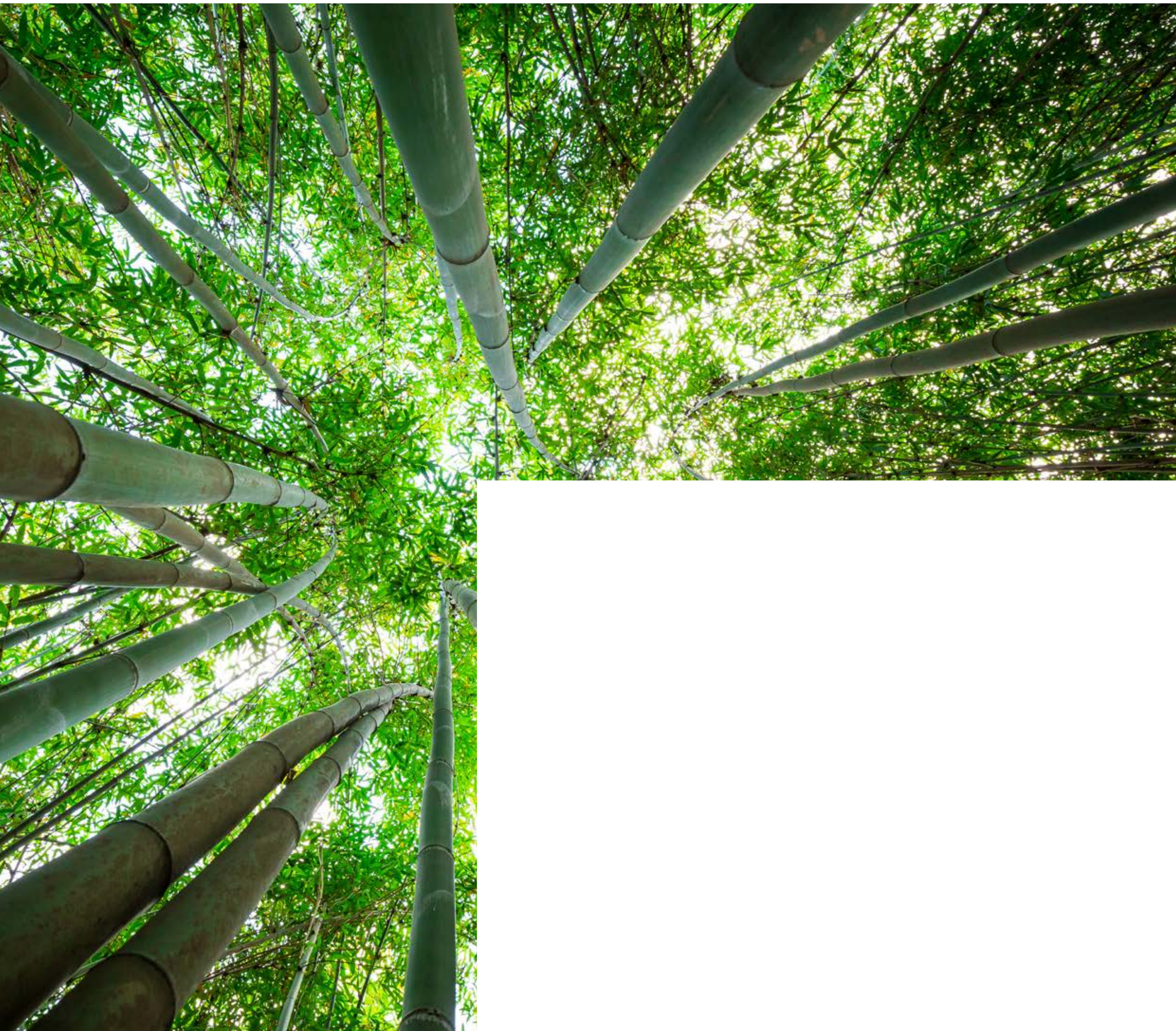
May 2021

M&G Investments

M&G (Lux) Sustainable Allocation Fund

Environmental, Social and Governance (ESG) and Impact Report



Contents

Sustainability in brief: M&G (Lux) Sustainable Allocation Fund

Positive ESG tilt	Climate focus	Positive impact
Average MSCI ESG rating[1] for the positive ESG tilt section of the fund:	Carbon intensity[2] of the fund:	Proportion of the fund held in positive impact assets:
6.6 (equivalent to A)	**83.2 tonnes CO_2 per US$ million sales[3]**	**26%[4]**

CCC	B	BB	BBB	A	AA	AAA
0.0-1.4	1.4-2.9	2.9-4.3	4.3-5.7	5.7-7.1	7.1-8.6	8.6-10

Source: M&G. As at 28 February 2021.

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Further information on methodology and calculations used to rate the fund can be found on MSCI's website, https://www.msci.com/esg-fund-ratings

[2]Carbon intensity calculation methodology (MSCI): Weighted average Carbon Intensity is measured in terms of tonnes of CO_2 per US$ million of sales. It is calculated as the sum of the product of each portfolio holding's weight and that company's individual carbon intensity, where carbon intensity equals the company's carbon emissions divided by its total sales in US$ terms.

[3]The fund does not target a particular level of carbon intensity. For context, the carbon intensity measure for the MSCI ACWI index, which consists entirely of equities, unlike the fund which is a multi-asset strategy which includes other asset classes such as bonds, cash and alternative assets, had a carbon intensity measure of 153.1, as at 28 February 2021.

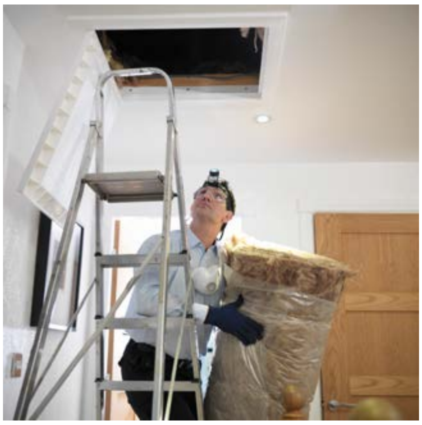
[4]The positive impact methodology for the fund is explained in the section commencing on page 17 of this report. As at 31 December 2019, the date of our previous report, the fund held 21% in the positive impact section.

The M&G (Lux) Sustainable Allocation Fund invests across six different positive impact areas, three environmental and three social, representing 26% of the portfolio, as at 28 February 2021. Each of these impact areas incorporates at least one of the 17 United Nations Sustainable Development Goals (SDGs). While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by them. We measure specific impacts that our investee holdings seek to deliver within each area. In the last year the companies and institutions whose investments we hold have made contributions to each of the impact areas.

Our Climate Action companies...

provided 66 TWh of renewable energy, and avoided more than 50 tonnes of CO_2 emissions

Our Environmental Solutions companies...

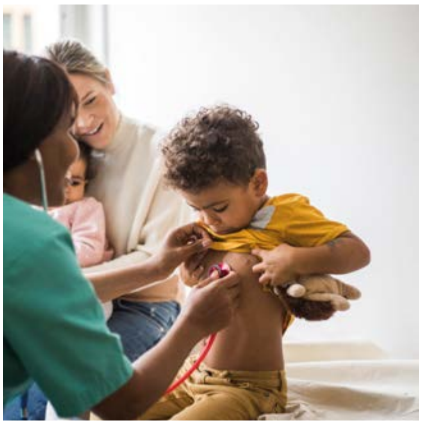


directly avoided almost 130 million tonnes of CO_2 and saved, tested, treated or provided more than 58 billion litres of water

Our Circular Economy companies...

saved 55 million trees, saved, tested, treated or provided 2.6 billion litres of water, and handled 114 million tonnes of waste material

Our Better Health, Saving Lives companies...



treated or served more than 130 million people, and processed 35 million blood donations

Our Better Work and Education companies...

provided educational services for 2 million students

Our Social Inclusion companies...

provided financial and insurance services to 56 million people in underserved or lower income markets, provided 2,500 beds to homeless people, and the issuers of the fund's supranational bond holdings invested $2.9 billion in developing countries

Figures are based on the key performance indicators (KPIs) against which we measure individual company impacts. These have been aggregated within each impact area, where companies within the area share similar KPIs. These figures are largely based on the latest information available from company literature and hence are backward looking.

Introduction

Maria Municchi
Fund Manager

Since I last wrote to you, about a year ago, much has changed. Our world and our lives have been deeply affected by the COVID-19 crisis, and although we hope we will soon reach an end to this pandemic, it is worth reflecting on some important aspects highlighted by recent events.

Many governments were prompted to impose unprecedented restrictions on businesses and their wider populations as the pandemic spread across the world. At the same time though, they acted to support their economies, using policies of monetary and fiscal expansion forcefully. Although, the global economy now appears on the road to recovery, the recent crisis revealed important systemic issues and the interconnectedness of many of the challenges and opportunities we are facing today.

For example, before the pandemic struck, health systems in many countries was already operating close to their full capacities, both in terms of personnel and what their infrastructure could cope with. Both public and private sectors will need to dedicate spending power to rebuilding capacity, while at the same time aligning it more closely to the changes occurring in underlying demographics. This should continue to support companies operating in the health sector, such as medical equipment producers, diagnostic providers, health insurers and others. One company, Quest Diagnostics, whose shares we hold in the fund, played an important role during the pandemic with its focus on supporting SDG 3 (Good health and well-being).

We also realise the importance of having social safety nets in place and the ability to provide emergency liquidity measures for businesses when they most need it. Supporting businesses and employers in difficult times, can help protect future economic growth.

Governments, central banks and other institutions have been working to identify the most efficient ways of doing so, including adopting some less conventional practices. The Inter-American Development Bank (IADB) raised US$2 billion, by issuing a pandemic bond, aiming to use the proceeds to provide support to some of the economies hardest hit by COVID-19, thereby supporting SDG 8 (Decent work and economic growth).

For decades, public and private-sector institutions all over the world have primarily been judged on their results over the short term, whether in the form of government borrowing, quarterly economic growth outcomes, each month's inflation rate, or market returns. Although these data are still important, we do not believe they should be the sole goals. The global economy can only continue to thrive in an environment where social well-being is improving, natural resources are managed more efficiently and the threat of a climate emergency begins to recede. The 17 United Nations' Sustainable Development Goals (UN SDGs) constitute a solid and widely endorsed framework for achieving those ambitions.

The COVID emergency reminds us of the importance of considering a longer-term perspective, and preparing for the challenges and opportunities ahead. Today, we can observe how a significant amount of the economic stimulus is being directed towards sustainability and climate transition with a focus on the concept of 'environmental justice' or the effect climate transition might have on the poorest segments of the population. At the same time, investors and corporates alike are embracing the concept of environmental, social and governance (ESG) factors and sustainability, and are recognising the need for change.

These are just some of the many exciting developments I believe we can expect to see continued and built upon this year and beyond. I believe the approach we take to invest your savings in the M&G (Lux) Sustainable Allocation Fund, will continue to help drive and support the quest for a truly sustainable outlook for our own, our children's and our planet's future.

Our approach to sustainable multi asset investing

Responsible investment approach

The fund is categorised as Planet+/Sustainable, as defined in the fund's prospectus. Within this category, a combination of a Positive ESG tilt approach for the ESG component of the portfolio and an Impact approach for the Impact component of the portfolio is applied.

Sustainable multi asset portfolio

In employing a sustainable investment approach that looks to generate long-term returns, we intend for the asset allocation decisions to be the key drivers of those returns. Implementation of those decisions sees the fund populated with assets by applying the strict ESG and/or positive impact selection criteria we have set down to identify candidates for investment. Details of the criteria are laid out in a dedicated document, ESG Criteria and Impact Criteria, which is available on our website.

We aim to achieve optimal asset allocation, managing the composition of a portfolio to balance anticipated risk with potential reward, according to market conditions.

Implementing sustainability

Once an asset allocation has been determined, the fund will aim to build a portfolio that considers opportunities across the spectrum of responsible investing. This will entail investing in securities, including equities (company shares) and bonds among others, that fulfil the requirements of a rigorous ESG-screening exercise, alongside other assets that demonstrate an active determination for achieving a positive impact.

The majority of the fund is invested in ESG-screened assets, using our Positive ESG tilt approach. Then separately, typically between 20% and 50% is dedicated to investing in positive impact assets.

Positive impact assets are those considered to have a positive societal or environmental impact, addressing the world's major challenges, as identified by the 17 United Nations Sustainable Development Goals (SDGs). Examples may be companies that are dedicated to developing pollutant extraction technologies, or that focus on building low cost/social housing or hospitals in underprovided areas.

The ESG Criteria and Impact Criteria are anticipated to reduce the fund's investment universe by at least 20%.

Asset allocation

Source: M&G, illustrative, as at March 2021.

Positive ESG tilt approach to fund holdings

Corporates

For the companies in the Positive ESG tilt part of the portfolio, we adopt a three-stage process in screening for qualifying potential investments:

First, we exclude companies assessed to be in breach of the United Nations Global Compact Principles on human rights, labour, the environment and anti-corruption.

We further exclude companies that are producers of, or provide services in, controversial products and we scrutinise CO_2 intensive industries such as oil and gas and utilities. More details regarding the exclusion criteria applied to the fund's investment universe may be found in the Appendix of this report.

Last, within each sector we aim to identify the key ESG risks and consider how each company is positioned relative to those while comparing across peers. We want to invest in companies that we believe meet preferred standards of ESG behaviour. For this, we mainly use ESG ratings provided by MSCI, where a rating of at least BBB is required for consideration.

Please note that ESG ratings are not the same as credit ratings.

Three-stage screening process for corporates

Step 1	Step 2	Step 3
Respect the UN Global Compact Principles	**Exclude controversial sectors**	**Focus on corporates with better ESG quality***
1 Human Rights 2 Labour 3 Environment 4 Anti-corruption	Tobacco Alcohol Adult entertainment Gambling Controversial weapons Thermal coal	Exclude corporates rate below BBB AAA, AA – Leader A, BBB, BB – Average B, CC – Laggard

Source: M&G, as at February 2021.
*MSCI Corporate Universe.

The investment decisions for the majority of the fund will involve selecting what the manager considers to be attractive securities that qualify against agreed ESG criteria, making using of third-party information and/or proprietary analysis, to focus on the ESG leaders.

We build on those assessments by actively engaging with companies to engender greater transparency and reporting of ESG efforts and successes, in addition to improving our insight into the risks and opportunities associated with companies.

As the majority of the fund is invested in Positive ESG tilt assets, the process has a significant influence on the shape of the fund, by filtering to create the investable pool of companies and securities that may be held.

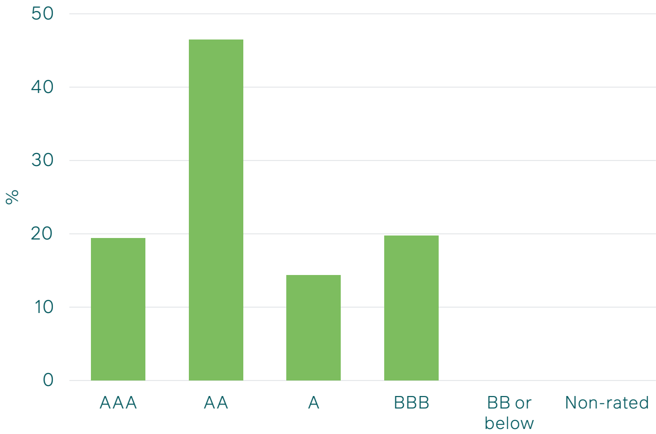
The remainder of the fund's investments are applied to assets that are dedicated to generating a positive impact to society and the environment. Those investments will also have been subject to individual ESG assessment.

MSCI determines an ESG quality score for most companies and sovereigns, between 0 and 10, with 0 being lowest and 10 the highest rating. These equate to the alphabetical ratings as the table in the Appendix of this report shows.

At the end of February 2021, the average MSCI ESG score for all the equity and corporate bond holdings in the fund was 7.6, and 6.6 for the fund as a whole, suggesting an average fund level rating of A (see Appendix). The majority of the fund's corporate holdings were rated in the AAA or AA brackets. The ESG selection criteria for the fund means it does not hold any corporate investments rated below BBB in the Positive ESG tilt section of the fund.

The distribution of ESG ratings across the fund shows a clear skew toward better-rated companies. The ESG rating of some fund holdings in the positive impact section may be lower than BBB. However, this may be related to the niche nature of the company's business and that they may be newer than others, and therefore have not built up a substantial catalogue of historic data required to achieve a more positive score. They also need to pass the criteria threshold of our robust proprietary framework for inclusion in the fund, which tend to be more forward looking.

MSCI ESG rating breakdown for Positive ESG tilt corporate holdings



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Source: M&G, 31 January 2021.

Sovereigns

We believe that holding bonds issued by sovereign entities in sustainable strategies is fully justified, as sovereigns typically issue bonds to supplement their tax and other revenues and use that to fund their spending across the breadth of their economies.

Most nations will see that spending applied to a variety of positive social endeavours, such as education, healthcare and welfare. Inevitably, some is also likely to be spent on defence and military forces. However, we believe that overall, the weight of government spending is likely to be more beneficial to a nation, than not.

As in the case of corporates, MSCI will attribute an ESG rating to sovereigns, and we permit any with a rating of at least BB to be considered for investment. Not all governments are considered to be worthy of consideration, however, even if they achieve an MSCI ESG rating of BB or higher. Each will be considered on its own merits prior to investment.

Combining quantitative with qualitative assessment for sovereigns

Quantitative ESG screening	Qualitative assessment on social factors	Qualitative assessment on environmental factors
Exclude countries rated below BB AAA, AA – Leader A, BBB, BB – Average B, CC – Laggard	• World Bank • Freedom House • Financial Action Task Force • United Nations Security Council	• Climate Change Performance Index • Climate Action Tracker • Climate Analytics • New Climate

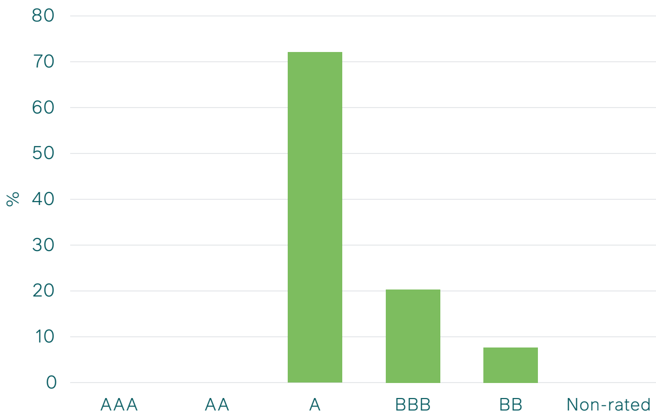
Source: M&G. As at February 2021.

As yields remain persistently low for many developed market governments in the first quarter of 2021, we have preference for US Treasuries. They feature the highest yield amongst western sovereign bonds, and we believe they offer attractive diversification properties to the fund. We also hold a Portuguese government bond within the holdings of mainstream government bonds. We hold a number of emerging markets government bonds that we believe appear attractive, given the higher level of yields they currently provide compared to developed market bonds.

On the other hand, many mainstream bonds are still trading today at very low level of yields, like Germany.

The ESG qualification approach we apply means the fund excludes holding bonds issued by governments that score too lowly on our quantitative and/or qualitative overlay criteria. These include bonds issued by China, Russia or Indonesia. However, it may be possible to achieve similar exposure in those markets by investing in bonds issued by supranational agencies, priced in the desired emerging market currency for example in Brazilian reals or Indonesian rupiah. There has also been a growing trend in new issuance of green and sustainable bonds from both developed and emerging markets. We have invested in a green bond issued by the government of Chile.

MSCI ESG rating breakdown for sovereign bond holdings



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Source: M&G, 31 January 2021.

Climate metrics

Current carbon footprint of fund holdings

One way to measure the carbon footprint of the M&G (Lux) Sustainable Allocation Fund is by considering the aggregate greenhouse gas emissions of the fund's holdings.

The M&G (Lux) Sustainable Allocation Fund's weighted average carbon emissions intensity (based on the corporate holdings only as at 28 February 2021) was 83.2 tCO_2/US$ million sales. To provide some context to that figure, the equivalent measure for the broad global equity market index, MSCI ACWI Index was 153.1 tCO_2/US$ million sales, according to MSCI ESG Research.

The data for the fund reflects the limited holdings in the oil and gas utilities sectors and not having any thermal coal holdings. The fund also has investments in renewable energy infrastructure and solution providers.

This is based on 'Scope 1' and 'Scope 2' emissions, which are those emissions within the direct control of a company. 'Scope 1' includes emissions from fuel combustion within owned furnaces or boilers and company vehicles, while 'Scope 2' includes emissions from purchased electricity, heating, cooling and steam. 'Scope 3', or indirect emissions currently remain difficult for companies to quantify with sufficient accuracy, so we do not include them in this year's report.

Data availability and disclosure is continuing to improve. In the light of this, we expect to provide further client metrics for the fund in future reporting.

What is Scope 1, 2 and 3?

Scope 1 (direct)

All direct emissions from activities of an organisation or activities under its control

Scope 2 (direct)

Emissions created during the production of electricity, steam, heating and cooling used by an organisation

Scope 3 (indirect)

All other indirect emissions from activities of the organisation from sources they do not own or control

Upstream

Emissions generated from purchased goods and services, business travel and employee commuting

Downstream

Emissions generated from consumption of goods and services sold, end-of-life treatment of products

Source of emissions

As the bottom chart shows, the industrial sector is responsible for over a third of the emissions arising from the fund's holdings. Many companies in this sector sit within the environmental solutions and circular economy impact areas.

While these companies rely on manufacturing processes that use substantial amounts of energy, they have been selected for the fund because the net impact they generate is positive. The amount of emissions saved or avoided through the use of their products and services outweighs the emissions emitted during production.

Schneider Electric, an energy management company, is an example. The company reports a carbon footprint of more than 0.5 million tonnes of CO_2; however, its products directly helped its customers save 89 million tonnes of CO_2 in 2019.

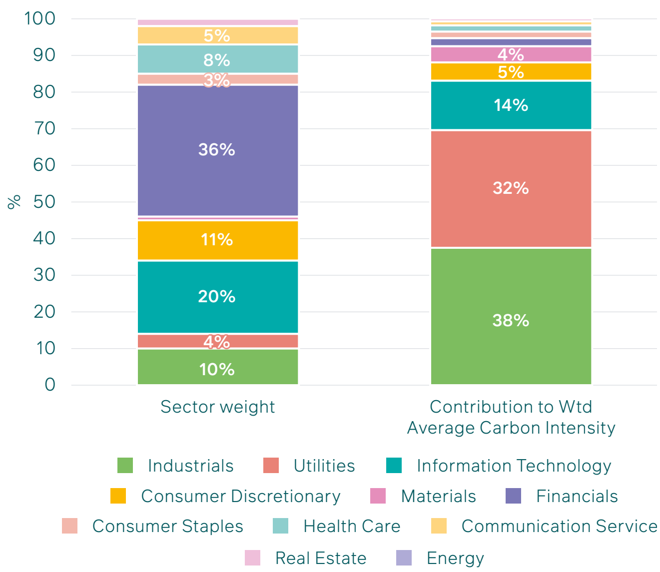
The utilities sector is the next largest contributor. However, much of the exposure in this sector is achieved through holdings of green bonds, where projects are dedicated to reducing the carbon intensity of the issuer company, and to supporting climate transition.

Weighted Average Carbon Intensity by sector
M&G (Lux) Sustainable Allocation Fund

Sector	Weighted Avg Carbon Intensity of fund holdings (tCO_2/US$ million)
Utilities	667.6
Industrials	318.7
Materials	307.4
Information Technology	59.7
Consumer Staples	53.2
Consumer Discretionary	39.6
Real Estate	38.6
Healthcare	18.3
Communication Services	18.2
Financials	5.3
Energy	N/A
Overall	83.2

Source: M&G, MSCI ESG Research, as at end February 2021.

Sector contributions to fund Weighted Average Carbon Intensity



Source: M&G, MSCI ESG Research, as at end February 2021.

Looking towards the future

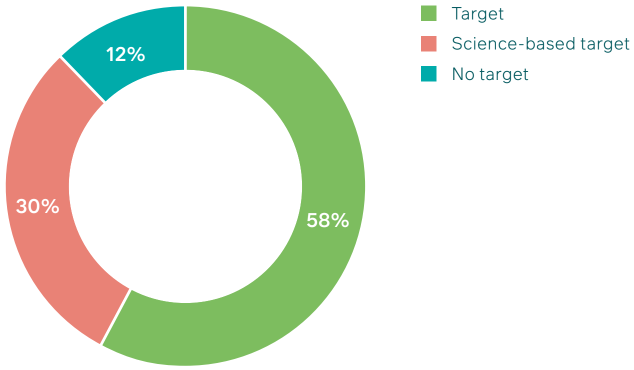
While the fund does not have a specific climate objective, we aim to assess our holdings not only relative to their current carbon emissions and emission intensity but also on the basis of their climate transparency, governance and ambition. These may be represented by any transparent reduction targets they set for themselves.

For the fund's impact holdings, we go a step further. While the impact holdings' main focus is the impactful nature of a company's product or services, we do scrutinise the operations of all these holdings as part of our ESG assessments. In all cases, we look for meaningful carbon reduction programmes and targets, and particularly encourage companies with energy intensive manufacturing processes to develop and enforce science-based targets. We note that the fund's largest emitter, Republic Services, published its targets last August, aiming to reduce absolute Scope 1 and Scope 2 emissions by 35% by 2030, from a 2017 baseline.

As of 28 February 2021, 30% of our corporate holdings have articulated science-based targets. These are targets that align with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit the warming to 1.5°C. 58% have identified other targets that reflect carbon reduction objectives. Only 12% of holdings lack a carbon emission target at all. The fund overall, is aligned to 1.6°C temperature increase by 2050, according to ISS (Institutional Shareholder Services) Climate Scenario Alignment Analysis.

The ISS methodology for that analysis is shown in the Appendix of this report.

Climate target assessment (% portfolio weight)



Source: M&G, as at 28 February 2021.

Active ownership and engagement

Active ownership is an essential element of our investment approach. By engaging with management during and between meetings, and voting at the Annual General Meetings, we can use our voice and votes to encourage our companies to act in the best interests of stakeholders and towards the UN SDGs. By participating in and encouraging open conversation with companies, we can share our thoughts and ideas regarding key issues, to encourage transformation towards a more sustainable economy. We are also able to gain clearer insight into the processes and measures companies are putting into place to improve their ESG profile and potential positive.

Voting

M&G has been an active participant on behalf of the M&G (Lux) Sustainable Allocation Fund during the course of 2020, despite the difficulties presented by the COVID-19 pandemic. The team voted at all of the votable 88 meetings it attended, casting votes on all 1,287 votable items.

Of those votes we voted against management on 86 occasions (6.7% of the time). We voted against a proposal in 74 (5.7%) of instances.

At individual country level, we remained most active in the US and Japan as we were in 2019. It was across the entirety of Europe and the UK that we attended the most votable meetings, however (41 of 88).

We have cast votes in favour of shareholder resolutions for gender pay gap disclosure and employee representation on the board. We have also voted against management or abstained on such things as remuneration and choice of auditors.

Strategic engagement

Across our portfolio holdings we identify opportunities for strategic engagement, seeking action on sustainability-related matters. Subjects for engagement may be wide and varied and include areas such as sourcing of raw materials, effects of operations on biodiversity, reductions in carbon footprint, to improvements in working conditions both within the company and throughout its supply chain.

Green bonds

Engagement is likely to take place with the issuers of the green bonds held in the fund. When green bonds are issued, the use of proceeds may often not be specifically assigned to environmental objectives. To ensure that there is sufficient alignment with SDGs, we require an external ESG third-party verification for these bonds. Additionally, we follow up with the company if we require further information on the use of the proceeds, if disclosure of key performance indicators (KPIs) is not sufficient, and/or if we seek better understanding how the green bond framework aligns with the overall sustainability strategy of the issuer. An example of this type of engagement included a green bond issued by Fibria, where we followed up on two of these aspects to ascertain that the bond continues to meet our impact criteria.

COVID-19

During 2020 and into 2021, one of our primary concerns was how our investee companies were being affected by the COVID-19 crisis, and to ascertain what they were doing to address the pandemic's negative ramifications. The Positive Impact team sent a letter to the chair/chief executive of our positive impact equity holdings asking about the experience and actions under the extraordinary conditions the world was facing.

The team received responses from the majority of our impact holdings, demonstrating overwhelming support for those affected by the pandemic. Overall we have been pleased to observe a strong alignment between the actions taken by companies and their mission statement. Distinct themes emerged from the responses, including the design of new products, repurposing of existing ones, innovation, supply-chain resilience and business model flexibility.

M&G Stewardship & Sustainability team

M&G Investments' 14-strong Stewardship & Sustainability team supports our investment teams on a range of issues that can affect our investments over the long term, acting as a dedicated central ESG resource for the whole of M&G Investments, working collaboratively with investors across our wholesale and institutional business. Having a central function team to cover these areas ensures oversight and accountability for stewardship within the organisation.

The team coordinates M&G Investments' stewardship activities, engaging with companies on a number of issues from corporate governance to environmental sustainability, alongside the investment teams. Closely linked to this engagement work, the team undertakes M&G Investments' voting responsibilities at shareholder meetings, which we see as one of our central responsibilities as long-term shareholders. The team votes in line with M&G Investments' Voting Policy, which is evolving to reflect our increased engagement focus on both climate and diversity.

The team is responsible for coordinating M&G Investments' participation in various external initiatives and investor collaborations, including the UK's Investment Association, the Investor Forum, the Institutional Investors Group on Climate Change and the Asian Corporate Governance Association, among others. The team also maintains M&G Investments' relationships with responsible investment-oriented organisations, including the UN-backed Principles for Responsible Investment (UNPRI).

Our approach to positive impact investing

Investing for impact explicitly targets investments that deliver positive, measurable and material change for society or the environment, in pursuit of one or more of the 17 UN Sustainable Development Goals (SDGs). We believe those investments also have the potential to generate attractive financial returns.

The fund embraces the SDGs framework and invests in companies focused on six key areas, mapped against the SDGs. These are: climate action; environmental solutions; circular economy; better health, saving lives; better work and education; and social inclusion.

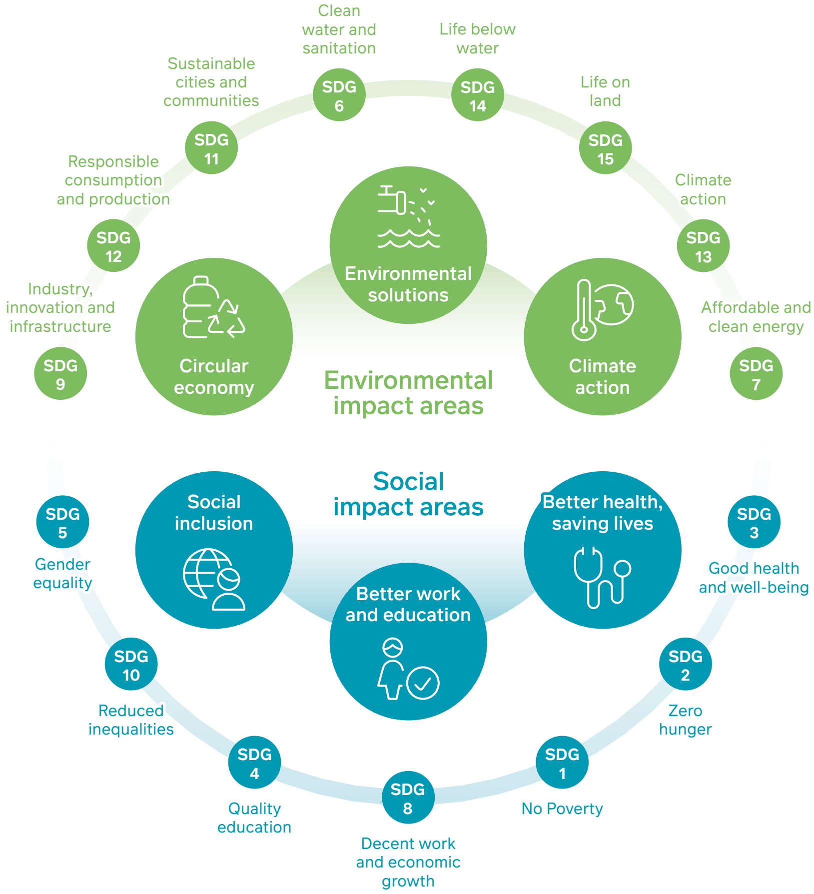
While we support the UN SDGs, we are not associated with the UN and our funds are not endorsed by the organisation.

The M&G (Lux) Sustainable Allocation Fund uses a triple-I (III) framework as a practical means of scoring candidate companies. The framework robustly and consistently applies set criteria and standards for rating the impact and investment case of each company.

Each 'I' score is derived from the assessment and rating of its key drivers, outlined below. The team aims to achieve an optimal balance of quality companies, with a solid, established culture that is consistent with the management's vision and strategy.

Once a company has been analysed through the III process and then been deemed potentially appropriate for the watch-list, the wider Positive Impact team will debate the merits of the company. Only when the team is unanimously convinced of the appropriateness of the company will it enter the watch-list, which contains companies that the fund may invest in if they are considered to offer attractive value.

How M&G captures UN Sustainable Development Goals in its Impact areas



The diagram to the left references the UN SDGs – 'Sustainable Development Goals'. We have mapped the SDGs against M&G's Impact Areas. While we support the UN SDGs, please note that we are not associated with the UN and our funds are not endorsed by the organisation.

Source: M&G, as at March 2021.

Investment

We assess the quality and viability of the investment, focusing on opportunities and threats (including the risk of default).

Intention

We aim to understand the intentionality behind the security/instrument issued by the company. This means a company specifically sets out to deliver a particular impact, with that goal being part of the company's mission statement, strategy and actual day-to-day operations (inadvertent impact doesn't count).

Impact

We seek to assess the material impact of the investment towards achieving one or more of the specific UN SDGs.

When assessing the 'Impact' score of a company, we consider both the 'materiality' and the 'additionality' of the impact delivered.

Materiality is the degree to which the company helps solve a given societal problem or contributes to a particular SDG, and measured by the percentage of a company's revenue derived from those activities.

Additionality is considered in terms of whether the impact being measured would be achieved if the company did not exist, or were not adequately funded – ie could another company equally deliver that impact.

We aim for the positive impact section of the portfolio to represent typically between 20% and 50% of the fund. The investments that make up the positive impact section are made up of different asset classes and may come from anywhere in the world where we can find investable opportunities in which we have conviction. This might include listed equities, green social and sustainable bonds, bonds issued by supranationals, and development banks such as the Inter-American Development Bank particularly, infrastructure investments or collective investment vehicles.

Three-factor analysis

Investment	Intention	Impact
Quality of the investment	Mission statement and purpose	Measurability
Risks assessment	ESG and Culture	Materiality/ revenues to SDGs

Source: M&G, March 2021.

Impact holdings by Impact area: 26.1% of the fund

6% Circular economy	19% Environmental solutions	27% Climate action
34% Social inclusion	1% Better work and education	13% Better health, saving lives

Source: M&G, 28 February 2021.

The M&G Impact team

As part of the III analysis of the fund's equity holdings, the team internally scores companies on their III credentials, and requires above-average results for inclusion in the watch-list, as well as consensus agreement of a company's merits from the entire Positive Impact team.

The team represents a wide range of expertise, and includes fund managers, impact analysts and specialists in various fields.

Measuring our investments' positive impact

In the following sections, we review the fund's positive impact investments as of 28 February 2021, by impact area, and highlight the impact we assess the companies have made, quantifying that overall impact where possible.

There are some companies currently within the portfolio whose impact it has proven very challenging to quantify. For these types of companies in particular, we have engaged to encourage better disclosure, and will look for different ways to measure their impact as we move through the fund's second year of operation. An example of one such company, Horiba, is shown in the Appendix of this report.

Impact area

Climate action

In 2019, for our Climate Action investments, the companies or organisations in which we are invested contributed by helping avoid the emission of almost 50 million tonnes of CO_2 and generating 66 TWh of renewable energy.

Addressing and tackling climate change represents an enormous challenge to us all. Governments and investing publics alike recognise that supporting companies and initiatives that aim to make contributions to significantly reducing carbon emissions and slowing the rise in temperatures, may be crucial to the long-term survival of our planet.

We continue to witness episodes of extreme weather. We have seen these in excruciating heatwaves bringing firestorms across tinder-dry landscapes, powerful storms battering tropical islands and deluging coastlines or deadly blizzards causing havoc to communities unused to them. More and more people and businesses are stepping up to meet the challenge through their investments as well as their actions.

Our investments in the area of climate action are wide-ranging and diverse, across a range of geographies. Understandably, we have a focus on support for companies striving to deliver greater proportions of our energy needs from sources that have significantly reduced carbon footprints. Allied to that, we support those that provide or finance the underlying infrastructure for achieving green energy production, including solar and wind power installations.

We invest in and buy bonds from companies and other businesses driving direct positive impacts in the quest to mitigate the effects of climate change. These are most notably through the production of renewable energy, or by increasing the efficiency of renewable energy being produced.

> “Addressing climate change will require massive flows of capital toward sustainable and impact investments. While estimates of capital required vary, consensus is that several trillion dollars a year will be necessary to prevent exceeding the 2° Celsius temperature increase laid out in the Paris Agreement.”

Global Impact Investing Network

Company	Activity	Primary SDGs	KPI outcomes*
Apple (Bond)	Two green bonds issued to fund environmental impact and sustainability projects		4.4m tonnes GHG emissions avoided 89m gallons of water saved 43,400 tonnes of waste diverted from landfill
Bank of America (Bond)	US$4.35bn of green bonds for renewable energy projects such as wind farms and solar farms		2.8m tonnes of CO_2 emissions avoided 62.8bn gallons of water use avoided 15,800 tonnes of waste avoided
Electricité de France (Bond)	Green bond series to finance new EDF Renewables wind and solar projects. Also active to renovate and modernise French hydropower assets		815 MW renewable capacity installed with expected output of 3.3 TWh/year Estimated 1.83m tonnes of CO_2 emissions avoided annually
Energias de Portugal (Bond)	Green bonds issued to extend EDP's renewable energy footprint, and contribute to the energy transition		8.6 GW of installed renewable capacity 22.5 TWh annual net production of renewable energy 14.3m tonnes CO_2 emissions avoided
Greencoat Renewables (Alternative)	Owner and operator of renewable infrastructure energy assets		Installed capacity of 538 MW to date Year end 2019: 462 MW of installed capacity, 1.2 TWh of renewable energy generated (enough for 275,000 homes annually), 433,000 tonnes CO_2 emissions saved
Greencoat UK Wind (Alternative)	Investment company investing in UK wind farms		In 2019: 953,908 tonnes CO_2 emissions saved 2,385 GWh of renewable energy generated, enough to power 769,281 homes
KFW (Bond)	Green bonds issued to facilitate projects focused on renewable energy sources		Annual renewable electricity generation of 5.2 TWh 3.7m tonnes CO_2 emissions avoided annually
Octopus Renewables Infrastructure (Alternative)	Builds and operates renewable energy assets		367 GWh estimated annual electricity production, equivalent to 83,000 homes powered by clean energy[1] Estimated 60,000 tonnes carbon avoided, equivalent to 294,000 new trees required to avoid the same carbon[1]
Ørsted (Equity)	Operates wind farms		11.3m tonnes of CO_2 emissions avoided, powering 15.2m people
SolarEdge Technologies (Equity)	Smart energy products for residential and commercial use		12.6m tonnes of CO_2 emissions avoided 2.1m homes optimised for solar energy
The Renewables Infrastructure Group (Alternative)	Renewable energy infrastructure in the UK and Northern Europe, with a focus on operating projects		1.6 GW net capacity, equivalent to 1m homes powered by clean energy 1.1m tonnes CO_2 emissions avoided per annum

*KPI = Key Performance Indicators.

Based on information available from company literature.

[1]Based on 85% (% of IPO funds committed) of annual production of whole portfolio when fully constructed.

Case study: Octopus Renewables Infrastructure

Octopus Renewables Infrastructure invests purely in renewable energy, be it wind, solar or biomass, to help transition to net zero.

As the world faces its climate emergency, scientists have clearly demonstrated the need to limit global temperature rises to well below 2°C. Exceeding that threshold is likely to trigger irreversible consequences in nature for humans. To stay within 1.5°C global warming by 2100, the world needs to halve global carbon emissions by 2030, and reduce emissions to net-zero by 2050. Nearly three-quarters of these emissions come from burning fossil fuels, and the green energy that Octopus Renewables produces allows for the world to transition away from these harmful power sources to renewable, carbon neutral energy.

Octopus Renewables Infrastructure is an investment fund specialising in renewable energy, particularly solar and onshore wind. They own 24 assets in Europe, spanning from solar farms in the UK, France and Spain to wind farms in Sweden and France.

While focusing on clean energy, the company also seeks to generate additional impact and contribution to a broader set of SDGs through impact initiatives. Examples include lowering its own carbon footprint, promoting biodiversity at its solar sites and also seeking community engagement by partnering with Solar Power Education to provide inspirational learning experiences linked to renewable power and biodiversity.

Octopus Renewable's focus on providing renewable energy through the infrastructure it invest in aligns most closely with SDG 7: Affordable and clean energy.

Impact area

Environmental solutions

In 2019, for our Environmental Solutions investments, the companies or organisations in which we are invested contributed by avoiding almost 130 million tonnes of CO_2 and saving, testing, treating or providing more than 58,000 megalitres of water.

It's difficult to imagine many positives arising from the COVID-19 global pandemic, at least from a human perspective. However, the extensive lockdowns experienced in nations across the world brought some sharp reductions in air pollution. Far fewer commuters were driving to work in their cars. Far fewer holidaymakers and business travellers took to the air, as borders were closed and virtual meetings became the norm.

Satellites pictured clearer skies, and monitors measured much reduced levels of harmful pollutants, above and within many large conurbations, from New York to London, and on to Beijing.

The reductions in pollution, while welcome on their own, are not likely to be permanent however. After a brief slowdown, the world, once again, faces the reality that we need to do more to rapidly reduce carbon emissions and the emission of other noxious gases and substances.

In order to achieve this, we need to find way to reduce the need to emit gases such as carbon dioxide into the atmosphere, or to find ways for it to be captured and stored. Increasing the ability to access clean energy or be more efficient in its use, as well as providing more electric charging infrastructure are all examples of positive impact initiatives targeting environmental solutions.

We invest in and buy bonds from companies and other businesses delivering positive solutions, either directly or indirectly, to the environmental challenges the world is facing. Our investments are focused on helping to reduce energy use, improve energy efficiency and provide environmental diagnostic solutions.

> **"It takes a year and a half to generate the resources that the human population uses in only a year. Simply put, this is not a sustainable path for our planet's future."**

World Wildlife Fund – The human footprint

Company	Activity	Primary SDGs	KPI outcomes*
Chile (Bond)	Green bond issued in accordance with the government green bond framework targeting investments in clean transportation, energy efficiency, renewable energy, living natural resources, water management, green building	11 Sustainable cities and communities	Annual reduction in greenhouse gas emissions of 170,000 tonnes of CO_2 has been announced for one project to date
Fibria (Bond)	Green bonds issued used to achieve sustainable forest management, restoration of native forests and conservation of natural biodiversity	15 Life on land	3.1m tonnes CO_2 emissions saved via carbon sequestration and 764,500 hectares of certified FSC and/or PEFC/CERFLOR under Sustainable Forest Management 116,000 tonnes CO_2 emissions saved, 315,000 ha conserved and 816 ha restored under Recovery of Native Forests and Conservation of Biodiversity
Hannon Armstrong (Alternative)	Infrastructure solutions that reduce carbon emissions and increase resilience to climate change	9 Industry, innovation and infrastructure	2019: 3.2m tonnes CO_2 emissions avoided annually Annual water saving of 3.4bn gallons
Horiba (Equity)	Manufacture of precision instruments for measurement and analysis	12 Responsible consumption and production	See case study on **page 39**
Johnson Controls International (Equity)	Produces building management equipment and systems	9 Industry, innovation and infrastructure	29.4m tonnes of CO_2 emissions saved since 2000 (1.5m tonnes saved in 2019)
Schneider Electric (Equity)	World leader in low-voltage electrical components	9 Industry, innovation and infrastructure	89m tonnes of CO_2 emissions saved by EcoStruxure customers
Vodafone (Bond)	Green bonds issued to fund eligible projects that fall into either of the following areas: Energy Efficiency, Renewable Energy and Green Buildings	7 Affordable and clean energy	749,000 tonnes CO_2 abatement per annum (direct) 6,900,000 tonnes CO_2 abatement per annum (indirect)
Xylem Inc (Bond)	Water technology equipment designer and manufacturer	6 Clean water and sanitation	New issuance, awaiting first annual impact report. From the company's 2020-2025 sustainability targets, M&G estimates: annually, 58,500m litres of water saved/treated, 50,000 people provided with access to clean water and sanitation

*KPI = Key Performance Indicators.

Based on information available from company literature.

Case study: Xylem

70% of our planet is covered by water; however, only 3% of the world's water is fresh water, and two-thirds of this is not available for our use. With the world's population continuing to grow, and with climate change still a critical problem, our water situation is becoming increasingly challenging.

Global water technology company, Xylem, is addressing this pressing challenge. The company operates across the full cycle of the water usage process, from collection and distribution, to use and return to the environment. The company has a well-developed sustainability strategy to which its green finance framework is fully aligned. The proceeds of its green bond issuance contribute to its sustainability goals by funding investments to improve water productivity, water quality and water resilience, contributing to several UN SDGs.

The company has issued two green bonds, each with an issuance amount of US$500 million. The fund invests in one of the bonds.

In addition to the company's green finance strategy, focusing on providing environmental solutions to the growing issue of achieving adequate access to clean water, it is also endorsed externally by the ESG rating agency 'Sustainalytics'.

Xylem's focus on sustainability of fresh and clean water aligns most closely with SDG 6: Clean water and sanitation.

Impact area

Circular economy

In 2019, for our Circular Economy investments, the companies or organisations in which we are invested contributed by saving 55 million trees and handling over 110 million tonnes of waste material.

Increasingly, we recognise that many of our planet's finite resources are being consumed rapidly, often without the potential for them to be used again or transformed for use in another fashion. Recycling of materials in our homes and businesses has become a common feature of our everyday lives in recent years, frequently encouraged by central and local government authorities where we live.

Old 'take, make and dispose' business models that source, use and discard of their raw materials in a linear economy are being overtaken. Others, often newer companies, look to ensure the raw materials they use can be employed more than once or in more than one way. Waste material or by-products may previously have been disposed of, or in the case of energy, simply lost to the atmosphere. Innovative companies now frequently seek to capture those by-products or emissions, either so they may be used again in some way, or to dispose of them with greatly reduced negative effects.

Classic examples of initiatives in this area include drives to eliminate such things as single-use plastics, which have become a mainstay of our shopping baskets.

We invest 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. This is focused on sustainable logistics and packaging, as well as waste and recycling services.

> **"The circular economy, which promotes the elimination of waste and the continual safe use of natural resources, offers an alternative that can yield up to $4.5 trillion in economic benefits to 2030."**

World Economic Forum –
The Circular Economy Challenge

Company	Activity	Primary SDGs	KPI outcomes*
Brambles (Equity)	Global business perpetuating the share and reuse of the world's largest pool of reusable pallets		2,600m litres of water saved (more than 1,000 Olympic sized swimming pools) 2m tonnes CO_2 emissions avoided
DS Smith (Equity)	Corrugated packaging services, focused on closed-loop recycling		55m trees saved
Republic Services (Equity)	Non-hazardous solid waste collection, transfer, disposal, recycling and energy services		114m tonnes materials handled, 6m tonnes of recyclables

*KPI = Key Performance Indicators.

Based on information available from company literature.

Case study: Brambles

As a pioneer of the sharing economy, Brambles has created one of the world's most sustainable logistics businesses

Brambles is an Australian logistics company, which perpetuates the share and reuse of the world's largest pool of reusable pallets, crates and containers. With global operations spanning 60 countries, Brambles specialises in the outsourced management of this equipment and associated services.

Brambles' platforms are the invisible backbone of global supply chains, primarily serving the fast-moving consumer goods, fresh produce, beverage, retail and general manufacturing industries. Some of the world's largest brands trust Brambles to help them transport life's essentials more efficiently, safely and sustainably.

Brambles' history extends as far back as 1875, when Walter Bramble established a butchery business in Newcastle, Australia, and then expanded into transport and logistics. This continued growth and expansion resulted in the establishment of W.E. Bramble & Sons in 1925, becoming a publicly listed company on the Australian Securities Exchange in 1954. Brambles entered the pooling solutions business in 1958, buying CHEP (Commonwealth Handling Equipment Pool – a collection of pallets and transport assets) from the Australian government. A 2010 acquisition of aviation container pooling company Unitpool saw Brambles also enter the aerospace segment.

Now a global business, Brambles' sustainability framework organises the group's sustainable activities and goals under three broad programmes: Better Business; Better Planet; and Better Communities. As a pioneer of the sharing economy, Brambles has created one of the world's most sustainable logistics businesses. Its circular business model perpetuates the share and reuse of the world's largest pool of reusable pallets, crates and containers. This enables Brambles to serve its customers while minimising the impact on the environment and improving the efficiency and safety of supply chains around the world. Importantly, Brambles' end-to-end supply-chain solutions deliver operational, financial and environmental efficiencies not otherwise available through one-way, single-use alternatives.

As one of the world's most sustainable logistical businesses, Bramble's services align most closely with SDG 12: Responsible consumption and production.

Impact area

Better health, saving lives

In 2019, for our Better Health, Saving Lives investments, the companies or organisations in which we are invested contributed by treating or serving more than 130 million people, and processing 35 million blood donations.

2020 brought people's health and the fragility of lives into sharp focus. Many in the developed world may take access to reliable healthcare for granted and felt assured of being treated for illnesses they suffer. However, the COVID-19 pandemic has struck hard at the world's health and its economy, taking lives and causing suffering.

While headlines may have focused on the tragedy in our home countries and regions, many less-developed nations have also experienced the full force of the pandemic's toll. Governments have been called upon to support and guide their public through the ongoing difficulties, some having little existing resource or spare capacity within their own healthcare systems to meet the surge in demand.

We have identified a number of investable companies seeking to improve health and save lives. Our impact investments here cover both prevention and cure, including advanced, low-cost diagnostics, cutting-edge pharmaceuticals and widespread health insurance.

> "The coronavirus pandemic presents a challenge unlike anything we've faced in this country for generations but to be clear, COVID-19 didn't create the problems in our health system, it revealed them in a way that can no longer be ignored."

American Medical Association
June 2020

Company	Activity	Primary SDGs	KPI outcomes*
Agilent Technologies (Equity)	Provides application solutions for laboratories	3 GOOD HEALTH AND WELL-BEING	See case study on **page 39**
ALK-Abelló (Equity)	Produces immunotherapy allergy treatments and diagnostic products	3 GOOD HEALTH AND WELL-BEING	1.9m patients treated
Fresenius Medical Care (Equity)	The world's largest dialysis company	3 GOOD HEALTH AND WELL-BEING	>345,000 patients treated
Grifols (Equity)	A vertically integrated manufacturer of proteins derived from blood plasma	3 GOOD HEALTH AND WELL-BEING	35m blood donations >200 people and >70 blood donations tested per minute
Novo Nordisk (Equity)	World's leading producer of human insulin for the treatment of diabetes	3 GOOD HEALTH AND WELL-BEING	~30m patients treated, 5m with vials less than US$4.00
Quest Diagnostics (Equity)	Leading provider of diagnostic information services	3 GOOD HEALTH AND WELL-BEING	85m patients served
UnitedHealth Group (Equity)	Provides health insurance and speciality health services	3 GOOD HEALTH AND WELL-BEING	14.9m people insured

*KPI = Key Performance Indicators.

Based on information available from company literature.

Case study: Quest Diagnostics

Quest is the largest low-cost diagnostic testing service provider in the US.

Quest Diagnostics is a US-listed clinical laboratory, providing diagnostic services and solutions to aid better health and well-being. The company operates through two business: Diagnostic Information Services and Diagnostic Solutions. The Diagnostic Information Services business develops and delivers diagnostic testing information and services, providing insights that empower and enable a range of stakeholders, including patients, clinicians, hospitals, integrated delivery networks (IDNs), health plans, employers and accountable care organisations (ACOs). Its Diagnostic Solutions group includes its risk assessment services business, which offers solutions for insurers, and its healthcare information technology businesses, which offers solutions for healthcare providers.

Quest's diagnostic insights are derived from having the largest database of clinical lab results in the US, revealing new avenues to identify and treat disease, inspire healthy behaviours and improve healthcare management. The company has laboratories, patient service centres, offices and other facilities predominantly in locations across the United States, but also in Puerto Rico, Mexico, Brazil and India.

Quest was originally founded as a Metropolitan Pathology Laboratory in 1967, before undergoing a variety of name changes and ownership structures. At the end of 1996, it became an independent company, spinning off from multinational technology company Corning.

Since the turn of the century, Quest has been involved in a number of meaningful acquisitions and partnerships to extend the reach of its patient access. Notable collaborations have included retailers Safeway in 2016 and Walmart in 2017, bringing Quest's testing services into their store locations. In May 2018, the company also announced it would become an in-network laboratory provider to UnitedHealthcare, providing access to 48 million plan members. 2018 also saw the company launch QuestDirect, a consumer-initiated testing service, allowing patients to conveniently order lab testing from home. This naturally led to the launch of COVID-19 testing services – between March and July 2020, the company performed more than 9.2 million COVID-19 molecular tests and 2.8 million serology tests.

Through diagnostics, Quest allows the detection of non-communicable diseases and is now the leading provider of diagnostic information services, serving about 50% of all hospitals in the US, with the aim of extending its reach further, from one third of the US adult population to one half, in the next three years.

The company's vision of empowering better health with diagnostic insights most clearly addresses SDG 3: Good health and well-being.

Impact area

Better work and education

In 2019, for our Better Work and Education investments, the companies or organisations in which we are invested contributed by providing educational services for 2 million students.

In addition to the toll on health and lives, the COVID-19 pandemic has cost millions of jobs across the world and seen schools remain closed for long periods in many countries. While some pupils, particularly those with adequate technological access to online learning may have been able to continue their studies almost uninterrupted, for many others that may not have been possible. Disrupting education can serve to compound existing divisions and undercut progress to improving people's ability to achieve good jobs and alleviate poverty.

At the same time, economic slowdown put pressure on demand for workers, which will have undercut the job security of millions. A sense of security in one's job and the financial foundations that may bring, can be an essential element to a feeling of well-being.

We seek to invest in companies that are delivering solutions to improve working conditions and educational attainment. This has remained a challenging area in which to find investable ideas, but we continue to search for impactful companies that are making a difference.

> "Everywhere, the COVID-19 pandemic has hit the most vulnerable and marginalized the hardest, affecting 1.6 billion learners at its peak, when the majority of the world's schools were shut. It has widened inequalities and could erode hard-won decades of progress."

UNESCO

Company	Activity	Primary SDGs	KPI outcomes*
Cogna Educação (Equity)	Provides educational services to under-served groups in Brazil		1.9m students

*KPI = Key Performance Indicators.

Based on information available from company literature.

Case study: Cogna Educação

Cogna bridges the educational gap in Brazil, where public options are underfunded.

Founded in 1966, Cogna is the largest private educational company in Brazil. Generally speaking, affluent children in Brazil attend expensive private schools and progress into public universities, which creates a barrier for less-affluent children. In the past, the Brazilian government would help through grants and loan programmes, but this is no longer the case. As government is no longer able to fill this gap, Cogna has become a more affordable and effective private option.

Cogna began its educational services in 1966, when five friends founded the Pitágoras preparatory course for university admission exams – within two years, 600 students had enrolled. This initiative grew throughout the next decades, opening the first Pitágoras school in 1974, creating the Pitágoras network of schools in the 1990s and the first Pitágoras college in the 2000s. In 2014, under Cogna's former name Kroton, the company merged with Anhanguera Educacional, to make it the largest educational company in the world in terms of market cap and students.

Cogna provides quality and affordable education to place lower-income students in a better position to enter the public university system. Its core business is operating private post-secondary education programmes, which also cater for low to middle-income students. It operates across all educational segments, including pre-school, elementary, secondary, higher, professional and post-graduation education, and has 143 post-secondary education campuses across 101 cities in Brazil. The uncertainty which categorised 2020, due to the COVID-19 pandemic, meant Cogna saw fewer admissions and re-admissions into its educational services, and thus a reduction in the number of students reached; from two million to 1.9 million. However, a strong expansion in the volume of new first year university students was influenced by a digital hybrid solution and the move to online courses at a reduced cost – this meant courses were more accessible to low-income students.

Cogna meets the need for affordable and effective private education that caters for less affluent students in Brazil. It provides affordable loans and financing for eligible students, which places them in a better position to succeed in the public university system. Cogna also offers distance learning, which democratises access to higher education for students living in rural areas. Students can access on-line lessons and discussion forums through a virtual learning environment, meaning that access to education is less restricted by geographical location.

Cogna's affordable and effective services align most closely to SDG 4: Quality education.

Impact area

Social inclusion

In 2019, for our Social Inclusion investments, the companies or organisations in which we are invested contributed by providing financial and insurance services to 56 million people in underserved or lower income markets, providing 2,500 beds to homeless people, and the issuers of the fund's supranational bond holdings invested US$2.9 billion in developing countries.

Providing the flexibility for all individuals and groups to participate in and take equal part in society, encapsulates the objectives of social inclusion. Overcoming barriers that prevent those who may be disadvantaged from accessing the opportunities that others enjoy, is a crucial element along the path to better social inclusion.

Improvements in social inclusion can take the form of initiative that provide access to better housing, financial products, alleviate poverty and generally enhance the quality of life for those who may be disadvantaged or discriminated against.

In 2015, the percentage of the global population living in extreme poverty fell below 10% for the first time, and the World Bank reporting that, at 702 million, there were 200 million fewer people were living in extreme poverty compared to 2012. However, as has been the case with some other of our impact areas, COVID-19 has delivered a setback to the positive progress we have been seeing in social inclusion.

We invest in companies that are actively trying to improve the level of social inclusion across societies, from gender equality in the US, homelessness in the UK and providing banking services to low-income groups in India. Our investments focus on providers of financial and insurance services and childcare provision.

> **"We often hear that a rising tide of economic growth lifts all boats. But in reality, a rising tide of inequality sinks all boats. High levels of inequality have helped to create the global fragility that is being exposed and exploited by COVID-19."**

United Nations, Africa Renewal

Company	Activity	Primary SDGs	KPI outcomes*
AIA (Equity)	The largest independent, publicly listed pan-Asian insurance group		36m policies
Bank of Georgia (Equity)	Provides financial services to the Georgian economy		2.5m people served
Bright Horizons (Equity)	Provides childcare, early education and educational advisory options		~30,000 via full service children's centres 1.75m via back-up centre
HDFC Bank (Equity)	India's quality specialised mortgage company, expanding access to financial services		2.4m accounts
Home REIT (Equity)	Contributing to the alleviation of homelessness in the UK		75% of proceeds deployed, housing c.2,500 vulnerable people across 489 properties, average weekly rent across the portfolio is £84 vs £104 average weekly social rent
Inter-American Development Bank (Bond)	Assists in formulating development policies and provides financing and technical assistance		US$21.6bn targeted lending in 2020
International Bank for Reconstruction and Development (The World Bank) (Bond)	Provides loans, guarantees, risk management products, and advisory services to middle- and low-income countries		US$38m provided to date
Sanlam (Equity)	Provides life and non-life insurance solutions in Africa		2.8m in force policies

*KPI = Key Performance Indicators.

Based on information available from company literature.

Case study: Home REIT

Homelessness and rough sleeping have become social issues in many countries, including wealthy countries such as the UK. In England alone, homelessness charity Shelter reported that an estimated 280,000 people were homeless in December 2019, an increase of almost 10% on three years earlier.

Home REIT provides an important contribution to solving this issue, by funding the acquisition and creation of homeless accommodation and is a contributor to our sixth impact area, social inclusion.

In order to create longer term accommodation, Home REIT uses several options such as converting existing buildings, refurbishing poor quality accommodation to better standards or funding of new build properties. Once accommodation is ready for use, Home REIT can let it to charities, housing associations or similar institutions, who will use and manage the accommodation to house the homeless in exchange for government benefits paid from the Department for Work and Pensions, via the local council.

Investment in Home REIT is attractive, not only because it gains a very reliable income stream, as the rent for the accommodation is ultimately paid for by the local government, but because its dedication to fighting homelessness is having a positive impact. With stock having been available via an initial public offering (IPO), only in October 2020, the company had already provided 2,500 beds to previously homeless people at the end of December 2020.

Home REIT's focus on combatting homelessness in the UK aligns it most closely to SDG 11: Sustainable Cities and Communities.

Appendix

ESG exclusion criteria

ESG exclusion criteria

Exclusion criteria	Sector	Threshold
Environmental	Thermal coal extraction	0% of revenues
Social	Adult entertainment	0% of revenues
Social	Alcohol for consumption	0% of revenues
Social	Controversial weapons	0% of revenues
Social	Gambling	0% of revenues
Social	Tobacco	0% of revenues*
Environmental	Unconventional oil and gas extraction	Maximum 10% of revenues
Environmental	Conventional oil and gas extraction	Maximum 60% of revenues**
Environmental	Electricity power generation	Power production max. 10% from coal, max. 30% from oil and gas or max. 30% from nuclear fuel sources Companies breaching these limits may be in included in exceptional cases if they have a clear transition strategy towards low-carbon power production (max. 5% total limit at fund level)
Social	Other weapons	Maximum 10% of revenues

The table above summarises the main exclusions and restrictions criteria for environmental and social issues, that are applied to the potential investments. The list is monitored on an ongoing basis. For further details of the exclusions, please see the fund's ESG Criteria and Impact Criteria document available on our website.

*Tobacco: maximum 0% revenue threshold for production, maximum 10% revenue threshold for distribution.
**Conventional oil and gas extraction: maximum 60% of revenue from conventional oil and gas extraction, excluded if revenue from renewable sources or natural gas extraction is less than 40%.

MSCI ESG quality scores

The table below shows how ESG quality scores determined by MSCI align with its ESG ratings in alphabetical formats.

MSCI ESG quality scores vs. ESG ratings

ESG quality score	ESG rating
8.6-10.0	AAA
7.1-8.6	AA
5.7-7.1	A
4.3-5.7	BBB
2.9-4.3	BB
1.4-2.9	B
0.0-1.4	CCC

Source: MSCI, March 2021.

ISS Climate Scenario Alignment Analysis methodology

The purpose of the approach is to analyse the current and future emission intensity of an issuer to understand which climate scenario it is aligned with until 2050, based on its market share's carbon budget.

The report presents three climate scenarios provided by the International Energy Agency (IEA) in their report World Energy Outlook 2019 (from 13 November 2019): the Sustainable Development Scenario (SDS), the Stated Policy Scenario (STEPS), and the Current Policy Scenario (CPS).

Each scenario expects a certain level of temperature increase by 2100 and is thus tied to a carbon budget. A carbon budget specifies the cumulative amount of carbon dioxide emissions permitted to remain within a certain temperature by the end of the century. For example, to remain within the limits of the SDS, less carbon can be combusted compared to the scenarios that expect a significant temperature increase, ie the CPS.

The ISS ESG scenario analysis combines the IEA scenarios with the Sectoral Decarbonization Approach (SDA), as developed by the Science-based Targets Initiative, by allocating a carbon budget to a company based on its market share and the expected emissions trajectory associated with that sector.

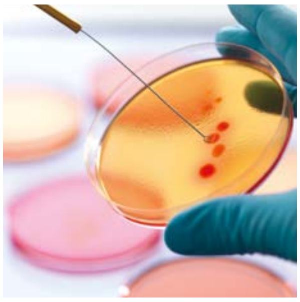
For most sectors, this analysis is based on Scope 1 and 2 emission intensity per revenue. For certain sectors such as utilities and fossil fuel producers, sector-specific approaches are implemented looking at company outputs, for example, tCO_2/GWh. Thus, this tool is mainly relevant for sectors with large emissions and fossil fuel producers.

Case studies

Agilent

Agilent provides a wide range of tools and diagnostic equipment to laboratories around the world. Its broad portfolio of research technologies has proved particularly well-sited to advance our understanding of the underlying mechanisms of COVID-19 and other infectious diseases.

Agilent has, for example, introduced an effective and rapid system for calculating the concentration of infectious viral particles in samples, compared with the standard 'plaque assay' method. When using standard methods, it can take weeks or months after introducing a viral sample to a cell culture for structures formed to become visible. Agilent technologies have shortened this process to hours. It is also easier to use, as it does not require adding other substances to a sample, in contrast to the plaque assay method.

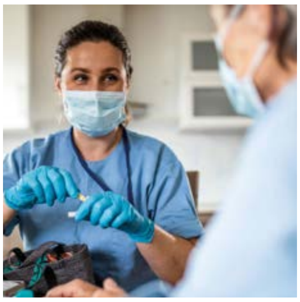


Agilent's technology was also used to research the various types of immune responses to COVID-19 in China. In this instance, Agilent used its NovoCyte flow cytometer equipment to analyse immune cells of subjects displaying various degrees of COVID-19 symptoms. Active research in this area is particularly critical given the wide spectrum of responses to the disease.

Horiba

Horiba is specialised in state-of-the-art measuring equipment and analytical devices, used across a wide range of medical, environmental and automotive applications.

Directly applying its blood analysis expertise to COVID-19 research this year, the company discovered that early routine blood tests conducted on COVID-19 patients were able to indicate the likely severity of the infection. This, in turn, could be used directly to optimise the screening and triage of patients, allowing medical workers to focus on those patients predicted to display the most severe reactions. This also helped with the early identification of those patients most likely to require intervention and/or intensive care. Another advantage has been reach, with these blood tests easily deployable in the community, helping to reduce unnecessary travel to hospitals for the most vulnerable.



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