

# M&G (Lux) Better Health Solutions Fund Annual Impact Report 2023



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# Welcome

## Welcome to the second annual impact report for the M&G (Lux) Better Health Solutions Fund.

The world continues to face a number of significant health and well-being challenges. The global population is ageing, and the number of people aged 60 and above is forecast to double between 2020 and 2050. While this is good news, it will push up demand for healthcare solutions, putting more pressure on a system that is already stretched in many areas. At the same time, poor diet and sedentary lifestyles are increasing the prevalence of non-communicable diseases, which will require more preventative solutions, diagnostics, drugs, equipment and care. Meanwhile, the World Health Organisation estimates that there will be a shortfall of 10 million healthcare workers by 2030, mostly in low- and lower-middle income countries.

Overcoming these challenges without costs spiralling will require innovative solutions, which can drive improvements in medical outcomes, healthcare system efficiency, and patient accessibility and affordability. Fortunately, there is no shortage of potential solutions, with strong growth expected over the coming years in areas such as genomics, remote patient monitoring, AI and automation, cell and gene therapies, and obesity treatment to name but a few.

With this in mind, throughout the report we have highlighted a number of investee companies harnessing the power of innovation to create better health outcomes. There are examples in the investee company case studies on pages 17-23, and in the new 'successes and challenges' section on page 24.

On page 11 we have included hard data on investee companies' impacts, and compared these with last year's figures. We have also provided background information on a selection of these numbers. After all, impacts will often evolve, as companies innovate, measurement standards develop and the wider macroeconomic environment changes.

Elsewhere, we have given an overview of the fund's exposure to the UN's Sustainable Development Goals (SDGs), and listed the primary SDG for every investee company, on page 15.

Turning to the years ahead, and there are a number of wider trends within the health and well-being sphere, which we will watch closely, to consider how our investee companies' impacts could be affected. For example, company commentaries continue to reiterate conservative buying behaviour by pharmaceutical and biotech customers, which means a longer sales cycle affecting the life sciences and tools sector. On top of this, the funding landscape is currently tough in the biotech industry, and many companies

remain in cash-conservation mode, which isn't particularly supportive for continued research and development (R&D).

Furthermore, China, which has been an important demand driver for medical equipment over the past decade, has been surprisingly weak post-COVID, despite various stimulus measures. A crackdown on corruption in the healthcare sector has also seen Chinese hospitals freezing the purchasing of new machines. But on the other hand, medical equipment and supply companies have continued to benefit from higher surgical procedure rates, as well as hospital labour shortage issues beginning to ease, bucking the recent trend.

Against this backdrop, we remain dedicated to driving positive health and well-being impacts through our investments, and we will continue to research impactful companies making measurable, intentional positive contributions towards the world's biggest health and well-being challenges, ensuring we rigorously analyse their impact, intention and investment quality before making a decision.

We hope you enjoy reading this second edition of our annual impact report.



A handwritten signature in green ink that reads "Ben Constable-Maxwell".

**Ben Constable-Maxwell**  
Head of Sustainable and Impact Investing



A handwritten signature in green ink that reads "J Brar".

**Jasveet Brar**  
Fund Manager

# Approach and objectives

The M&G (Lux) Better Health Solutions Fund invests in companies across a wide range of countries and sectors whose products and services directly aim to deliver solutions to the challenge of better health and well-being.

## Three impact areas

The fund is a concentrated portfolio of quality, sustainable, impactful companies typically held for the long term. The fund generally holds fewer than 40 stocks, diversified around three main areas:

1. **Better healthcare** – traditional healthcare companies, such as pharmaceuticals, but also those helping to facilitate an efficient healthcare system.
2. **Better hygiene and safety** – companies helping to improve hygiene standards and prevent injury by improving safety standards.
3. **Better lifestyle** – businesses focusing on helping society live healthier lifestyles, as prevention is better than cure.

## The UN Sustainable Development Goals

Each company is assigned a primary Sustainable Development Goal\* (SDG) that we believe the company is addressing. The 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.

We determine specific, SDG-aligned key performance indicators (KPIs), against which we measure the materiality of the impacts they are achieving. The majority of companies align with SDG 3: Good health and well-being, while some contribute to other goals such as SDG 2: Zero hunger, and SDG 6: Clean water and sanitation. You can find the primary SDG for every investee company on page 16.

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

## Different types of company

The fund invests in three different types of company, providing additional diversification across industries, end markets, and maturity of business models.



### Pioneers

Pioneers tend to be young companies whose innovative products/services are likely to disrupt and revolutionise a given area. They tend to spend large amounts of capital as a percentage of revenues on research and development and are not mature in their development. For example, a genetic-sequencing firm.



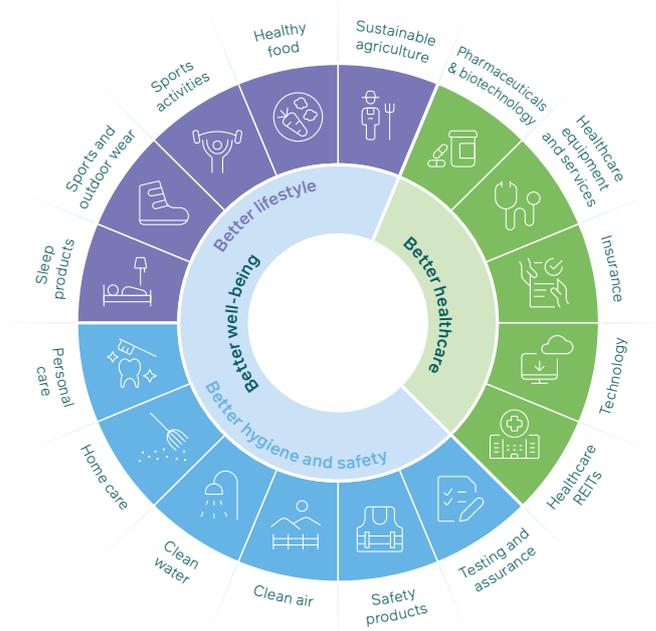
### Enablers

Enablers are those that provide tools for other companies to deliver the impact. For example, a life science and tools company producing analytical instruments for the biotechnology research.



### Leaders

Companies that have spearheaded sustainability and impact in their own area of expertise. They maintain their leadership by continuing to invest in research and development, but this cost represents a smaller percentage of revenues compared with pioneers, as their profitability is more established. For example, a market-leading producer of essential nutrients and food ingredients.



## ‘Triple I’ or III framework

The III framework (encompassing Investment, Intention and Impact) is a practical means of scoring candidate companies for the M&G (Lux) Better Health Solutions Fund. The framework robustly and consistently applies set criteria and standards for rating the impact and investment case of these companies.

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 management’s vision and strategy. We require above-average scores on each I, to ensure impact is not achieved at the expense of the investment case, and vice versa, and to gain comfort that the company’s activities are in line with our aims. We also examine how material the impact is to a company’s revenues, helping to ensure that the company will continue to deliver that impact effectively, as it is core to its business.

Crucially, we look at the ‘net impact’ of every potential investment, to avoid the positive impact we have identified being outweighed by potentially negative activity. For example, a company manufacturing health monitoring equipment could see its products used for population surveillance or other nefarious purposes. Every company produces positive and negative impacts to various degrees, and we need to have certainty that our companies are on the right side of that balance.

Investment	Intention	Impact
<ul style="list-style-type: none"> <li>Business model</li> <li>Competitive position</li> <li>Capital allocation</li> <li>Business risk</li> <li>ESG</li> <li>Liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Mission statement and purpose</li> <li>Management and strategic alignment</li> <li>Management transparency</li> <li>Culture</li> </ul>	<ul style="list-style-type: none"> <li>Impact balance</li> <li>Measurability</li> <li>Materiality/ revenues to SDGs</li> <li>Additionality</li> <li>Impact Risk</li> </ul>

## Engagement

Investors can effect change by engaging with investee companies on a variety of issues, not least supporting responsible corporate behaviour and setting more testing sustainability objectives.

As impact investors, engagement also gives us the opportunity to provide additionality and encourage greater positive impacts from investee companies. For example, engagement allows for positive reinforcement of the company’s long-term aims and impactful ventures. It also allows us to encourage more comprehensive disclosure of impact metrics, so that we might better measure the company’s impact.

By proactively engaging with investee companies, we can also reduce the risk of negative impacts being generated, and, where peripheral negative impacts may occur, work with stakeholders to address these issues. We give examples of several company engagements on page 24.

“Crucially, we look at the ‘net impact’ of every investment, to avoid the positive impact we have identified being outweighed by potentially negative activity.”

## Impact Results Chain



### Input

Money/Effort spent on an activity



### Activity

Activity that will be measured



### Output

Volumes sold or revenue generated



### Outcome

Number or % of target population that has been reached



### Impact

Goal level change achieved (eg, educational attainment, health status, income level)

As part of the team's efforts to measure impact and direct our focus on the variables that are within a company's control, we have adapted the Impact Results Chain Framework used by the World Health Organisation and the Gates Foundation. This helps map the route to (or the logic of) impact investment from start to finish.

We also started to look at the impacts of our companies through the lens developed by the Impact Management Project (IMP) – a forum for building global consensus on how to measure and manage impacts (this has since become the 'Impact Management Platform', a collaboration between leading providers of public good standards and guidance for managing sustainability impacts). This lens is referred to as the 'Five Dimensions of Impact'. We believe the Five Dimensions dovetails neatly with our own IIL framework, and provides an additional means to understand the scope of the impact being generated by our investee companies. We have also begun considering the IMP's 'ABC' classification system for companies within the portfolio with 'A' companies acting to avoid harm, 'B' benefiting stakeholders and 'C' contributing to solutions. By considering the nature of the companies we invest in, and how their activities align with these classifications, we are able to steer the portfolio in an even more impactful direction.

## Five Dimensions of Impact

- What**  
 Tells us what outcome the enterprise is contributing to, whether it is positive or negative, and how important the outcome is to stakeholders.
- Who**  
 Tells us which stakeholders are experiencing the outcome and how underserved they are in relation to the outcome.
- How Much**  
 Tells us how many stakeholders experienced the outcome, what degree of change they experienced, and how long they experienced the outcome for.
- Contribution**  
 Tells us whether an enterprise's and/or investor's efforts resulted in outcomes that were likely better than what would have occurred otherwise.
- Risk**  
 Tells us the likelihood that impact will be different than expected.

### Classifying impacts into A, B or C

Dimension	Assessment to look for				
<span style="display: inline-block; width: 1em; height: 1em; border: 1px solid black; margin-right: 0.5em;"></span> <b>What</b>	Unknown	Important negative outcomes	Important negative outcomes	Important positive outcomes	Important positive outcomes
<span style="display: inline-block; width: 1em; height: 1em; border: 1px solid black; border-radius: 50%; margin-right: 0.5em;"></span> <b>Who</b>	Unknown	Various	Underserved	Various	Underserved
<span style="display: inline-block; width: 1em; height: 1em; border: 1px solid black; margin-right: 0.5em;"></span> <b>How Much</b>					
Depth	Unknown	Various	High degree of positive change	Various	High degree of positive change
Scale	Unknown	Various	Various	Various	For many
Duration	Unknown	Various	Various	Various	Long term
<span style="display: inline-block; width: 1em; height: 1em; border-left: 1px solid black; border-right: 1px solid black; margin-right: 0.5em;"></span> <b>Contribution</b>	Unknown	Various	Likely the same or better	Likely the same or better	Likely better
<span style="display: inline-block; width: 1em; height: 1em; border-left: 1px solid black; border-right: 1px solid black; border-bottom: 1px solid black; margin-right: 0.5em;"></span> <b>Risk</b>	Unknown	Various	Various	Various	Various
	▽	▽	▽	▽	▽
<b>Classification of impact</b>	May cause harm	Does cause harm	<b>Act to avoid harm</b>	<b>Benefit</b> stakeholders	<b>Contribute to solutions</b>

Source: Impact Management Project.

# Impact results

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. We have sourced the latest available data, most of which covers performance in 2022. We have also compared these figures with those from last year's report.

There are several companies currently within the portfolio whose impact it has proven very challenging to quantify. This is particularly the case for the 'enablers', which by their nature allow others to deliver impact to society. Being one step removed from the end-client can, and has, made measurement of their ultimate impacts difficult. We have been working with our 'enabler' companies to develop more effective means of measuring their impact, and think we are beginning to make progress in this area. In the meantime, where hard metrics have proven elusive, we have provided case studies on page 14 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 progresses 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.

## Commentary

A number of investee companies reported encouraging increases to their annual impact KPI measurements.

For example, Novo Nordisk reported serving 36.3 million patients, 1.7 million more than last year, mainly due to growth in its GLP-1 drugs franchise. We were pleased to see that the company also reported an increase in the number of patients reached through its access and affordability initiatives, such as the Access to Insulin Commitment. Novo Nordisk provided insulin below a ceiling price of \$3 per vial for an estimated 4.3 million people in 2022, compared to 3.9 million in 2021. The company also reached more than 41,000 vulnerable children through its Changing Diabetes® in Children programme, owing to its expansion into Ethiopia, Sudan, Kenya and Uganda.

Healthcare insurance provider UnitedHealth Group also reached an additional 600,000 underserved or low-income customers in 2022, through the US Medicare and Medicaid programmes.

Conversely, we have also reported annual decreases for several investee companies. Most notably is Becton Dickinson, which reported producing 8 billion fewer medical devices in 2022 than 2021, as COVID-19-related sales declined. We have also reported a lower number of European customers for Shimano, based on the cooling of the cycling market after its pandemic boom. We review Shimano's positive impact in more detail on page 22.

Notably, we have included new KPIs for a number of investee companies, when compared to last year. For example, after the merger of investee DSM with Firmenich, the newly formed DSM-Firmenich has reported the number of vulnerable people reached with nutritional solutions, rather than the total number of consumers. We believe this more accurately reflects the company's positive impact.

Two companies (The Gym Group and Grifols) have also reported their Social Value as a measure of the positive impact they generate, using the Social Return on Investment (SROI) framework as a basis for their calculation.

SROI is a methodology for quantifying the social, environmental and economic benefits of an investment or business activity. The first step of the process is to identify all stakeholders who are impacted. These could be patients receiving a medication, workers using a particular safety product, the company's employees, and the local communities within which it operates.

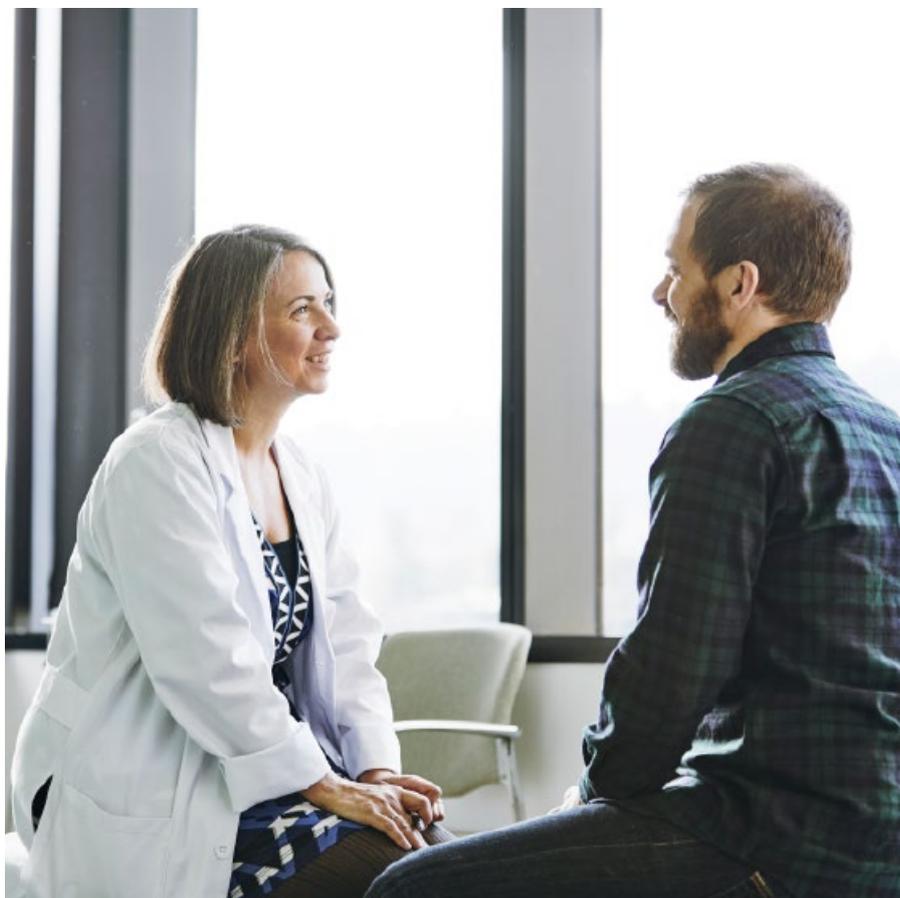
The next stage is to map all of the positive or negative outcomes from the activity. These will depend on the nature of the company's business model, but may include improved fitness, a reduced likelihood of developing a disease, the successful treatment of a particular health condition, higher educational attainment or reductions in anti-social behaviour.

A monetary value must then be calculated and assigned to each of these outcomes, depending on the scale and nature of the change reported. These values can then be multiplied across all relevant stakeholders to arrive at a total Social Value figure. This is then divided by the cost of the investment activity to arrive at a final SROI.

It would be amiss to not recognise the fact that SROI calculations are naturally sensitive to underlying assumptions, especially around estimating the monetary value to outcomes.

The Gym Group reported a social value of £756 million, owing to an increase in membership numbers, and the company's efforts to motivate members to exercise regularly. The company reported a 7.1% increase in the number of members exercising at least 4 times a month, compared to 2021. The company attributed part of its social value to the fact that it has a sizeable presence in the UK's most deprived areas. People from more deprived communities are more likely to develop chronic health conditions, so the social value of maintaining active lifestyles (with the associated health benefits) is deemed to be more significant.

Grifols also reported generating €23.8 billion of social value for patients, donors and local communities. This was based on the improvement in quality of life for patients taking plasma-derived therapy, compared to alternative treatments or taking no treatment at all, plus the social benefit from its US and European donation centres.



## Better healthcare

Company	Impact	KPI explanation	KPI measurement	Previous measurement	Year-on-year change
<b>Agilent Technologies</b>	Helps improve lab economics and accelerate time to results	# of labs using Agilent	265k+ labs	265k+ labs	No change
<b>Alcon</b>	Enhances patients' quality of life by creating products to prevent and treat eye conditions	Cumulative number of patients receiving sight-enhancing or restoring cataract procedures as a result of the Phaco Development programme (since 2008)	8.7m patients	7m patients	+1.7m patients
<b>AliHealth</b>	Increase access to pharmaceutical products by selling over-the-counter products online	# of customers	130m direct users	110m direct users	+20m direct users
<b>ALK-Abelló</b>	Provides long-lasting allergy solutions via immunotherapy	# of patients treated	2.4m patients	2.1m patients	+300k patients
<b>AstraZeneca</b>	Provides medicines and treatments for a variety of diseases	# of patients treated	>105m patients	>100m patients (excluding COVID-19 vaccine)	+5m patients
<b>Becton Dickinson</b>	Directly contributes towards patient safety, infection prevention and waste minimisation	# of devices made annually	37b devices	45b devices	-8b devices
<b>DiaSorin</b>	Facilitates the quick and accurate diagnosis of medical issues	# of speciality tests on testing menu	89 tests	85 tests	+4 tests
<b>Edwards Lifesciences</b>	Improves patient outcomes for cardiovascular disease sufferers	# of patients treated	>128k patients	125k patients	+3k patients
<b>Fresenius Medical Care</b>	Directly helps maintain lives via its life-saving blood cleansing procedure that substitutes kidney function in case of kidney failure	# of patients treated	344,687 customers treated	345,425 customers treated	-738 customers treated
<b>GSK</b>	Helps to prevent and treat diseases, alleviate symptoms and extend patient lives	# of patients treated	73m underserved patients in developing countries	73m underserved patients in developing countries	No change
<b>Grifols</b>	Helps treat a number of medical conditions such as immunodeficiency diseases and haemophilia via the separation of proteins from blood plasma	Social value provided	€23.8b		New KPI
<b>Haleon</b>	Prevents and treats patient symptoms by providing consumer health products such as toothpaste, pain relief and vitamins	# of consumers reached	22.4m consumers		New KPI
<b>Illumina</b>	Helps improve human health and guides individual patient care through diagnostics and next-generation genome sequencing	Data generated on Illumina sequencers	>300 petabases	>280 petabases	+20 petabases
<b>Masimo</b>	Provides accurate blood oxygen levels data, helping healthcare professionals to monitor patients	# of installed base	2.5m	2.3m	+200k
<b>Novo Nordisk</b>	Helps address the rising prevalence of diabetes, a condition that affects more than 420 million people worldwide	# of patients with diabetes treated	36.3m patients	34.6m patients	+1.7m patients

Better healthcare (continued)

Company	Impact	KPI explanation	KPI measurement	Previous measurement	Year-on-year change
<b>Oxford Nanopore</b>	Helps researchers diagnose rare disease through portable, affordable real-time gene-sequencing machinery	# of customers	8,200+ customers	6,339 customers	+1,661 customers
<b>PureTech</b>	Helps to discover, develop and commercialise highly differentiated medicines for underserved diseases	Product milestones, potential impact	27 therapeutic products and product candidates, 2 taken from inception to FDA and EU regulatory clearances, >150m people in addressable market	27 therapeutic products and product candidates, 2 taken from inception to FDA and EU regulatory clearances, >150m people in addressable market	No change
<b>Quest Diagnostics</b>	Helps detect and prevent noncommunicable diseases, covering a wide range of areas including cardiovascular, infectious diseases and immunology	# of test requisitions	208m test requisitions	218m test requisitions	-10m test requisitions
<b>Sartorius Stedim Biotech</b>	Helps to improve speed and efficiency in the manufacture of biologic drugs	Case study			
<b>Teladoc Health</b>	Improves access to medical advice by providing low-cost, accessible virtual doctor services	# of telehealth visits conducted	>22m visits	15.4m visits	+6.6m visits
<b>Thermo Fisher Scientific</b>	Helps customers accelerate life sciences research, solve complex analytical challenges, improve patient diagnostics, deliver medicines to market and increase laboratory productivity	# of customers	400k customers	400k customers	No change
<b>UnitedHealth Group</b>	Helps promote access to healthcare with its sizeable market share in Medicare (retirees) and in Medicaid (low-income, long-term care)	# of underserved and low-income people insured	17.8m people	17.2m people	+600k people
<b>Veeva</b>	Allows life sciences companies to deliver better health outcomes faster, by helping to increase efficiency and maintain regulatory compliance	# of people, patients and customers reached	945 customers	758 customers	+187 customers
<b>XVIVO Perfusion</b>	Improves the quality and availability of donor organs, improving the chances of a successful organ transplant	# of patients treated	4,850~ lung transplant patients globally	4,500~ lung transplant patients globally	+350 patients

## Better hygiene and safety

Company	Impact	KPI explanation	KPI measurement	Previous measurement	Year-on-year change
<b>Amerisafe</b>	Provides workers' compensation insurance to small- to medium-sized high-hazardous industries, aiming to improve safety standards and practices	# of policyholders	8,100 policyholders	8,400 policyholders	-300 policyholders
<b>Autoliv</b>	Prevents injuries or deaths from traffic accidents	# of lives saved	~35k lives	~35k lives	No change
<b>Colgate-Palmolive</b>	Promotes good personal hygiene, and in particular oral health, through a variety of consumer health products	# of households with Colgate branded toothpaste	715m households	705m households	+10m households
<b>Ecolab</b>	Prevents the spread of infection by helping healthcare and other businesses to maintain clean, safe environments	# of hands cleaned	58b hands	60b hands	-2b hands
<b>Intertek</b>	Helps businesses to develop safe products, and maintain good health and safety in the workplace	# of safety, social and environmental audits completed	100k audits	100k audits	No change
<b>MSA Safety</b>	Helps to ensure worker safety and protect infrastructure by providing safety equipment	# of hardhats and products sold	9-10m hardhats	7-8m hardhats	+2m hardhats

## Better lifestyle

Company	Impact	KPI explanation	KPI measurement	Previous measurement	Year-on-year change
<b>DSM-Firmenich</b>	Helps to maintain healthy human immune systems and promote healthy animal food chains, through a variety of human and animal nutrition products	# of vulnerable people reached with nutritional solutions	642m people		New KPI
<b>Shimano</b>	Promotes healthy lifestyles by creating products for cycling and other outdoor activities	# of customers in Europe	>8.5m customers	>11m customers	-2.5m customers
<b>The Gym Group</b>	Improves access to gym facilities and encourages more people to exercise regularly by operating low-cost gyms	Social value provided	£756m		New KPI
<b>Zoetis</b>	Supports healthier outcomes for animals and humans, through animal health products and services	<a href="#">Case study</a>			

# 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.

## Sartorius Stedim Biotech



Biopharmaceutical drugs are used to treat some of the most severe medical conditions, including various forms of cancer. They are often large, complex molecules (with more than 20,000 atoms), which must be 'grown' via cell

culture processes, rather than synthesised chemically. The process can take several weeks, and these 'fragile' molecules must be monitored carefully, to control factors such as temperature and to avoid contamination. With customised production steps for each new drug and a stringent regulatory approval process, production costs for these medicines are usually high.

Sartorius Stedim Biotech aims to simplify and accelerate the manufacture of biopharmaceutical drugs, allowing new and better medicines to be created, while reducing costs. Founded in 1870, Sartorius products solve complex engineering challenges in areas such as filtration, fermentation, cell culture and fluid management. Its products include bioreactor systems, membrane filters, and storage equipment.

The company also produces analytics software, helping customers to aggregate and analyse data, and optimise the development and manufacture of drugs. With these tools, engineers can develop robust, flexible and safe production processes, while reducing setup costs and enhancing product yield, ultimately leading to cheaper medicines and better health outcomes for patients.

To reduce production bottlenecks and meet the future demand for antibody-drug conjugates (ADCs), promising new anti-cancer therapies helping to extend life by destroying cancer cells and minimising the damage to healthy normal cells, Sartorius and pharmaceutical company Bayer worked together in 2022 to develop an efficient ADC manufacturing process. Based on single-use technologies provided by Sartorius, Bayer

was able to produce batches of different ADCs for use in clinical trials in the same facility, while simultaneously avoiding cross-contamination risks, not jeopardising environmental and worker safety, and lowering substantially the capital investment required. ADCs are an example of a biotechnology product that is expected to replace traditional chemotherapy over time, and Sartorius is clearly supporting technological breakthroughs that lead to better health for more people.

## Zoetis



Zoetis is a leading provider of animal health products and services for veterinarians, livestock producers and pet owners. The company's offerings range from vaccines and parasiticides to feed

additives and diagnostics, each supporting healthier animal outcomes.

Zoetis products reduce suffering and improve well-being in animals, in turn providing benefits for society as a whole. Humans need sufficient nutrition to live productive lives and fend off disease, and the need for food will only increase as the population grows. Sustainable livestock production offers a safe and affordable option for these nutritional requirements. In many developing countries, animals also provide transportation, draught power, fuel and clothing, as well as a source of income.

Zoetis was named on the Fortune 'Change the World' list in 2022, owing to its African Livestock Productivity and Health Advancement (A.L.P.H.A.) initiative, which aims to increase access to veterinary care in emerging markets. To date, the company has trained more than 30,000 farmers, veterinary professionals and laboratory technicians, more than 30% of which were women. The company has also treated 9.7 million cows and 196 million chickens.

More recently, with support from the Bill & Melinda Gates Foundation, Zoetis has expanded its good work in this area by establishing the A.L.P.H.A. Plus initiative. This will include aquaculture in addition to cattle and poultry, and will cover an additional seven countries in Sub-Saharan Africa.

# Impact and the SDGs

The United Nations Sustainable Development Goals (UN SDGs) are used as a framework for measuring investee companies' positive impacts. Every company 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 companies we hold.

## Fund exposure to the SDGs

Unsurprisingly for a fund focused on companies creating better health and well-being outcomes, the majority of investees primarily contribute towards SDG 3: Good health and well-being.

With a growing and ageing global population, and the increasing prevalence of lifestyle diseases, demand for healthcare is set to increase over the coming years. At the same time, the World Health Organisation estimates a 10 million shortfall in healthcare workers by 2030, mostly in low and middle-income countries. Furthermore, the COVID-19 pandemic highlighted the gaps within the global healthcare system, and the need for international cooperation to reduce inequalities in healthcare access.

Against these challenges, innovation will be a key driver in ensuring good health outcomes for all in the coming years. Encouragingly, a number of our investee companies are working on innovative treatments and technologies to enhance well-being, reduce suffering and create better health outcomes. They range from Oxford Nanopore, whose portable genetic sequencing equipment allows researchers to read genetic code while working in the field, to Edwards Lifesciences, whose ground-breaking artificial heart valves have changed the

lives of thousands of cardiovascular disease sufferers. We consider how Edwards Lifesciences makes a positive impact in more detail on page 18.

A number of investee companies also make their primary contribution towards SDG 8: Decent work and economic growth. The goal calls for inclusive and sustainable economic growth, with full, productive employment and decent work for all.

Unfortunately, progress is currently far behind schedule. The fall-out from the COVID-19 pandemic, rising inflation, supply chain disruptions, labour market challenges and geopolitical issues are all barriers to progress.

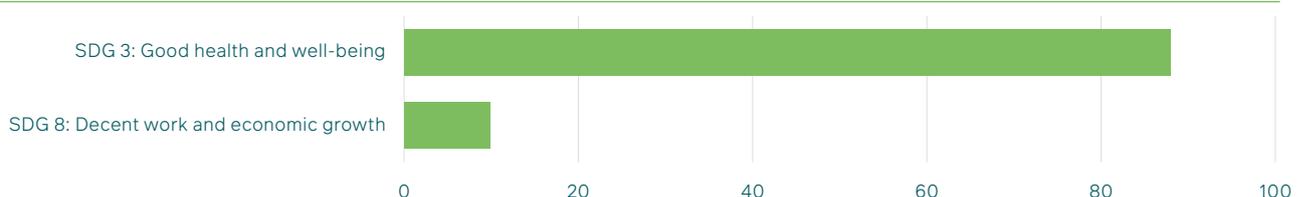
Investee companies contributing towards SDG 8 include Amerisafe, which provides workers' compensation insurance for companies in hazardous industries, and MSA Safety, a global leader in safety equipment. See page 20 for more information about how MSA Safety's products promote better, safer working environments.

It is important to note that the SDGs are interconnected, with progress in one area relying on progress in others. In the same way, many of our investee companies will contribute towards more than one goal through their activities.

For example, Ecolab's hygiene and sanitation technologies help to maintain good health and well-being by reducing contamination in industries such as food and hospitality, but its water efficiency and cleaning solutions also contribute towards SDG 6: Clean water and sanitation.

Similarly, MSA Safety's equipment helps to promote safe and secure working environments (a sub-target of SDG 8), but clearly also contributes towards maintaining worker health and well-being.

### Fund SDG breakdown



Source: M&G, September 2023.

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

### SDG 3: Good health and well-being

Investee companies	Revenue to SDG
Agilent Technologies	78%
Alcon	75%
AliHealth	64%
ALK-Abelló	100%
AstraZeneca	100%
Autoliv	100%
Becton Dickinson	100%
Colgate-Palmolive	57%
DiaSorin	100%
DSM-Firmenich	53%
Ecolab	59%
Edwards Lifesciences	100%
Fresenius Medical Care	100%
GSK	100%
Grifols	100%
Haleon	56%
Illumina	100%
Masimo	66%
Novo Nordisk	100%
Oxford Nanopore	100%
PureTech	100%
Quest Diagnostics	100%
Sartorius Stedim Biotech	95%
Shimano	82%
Teladoc Health	100%
The Gym Group	100%
Thermo Fisher Scientific	94%
UnitedHealth Group	100%
Veeva	58%
XVIVO Perfusion	100%
Zoetis	100%

### SDG 8: Decent work and economic growth

Investee companies	Revenue to SDG
Amerisafe	100%
Intertek*	65%
MSA Safety	100%

\*We have selected both SDG 8 and 9 as primary SDGs for Intertek.

## How are we progressing?

M&G's **SDG Reckoning** report reviews the current progress towards each of the 17 SDGs in more detail. Read it at [www.mandg.co.uk](http://www.mandg.co.uk)



## Case studies

Over the following pages, we have highlighted a company from each of the fund's three impact areas. We explore how each company is making a positive impact, and summarise the Triple I analysis, Five Dimension of Impact and Impact Results Chain.

## Case study

# Edwards Lifesciences

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<b>Impact area:</b>	Better healthcare
<b>Primary SDG:</b>	SDG 3: Good health and well-being
<b>KPI:</b>	# of patients treated
<b>KPI measurement:</b>	>128k patients

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Edwards Lifesciences is a US-based medical technology company, which aims to 'provide innovative solutions for people fighting cardiovascular disease'. The company specialises in heart valve replacement solutions, as well as critical care and surgical monitoring.

## Specialising in heart valve replacements

Edwards's largest business segment is transcatheter aortic valve replacement (TAVR). The company has developed artificial valves and delivery systems for the replacement of the heart's aortic valve through minimally-invasive surgery. A small incision is made, usually in the femoral artery, through which the surgeon guides a catheter to carry out the procedure – reducing many of the risks associated with open heart surgery.

Edwards is also developing innovative products for treating disease of the heart's mitral and tricuspid valves. These valves allow blood to flow from the atria to the ventricles on each side of the heart, and are more complex and challenging to treat than the aortic valve. The company is also a leader in cardiovascular monitoring products for use in surgery, intensive care units and during recovery.

## A history of innovation

Edwards Lifesciences came to life in 1958, when founder Miles Edwards set out to build the world's first artificial heart. Since then, the company has focused on



medical innovation, working closely with physicians and researchers to address unmet healthcare needs.

Today, the company is a pioneer in heart valve therapies, employing 2,000 engineers and spending 18% of revenue on research and development (R&D). In 2022, the bulk of the company's R&D investment was focused on its transcatheter structural heart programmes, including increased clinical research into mitral and tricuspid valve therapies.

## Tackling a leading cause of death

Cardiovascular diseases are the leading cause of death globally, taking an estimated 17.9 million lives every year (representing 32% of all deaths). For those with severe symptomatic aortic stenosis, mortality rates are as high as 50% after 2 years. Edwards makes a positive impact by helping cardiovascular disease sufferers to live longer, healthier and more productive lives. Since pioneering TAVR more than a decade ago, the company has been involved in more than 800,000 TAVR procedures.

## Impact Results Chain



### Input

Significant R&D investment into treating cardiovascular disease



### Activity

Develops, manufactures and distributes heart valves and other products



### Output

Edwards treated more than 128,000 patients in 2022



### Outcome

Better medical outcomes for patients



### Impact

Helps to reduce deaths from cardiovascular disease

## III in brief

### Investment

- 70% market share of aortic valve replacements using keyhole surgery, which the company pioneered
- Each valve requires 10,000 stitches by hand, with each needle being used for only 10 strokes, for quality control purposes
- Impressive return on invested capital over the last decade

### Intention

- Edwards' mission statement focuses on 'providing innovative solutions for people fighting cardiovascular disease'
- Industry-leading spend (17% of revenue) on R&D, translating to a strong heart valve product pipeline, and 8 active clinical trials

### Impact

- Cardiovascular disease is the leading cause of death globally
- Keyhole surgery sees the majority of patients return home after 48 hours, versus 7 days for open-heart surgery, meaning better patient outcomes and lower costs
- Edwards' aortic valves were used to treat more than 100,000 patients with aortic stenosis in 2022

## Five Dimensions of Impact in brief



### What

Specialises in heart valve replacement solutions for the treatment of cardiovascular diseases.



### Who

Works with researchers and physicians, to create products that benefit cardiovascular disease patients. Its work within mitral and tricuspid valves focuses on an underserved area of cardiovascular disease.



### How Much

Treated 128,000+ patients in 2022, and has been involved in more than 800,000 TAVR procedures since pioneering the technology. The impact is narrow but deep, given the high levels of mortality among aortic stenosis sufferers.



### Contribution

Edwards's focus on research and product development has led to breakthroughs in the treatment of heart disease.



### Risk

Despite a strong track record and quality control processes in place, a drop in quality or product failure could result in patient deaths.

## Case study

# MSA Safety

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<b>Impact area:</b>	Better hygiene and safety
<b>Primary SDG:</b>	SDG 8: Decent work and economic growth
<b>KPI:</b>	# of hardhats and products sold
<b>KPI measurement:</b>	9-10m hardhats

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MSA Safety is a global specialist in safety solutions. The company's products protect workers, facilities and infrastructure across a variety of industries, helping to create safer and more productive workplaces.

## All things safety

MSA Safety's mission is 'protecting the world's workers and workplaces'. The company develops, manufactures and sells a variety of safety products, including self-contained breathing apparatus, protective headgear and apparel, gas and flame detection systems, portable gas detection instruments and fall protection systems.

One of the company's key priorities is 'creating impact through innovation'. It maintains close relationships with customers, and works with them during the product development process, to identify challenges or gaps in the market and develop new solutions to keep workers safe. For example, with heat stress becoming an increasingly important safety concern, the company developed the V-Gard® C1™ Hard Hat, which uses a thermal barrier to reduce temperatures inside the headgear by up to 11°C when worn in hot environments.

MSA Safety is increasingly harnessing the power of technology in its products. The company has developed a wearable cloud-connected gas detection device, which provides enhanced insight into worker safety while reducing the administrative burden of signing in and out of sites. As well as providing live visibility of the workforce, the devices automatically charge, calibrate and upload diagnostics data to the cloud at the end of the working day, and can be synced with workers' ID badges.



## Engaging on measurement

In the past year, we have made a series of engagements with MSA Safety on the topic of impact measurement. We requested that the company disclose a tangible impact data point, so that we may better measure and track its impact on safety outcomes over time. The company was receptive to our requests, and showed interest in M&G's help as a sounding board, but has not yet disclosed a new metric for impact measurement. We will follow up with the company over the coming year.

“ We drive positive social impact by developing innovative safety solutions to make work safer, easier, and more productive for workers around the world. ”

**Nish Vartanian**

Chairman and Chief Executive Officer, MSA Safety

## Impact Results Chain



### Input

Investing in the development of products to protect workers and workplaces



### Activity

Manufactures and distributes safety equipment



### Output

Revenue generated from the sale of products



### Outcome

Helps to ensure workers' health and safety



### Impact

Tackles the challenge of providing decent work

## III in brief

### Investment

- A global leader in the development, manufacture and supply of safety products
- MSA Safety maintains strong market positions in its core markets, including breathing apparatus and protective headgear

### Intention

- MSA's purpose is 'protecting the world's workers and workplaces', explicitly highlighting the company's impactful nature

### Impact

- Helps to ensure the safety of workers and protect workplaces
- Committed to increasing its impact over time via product innovation

## Five Dimensions of Impact in brief

### □ What

The company provides a variety of safety solutions and equipment.

### ○ Who

MSA Safety's products are used by workers in a wide range of industries including construction, manufacturing and the fire service.

### ≡ How Much

MSA Safety has sold 9-10 million hardhats.

### + Contribution

The company works with customers to identify safety challenges or concerns, and develops new solutions to help ensure worker safety.

### △ Risk

With workers' health and safety at stake, the consequences of any product defects or malfunctions could be severe.

# Shimano

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<b>Impact area:</b>	Better lifestyle
<b>Primary SDG:</b>	SDG 3: Good health and well-being
<b>KPI:</b>	# of customers in Europe
<b>KPI measurement:</b>	>8.5m customers

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Shimano has a deep history of innovating in cycling, and helping people to live healthy, active lifestyles. The company's mission statement is 'to promote health and happiness through the enjoyment of nature and the world around us'. Shimano possesses a manufacturing advantage through its world-leading capabilities in cold forging techniques.

## Benefits for people and the planet

Shimano's largest business segment is bicycle components. The company designs, manufactures and distributes brakes, pedals, gear-shifting mechanisms and many other components for almost any type of bicycle, from a child's first bike to Tour de France-winning machines. While innovation begins in the high-end bicycles, it trickles down into medium and low-end bicycles as part of the innovation product cycle.

As with other types of exercise, cycling offers a variety of physical and mental health benefits. For example, it helps to reduce the chance of developing heart disease, type 2 diabetes, stroke and certain cancers. Cycling is also accessible to almost everybody, regardless of age or athletic ability. It doesn't require particularly specialised skills or expensive equipment, and it can also be enjoyed by people who may be unable to run or partake in more intense activities, perhaps due to injuries.

As a method of transport, cycling also benefits the environment. Travelling by bicycle offers a sustainable, low-emission alternative to private fossil-fuelled vehicles. This can reduce greenhouse gas emissions while also improving local air quality.



## A growing market

Many people took up cycling during the COVID-19 pandemic, as it is a solitary, outdoor hobby, and offered an alternative to public transport, where large groups of people can be packed into small spaces. Although many individuals will have returned to their previous hobbies and transport methods after lockdown measures were lifted, the global cycling market is nonetheless expected to continue growing over the coming years (by 73% between 2023 and 2030).

This is due to a number of long-term, structural shifts. The health and environmental benefits of travelling by bike have led to many governments around the world investing in cycling infrastructure, such as segregated bicycle lanes, while offering subsidies or tax breaks on bike purchases, to encourage more people to ride to work.

Rising fuel and public transport costs are also encouraging more people to travel by bicycle. And technological innovation, such as the development of electric bicycles, is also making cycling accessible to those who may not have felt comfortable getting on a bike previously.

## Impact Results Chain



### Input

Innovation in the development of components for cycling



### Activity

Manufactures and distributes bicycle components



### Output

Revenue from products sold



### Outcome

More people can cycle for recreation or transport



### Impact

Health and well-being improvements from regular exercise

## III in brief

### Investment

- Shimano maintains an estimated 50% share of the global cycling components market, far ahead of its closest competitor
- The global cycling market is forecast to grow as a result of long-term trends such as healthier living and low-carbon transport

### Intention

- The company's mission statement focuses on the importance of health and well-being: 'To promote health and happiness through the enjoyment of nature and the world around us'

### Impact

- Regular exercise, such as cycling, is beneficial for physical and mental health, and is linked to improved health outcomes
- As a mode of transport, cycling is environmentally friendly with the potential for a positive impact on local air quality

## Five Dimensions of Impact in brief

### □ What

Shimano manufactures components for cycling and other outdoor activities, which contribute towards various improved health and environmental outcomes.

### ○ Who

Shimano's bicycle components are used by people cycling for recreation, transport or as a profession.

### ≡ How Much

Shimano maintains a 50% share of the global bicycle components market, with more than 8.5 million customers in Europe.

### + Contribution

Shimano's development of innovative bicycle components helps to make cycling accessible and enjoyable, allowing people to exercise regularly.

### △ Risk

It is difficult to evidence Shimano's positive impact, due to the indirect link between the company's products and improved health outcomes. There is also a risk that Shimano loses market share to competitors, leading to a smaller impact.

# Successes and challenges

By its nature, impact investing involves a continual drive for improvements and greater impact. This could come in the form of engaging with investee companies, staying abreast of new industry developments, or simply taking stock of what is or isn't working at regular intervals. With this in mind, here we have considered several of the fund's latest successes and challenges.

## Evolving impact

We have seen encouraging developments at a number of companies, where their positive impact has expanded into new areas or otherwise increased materially.

Danish pharmaceuticals company Novo Nordisk has seen success with its innovative Wegovy™ obesity treatment, building on its expertise in diabetes care. Obesity and the associated health conditions are a growing societal issue. Obesity prevalence has tripled worldwide since 1975, and can be linked to a host of other conditions, including heart disease, stroke and osteoarthritis.

Genetic sequencing firm Illumina is using its technology to drive advances in a variety of areas. The company has partnered with AstraZeneca to research using AI and genomic analysis for drug discovery. The company is also part of an alliance researching the storage of digital data in DNA molecules. Every day, the equivalent of 11 million ultra-high-definition movies worth of data is created. DNA could provide an alternative to large, energy-intensive server farms.

Life sciences equipment specialist, Thermo Fisher Scientific, demonstrated its impactful innovation with the introduction of a ground-breaking mass spectrometer. The equipment provides enhanced speed, sensitivity and dynamic range in the field of proteomics, allowing researchers to uncover previously undetectable proteins. This information can be used to identify biomarkers, reveal diseases earlier, and develop new treatments.

DiaSorin has also received approval for a number of new tests in the past year, and continues to expand its breadth of diagnostics capabilities. In 2023, the company announced a rapid test for Legionnaires'

disease, a severe form of pneumonia caused by inhaling water droplets containing legionella bacteria.

DiaSorin also received FDA approval for a combined flu and COVID-19 assay. The test can identify viruses in as little as an hour, speeding up diagnosis and treatment for patients showing symptoms of respiratory infection.

Elsewhere, almost a million more people in the UK now have access to GSK's shingles vaccination. The minimum age for eligibility was lowered from 70 to 65, and will fall again to age 60 by 2033. The change came after trials showed the vaccine was highly effective and safe for these age groups.

## Company engagements

In the past year, we carried out a series of engagements on the theme of bioethics. With several investee companies creating innovative solutions at the frontiers of biological and medical technology, there is a risk that their products could be used for nefarious purposes. For example, genetic sequencing equipment has been linked to the monitoring of the Uyghur population in the Xinjiang region of China, and more recently in Tibet.

After previous engagements in 2022, we made a follow-up engagement with genetic sequencing company Thermo Fisher Scientific in early 2023 to discuss the developments in Tibet. Unlike its response to Xinjiang, the company had not implemented a policy of not selling into Tibet. Having examined the share of equipment sold into the region, Thermo had determined that it was very unlikely that the capacity existed to misuse its equipment in the manner highlighted in the allegations. Nonetheless, we encouraged it to consider a similar policy to that which it operates in Xinjiang. We will further research the allegations, and follow up in due course.

Measurement is one of the most challenging aspects of impact investing, so we have continued to encourage investee companies to improve their disclosure of impact data. In the past year, we engaged with MSA Safety on several occasions, to request a more tangible impact measurement data point, that will allow us to better track the company's impact on safety outcomes.

The company was receptive to our request, but has not yet made progress in this area – we will follow up in due course.

We also requested additional metrics and disclosures from Japanese cycling company Shimano, in order to improve our ability to measure the company's impact on health outcomes. In this instance the company was unwilling to provide the additional disclosure. However, we will continue our pursuit of better metrics, and consider the need for escalation up the management structure.

As impact investors, we are concerned with the net impact of investee companies. In other words, their positive health outcomes shouldn't be outweighed by negative impacts in other areas. With this in mind, we have also engaged with several companies on environmental issues.

We spoke with Becton Dickinson, to ensure the company was on track to have its near-term emission reduction targets validated by the Science Based Targets initiative (SBTi), and to suggest that it committed to a net-zero target. The company confirmed that it had submitted its targets for validation, including a net-zero target.

We also engaged with ALK-Abelló, to ensure it was on track to have its targets validated by the SBTi, to request the publication of a strategy and milestones for achieving its targets, and to request the linking of variable remuneration to these milestones. The company was in the process of finalising its target, to be submitted in late 2023. ALK currently publishes milestones for other areas of its sustainability programme, and was receptive to extending those milestones for its target. It is currently looking to simplify its non-financial remuneration KPIs, and consideration would be given to tying these to climate targets.

## Unintended use of drugs

After a healthcare company has developed a treatment and released it onto the market, they have limited control over how and when it is prescribed. This has the potential to create unintended consequences, such as a drug being misused, or excess demand creating a shortage for patients.

For example, while Novo Nordisk's innovative Wegovy™ obesity treatment has created positive health outcomes for many in the fight against obesity, its efficacy has seen it gain traction as a weight-loss option for people who are not obese. This has been exacerbated by hype on social media platforms.

In early 2023, we spoke with the company to understand the procedures and processes in place to avoid the misuse of its products. They reiterated that there were good first-line processes, such as sales rep training, audits and online education. The company also said it would be more proactive talking to authorities, and that it could monitor prescriptions in the US down to the individual physician level, so it had some capability to look for potential misuse of the drug. We will continue to monitor the situation. □



