July 2024

M&G Investments

M&G (Lux) Sustainable Allocation Fund

2023 Environmental, Social and Governance (ESG) and Impact Report

Contents

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

Sustainable investment	Climate focus	Positive impact
Fund weighted average MSCI ESG rating:	Carbon intensity[2] of the fund: (based on corporate holdings only)	Proportion of the fund held in positive impact assets:
7.7 (equivalent to AA)	**53.0 tonnes CO_2 per US$ million sales[3]**	**65.3%[4]**

Key sustainability indicators

Description	Value
Environmental	
Percentage (%) of corporate issuers participating in the Carbon Disclosure Project (CDP)	75%
Percentage (%) of NAV invested in positive impact assets in the fund	65%
Percentage (%) of NAV with ratified science-based targets (SBTs)	26%
Percentage (%) of sovereigns party to the Paris Agreement	100%
Tonnes of CO_2 emissions avoided by positive impact investments	419 million tCO_2e
Weighted average carbon intensity (WACI)	53.0 tCO_2e per €M revenue
Change in CO_2 emissions intensity over the previous three year period (compounded annualised growth rate over last three years) (corporate)	-7.7% (CAGR 3Y)
Change in CO_2 emissions intensity over the previous three year period (compounded annualised growth rate over last three years) (sovereigns)	-3.5% (CAGR 3Y)
Social	
Percentage (%) of sovereign ranked above the Social Progress Index (SPI) Global Average, which assesses how well a society provides its people with material needs, and does not have a negative five year trend	100%
Number of underserved people reached including patients treated, customers served etc by positive impact investments	191 million people

Source: M&G Investments. As at 31 December 2023.

The metrics listed in the table above provide an overview of some of the high level sustainability credentials of the fund. From a sustainability perspective, all our holdings can be classified as either 'Sustainable Investment' or 'Positive Impact' holdings. As shown above, our fund has an MSCI ESG score of 7.7, equivalent to AA MSCI ESG rating. The carbon intensity of the fund is another metric we monitor closely. 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 dollar terms. With a carbon intensity of 53.0 tonnes CO_2/US$ million sales, our fund compares very favorably to the MSCI World ACWI index, representing the global equity market, which has a carbon intensity of 128.8 tonnes CO_2/US$ million sales. Finally, the fund holds 65.3% (vs 52.7% a year ago) of its value in positive impact assets, holdings which have clear net positive social or environmental externalities as we continue to take advantage of the growing opportunity set across asset classes in the positive impact space.

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[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 128.8 tonnes CO_2/US$ million sales, as at 31 December 2023.

Within the positive impact exposure, the fund invests across six different positive impact areas, three environmental and three social. 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' holdings...

generated 51,221GWh of renewable energy, and avoided more than 112 tonnes of CO_2 emissions. In addition, we also invested in Green Bonds issued by Supranationals with all proceeds dedicated to green projects

Our 'Environmental Solutions' holdings...

directly avoided more than 109 million tonnes of CO_2 and saved, tested, treated or provided more than 2 million megalitres of water. In addition, we also invested in Green Bonds issued by Supranationals with all proceeds dedicated to green projects

Our 'Circular Economy' holdings...

avoided more than 181 million tonnes of CO_2 emissions, saved 4.7 million GWh of energy, saved 52 million trees, 4,400 million litres of water, and handled 95 million tonnes of waste material

Our 'Better Health, Saving Lives' holdings...

treated or served more than 91 million people, and provided 44,000 implants

Our 'Better Work and Education' holdings...

provided educational services for 2.6 million students

Our 'Social Inclusion' holdings...

provided financial, insurance, and family support services to over 61 million people in underserved or lower income markets and the social inclusion supranational bonds held in the fund contributed US$8 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.

Fund manager's perspective

Maria Municchi
Fund Manager

Welcome to our 2023 ESG and Impact Report. Each year we put these reports together to provide our investors with full transparency on the analysis supporting each of our positive impact holdings and the sustainability achievements within the fund.

In the time since our last publication the fund has continued to successfully navigate what has been a tumultuous period for global financial markets by running a well-diversified, actively managed portfolio with sustainability at its core.

Despite the challenging environment that we face in terms of structurally higher interest rates and persistent levels of inflation, we think many of our investments stand to benefit from significant long-term structural drivers. For example, while the outbreak of war in Ukraine sparked a period of underperformance for sustainability-linked assets in 2022, these events brought into sharp focus the importance of sustainable investing, particularly around energy independence. Many countries are now striving to improve their energy security and diversify energy sources, putting renewable power and green energy technology firmly on the agenda of many governments and global companies. Government initiatives such as Repower EU in Europe and the Inflation Reduction Act in the US are directing billions of dollars of support towards this energy transition.

The rapid increase in the policy rates in response to the surge in global inflation put many 'sustainable' industries under intense pressure given their need for capital expenditures. However, we think that many of these assets continue to trade at very attractive valuations and could present an excellent opportunity for investors to access a compelling long-term structural growth story.

The fund also continues to allocate significant exposure to positive impact investments, targeting companies and organisations that aim to actively address some of today's big environmental and social challenges. For example, we now hold a well-diversified range of sustainable and supranational bonds, providing the fund with attractive diversification properties and variable currency exposure while directing proceeds towards sustainable projects.

Our preference for using direct holdings means we can take a much more considered view on individual investment cases and sustainability characteristics. This means we are better able to engage with companies to enhance long-term shareholder value and encourage the adoption of sustainability objectives, such as greenhouse gas emissions reduction targets and sustainability reporting data. Investing directly also allows us to take a granular approach to reporting, detailing what exactly we hold and why, and what the company Key Performance Indicators are that we monitor in relation to sustainability.

Despite the recent 'ESG backlash' from some quarters, particularly in the US, our commitment to sustainable multi-asset investment remains unwavering. The absence of onerous benchmark constraints means we can flexibly allocate capital across a variety of global asset classes, geographies and sectors to create creating diversified and distinctive portfolios. We hope this report provides you with a more complete picture of some of the success stories, challenges and accomplishments behind our sustainable investment decisions in 2023.

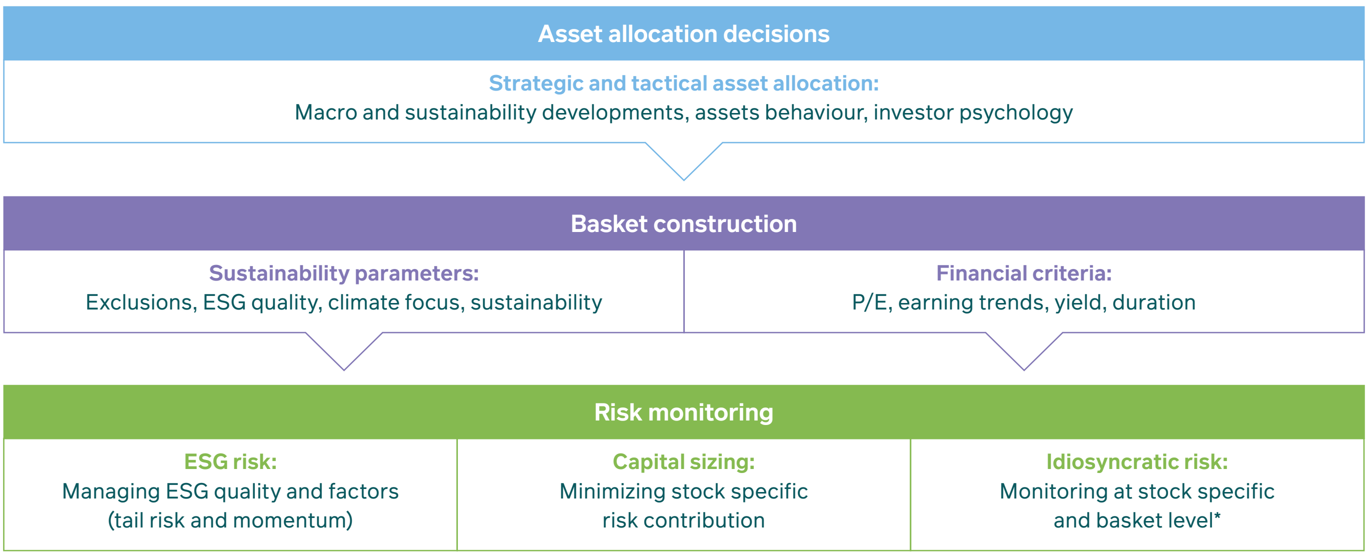
Our approach to sustainable multi-asset investing

Asset allocation

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. Once an asset allocation has been determined the fund's desired exposure is achieved by applying sustainable-investment criteria to selecting our investments, including our positive impact holdings. Details of the criteria are laid out in a dedicated document, 'ESG Criteria and Sustainability Criteria', which is available on our website.

This will entail investing in securities, including equities (company shares) and bonds among others, that fulfil the requirements of a rigorous sustainability approach. A minimum of 20% 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.

Asset allocation: an overview



Source: M&G Investments, illustrative, as at December 2023.

Sustainable investing: Corporates

Our sustainable-investment approach to corporates includes exclusions as well as an assessment of various sustainability indicators.

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 fund's 'ESG Criteria and Sustainability Criteria' document, which is available on our website.

After these exclusions are applied, we then scrutinise potential investments in the portfolio by analysing their ESG characteristics, carbon emissions, climate disclosures and targets. For our positive impact investments, we carry out a proprietary impact assessment based on the investment, intention and impact of the investment. More on our III Framework in the positive impact section of the report.

Finally, as active investors, voting and engagement are an important component of our sustainable-investment approach. This is especially important for the adoption of best practice across governance and sustainability issues (eg remuneration and climate disclosure).

Sustainable-investing approach: Corporates

Exclusions	Sustainable investment	Active ownership
Our Good Governance and Do No Significant Harm approach • Companies in breach on UNGC principles • Thermal coal and fossil fuel • Weapons	Our sustainable-investment approach Sustainability indicators: 1. ESG quality and climate focus (carbon intensity, disclosure, targets) 2. Positive impact investments, M&G III framework (investments, intention, impact)	Active voting policy on: • remuneration • board structure and diversity • sustainability and climate change

M&G Investments, December 2023.

In the following sections, we will take a closer look at the ESG quality, climate focus and active ownership pillars of our sustainable-investing approach.

ESG quality

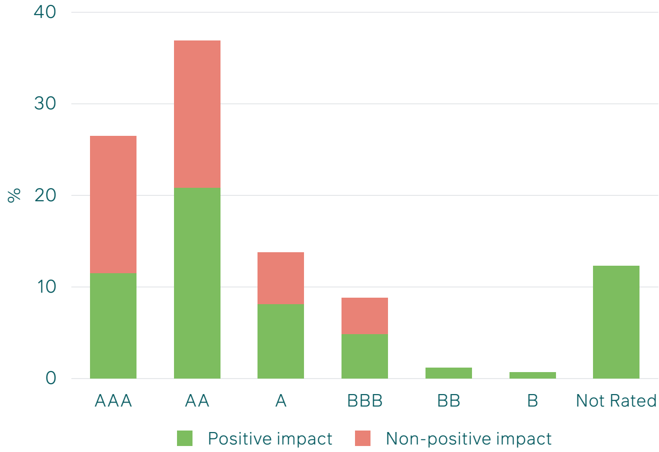
The assessment of our corporate holding's ESG quality is based on a combination of third-party quantitative assessments with an internal qualitative assessment. The table below provides an overview of all our corporate holdings' (excluding Supranationals) MSCI ESG score.

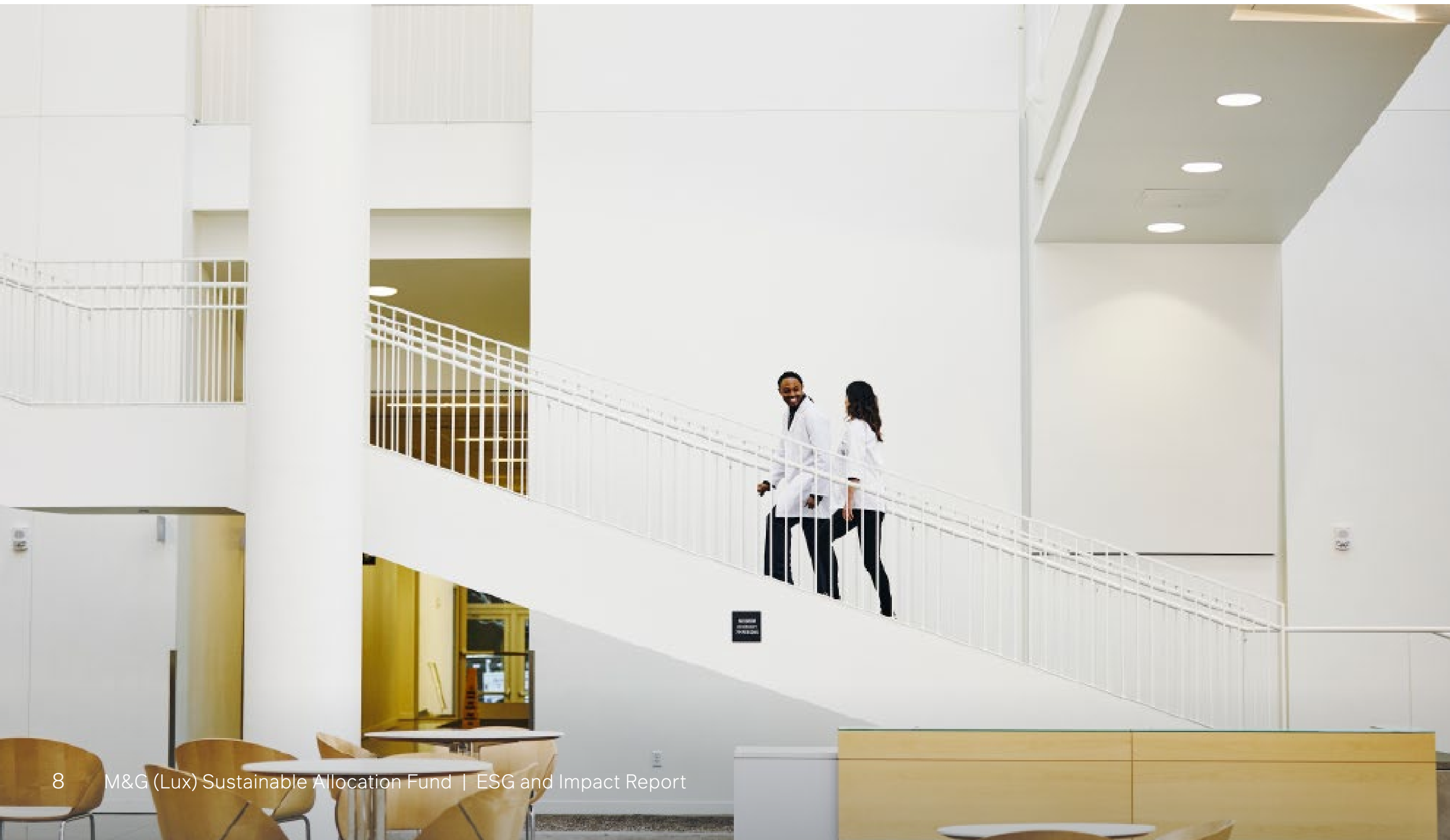
	Weighted average MSCI ESG score
Equity holdings	7.9
Corporate bond holdings	7.5

Source: MSCI, as at 31 December 2023.

We aim to maintain a high MSCI ESG rating for individual holdings and at fund level. As shown below, the majority of our corporate holdings are rated A-AAA. It is worth noting that those holdings that are rated below BB or not rated are mainly positive impact holdings, for which we carry out a detailed qualitative and quantitative impact assessment as part of our III assessment.

MSCI ESG rating breakdown for all corporate holdings (reweighted to 100%, including Listed Infrastructure and excluding Supranationals)





Climate focus

Disclosure

The fund's weighted average carbon emissions intensity (based on the corporate holdings only as at 31 December 2023) was 53.0tCO_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 128.8tCO_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.

75% percent of the fund's corporate holdings disclose Scope 1 and 2 emissions to the CDP. For holdings without disclosure, we use estimated data from third-party providers.

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 bar chart below shows, the industrial sector is responsible for around 30% of the fund's emissions, despite the fund only having an allocation of 10% to this sector. This is due to the high absolute carbon intensity associated with the industrials sector, which is shown in the table to the right. 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 positive impact generated by their products and services outweighs the emissions emitted during production.

Republic Services, a waste management company, is an example. The company reports a carbon footprint of more than 13.9 million tonnes of CO_2; however, its operations directly helped avoid 95m tonnes of landfill waste through recycling in 2022.

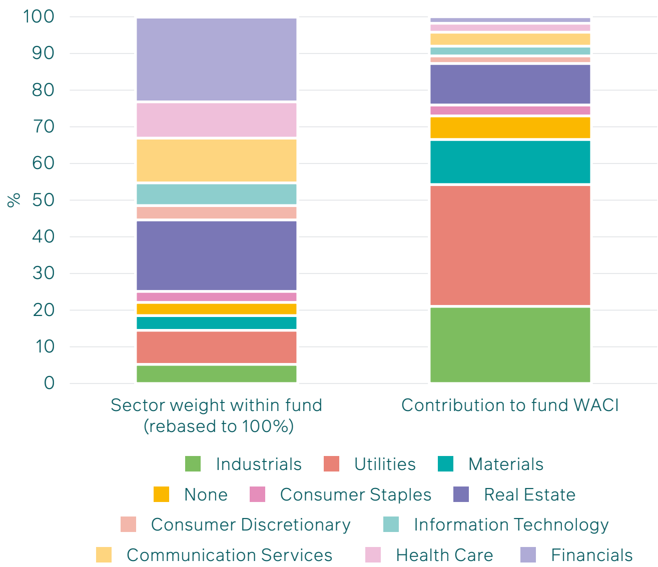
The utilities sector is the next largest contributor (see bar chart). However, much of the exposure to this sector is achieved through holdings of green bonds, where the funds are dedicated to projects reducing the carbon intensity of the issuer company, and to supporting the climate transition.

Weighted average carbon intensity (WACI) by sector

Sector	WACI of fund holdings (tCO_2/US$ million)
Utilities	212.5
Industrials	189.7
Materials	164.0
None	94.6
Real Estate	52.2
Information Technology	30.8
Consumer Staples	27.8
Communication Services	22.6
Health Care	16.5
Consumer Discretionary	13.1
Financials	4.1
Overall Fund WACI	53.0

Source: M&G Investments, MSCI ESG Research, as at 31 December 2023.

Sector contributions to fund WACI



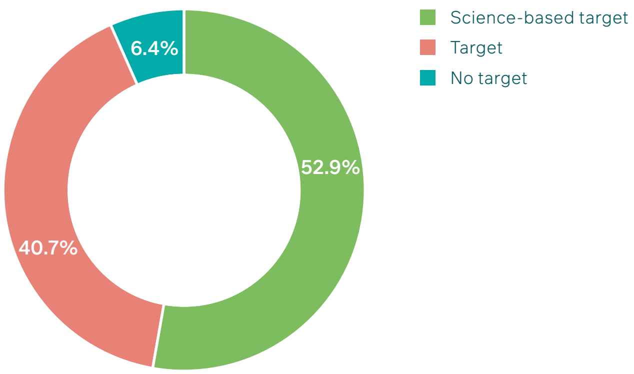
Climate targets

As part of the climate focus of the fund, 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 as represented by clear reduction targets.

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 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.

It is encouraging to see that **53%** of the fund's corporate holdings have SBTi aligned targets, up from **46%** a year ago. Currently, only **6%** of our corporate holdings (excluding listed infrastructure holdings) lack a carbon emission target (vs 8% last year). For example, as at the end of the reporting period, Cathay Financials moved from having a 'committed' SBTi target to an 'approved' SBTi target.

Climate target assessment (rebased to 100%)



Source: M&G, as at 31 December 2023.

Active ownership and engagement

M&G Investments' Stewardship and Sustainability team

M&G Investments' Stewardship and 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 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-orientated organisations, including the UN-backed Principles for Responsible Investment (UNPRI).

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.

Voting stats

The fund has been an active participant during the course of 2023. The table below provides a summary of our voting activity.

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

85
Number of votable meetings

How did we vote?

1,215
Number of items voted on

87 (7.2%)
Votes against management

84 (6.9%)
Votes against a proposal

Where did we vote?

25
Meetings in the USA

30
Meetings in Europe

7
Meetings in the UK

23
Meetings in the rest of the world

Strategic engagement

Across our portfolio holdings we identify opportunities for strategic engagement 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 a company and throughout its supply chain.

An example of a recent engagement was with LAM Research, a US based semi-conductor equipment manufacturer. As a result of recent board nominations, the company board gender diversity dropped from 40% to 27%. The objective of the engagement was to improve diversity and inclusion practices throughout the organisation and increase board gender diversity in line with our minimum expectations.

Following our meeting, we were pleased with the progress LAM Research was making in enhancing all levels of diversity across the workforce and implementing inclusive policies and practices. The company is actively considering long-term strategies and aims to revert back to the previous level of board-level gender diversity. We will continue to monitor board progress to ensure active increases in gender diversity and re-engage if necessary.

Sustainable investing: Sovereigns

We believe that sovereign entities play a crucial role in moving towards a more sustainable economy.

Sovereigns typically issue bonds to supplement their tax and other revenues and use that to fund their spending across the breadth of their economies.

In making our investment choices, we apply a number of exclusion and sustainability criteria. In particular, we aim to monitor a country's progress towards sustainability across different metrics, including climate change performance index from a climate standpoint and social progress index from a social one. Additionally, increased sovereign issuance of use of proceeds bonds, where funds are dedicated to specific green and social projects enable us better visibility in terms of sustainability outcome.

Sustainability exclusions and criteria

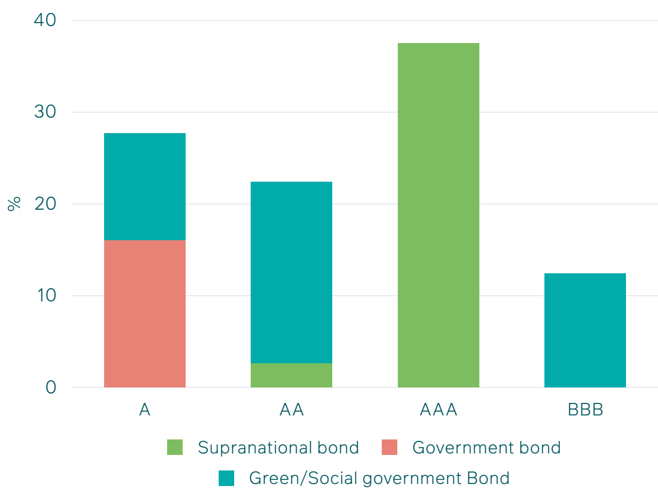
- EU/UN sanctions
- World governance indicators
- ESG quality
- Climate change performance index rating
- Social progress index score
- Use of proceeds bonds

The sustainable-investing approach we apply means the fund excludes holding bonds issued by governments that score poorly on our quantitative and/or qualitative overlay criteria. Examples of excluded government bonds include those issued by China and Russia.

However, it may be possible to achieve exposure to certain emerging 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 market countries.

In 2023 we invested in green bonds issued by the governments of Italy, Germany, and the UK to further diversify the fund's duration exposure.

MSCI ESG rating breakdown (rebased to 100%): Sovereigns and supranationals



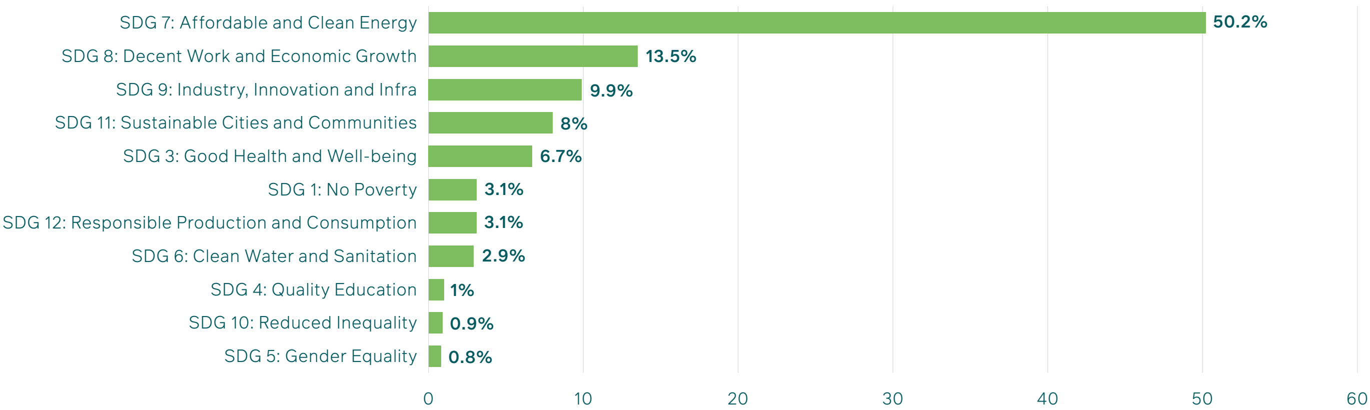
Positive impact approach and measurements

The UN Sustainable Development Goals

The fund embraces the UN Sustainable Development Goals (SDG) framework. The United Nations Sustainable Development Goals (SDGs) are a collection of 17 interconnected goals, which collectively form a blueprint for peace and prosperity for people and the planet, now and into the future. The goals cover areas such as ending poverty and improving health, reducing inequality, tackling climate change and preserving our oceans and forests.

The United Nations Sustainable Development Goals (UN SDGs) are used as a framework for measuring our investments' positive impacts. Every holding is assigned a primary SDG, which we believe it directly contributes towards through its products and services, and potentially a number of secondary SDGs. Here, we consider the fund's overall exposure to the SDGs, and look at the primary SDGs for each of the investments we hold.

Fund SDG breakdown (Positive impact holdings only, rebased to 100%)

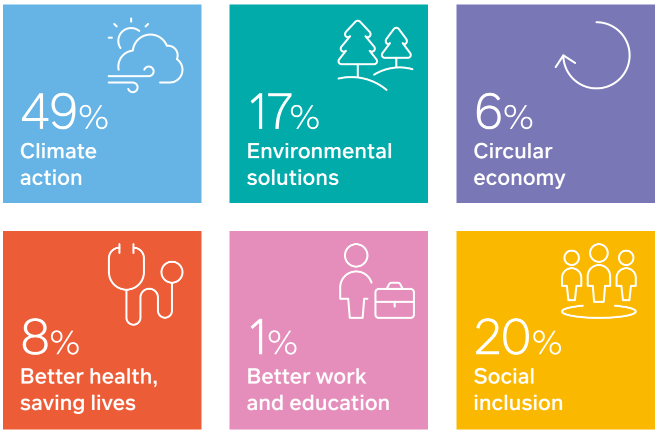


Source: M&G Investments, December 2023.

Our positive impact approach

Within our positive impact exposure, the fund makes long-term investments in holdings that aim to generate a positive social and/or environmental impact alongside a financial return. The fund aims to make positive impacts across six key social and environmental impact areas, each mapped to the UN's Sustainable Development Goals.

Positive impact holdings by Impact area (rebased to 100%): 65.3% of the fund



Source: M&G, 31 December 2023.

The III framework

The III framework (encompassing Investment, Intention and Impact) is a practical means of scoring candidate holdings. The framework has been elaborated by us and robustly and consistently applies set criteria and standards for rating the impact and investment case of these companies.

Equities

The fund leverages the work and expertise of our Positive Impact team to identify opportunities in the public equities space. The team undertakes III analysis to create a watch-list of high-quality, sustainable, impactful companies. A security requires above-average results in order to be included in the watch-list, as well as consensus agreement of a company's merits from the entire team. Our Positive Impact team represents a wide range of expertise, and includes fund managers, impact analysts and specialists in various fields.

Infrastructure

In addition to investing in equities and fixed income, the fund also invests in listed infrastructure names. These typically operate renewable energy assets and contribute directly to SDG 7: Affordable and clean energy. They are structured as listed investment vehicles and have specialist management teams that are responsible for the growth and operation of the asset base. From an investment perspective, the assets are typically underpinned by long-term contracts and benefit from strong inflation linked cashflow generation as a result.

Green bonds and supranationals

The availability of positive impact investments is growing across asset classes, and within our sustainable multi-asset investment strategy we aim to capitalise on as many of those opportunities as possible. The role that supranational development banks play is an important one, both within global development and within our portfolio. Supranational bonds enable us to widen our exposure to different types of positive impact investments, as well as providing diversification for the portfolio in terms of duration, maturity and currency exposure. These bonds allow us to finance smaller projects in more challenging geographies without taking on the associated credit risk. We have given some examples of the types of projects financed by these bonds in the case studies in the following pages, which we view as highly impactful and SDG-aligned.

Similarly, green bonds issued by governments and corporations have the potential to offer us attractive financial characteristics, whilst helping us to meet our sustainability/positive impact criteria. Measured by issuance volume, green bonds are by far the most popular ESG financing solution in public debt markets. These instruments channel investors' capital towards environmentally friendly projects and other impactful activities.

The following pages list all of our investments by impact category, explain the KPIs we have chosen to measure them against, and how those KPIs have been achieved (or not). Many of these measurements rely on company reporting, and hence are backward looking.

There are some companies currently within the portfolio whose impact it has proven very challenging to quantify. Where hard metrics have proven elusive, we have provided case studies to highlight what we believe to be the impactful nature of these companies.

How do we select KPIs?

For every company in the fund, we assign at least one key performance indicator (KPI). KPIs allow us to measure a company's impact, and track how this progress from one year to the next.

When selecting KPIs, we first determine the primary United Nations Sustainable Development Goal (SDG) which we believe the company is addressing. We can then select a metric which best assesses the materiality of the company's contribution towards that SDG.

Climate action

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Ørsted (Equity)	Directly contributes towards a world running on green energy.	# CO_2 emissions saved	**18.2m** tonnes		**100%**
Boralex (Equity)	Renewable energy provider	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **1.0m** tonnes ii. **8,020GWh**		**100%**
SolarEdge (Equity)	Directly contributes towards making solar energy more efficient and more affordable.	# CO_2 emissions avoided	**31m** tonnes		**100%**
AES Brazil (Equity)	Renewable energy provider	GWh of Renewable energy generated	**17,661GWh**		**100%**
Greencoat UK Wind (Equity)	Investment company investing in UK wind farms	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **1.9m** tonnes ii. **4,743GWh**		**100%**
Octopus Renewables (Equity)	Builds and operates renewable energy assets	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **0.4m** tonnes ii. **1312GWh**		**100%**
Renewables Infrastructure Group (Equity)	Renewable energy infrastructure in the UK and Northern Europe, with a focus on operating projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **2.1m** tonnes ii. **5986GWh**		**100%**
Greencoat Renewables (Equity)	Owner and operator of renewable infrastructure energy assets	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **1.3m** tonnes ii. **3,158GWh**		**100%**
Energias de Portugal (Green Bond)	A green bond issued to finance new wind and solar energy projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **1.4m** tonnes ii. **2,071GWh**		**100%**
ING (Green Bond)	Green bond issued to finance green projects	# CO_2 emissions saved	**0.2m** tonnes		**100%**
Societe Generale (Green Bond)	Green bond issued to finance green projects	# CO_2 emissions saved	**0.5m** tonnes		**100%**
KBC (Green Bond)	Green bond issued to finance green projects	# CO_2 emissions saved	**0.1m** tonnes		**100%**
Swedbank (Green Bond)	Green bond issued to finance green projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **0.1m** tonnes ii. **461GWh**		**100%**

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
International Bank for Reconstruction and Development Currency: MXN Maturity: Jan 2026	Green supranational bond issued for green projects	$ invested in developing economies by Supranationals	**$175m** (size of issuance we invested in)		**100%**
Apple (Green Bond) February 2023	A green bond issued to fund environmental impact and sustainability projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	**4.5m** tonnes **2,892GWh**		**100%**
International Bank for Reconstruction and Development Currency: MXN Maturity: Feb 2029	Green supranational bond issued for green projects	i. # CO_2 emissions saved ii. $ invested in developing economies by Supranationals	i. **0.2m** tonnes ii. **$61m** (size of issuance we invested in)		**100%**
Apple (Green Bond) November 2025	A green bond issued to fund environmental impact and sustainability projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **0.7m** tonnes ii. **1,157GWh**		**100%**
Energias de Portugal (Green Bond)	A green bond issued to finance new wind and solar energy projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated	i. **1.0m** tonnes ii. **1,507GWh**		**100%**
European Bank for Reconstruction and Development Currency: IDR Maturity: Feb 2028	Supranational bond issued for green projects	$ invested in developing economies by Supranationals	**$0.3m** (size of issuance we invested in)		**100%**
European Investment Bank Currency: USD Maturity: Feb 2033	Green supranational bond issued for green projects	$ invested in developing economies by Supranationals	**$5.0bn** (size of issuance we invested in)		**100%**
European Investment Bank Currency: ZAR Maturity: Oct 2032	Supranational bond issued for green projects	$ invested in developing economies by Supranationals	**$0.6m** (size of issuance we invested in)		**100%**
Germany (Green Bond) Maturity: Aug 2030	Green sovereign bond issued for green projects	i. # CO_2 emissions saved ii. $bn invested in green projects by sovereigns	i. **3.6m** tonnes ii. **$11.2bn** (size of issuance we invested in)		**100%**
Germany (Green Bond) Maturity: Feb 2033	Green sovereign bond issued for green projects	i. # CO_2 emissions saved ii. $bn invested in green projects by sovereigns	i. **3.1m** tonnes ii. **$9.1bn** (size of issuance we invested in)		**100%**
Germany (Green Bond) Maturity: Aug 2053	Green sovereign bond issued for green projects	i. # CO_2 emissions saved ii. $bn invested in green projects by sovereigns	i. **3.6m** tonnes ii. **$11.4bn** (size of issuance we invested in)		**100%**
Italy (Green Bond) Maturity: Apr 2035	Green sovereign bond issued for green projects	i. # CO_2 emissions saved ii. $bn invested in green projects by sovereigns	i. **5.4m** tonnes ii. **$12.9bn** (size of issuance we invested in)		**100%**

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
KfW (Green Bond) Maturity: Sep 2028	Green supranational bond issued for green projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated iii. GWh of energy saved	i. **0.7m** tonnes ii. **1,236GWh** iii. **56GWh**	7	**100%**
KfW (Green Bond) Maturity: May 2027	Green supranational bond issued for green projects	i. # CO_2 emissions saved ii. GWh of Renewable energy generated iii. GWh of energy saved	i. **0.7m** tonnes ii. **1,016GWh** iii. **35GWh**	7	**100%**
United Kingdom (Green Bond) Maturity: Jul 2053	Green sovereign bond issued for green projects	i. # CO_2 emissions saved ii. $bn invested in green projects by sovereigns	i. **12.9m** tonnes ii. **$30.4bn** (size of issuance we invested in)	11	**100%**
United Kingdom (Green Bond) Maturity: Jul 2033	Green sovereign bond issued for green projects	i. # CO_2 emissions saved ii. $bn invested in green projects by sovereigns	i. **17.8m** tonnes ii. **$41.5bn** (size of issuance we invested in)	11	**100%**

Environmental solutions

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Johnson Controls (Equity)	Directly contributes to the design, retrofit of smart and efficient buildings. This indirectly helps address climate change with residential and commercial buildings accounting for almost 40% of total energy use, which is more than the transportation and industrial sectors.	# CO_2 emissions avoided	i. **37m** tonnes saved since 2000 ii. (**1.8m** tonnes saved in 2021)	9	**61%**
Schneider Electric (Equity)	Enables the reduction of CO_2 emissions through its range of energy efficient solutions designed for buildings and infrastructure	# CO_2 emissions avoided	**93m** tonnes	9	**80%**
Hannon Armstrong (Equity)	Infrastructure solutions that reduce carbon emissions and increase resilience to climate change	i. # CO_2 emissions avoided ii. # Megalitres of water saved	i. **7.4m** tonnes per year ii. **27,228** megalitres of water saved	9	**100%**
Horiba (Equity)	Enables the reduction of CO_2 emissions and the improvement of environmental practices through its range of measurement and monitoring tools	Case study	n/a	12	**n/a**

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Mercedes Benz (Two Green bonds)	Green bond issued to finance low emission vehicles	Case study	n/a	11	100%
Vodafone (Green Bond)	Green bonds issued to fund eligible projects that fall into either of the following areas: Energy Efficiency, Renewable Energy and Green Buildings	# CO_2 emissions avoided	**41,700** tonnes per year	7	100%
Chile (Green Bond)	Green bond issued to fund green projects in areas such as clean transportation, energy efficiency, renewable energy	# CO_2 emissions avoided	**40,000** tonnes per year	11	100%
Colombia (Green Bond)	Green bond issued to target investments in sustainable water management, clean and sustainable transport, and ecosystem services and biodiversity	# CO_2 emissions avoided	**0.64m** tonnes per year	6	100%
Xylem (Green Bond) January 2031	Green bond issued by water technology equipment designer and manufacturer	# of megalitres of water saved, tested, treated or provided	**1.1m** megalitres of water saved	6	100%
Ansys (Equity)	Helps reduce resource use through its simulation technology, which leads to cost and efficiency savings	Case Study	n/a	9	100%
Volvo Cars (Two Green Bonds)	Green bonds issued to finance the company's production of battery electric vehicles	Case study	n/a	11	100%
International Bank for Reconstruction and Development Currency: BRL Maturity: Jan 2026	Green supranational bond issued to finance green projects	$ invested in developing economies by Supranationals	**$183m** (size of issuance we invested in)	11	100%
Xylem (Green Bond) January 2028	Green bond issued by water technology equipment designer and manufacturer	megalitres of water saved, tested, treated or provided	**0.9m** megalitres of water saved	6	100%
Intesa Sanpaolo (Green Bond)	Green bond issued to finance green projects such as renewables or improving building efficiency	# CO_2 emissions avoided	**0.7m** tonnes	9	100%
Unibail-Rodamco-Westfield (Green Bond)	Green bond issued by one the world's largest shopping centre owners to improve building efficiency	Case study	n/a	9	100%
ZF Finance (Green Bond)	Green bond issued by a car and commercial vehicle supplier	i. # CO_2 emissions avoided ii. GWh renewable energy generated	**6,341GWh**	11	100%

Circular economy

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Brambles (Equity)	Helps preserve natural resources such as water and wood, minimise waste and reduce carbon emissions through its sharing business model	i. # water saved ii. # CO_2 emissions avoided	**4,276** megalitres of water and **1.9m** tonnes of CO_2 saved	12	**100%**
Rockwool (Equity)	Helps drive better sustainability in building construction via more resource-efficient and fire-resistant products. Rockwool insulation is also fully recyclable	# CO_2 emissions avoided over the lifetime of insulation sold in one year	**179m** tonnes for products sold in 2020	11	**90%**
DS Smith (Equity)	Directly helps reduce the amount of waste generated by packaging. According to Eurostat, the average European generates 170kg of packaging waste per year	# of trees saved	**~51.6m** trees	12	**100%**
Republic Services (Equity)	Provides a solution to growing waste levels from population growth and promotes sustainable waste collection practices	# materials handled per year	**95.6m** tonnes of recyclables handled	11	**78%**
Ball Corporation (Equity and Bond)	Sustainable aluminium packaging for beverage, personal care and household products	Case study	n/a	12	**n/a**
Prologis (Green Bond)	Owner of large-scale logistics industrial facilities. Green bond issued to improve energy efficiency of buildings	i. # CO_2 emissions avoided ii. Sum of renewable energy generated	i. **0.1m** tonnes ii. **12.9GWh** renewable energy generated	12	**100%**
Boston Properties (Green Bond) Maturity: Dec 2028	Large developer, owner, and manager of office workplaces. Green bond issued to improving building energy efficiency	i. # CO_2 emissions avoided ii. Sum of # of megalitres of water saved, tested, treated or provided	i. **6,123** tonnes per year ii. **12.3** megalitres of water saved	12	**100%**
Boston Properties (Green Bond) Maturity: Apr 2032	Large developer, owner, and manager of office workplaces. Green bond issued to improving building energy efficiency	i. # CO_2 emissions avoided ii. Sum of energy saved (GWh) iii. Sum of # of megalitres of water saved, tested, treated or provided	i. **18,691** tonnes per year ii. **5.6GWh** energy saved iii. **11.6** megalitres of water saved	12	**100%**

Better health, saving lives

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Fresenius Medical Care (Equity)	Directly helps maintain lives via its lifesaving blood cleansing procedure that substitutes kidney function in case of kidney failure	# of patients treated or served	**>345,000** patients	3	100%
Quest Diagnostics (Equity)	Helps detect and prevent noncommunicable diseases, covering a wide range of areas including cardiovascular, infectious diseases and immunology. As a high-quality but low-cost provider, Quest provides affordable access to those who need it the most	# of test forms processed	**218m** test forms	3	100%
UnitedHealth (Equity)	Helps promote access to healthcare with its 22% market share in Medicare (retirees) and 9% in Medicaid (low-income, long-term care)	# of people treated or served	**17.2m** people	3	100%
Grifols (Equity)	Helps treat a number of medical conditions such as immunodeficiency diseases and haemophilia via the separation of proteins from blood plasma	i. # of blood donations tested ii. # tested per minute	i. **36m** blood donations ii. **>200** people every minute with **>70** donations tested per minute	3	82%
Cochlear (Equity)	Medical device company that designs, manufactures, and supplies the Nucleus cochlear implant	# of implants provided (k)	**44k** implants provided	10	100%
Illumina (Equity)	Helps improve human health by diagnosing different diseases and guiding individual patient care via next-generation genome sequencing	# of samples sequenced	i. **300** petabases ii. (**1,000tn** base pairs of DNA sequence)	3	100%
Agilent (Equity)	Helps improve lab economics and accelerate time to results. Helps develop biology-based solutions to some of our planet's largest societal challenges such as healthcare, energy and the environment	# of installed base	**265k+** labs	3	78%
ALK-Abelló (Equity)	Provides long-lasting allergy solutions via immunotherapy. Pioneered immunotherapy in tablet form	# people treated	**2.4m**	3	100%
Novo Nordisk (Equity)	Helps address the rising prevalence of diabetes, a condition that affects more than 420m people worldwide	# of people treated or served	i. **36.3m** patients ii. **4.3m** with vials iii. less than **US$3.00**	3	100%

Better work and education

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Cogna Educação (Equity)	Aims to fill the need for education for the lower-middle segment of the Brazilian population. Given its scale and discounted fees, Cogna is the most affordable and effective private option.	# of students educated	**2.6m** students	4	100%

Social inclusion

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
AIA (Equity)	The largest independent, publicly listed pan-Asian insurance group	# of people served in low-income groups or mass retail market	**42m** customers	8	100%
Bank of Georgia (Equity)	Aids financial inclusion, in a society left with little infrastructure following the end of communism. 61% of group profits are derived from low-end and mass market customers.	# of people served in low-income groups or mass retail market	**2.9m** customers	9	80%
Bright Horizons (Equity)	Provides family support services for dependents of all ages, meeting short-term and long-term needs. In particular, Bright Horizons forms a viable option for women to have their children cared for, while still participating in the workplace.	# women labour force participation	i. **~32,000** via full service children's centres ii. **2.6m** via back-up centres	5	100%
HDFC Bank (Equity)	Directly contributes towards encouraging and expanding access to banking, insurance and financial services for all	# of accounts opened to economically weakened sections/low-income groups	**2.9m** accounts	8	38%
Katitas (Equity)	Provision of affordable housing through the purchase and renovation of vacant homes	# of customers, revenues or assets from underserved or under-represented markets	Katitas has sold **76,000** homes. With Japan having on average 2.71 people per household, we estimate that KATITAS could have reached **>173,000** people and reaches ~8,000-12,000 people per annum based on the 3,000-5,000 homes the company tends to sell in a year.	11	100%

Company	Impact	KPI explanation	KPI measurement	Primary SDG	SDG alignment
Sanlam (Equity)	Insurance group providing services in South Africa, India, Malaysia and other emerging markets	# of people served in low-income groups or mass retail market	**9.9m** customers		**30%**
Chile (Social Bond)	Social bond issued to provide COVID-19 pandemic social support	# of $bn invested in developing economies by Supranationals	**$2bn** invested		**100%**
Inter-American Development Bank Currency: USD Maturity: Jan 2044	Provides financial and technical support to middle- and low-income countries across Latin America and the Caribbean	# of $bn invested in developing economies by Supranationals	**$0.5bn** (size of issuance invested in)		**100%**
International Bank for Reconstruction and Development Currency: ZAR Maturity: Dec 2028	Lending arm of The World Bank providing loans, guarantees, risk management products and advisory services to middle and low income countries	# of $bn invested in developing economies by Supranationals	**$2.2bn** (size of issuance invested in)		**100%**
Inter-American Development Bank Currency: IDR Maturity: Nov 2026	Provides financial and technical support to middle- and low-income countries across Latin America and the Caribbean	# of $bn invested in developing economies by Supranationals	**$0.2bn** (size of issuance invested in)		**100%**
International Bank for Reconstruction and Development Currency: USD Maturity: Aug 2030	Lending arm of The World Bank providing loans, guarantees, risk management products and advisory services to middle and low income countries	# of $bn invested in developing economies by Supranationals	**$3.0bn** (size of issuance invested in)		**100%**

Measurement case studies

For companies whose positive impact has been difficult to quantify, we have provided case studies highlighting what we believe to be their impactful nature.

Ansys (equity)

Ansys specialises in engineering simulation software, which its customers use to develop better and more efficient products across a host of industries. Its broad portfolio of software integrates various branches of physics (thermodynamics, electromagnetism, quantum, optics, atomic), allowing its customers to efficiently perform complex simulations within a real-world environment, and test products without the need for physical prototypes.

Ansys's software creates positive impacts in a number of ways. The ability to develop and test a variety of product designs virtually reduces the use of physical materials, offering environmental and cost benefits. Its software also allows customers to develop more efficient and optimised designs, and to improve both the sustainability and safety characteristics of their products.

The nature of Ansys's business model makes the aggregation of positive impact data difficult. However, we have engaged with the company on this topic, and we believe they are making progress.

Horiba (equity)

Horiba specialises in state-of-the-art measuring equipment and analytical devices, used to create positive impacts across a range of medical, environmental and automotive applications. For example, Horiba has designed and manufactured a motor exhaust gas analysis system that measures pollutants in exhaust fumes. The company also manufactures measurement solutions for the capture of carbon in industrial processes, and it created the first analyser to simultaneously measure blood cell counts and C-Reactive Protein, which the body produces in response to internal inflammation, thus facilitating faster and more accurate diagnosis.

Horiba is an 'enabler', and its products are used across a huge variety of industries, which makes the collection of quantitative impact data difficult. However, we have engaged with the company on the topic of measurability.

onsemi (equity)

onsemi manufactures energy-efficient power and sensing components for use in green technologies, enabling its customers to contribute towards reducing emissions and tackling climate change.

For example, its products are used in renewable energy generation, power management and energy conversion systems. These will become increasingly important as clean energy grows its share of the wider energy mix, by allowing solar parks and wind farms to provide base load power. Similarly, the widespread adoption of electric vehicles will require increasing numbers of traction inverters, DC-DC converters and fast vehicle chargers, which require components such as onsemi's MOSFETs (metal-oxide semiconductor field-effect transistors) and IGBTs (insulated-gate bipolar transistor module technologies).

Ball Corporation (equity and corporate bond)

Ball Corp is the world's largest[1] aluminium can manufacturer and is one of our circular economy investments. The company is committed to increasing the global recycling rate (currently at 69%) for aluminium cans, bottles and cups to 90% by 2030. According to a 2018 report from the World Bank[1], without urgent action, global waste will increase by 70% vs. 2018 levels by 2050. It predicts rapid urbanisation and growing populations will cause global annual waste generation to reach 3.4 billion tonnes over the next 30 years, up from 2.0 billion tonnes in 2016. High-income countries are generating 34% of the planet's waste, despite only accounting for 16% of its population. This ratio is even more stark for the US, with its being responsible for 12% of the planet's waste, yet only comprising 4% of the global population[2]. With an estimated aluminium can market share of 42% in both the US and European markets, Ball Corp is well-positioned to serve the transition to more sustainable and circular packaging.

[1] www.verifiedmarketresearch.com/blog/top-aluminum-can-manufacturers
[2] 'Waste 2.0: A Global Snapshot of Solid Waste' – https://openknowledge.worldbank.org/handle/10986/30317
[3] https://www.theguardian.com/us-news/2019/jul/02/us-plastic-waste-recycling#:~:text=The%20US%20represents%20just%204,generate%2027%25%20of%20that%20waste

Inter-American Development Bank (supranational bond)

The Inter-American Development Bank (IADB) is an organisation that finances development in Latin America and the Caribbean, working to help countries develop in a sustainable, climate-friendly way. We are invested in one of their general bonds and one pandemic bond.

In 2023, the IADB approved 92 sovereign guaranteed loan projects for US$12.7 billion, of this 41% was directed to the Southern Cone countries (Argentina, Chile, Uruguay), 21% to Central American countries (Mexico, Panama, the Dominican Republic, and Haiti), 29% to the countries of the Andean Group (Bolivia, Colombia, Ecuador, and Peru), 8% to the countries of the Caribbean and 1% to regional projects.

Examples of approvals include a US$900 million for regenerative fertilization in Peru, offering small farmers a solution to measure their soil conditions and evaluate soil management practice and a US$500 million project was approved to strengthen equality and equity policies for women and other minorities in Colombia.

In 2023, the IADB disbursed a total of US$10.7 billion for sovereign guaranteed projects, the same level as 2022 but a 17% increase compared to the annual average in the pre-pandemic period of 2016–2019.

In 2022, IADB projects achieved positive outcomes across a number of stakeholders, including 1.3 million students supported by education projects (SDG 4), 1.7 million women benefitting from empowerment initiatives (SDG 5), 1.5 million workers gaining additional employment support (SDG 8) and 50 million patients receiving healthcare benefits (SDG 3).

Although IADB provides good disclosure on specific projects, we are unable to map the use of proceeds to a specific bond. Also, impact data is provided at an aggregate level for the overall projects undertaken during the year.

International Bank for Reconstruction and Development (supranational bond)

The International Bank for Reconstruction and Development (IBRD), part of the World Bank, mobilises finance for middle-income countries to support the UN's Sustainable Development Goals. We are invested in a number of IBRD generic bonds priced in US dollars, Brazilian real and South African rand.

Between June 2022 and June 2023, the IBRD disbursed US$25.5 billion and committed an additional US$38.6 billion in 690 projects directly impacting more than 60 million people, across 46 countries. Examples of financed projects are provided below.

US$250 million was used for Morocco's 'Green Generation Program-for-Results' strategy, to improve efficiency and strengthen the agri-food systems and enhance digitalization of agriculture. The project targeted young rural entrepreneurs and family farmers and is expected to reach 13,000 young people, and 12,000 producers (at least 25% of which are female) by 2025.

US$500 million was committed to help India enhance its primary health care system, in particular to address reproductive, maternal, newborn, child, and adolescent health, and the increasing burden of non-communicable diseases. It specifically targeted vulnerable groups, including women and girls. Results are expected to show that 90% of women received four or more antenatal care visits and 8.6 million infants received immunization.

Although IBRD provides good disclosure on allocation of funds to specific projects, we are unable to map the use of proceeds to a specific bond, particularly for generic bonds issued before July 2018. During our engagement with IBRD in July 2023 we discussed the use of proceeds allocation of generic bonds and their internal audit process and were satisfied with the findings.

Colombia (sovereign green bond)

Colombia debuted its first green bond in October 2021, the first Latin American government to issue a green bond in the local market. Its framework has robust governance procedures and is aligned with the International Capital Market Association's four green bond principles, which ensure integrity in the green bond market and promote transparency, disclosure and reporting.

In April 2023, the ministry of finance published its first Green Bond Allocation and Impact Report, providing investors with project specific impact KPIs. The proceeds of the green bond issuance were allocated as follows: 39% to clean and sustainable transport, 31% to sustainable water management, 16% to ecosystem services and biodiversity, 10% to energy efficiency and connectivity, 2% to sustainable agricultural production and 2% to waste and circular economy.

Through a number of these categories, Colombia's use of proceeds from this bond will also help support progress towards its commitment to reduce carbon emissions by 51% by 2030.

There is clear alignment to a wide range of the UN's Sustainable Development Goals including: SDG 6: Clean water and sanitation, SDG 7: Affordable and clean energy, SDG 9: Industry, innovation and infrastructure, SDG 11: Sustainable cities and communities, SDG 12: Responsible consumption and production, SDG 13: Climate action, SDG 14: Life below water, and SDG 15: Life on land, as well as the objectives of Colombia's National Development Plan.

Mercedes-Benz Group (green bond)

Mercedes-Benz Group is a global automotive company headquartered in Germany. While we view private cars as being an inefficient mode of transport when it comes to carbon emissions, they are undeniably an inevitable part of the transportation system for the foreseeable future, and therefore we believe in investing in green bonds that facilitate the development, manufacturing and infrastructure relating to electric, hybrid, and hydrogen cars.

Mercedes-Benz is one of the world's largest manufacturers of commercial vehicles, and, as such, its actions will play a vital role in the automotive climate transition. In March 2023, the company published its new Green Finance Framework. The company has committed to reducing the CO_2 emissions from its production operations by 50% by 2030, and to reach carbon neutrality by 2039. Production at all manufacturing locations operated by the Mercedes-Benz Group has been net carbon-neutral regarding Scope 1 and Scope 2 emissions since 2022.

Mercedes-Benz Group had battery electric vehicles in all segments the Group serves. From 2025 onwards, all newly launched vehicle architectures will be electric-only and customers will be able to choose an all-electric alternative for every model the Group makes.

As of the end of 2023, Mercedes-Benz had issued four green bonds, totaling €4 billion. All of the proceeds have been allocated, with the majority to be spent on clean transportation and some on energy efficiency. This consists of the development and production of zero-emission vehicles, and the development, production and recycling of batteries/fuel cells.

Financed models include the Mercedes-Benz EQS, EQE, EQA, EQB, and EQE SUV. The EQS is their first all-electric luxury saloon with state-of-the-art battery technology that can travel over 700km on a single charge. The EQA and EQB are new entry-level electric models, which have 95% recoverability at end of life, and meet high sustainability standards.

In 2023, Mercedes-Benz Cars sold 2,044,051 cars of which 240,668 were battery-electric vehicles (BEVs), representing 12% of total car unit sales. The 240,688 BEVs sold in 2023 represents a 61% year-on year increase, a testament to the company's strong commitment to electrifying its fleet.

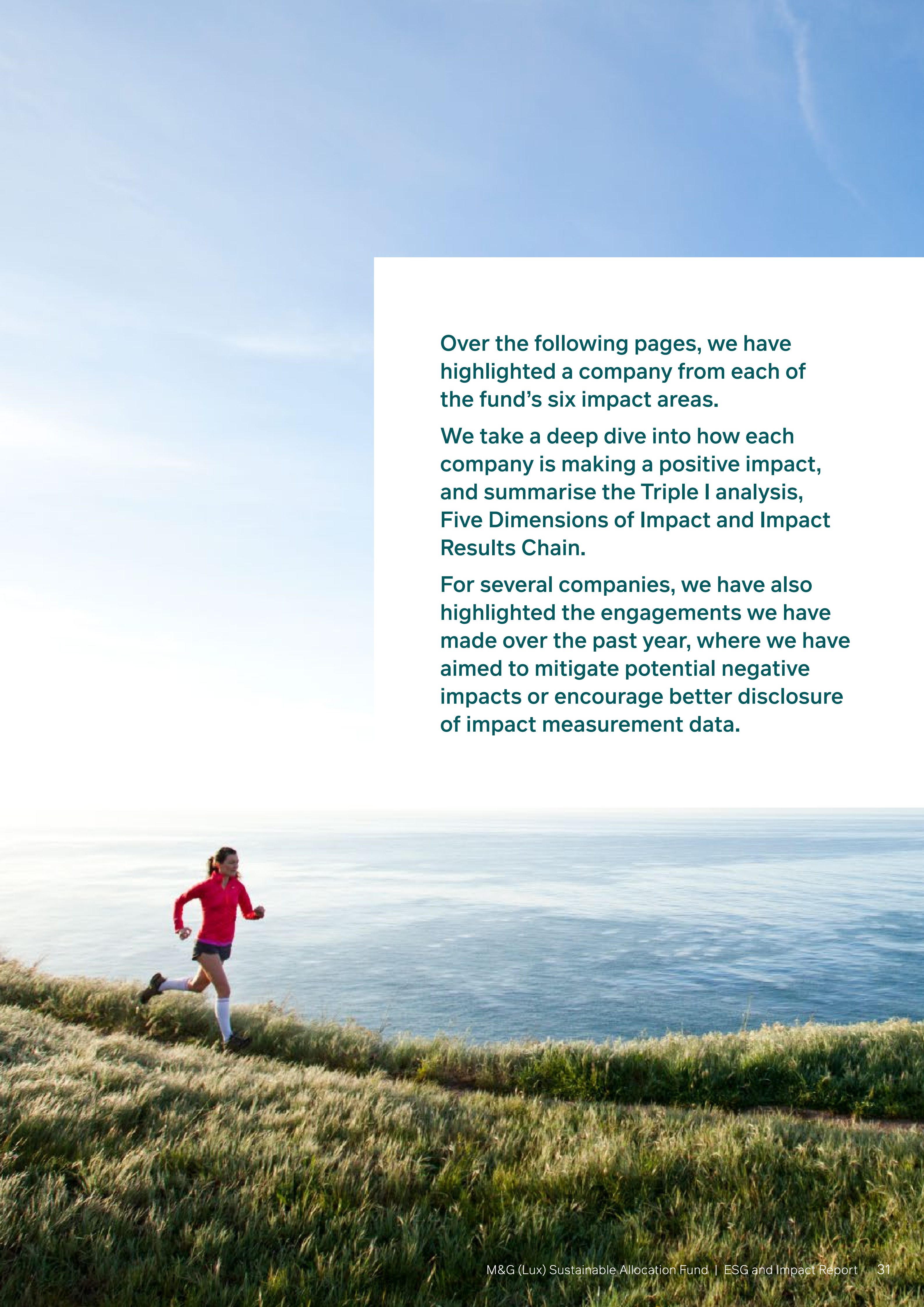
Financing has also contributed to the success of 'Mercedes me Charge', one of the world's largest charging networks, powered by green electricity. Customers have been charging throughout Europe, Canada and the United States since 2021, with charging points in over 30 countries currently.

Unibail-Rodamco-Westfield (green bond)

Unibail-Rodamco-Westfield is one of the largest providers of shopping centres, managing 78 globally. More recently it further diversified its offering by adding offices and convention centres to the portfolio. URW has a history of sustainability as part of its business strategy. This has been recognised by its inclusion in multiple sustainable indices. Its 'Better Places 2030' strategy, introduced in 2016, includes both a commitment to a reduction of the environmental footprint and an increased social engagement by 'integrating CSR into the Group's entire value chain'. This is achieved through the three pillars:

Better Spaces, aiming for a low-carbon economy and sustainable mobility, Better Communities, which integrates business activities within local communities, and Better Together, which empowers teams on sustainability and diversity.

The 2014 green bond was used to improve the energy efficiency of three shopping centres in France, reducing their energy intensity compared to their opening year by 47%, 24% and 23% respectively, and their carbon intensity by 78%, 37% and 55% respectively. Retrofitting buildings to improve energy efficiency is a vital part of the climate transition, as buildings generate nearly 40% of annual global GHG emissions. In the wake of the Paris Climate Agreement, France committed to cutting greenhouse gas emissions by 2050 to 75% below 1990 levels. To help achieve this ambitious target and as part of its energy transition strategy, France wants to lower final energy consumption to 50% below 2012 levels by 2050. The residential and non-residential building sector currently accounts for 45% of final energy consumption and 27% of the country's greenhouse gas emissions. Lowering energy use in this sector is therefore a key part of achieving these ambitious energy and climate targets, and this green bond has directly contributed to those goals. To align with these goals, URW has committed by 2030 (vs 2015) to cutting carbon emissions across their value chain by 50%, which is supported by pledges to reduce emissions from construction by 35%, from operations by 80%, from transport by 40%, and to improve the energy efficiency of their assets by 30%. As at the end of 2023, URW had reduced its carbon emissions by 42.7% versus the 2015 baseline level.



Over the following pages, we have highlighted a company from each of the fund's six impact areas.

We take a deep dive into how each company is making a positive impact, and summarise the Triple I analysis, Five Dimensions of Impact and Impact Results Chain.

For several companies, we have also highlighted the engagements we have made over the past year, where we have aimed to mitigate potential negative impacts or encourage better disclosure of impact measurement data.

Case study

Greencoat Renewables

Greencoat Renewables is an owner and operator of renewable infrastructure energy assets. The company is currently invested in wind farms in the Republic of Ireland and France, with plans to expand to other European countries.

Necessary for the climate challenge

Climate action has never been more urgently needed than it is now, as demonstrated by the 2021 Intergovernmental Panel on Climate Change (IPCC) August 2021 report. The report stated that limiting global warming to 1.5-2°C is only possible if drastic and immediate cuts are made to global emissions. A key part of this is increasing capacity of renewable energy sources, which Greencoat Renewables is active in through its interests in operating wind farms.

In order to meet existing net-zero targets alone, Europe needs to more than double its generating capacity by 2030, equating to a €500 billion capital requirement by early 2030. Greencoat Renewables can play an important role in this essential financing requirement. The company's geographical focus in the Republic of Ireland means it could have a material part to play in contributing to the country's goal of having 70% of its energy coming from renewable sources by 2030. As of May 2022, the Republic of Ireland has 4.3GW of installed wind power capacity, the third-highest per capita in the world. In 2023 wind turbines generated 35% of Ireland's electrical demand.

Clear positive impact

Greencoat Renewables' activity contributes to provide access to affordable, reliable, sustainable and modern energy to all (SDG 7) – the energy produced by Greencoat Renewables' assets powers over 700 thousand homes per year. In the year preceding 30 June 2022, the company produced 3,158GWh of renewable energy, avoiding 1.3 million tonnes of CO_2 emissions. By acquiring and running operating sites to a high standard they ensure reliable production and are freeing up capital for constructors to start work on new renewable developments.

Impact area:
Climate action

Asset class:
Listed Infrastructure

Primary SDG:
SDG 7:
Affordable and clean energy

KPI (1):
CO_2
emissions saved

KPI (2):
GWh
renewable energy generated

KPI measurement:
1.3m tonnes
3,158GWh

Website: www.greencoat-renewables.com

III in brief

Investment

- Compelling business model, supported by regulatory framework
- Attractive valuation along with strong inflation-linked cashflow generation

Intention

- Committed to the investment in and maintenance of wind farms

Impact

- 3,158GWh of renewable energy generated in 2023

Five Dimensions of Impact in brief

What

Ensures access to affordable, reliable and sustainable energy through the increase of renewable energy in the global energy market.

Who

Greencoat's renewable energy benefits individuals and companies, and ultimately the wider environment.

How much

Green energy comprises 100% of Greencoat's total power generation.

Contribution

Portfolio energy generation avoided 1.3 million tonnes of CO_2.

Risk

The need for energy security could slow down the green energy transition and reduce the impact of companies like Greencoat Renewables, as governments aim to 'keep the lights on' using any available power sources.

Case study

Horiba

Impact area:

Environmental solutions

Asset class:

Equity

Primary SDG:

SDG 12:

Responsible consumption and production

Website: www.horiba.com

Due to the diverse nature of its solutions, Horiba's activities align to a number of other SDGs, including 3, 6, and 7.

Horiba is a Japanese manufacturer of state-of-the-art measurement equipment and analytical devices, used across a wide range of medical, environmental and automotive applications

Specialists in measurement and analysis

Horiba's wide variety of measurement and analytics solutions help its customers to deliver an even broader array of positive social and environmental impacts.

One of the company's largest business segment is automotive, where it is a global leader in exhaust emissions measurement systems, although it also provides a range of mechanical and safety testing solutions. The company expects the accelerated use of electric vehicles and hydrogen energy to increase demand for its solutions. Horiba also manufactures measurement solutions for the capture of carbon in industrial processes, and a host of contaminant and emissions monitors for the semiconductor industry, helping to improve efficiency and yields. This will be increasingly important as growing interest in artificial intelligence technology drives up demand for semiconductors.

Elsewhere, Horiba's medical offering includes blood testing instruments and reagents. The company created the first analyser to simultaneously measure blood cell counts and C-Reactive Protein, which the body produces in response to internal inflammation, thus facilitating faster and more accurate diagnosis. The company's solutions are also used in the development, quality control and manufacturing of pharmaceuticals.

Engaging for better measurability

Horiba is what we classify as an 'enabler' – it provides the tools for others to create positive impacts. While the versatile nature of Horiba's solutions means that they can be used to make an impact across a variety of environmental and social areas, this also makes aggregated measurement difficult. We engaged with Horiba in December 2023, to ask the company to provide metrics that would better enable us to measure its societal impacts, as we currently rely on case studies to demonstrate these. The company said that it was working towards finding a way to aggregate its impact into a single metric, or at least arrive at some meaningful numbers around this, and understood the increasing importance of being able to quantify impact. The company said it would welcome our help in this process, and we will follow up in due course.

III in brief

Investment

- Highly diversified group, with high barriers from brand strength and technological innovation
- Leading market position in the automotive emissions testing segment

Intention

- There is significant intent in the vision for Horiba, and the business strategy is aligned with reaching better outcomes from a health, safety and environmental perspective

Impact

- Horiba's testing and measurement solutions help its customers to operate in environmentally friendly ways

Five Dimensions of Impact in brief

What

The company provides precision instruments for measurement and analysis.

Who

Horiba's products are used by companies and people across a variety of industries, including automotive, industrial, life sciences and medical.

How much

Horiba generated sales totalling approximately ¥270 billion in 2022.

Contribution

Investment into research and development, to develop measurement and analysis solutions, leading to better environmental and health outcomes.

Risk

As an enabler, Horiba cannot control how its products are used by customers. Similarly, quantitative measurement of the impact achieved is difficult, as the company's products span such a wide variety of use cases.

Case study

Republic Services

Impact area:

Circular economy

Asset class:

Equity

Primary SDG:

SDG 11:

Sustainable cities and communities

KPI:

materials handled

KPI measurement:

95.3m tonnes

Website: www.republicservices.com

Republic Services collects hazardous, non-hazardous and speciality solid waste, playing a crucial role in supporting the circular economy and in fostering sustainable cities and communities.

Sustainable waste management

Population growth has resulted in burgeoning quantities of waste. Poor waste management poses a serious threat to the environment, resulting in air pollution, contaminated water and soil, and disease and infection. Republic Services provides a tenable solution to this problem, transporting waste from the curb side to transfer stations, landfills and recycling centres, and therefore promoting a circular economy.

The company handles the waste it collects in a variety of ways, including recycling it and transforming it into energy. When organic material decomposes in landfill, biogas is generated; approximately 50% of this is methane – a potent greenhouse gas. Republic Services uses this biogas for clean energy production. For example, landfill gas is used to generate energy for the public utility grid. It can also be transformed into renewable natural gas, facilitating the decarbonisation of vehicles. The company has announced a joint venture with Archaea Energy, to develop an additional 39 renewable gas projects across the US by 2027.

Focus on recycling

Republic Services is also active in the recycling space, operating 74 recycling centres. It sifts materials such as paper, plastics and metals and recycles them for use in sustainable packaging. The business further recycles food and garden waste. This waste can be used as a nutrient-rich compost or turned into renewable energy. Additionally, the business helps recover edible food for distribution among the underprivileged. In 2023, the company opened its first Polymer Center in Las Vegas. This will convert plastics collected from businesses and homes into recycled resin for use in packaging. The business aims to build out a network of such centres, with each facility expected to generate over 100 million pounds of recycled material every year.

In terms of its own business operations, Republic Services is replacing diesel trucks with those powered by natural gas and is aiming for its fleet to become electric. It has implemented a number of 2030 sustainability goals, including increasing recovery and circularity of key materials by 40% and decreasing Scope 1 and 2 greenhouse gas (GHG) emissions by 35%. The latter has been ratified by the Science Based Targets initiative. It also hosts eight solar projects and derives a portion of its energy needs from three solar sites. Furthermore, it targets a 50% increase in beneficial reuse of biogas by 2030.

III in brief

Investment

- Republic Services is a key player in the field of solid waste management
- The company's scale, expertise and strong customer relationships create barriers to entry

Intention

- Republic Services helps ensure safe and responsible waste removal. It also plays an important role in the circular economy through its recycling activities. Furthermore, it increasingly uses energy-efficient vehicles, and has a number of sustainability targets in place for its own operations

Impact

- The business helps to create sustainable cities and communities through environmentally-friendly waste removal

Five Dimensions of Impact in brief

What

Republic Services provides waste collection, transfer, disposal and recycling.

Who

The company serves residential, commercial and municipal customers.

How Much

In 2022, the company handled 95.3 million tonnes of waste, including 8 million tonnes of recyclables.

Contribution

The company's services primarily help to lower the possibility of waste being mismanaged, and reduce the reliance on virgin materials for the production of packaging.

Risk

The company's use of landfill sites poses an impact risk. Landfill sites produce GHG emissions, and there is also the risk of waste being mismanaged or disposed of unsafely. However, the company takes steps to minimise the impact from landfill on surrounding areas.

Case study

Novo Nordisk

Impact area:

Better health, saving lives

Asset class:

Equities

Primary SDG:

SDG 3:

Good health and well-being

KPI:

# of patients treated

KPI measurement:

36.3m

patients

Website: www.novonordisk.com

Unhealthy food options and sedentary lifestyles have contributed to an increase in rates of diabetes and obesity. Novo Nordisk's therapeutics are helping to fight and mitigate the impact of these diseases on patients' lives.

Combatting diabetes and other chronic diseases

Novo Nordisk's GLP-1 based therapies have been shown to be highly efficacious for the treatment of type 2 diabetes as well as offering other benefits, such as weight loss. Furthermore, Novo Nordisk's Ozempic requires only a weekly injection, heralding a significant shift in the treatment of diabetes.

As a leading producer of insulin, Novo Nordisk has long been recognised for its expertise in diabetes. It is also a pioneer within obesity treatment and has ambitions to help patients suffering from cardiovascular and rare diseases over the coming decade.

More than three-quarters of diabetes sufferers worldwide reside in low-and middle-income countries and often have no available avenue open to them to reach these life-changing therapies. In response to this, Novo Nordisk has established a number of initiatives to ensure that underprivileged and vulnerable patients can procure its diabetes medications. In 2022, the company reached 4.3 million people globally via its access and affordability programmes.

For example, in South Africa, the company has entered into a production partnership with Aspen Pharmaceuticals to increase the supply of affordable insulin to the African continent. As part of Novo Nordisk's Access to Insulin Commitment initiative, this insulin will be distributed at low cost. Indeed, this programme ensures that the cost of each vial of insulin produced in 77 lowand middle-income countries is capped at $3.

Targeting other health benefits

We continue to learn about the health benefits of Novo Nordisk's GLP-1 treatments, outside of obesity and diabetes. The company's SELECT trial demonstrated that its GLP-1 molecule semaglutide significantly reduced the risk of major cardiovascular events by 20% in overweight or obese patients without diabetes. Furthermore, its FLOW trial demonstrated that semaglutide led to a 24% reduction in kidney disease progression and cardiovascular and kidney death in patients with type 2 diabetes and chronic kidney disease. Elsewhere, in the cardiovascular space, the company has acquired ocedurenone, a medication for uncontrolled hypertension. The company is also growing its offering in rare blood disorders. We are the excited about the additional health benefits that patients may experience from Novo Nordisk's treatments.

III in brief

Investment

- Novo Nordisk is a leading provider of diabetes medication. It has almost 50% market share of the global insulin market

Intention

- The Novo Nordisk Foundation's mission statement is to 'contribute significantly to research and development that improves the lives of people and the sustainability of society'
- The company also believes that 'a healthy economy, environment and society are fundamental to long-term business success'. It takes these factors into account when making business decisions

Impact

- Novo Nordisk fights chronic diseases, helping the global population to lead healthy lives
- In 2022, Novo Nordisk's therapeutic products helped over 36 million patients living with chronic diseases

Five Dimensions of Impact in brief

What

Novo Nordisk is a leading provider of diabetes therapeutics globally.

Who

The company aims to help people suffering from chronic diseases such as diabetes.

How much

In 2022, Novo Nordisk's therapeutic products helped more than 36 million patients living with chronic diseases.

Contribution

Novo Nordisk has played a key role in developing the insulin market. Its GLP-1 based therapies have been shown to be highly efficacious in the treatment of type 2 diabetes, and its Ozempic medication only requires injection once a week heralding a significant shift in the treatment of diabetes.

Risk

Novo Nordisk could face competition from branded and generic drug manufacturers, particularly in the area of human insulin, which would reduce its impact. There is also the risk that its products could be used for unintended purposes, such as weight loss for healthy individuals, which would reduce supply for those with a genuine need for the medication.

Case study

Chile (social bond)

Impact area:

Social inclusion

Asset Class:

Fixed Income

Primary SDG:

SDG 1:

No Poverty

KPI:

# of people reached

KPI measurement:

1.1m

people

Website: www.gob.cl

Chile is a leader when it comes to sovereign sustainable debt, with a total of US$44.5 billion in cumulative sustainable bonds issuance, including US$17.9 billion in social bonds (as of 31 October 2023).

An early mover in sovereign sustainable debt

The Latin American country issued its first green bond in 2019 with a climate bond initiative certification and established a comprehensive sustainable bond framework in 2020, with the support of the Inter American Development Bank. Chile's first social bond was issued in 2020, followed by additional issuance in 2021, including the 1.5 million Chilean pesos bond (maturing in 2028) currently held in the portfolio.

Supporting some of the most vulnerable parts of society

Chile has a strong mission statement that is aligned with its robust sustainable bond framework. The bond's governance is impressive, with a transparent process outlined for the selection of projects and is well-reviewed in its second party opinion. The reporting for its green, social and sustainable bonds is transparent and insightful, with yearly updates on eligibility, allocation and impact metrics available. The allocated projects contribute to several SDGs, primarily towards SDG 1 (1.3): Zero poverty but also contributing to SDG 4 (4.5): Quality education, SDG 8 (8.3): Decent work and economic growth, and SDG 11 (11.1): Sustainable cities and communities.

The proceeds of the social bonds issued in 2021 (which totalled US$15 billion), have largely been used for pension support payments for elderly people, people with special needs and basic solidarity pension for elderly people (approx. 38% of proceeds). Around 22% of proceeds have been used to support economically vulnerable students by providing monetary support as well as food in schools. Around 18% of proceeds have been used to prevent and/or alleviate unemployment by supporting financing to SMEs. The remainder was used to provide monetary support to lower income families as well as support families of the poorest quintile of the population that cannot afford a housing by providing a for the acquisition or construction of a house.

Almost 9 million people benefited from the allocation of proceeds of the social bonds issued by Chile in 2021 (the bond we invested in representing 13% of total issuance in USD) of which 3.7 million lower income people, 3.6 million students, and 1.6 million elderly or disabled people.

III in brief

Investment

- A- Fitch rating, major Latin American sovereign debt market with attractive nominal yield and carry from local currency exposure

Intention

- Chile's sustainable bondl framework is robust and comprehensive, with social bonds use of proceeds dedicated to various issues from support for disadvantaged demographics to access to education
- Chile has demonstrated a commitment to invest in sustainable projects across the country with US$44.5 billion in sustainable bonds cumulative issuance as of 31 October 2023

Impact

- Chile raised US$17.9 billion in social bonds issuance in 2020 and 2021. Chile provides a detailed allocation report, which highlights how almost 9 million people benefited from the allocation of proceeds of the social bonds issued in 2021

Five Dimensions of Impact in brief

What

Chile's social bond is issued under the country's sustainable debt framework and its proceeds are dedicated to social project across the country such as pension support, SME access to finance, educational grants solidarity funding for housing, family subsidies.

Who

The bonds' proceeds are used to finance several social projects, helping people across society such as the elderly or people with special needs, low-income families and economically vulnerable students.

How much

Chile raised US$17.9 billion in social bonds in 2020 and 2021. Almost 9 million people benefited from the allocation of proceeds of the social bonds issued in 2021 alone, of which 3.7 million were lower income people, 3.6 million students, and 1.6 billion elderly or disabled people.

Contribution

Chile's social bond issuance helped to support some of the most vulnerable part of society by investing in the activities highlighted above and also helping to alleviate the socioeconomic consequences of COVID-19.

Risk

Although the Chilean ministry of finance provides a detailed allocation report for the social bonds use of proceeds, social impact can be difficult to quantify. In addition, there is a risk of inefficient capital allocation across projects.

Case study

Cogna Educação

Impact area:

Better work and education

Asset class:

Equity

Primary SDG:

SDG 4:

Quality education

KPI:

# of students educated

KPI measurement:

2.6m

students

Website: www.esg.cogna.com.br/en

Cogna Educacao is a Brazilian company specialising in educational services for children, young people and adults. Cogna provides a flexible, cost effective option for those looking to improve their educational attainment, whether they are at school, attending university or working.

Improving access to education

Cogna makes a positive impact, in our view, by improving access to education, especially for those in the lower and middle-income populations in Brazil. When it comes to university admission, affluent children in Brazil often attend expensive private schools and progress into good quality public universities, crowding out less privileged students. This creates a barrier for less-affluent children, especially after the Brazilian government cut its subsidies in this area. Cogna provides an affordable alternative route.

However, Cogna's services are also used by older students who may already be working but want to learn new skills or develop professionally. This is primarily achieved through the use of its flexible and digital learning services, which allow users to learn alongside their other day-to-day responsibilities.

Distance learning opportunities

Cogna's digital and hybrid learning platforms offer greater accessibility and flexibility for students who require distance learning due to their location, or work or family commitments. The company has offered distance learning for many years, but has made a more meaningful strategic shift towards a capital-light, digital and hybrid learning business, which it expects to comprise approximately 70% of revenues by 2025.

Unsurprisingly, the COVID-19 pandemic presented a challenge for Cogna, with lockdown measures and financial hardships resulting in fewer admissions and more student dropouts. Overall student numbers fell, with an increase in online learning more than offset by falling in-person admissions.

Encouragingly, student numbers recovered and have since grown for two years straight. Today, Cogna serves 2.6 million students across Brazil.

Commitments for a better world

In 2021, the company launched its 'Commitments for a Better World' manifesto. This is a collection of targets aligned with the UN Sustainable Development Goals, designed to make the company more sustainable for the benefit of stakeholders and wider society. The manifesto covers areas ranging from the use of renewable energy and improving workforce diversity, to local community programmes and the inclusion of ESG targets in management remuneration.

III in brief

Investment

- Offers a broad and high-quality range of educational services
- One of the largest private educational organisations in the world, with 5,600 partner schools and 2,517 distance-learning centres

Intention

- Cogna's purpose is 'to impact people through education for a better world'
- Aims to provide educational attainment for the lower-middle income groups in Brazil

Impact

- Provides affordable and accessible education
- Reaches 2.6 million students across Brazil

Five Dimensions of Impact in brief

What

Cogna provides accessible education opportunities, particularly for underserved populations.

Who

Serves 2.6 million students across Brazil, ranging from young children to adults studying part-time around their work commitments.

How much

Cogna's revenue stems from affordable and accessible educational services.

Contribution

Cogna is one of the largest private educational organisations in the world, with 5,600 partner schools and 2,517 distance-learning centres, reaching more than 1,900 municipalities.

Risk

Tough economic conditions could result in reduced admissions and higher dropout rates, as students – particularly in lower income groups – prioritise work over education. This would reduce the impact of Cogna's activities.

Appendix

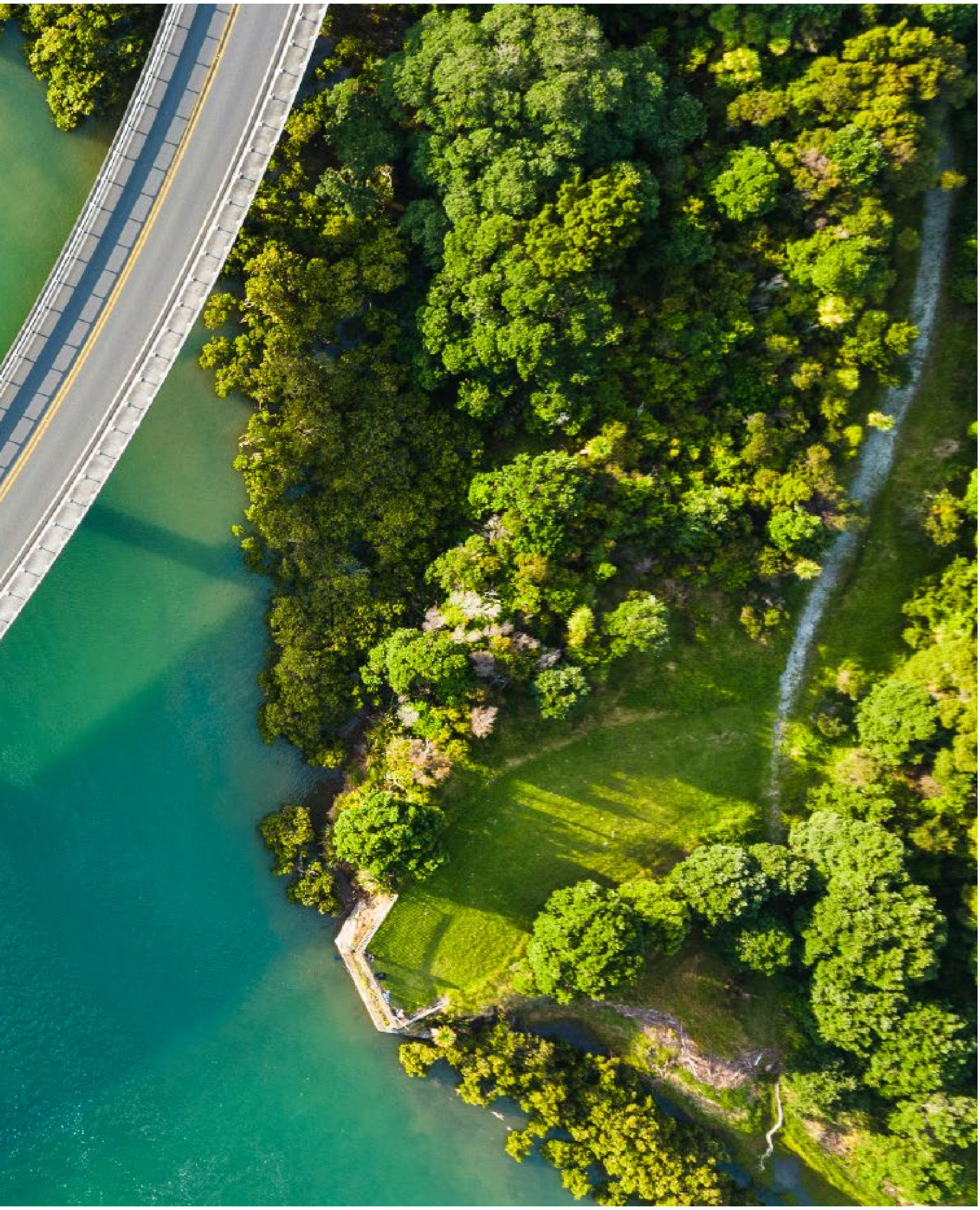
MSCI ESG quality scores

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, December 2023.



M&G Investments