M&G Investments

M&G Global Sustain Paris Aligned Fund

Annual Emissions Report 2025

The value of investments will fluctuate, which will cause prices to fall as well as rise and you may not get back the original amount you invested. The views expressed in this document should not be taken as a recommendation, advice or forecast.

Contents

Please note: this Annual Emissions Report provides investors with additional information about the companies held within the fund, and their ongoing sustainability efforts. It is produced in addition to the fund's regulatory reporting, and some of the data in this report may differ to that found in its regulatory reporting and Consumer-Facing Disclosure document, due to possible differences in reporting periods.

This report is completed on a backward-looking basis.
Company sustainability data is for the calendar year 2024.

Welcome

John William Olsen
Fund manager

Lucy Hancock
Deputy fund manager

Randeep Somel
Deputy fund manager

History shows the value of resilience in an uncertain global environment. As global markets navigate shifts in inflation, interest rates, technological change and geopolitical uncertainty, we continue to believe in a quality driven approach to investing. As demonstrated by the fund's history, we believe that companies with durable competitive advantages, strong balance sheets, high cash flow returns on capital and disciplined capital allocation continue to offer the most reliable path to long-term value creation.

Decarbonisation objectives

As the global economy undergoes the most significant transition in modern history, we remain committed to aligning our investment strategy with that of the Paris Climate Agreement. The global transition to a low-carbon economy is accelerating, and with it comes both risks and opportunities for long-term investors.

The average founding year of companies held in this strategy is 1940. Strong ESG attributes go hand-in-hand with quality business models that have not only survived market changes and challenges for nearly a century, but thrived. This fits well with our long-term investment horizon: we can build mutually beneficial relationships with company management teams and boards to ensure the actions they take are for the longterm benefit of all stakeholders, and not shortterm rent seekers.

Companies implementing a strategy for decarbonisation and alignment with the Paris Climate goals is not only to the broader benefit of society and future generations, it is also a sign of responsible foresight in quality businesses: incorporating a policy in this area helps to ensure prolonged success and value creation. We believe this equips the fund well to take advantage of the global transition to GHG emissions reduction, rather than being vulnerable to the risks of inaction.

A non-linear journey

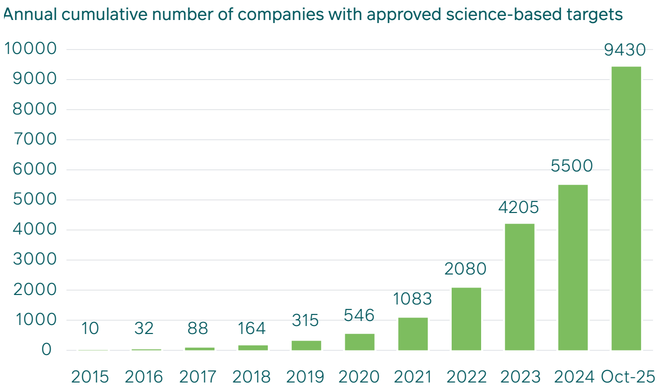
The journey to decarbonisation was never likely to be either an easy or linear path. This past year has seen political change that could amplify feelings of pessimism.

However, this pessimism misses the bigger picture. The transition continues all around us; the world currently invests twice as much in new energy transition technologies as it does in fossil fuels. In 2024 alone, the increase in global solar generation matched the entire electricity demand of Germany.

At a company level, we are not seeing investee companies pulling back on their decarbonisation goals (please see 'How are investee companies progressing?' section) – quite the opposite (and this includes US-listed companies). As this report highlights, our companies continue to show good progression towards setting goals, meeting targets and continuing along their journey of cutting their GHG emissions. Meanwhile, those companies whose products and services fall within the remit of 'climate solutions' continue to enjoy strong and growing demand.

We can also reference the Science Based Targets initiative (SBTi), an independent third-party verifier considered the gold standard for companies seeking verification of their GHG emission reduction targets. From January 2025 to October 2025, a record 3,930 new companies set approved science-based GHG emission reduction targets, taking the cumulative number of global companies with SBTi-approved targets to nearly 9,500 (12,000+ companies if we include those with public commitments).

The evolution of Science-Based Targets Initiative



Source: Science-based targets, October 2025.

As stewards of our clients' capital, we remain firmly committed to aligning our investment strategies with the goals of the Paris Climate Agreement. We also committed to contributing to a pathway that limits global warming to well below 2°C above pre-industrial levels, and pursues efforts to limit it to 1.5°C. Our commitment is reflected in the fact that during the year, the fund was awarded the UK's Sustainability Disclosure Requirements (SDR) 'Sustainability Improver' label. It is one of a small number of initial funds to achieve this recognition under the FCA's published SDR investmentlabelling regime.

Structured engagement

Managing a low-turnover, concentrated fund gives us the opportunity to engage with our companies to guide and urge them towards further alignment with the Paris Agreement. Our persistent engagement schedule remains strong and continues to cover the full spectrum of alignment. Engagement ranges from conversations on good disclosure, target setting and external validation to advanced discussions with companies further into the process, covering fully integrated climate strategies, management incentives and strong governance structures. Our experience highlights that engagement is key to achieving real-world decarbonisation as investors. The engagement must be educated, structured and relevant to the specific company.

This is now our fourth annual fund GHG emissions report. We continue to provide up-todate information on the decarbonisation journeys of our investee companies as part of our proprietary 'traffic light' reporting system. We highlight our efforts to engage with companies to promote change, and provide updates on where progress has been made or where it has been slow.

This journey of ours continues, and we hope you find the report a helpful resource in understanding the strategy and learning more about our investee companies.

We appreciate the continued support, and look forward to updating you again in the future.

Highlights

-58%
The fund's Weighted Average Carbon Intensity is 58% lower than the benchmark (MSCI World Index)

98%
98% of the fund's absolute GHG emissions are covered by science-based targets

52
We have undertaken 52 company engagements, covering 87% of portfolio GHG emissions, in the past year with some engaged more than once during this period

45%
45% of the fund is invested in companies providing Paris-aligned solutions

Source: M&G, and MSCI ESG Carbon Footprint Calculator, as at 31 October 2025.

How is the fund Paris aligned?

At M&G, we believe the most effective way to align a fund with the goals of the Paris Agreement is by taking a company-specific approach, where we consider the real-world climate impacts of investee companies, and the positive climate actions they are taking, rather than solely focusing on portfolio-level metrics. These companies should also have good sustainability credentials, and not cause any significant harm through their activities.

Real world outcomes, not just metrics

Climate change is a real world phenomenon, existing outside the parameters of an investment fund. As such, when investing we focus on the real world impact of every investee company, and the positive action it is taking, rather than focusing solely on portfolio-wide metrics. For example, we consider whether companies are setting emission reduction targets and taking action to reduce their own GHG emissions, or providing solutions for others to do so. While metrics are essential to measure the climate impact of the fund's investee companies (see below), prioritising metrics above all else can be counterintuitive.

For example, a fund manager could simply hold a portfolio of traditionally low-emitting companies, such as software developers. While the fund would have a smaller carbon footprint, it wouldn't necessarily contribute towards the absolute GHG emission reductions needed to limit global temperature increases. The same level of GHG emissions would still exist, they would simply be outside of the fund.

A company-specific approach

Certain approaches to Paris Agreement alignment call for predetermined annual GHG emission reductions at a fund level. However, we believe it is more effective to focus on individual companies in the fund – the amount of GHG emissions they produce, their plans for reducing emissions, and their progress against these targets. By focusing on individual companies, we can more effectively determine how a company is contributing towards the goals of the Paris Agreement, how to best engage with them, and also how they might benefit from the decarbonisation trend that we expect to persist for decades.

This is because most companies looking to cut GHG emissions will not experience a consistent, linear reduction year in, year out. Instead, there will be sharp jumps as the company makes changes, such as switching to renewable energy or rolling out a new, more efficient process. If the timing of such actions is wrong, the company could be removed from the portfolio before its good work comes into effect.

Furthermore, a small number of companies may generate the majority of portfolio GHG emissions, especially if they operate in an emissions-intensive industry such as manufacturing. A focus on portfolio-wide metrics above all else may tempt the fund manager to simply reduce their stake in these companies, improving the high-level metrics but making no real-world impact.

Active engagement

Engagement is an integral aspect of our investment process, and is overseen by our dedicated engagement specialist. By engaging with investee companies, we can encourage positive changes, such as improving GHG emission disclosures or setting sciencebased targets for emission reductions (see page 8). We can also encourage companies to link executive pay to climate-related metrics. And if company progress falls behind its targets, we can use engagement to understand the causes and encourage companies to take action.

Carbon intensity

Alongside a focus on real-world outcomes, in practice the fund also uses carbon intensity as a framework for company eligibility. A typical metric of carbon intensity is the amount of carbon emissions per million US dollars of sales.

Companies with a carbon intensity at least 50% lower than the benchmark (MSCI World Index) are eligible for the fund. Those with a carbon intensity above 50% of the benchmark must have set or committed to setting science-based targets for emission reductions (see page 8). The fund will typically maintain a Weighted Average Carbon Intensity (WACI) at least 50% lower than that of its benchmark. WACI is the carbon intensity of every holding, weighted to its proportion in the fund.

Companies doing no harm

We also look for companies demonstrating good sustainability or ESG credentials. As part of this, we exclude certain companies from our investible universe, as we consider them to be in breach of the 'Do No Significant Harm' principle. These include companies which are flagged as violating the UN Global Compact, a global framework for businesses to adopt sustainable and socially responsible policies. We also exclude companies from a number of sectors, including those involved in fossil fuel extraction and controversial weapons.

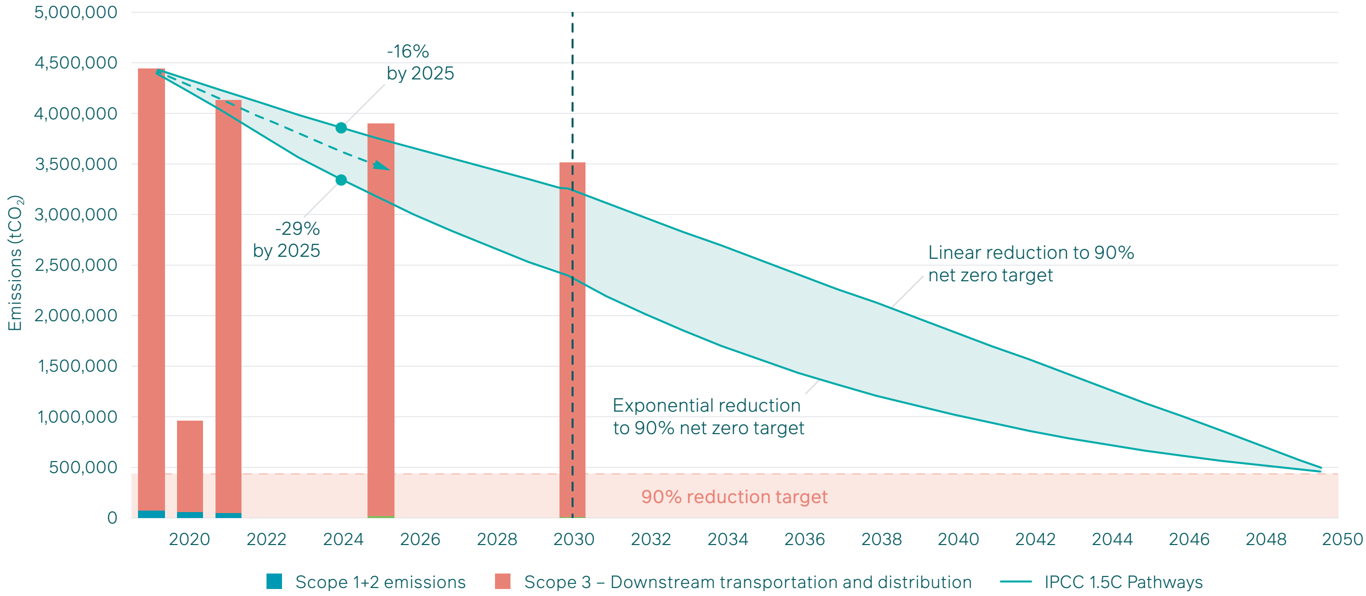
Sustainability Disclosure Requirements (SDR)

The Financial Conduct Authority (FCA) introduced SDR to bring clarity, transparency and accountability to UK FCA-regulated financial institutions. Investment funds that fall within SDR's remit must display one of four labels that signify its associated environmental and/or social goals. This fund has adopted the 'Sustainability Improvers' label as it aims to invest in assets that have the potential to improve environmental and/or social sustainability over time.

Analysing company emission glidepaths

Our team produces a carbon report for every company held in the fund. This features analysis in areas such as carbon footprint and handprint, GHG emission reduction targets, company intentionality, recent progress and points of engagement. In these reports, we also produce a GHG emissions glidepath. This compares the company's actual GHG emission reductions since its baseline year with a Paris-aligned pathway, and shows how the emission trajectory should look going forward to 2030 and 2050.

Example GHG emissions glidepath



Source: M&G, 2021

Please note this chart is for illustrative purposes only and does not reflect current market data.

Science-based targets

Science-based targets form an integral part of the fund's investment process. We encourage all investee companies to set science-based targets, regardless of the level of emissions they produce, and whether or not they also provide climate solutions that allow their customers to reduce emissions.

What are science-based targets?

Science-based targets are corporate emission reduction targets, which are considered to be in line with the latest climate science. In other words, they reflect emission reductions at a pace necessary to limit global warming to 1.5° C above pre-industrial levels, in line with the goals of the Paris Agreement.

Science-based targets are set with a baseline year, from which the company measures its emission reductions. The company will also set a year by which it aims to reach its target. Targets can be near term (usually with a target date of 5-10 years' time) or long term (more than 10 years, with the aim of achieving net-zero emissions by no later than 2050, for most industries).

The Science Based Targets initiative

One option for companies looking to set science-based targets is to engage with the Science Based Targets initiative (SBTi). The organisation works with companies to assess and validate their targets, and provide technical support where needed. As of October 2025, over 12,000 companies, comprising over 40% of global market capitalisation, have either set or publicly committed to setting targets with the SBTi.[1]

However, it is important to note that there are other options for companies looking to set emission reduction targets in line with the pace required to limit global warming. While the SBTi provides a widely accepted framework, investors should not discredit companies that have chosen another route when setting their targets. A company's ambition, and progress towards its targets, can still be assessed outside of the SBTi framework.

How we use science-based targets

We use science-based targets in several ways.

A sign of commitment

Setting a science-based targets tells us that a company is committed to the goals of the Paris Agreement. Companies must develop a specific decarbonisation plan with actionable steps, and report on progress annually. This helps to ensure companies are committed to decarbonisation, rather than simply making empty promises.

Company eligibility

We request that companies with a carbon intensity above 50% of the benchmark should have set or committed to setting science-based targets. We categorise these companies as 'reducing intensity companies'. However, we encourage all investee companies to set targets, even if they are low emitters.

Decarbonisation engagements

Science-based targets have been a consistent topic of engagement with investee companies, regardless of how advanced they are along their decarbonisation journey. Previous engagements have included encouraging companies to set targets, asking companies to complete an inventory of emissions as a prerequisite to setting a science-based target, and encouraging executive remuneration to be linked to decarbonisation targets.

See page 32 for more information on our company engagements.

Ongoing review

Decarbonisation is a long-term process, and we do not expect linear emission reductions from one year to the next. However, it is important to hold investee companies accountable. This is why we review progress towards their targets on an ongoing basis, and will engage with the company if we feel it is necessary.

[1]Source: SBTi's 2025 Target Dashboard.

Investee companies with science-based targets

As of the end of 2024, 25 portfolio companies have set or committed to science-based targets. Encouragingly, this means that 81% of the fund's net asset value (NAV) is now covered by science-based targets. However, more importantly, companies producing 98% of absolute portfolio emissions are committed to science-based targets. The remaining 2% of GHG emissions derive from 19% of the portfolio, hence this is produced by very low GHG emitting companies. Our aim is for at least 90% of absolute portfolio emissions, and 90% of fund holdings, to be covered by sciencebased targets eventually.

Here we have highlighted all investee companies that have set or committed to science-based targets.

Investee companies with science-based targets

Company	Set or committed?
Adobe	Set
Alphabet	Set
American Express	Set
ASML Holding	Set
Ball Corporation	Set
Becton Dickinson	Set
eBay	Set
ING Groep	Set
ISS	Set
Johnson Controls	Set
Linde	Set
Microsoft	Set
Nestlé	Set
Novo Nordisk	Set
Ørsted	Set
Reckitt Benckiser	Set
Schneider Electric	Set
Siemens	Set
Synopsys	Set
Tencent	Set
Unilever	Set
UnitedHealth Group	Set
Visa	Set
Weir Group	Set
WH Smith	Set

Source: M&G, SBTi, as at 31 October 2025.

The information provided should not be considered a recommendation to purchase or sell any specific security.

How are investee companies progressing?

Our traffic lights system aims to measure our investees' climate ambition and action. The below tables summarise our view of companies' overall contributions towards achieving the goals of the Paris Agreement, alongside any notable changes to progress over the past year. As sustainability data is often published with a lag, we are reviewing companies as of the year 2024 (the latest available data at the time of writing).

The colours indicate how well we believe companies are tackling the climate challenge in absolute terms, considering all action they have taken so far. The arrows indicate annual changes in progress or new developments, which occurred in 2024.

An update to our methodology

The methodology behind our traffic lights analysis has been developed in collaboration with the climate specialists in the M&G Investments central Stewardship & Sustainability team. This combines in depth, holistic research on every investee company, as well as quantitative data points for several of our calculations, sourced from external tools such as MSCI and Aladdin Climate. We believe this creates a robust approach to measuring companies' alignment with the goals of the Paris Agreement. Find out more about our methodology and the data points behind our analysis in the Key on page 12.

What do we measure?

When considering investee companies' climate action, we review a range of topics:

- **Disclosure** – Changes to company greenhouse gas (GHG) emissions disclosures, which could include reporting for the first time or including additional Scope GHG emissions.
- **Target setting** – Enhancing GHG emissions reduction targets and/or including new interim targets.
- **Strategy** – The focus of the company's strategy to prioritise and achieve its GHG emission reduction plans.
- **Governance** – Responsibility for delivering on climate plans, and aligning executive compensation to climate targets.
- **Other initiatives** – Additional initiatives that may have wider positive impacts on the environment, and which highlight the company's broader intent to address climate change.
- **On track?** – Considering progress versus baseline year, compared to the Paris climate trajectory. These may not always be linear, but year-on-year trends can help to illustrate whether a company is broadly on track.
- **Solutions** – For those companies providing climate solutions, we consider whether they have increased the number of offerings, and/or share of revenue.

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Key

Disclosure	🟩	The company discloses Scope 1, 2 and 3 GHG emissions.
	🟨	The company discloses Scope 1 and 2 GHG emissions.
	🟥	The company does not disclose its GHG emissions.
Target setting	🟩	The company's GHG emission reduction targets have been validated as science-based, and are in line with the pace needed to limit temperature increases to well-below 2°C.
	🟨	The company has committed to reducing GHG emissions at the pace needed to limit temperature increases to well-below 2°C and/or it has set a target that has not been validated as science based.
	🟥	The company has not committed to or a set a science-based target for reducing GHG emissions.
Strategy	🟩	The company has disclosed, quantified and allocated capital towards a strategy to achieve its decarbonisation targets.
	🟨	The company has disclosed a strategy to achieve its decarbonisation targets.
	🟥	The company has not set a decarbonisation strategy.
Governance	🟩	The company's board is responsible for delivering its climate plan, and there are links to climate targets in its executive remuneration calculation.
	🟨	The company's board is responsible for delivering its climate plan.
	🟥	The company's board is not responsible for a climate plan, and the company does not link executive remuneration to climate targets.
Other initiatives	🟩	The company has implemented a wide variety of other initiatives, which may have positive impacts on climate change, and which highlight the company's broader intent to address climate change.
	🟨	The company has implemented some other climate-related initiatives, which may have positive impacts on climate change.
	🟥	There are no other climate-related initiatives.
On track?	🟩	The company's Scope 1 and 2 GHG emissions have fallen over the past three years at a Compound Annual Growth Rate (CAGR) of 7% or greater, according to MSCI data, and/or the company is aligned to a 1.7°C temperature pathway according to Aladdin Climate.
	🟨	The company's Scope 1 and 2 GHG emissions have fallen over the past three years at a Compound Annual Growth Rate (CAGR) of less than 7%, according to MSCI data.
	🟥	The company's Scope 1 and 2 GHG emissions have remained flat or risen over the past three years, according to MSCI data.
Solutions	🟩	Climate solutions account for at least 50% of company revenue or capex.
	🟨	Climate solutions account for at least 10% of company revenue or capex.

↑ There has been good progress over the past year.

→ There has been little change or no progress in the past year.

↓ Progress has declined or reversed in the past year.

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Adobe

Climate targets? ✓ **Climate solutions?** ✓

A leading producer of content creation and advertisement software for creative professionals, with high switching costs due to the critical function of the software offering.

Disclosure	→	Discloses its Scope 1 and 2 GHG emissions and seven categories of its Scope 3 GHG emissions.
Target setting	→	Has committed to a long-term net zero target by 2050. It has near-term GHG emissions reductions targets validated by the SBTi, including a 42% reduction in Scope 2 and 52% reduction in Scope 3 GHG emissions by 2030 against a 2022 base year.
Strategy	→	The company has disclosed checkpoints to help achieve its net zero and short-term GHG emissions targets but does not have a clearly defined long-term strategy in place. Plans include operational efficiency, such as using low-energy chips, optimising data storage and 100% renewable energy sourcing by 2025, as well as supplier engagement on GHG emissions.
Governance	→	There is a Governance and Sustainability Committee and ESG Committee in place to manage the coordination of present and emerging environmental, social and governance issues. There is no executive remuneration tied to sustainability goals.
Other initiatives	→	In its corporate social responsibility (CSR) report, the business notes that virtual prototyping (via Substance 3D) could drive 83-90% of GHG emissions reduction versus physical prototyping for certain consumer goods.
On track?	→	Adobe remains on track to meet its GHG emissions reduction goals.
Solutions	→	Cloud-based software allows creative workers to collaborate remotely instead of travelling and to create realistic virtual designs without the need for physical prototypes. Digital document solutions reduce the GHG emissions and waste associated with physical paper.
Engagement topics		• Climate lobbying reporting

Alphabet

Climate targets? ✓ **Climate solutions?** ✓

The holding company of Google, a leading global player in online search and digital advertising. It also owns smartphone operating system, Android, and video sharing platform, YouTube.

Disclosure	→	Discloses Scope 1, 2 and categories 1-7, 11 and 12 of Scope 3 GHG emissions, which are relevant.
Target setting	↑	Alphabet's near-term targets aim to reduce Scope 1, 2 (market-based) and 3 GHG emissions 50% by 2030 from a 2019 base year. Its short-term targets are validated by the SBTi.
Strategy	→	Has a clear strategy for reducing GHG emissions, such as increasing the share of renewable energy in data centres and energy efficiency. However, it does not disclose specific sustainability tied capex.
Governance	→	The Audit and Compliance Committee have the primary responsibility for sustainability oversight. The Chief Sustainability Officer (CSO) leads these efforts.
Other initiatives	↓	Alphabet achieved its target of 100% plastic-free packaging in 2024, but has not achieved any other targets.
On track?	↓	Alphabet is off track in reducing its GHG emissions.
Solutions	↑	The company estimates that through its fuel-efficient routing suggestions, Nest, Solar API, Google Earth Pro and Green Light, it saves 26 million tonnes of CO_2e. It targets 1 billion tonnes of saved CO_2e by 2030 as it expands its scope of measurement and grows sales of its products.
Engagement topics		• GHG emissions trajectory (in light of AI-related GHG emissions)

American Express

Climate targets? ✓ **Climate solutions?** n/a

An integrated payment services platform operating card-issuing, merchant-acquiring and card network businesses. It primarily targets premium customers with strong credit profiles.

Disclosure	↑	Discloses its Scope 1 and 2 GHG emissions, and eight categories of Scope 3 GHG emissions, including financed emissions for the first time in 2024.
Target setting	→	Has targets to reduce Scope 1 and 2 GHG emissions 60% and Scope 3 GHG emissions 35%, both by 2033 against a 2019 base year. It has also set targets to reduce its Scope 1, 2 and 3 GHG emissions 90% by 2050 from the same base year. Near-term, long-term and net-zero targets are validated by the SBTi.
Strategy	↑	Has disclosed a strategy to achieve its emission reduction targets, which includes 100% renewable electricity sourcing across its offices and data centres, and engagement with its suppliers and partners.
Governance	→	There is Board-level oversight of its climate strategy, and executive remuneration is linked to GHG emissions targets.
Other initiatives	→	The company has climate initiatives, including the American Express Carbon Footprint Tool that allows select corporate clients to track estimated carbon emissions associated with spend across air travel, ground transportation, hotel stays, food and beverage, and retail.
On track?	↓	The company is off track with its emissions reduction targets. Its Scope 1 and 2 GHG emissions have increased at a 3-year CAGR of 2.8%.
Engagement topics		• Forward-looking milestones in transition strategy • Climate disclosure enhancements

ASML

Climate targets? ✓ **Climate solutions?** n/a

ASML is a market leader and critical supplier to the semiconductor industry, building advanced lithography systems that enable the production of faster, more powerful and energy-efficient semiconductor chips worldwide.

Disclosure	→	Reports full Scope 1, 2 and 3 GHG emissions across its operations and value chain.
Target setting	↑	Aims for net-zero GHG emissions across the value chain by 2040, with SBTi-validated near-term and long-term targets. These include a 75% reduction in Scope 1 and 2 GHG emissions and a 55% reduction in Scope 3 GHG emissions intensity by 2030, and a 90% and 97% reduction respectively by 2040 from a 2019 base year.
Strategy	→	To reduce energy use, shift to renewables, design more energy-efficient systems, and work with suppliers to cut value-chain emissions.
Governance	↑	An ESG Sustainability team advises the Board on climate priorities, target setting, and climate-related risks. Executive remuneration is also linked to sustainability through the Long-Term Incentive Plan (LTIP), which includes ESG measures with a 20% weighting, incorporating GHG emissions reductions and broader sustainability targets.
Other initiatives	→	Strong circular-economy focus, including zero-waste goals and high reuse rates for returned and refurbished parts.
On track?	↑	Scope 1 and 2 GHG emissions are already down c.46% from the 2019 baseline, exceeding the 2025 requirement of c.25%. Scope 3 intensity stands at 0.83 kt CO_2e per €m gross profit, ahead of the 2025 target of 0.93. While absolute Scope 3 GHG emissions have risen due to growth, underlying intensity continues to improve, and the company remains on track.
Engagement topics		• SBTi target submission • Publication of climate lobbying report

Ball Corporation

Climate targets? ✓ **Climate solutions?** ✓

A leading supplier of aluminium packaging, serving customers in the beverage, personal care and household products markets. It is an enabler for a circular economy as aluminium has a high propensity for recycling and reuse.

Disclosure	→	Discloses Scope 1, 2 and 3 GHG emissions.
Target setting	→	SBTi-approved, near-term 1.5°C aligned target to reduce Scope 1 and 2 GHG emissions 55% by 2030, and Scope 3 emissions by 16% from a 2017 baseline.
Strategy	↑	Ball Corporation's 2024 climate transition plan activities outline a pathway to netzero GHG emissions between 2040 and 2050. Key achievements in 2024 include increasing global renewable electricity usage to 73% and making operational upgrades to improve energy efficiency across various plants.
Governance	→	Remuneration for the CEO and other executive officers is tied to GHG emission reduction goals.
Other initiatives	→	Ball Corporation has targets for the recycled aluminium content of input materials, with an aim to reach 85% by 2030.
On track?	→	Ball corporation has continued to cut absolute GHG emissions and remains aligned with a 1.5°C GHG emissions pathway. Key achievements in 2024 includes increasing global renewable electricity usage to 73% and making operational upgrades to improve energy efficiency across various plants.
Solutions	→	100% of Ball Corporation's revenues are now derived from aluminium beverage packaging and personal/ home care products that can be recycled.
Engagement topics		• Net zero SBTi validation • Executive remuneration tied to climate target KPIs • Board composition

Bank of New York Mellon

Climate targets? ✓ **Climate solutions?** n/a

The world's largest custodian bank and the primary clearer for US government securities.

Disclosure	→	Discloses its Scope 1, 2 and 3 (business travel) GHG emissions.
Target setting	→	The bank has targets to reduce its Scope 1 and 2 GHG emissions 50% by 2030 against a 2018 base year. It has also set Scope 3 financed emissions targets covering the two highest-emitting sectors, oil and gas and power.
Strategy	→	It has disclosed a strategy to reduce its Scope 1 and 2 GHG emissions. The bank has not articulated how it intends to achieve its financed emissions targets.
Governance	→	There is Board-level oversight of its climate strategy, and the bank has executive remuneration linked to climate goals.
Other initiatives	→	The bank has a set of environmental sustainability goals focused on waste management, printing and paper use, water conservation, and maintaining carbon neutrality.
On track?	↓	The bank is off track against the target for Scope 1 and 2 GHG emissions to fall at a CAGR of 7% or greater. However, its Scope 1 and 2 (location-based) GHG emissions have declined by 34% from its 2018 base year versus its target to achieve a 50% reduction by 2030.
Engagement topics		• Renewable energy certificates • Category 15 Scope 3 GHG emissions

Becton Dickinson

Climate targets? ✓ **Climate solutions?** n/a

A well-diversified global medical technology company. Its products touch 90% of people in hospital, with 45 billion medical devices manufactured each year.

Disclosure	→	Discloses its Scope 1 and 2 GHG emissions and 13 categories of Scope 3 GHG emissions (up from 10 previously).
Target setting	→	SBTi-approved in 2024. Near-term 1.5°C aligned target to reduce Scope 1 and 2 GHG emissions 50% by 2030, up from 46% previously. By 2050, it aims to reduce absolute Scope 1 and 2 GHG emissions by 90% from a 2019 baseline, and Scope 3 emissions by 97% per unit of product sold by 2050 from a 2021 baseline.
Strategy	→	Has a strategy for reducing GHG emissions, involving transitioning towards renewable energy. 45 company sites currently use renewable energy and over 50% operate on fully renewable power.
Governance	↓	At the board level, the Corporate Governance and Nominating Committee has oversight responsibility for the processes, policies and practices related to ESG matters, including climate change.
Other initiatives	→	The company has set a target for 75% of its suppliers to have science-based targets by 2028.
On track?	↑	Has reduced Scope 1 and 2 GHG emissions 7%+ CAGR over a three-year period.
Engagement topics		• Sustainability-linked executive remuneration • Quantification of decarbonisation levers • Publication of climate-related capex

Capital One (acquired Discover Financial Services in May 2025)

Climate targets? ✓ **Climate solutions?** n/a

Capital One offers credit cards, auto loans, deposit products, and commercial banking services. It is the largest credit card issuer by loans outstanding in the US.

Disclosure	→	Discloses its Scope 1, 2 and six categories of Scope 3 GHG emissions.
Target setting	→	It has targets to reduce its Scope 1 GHG emissions by 50% by 2030 from a 2019 base year, and its Scope 3 GHG emissions by 50% from the same base year.
Strategy	→	It has disclosed a strategy to achieve its GHG emissions reduction targets which includes investing in the efficiency of its lighting, heating and cooling systems, and exploring ways to support the uptake of renewable energy among its suppliers.
Governance	→	The Board has the highest level of responsibility for its climate strategy. There are no executive remuneration links to GHG emission reduction goals.
Other initiatives	→	It offers structured sustainable debt products including sustainability-linked loans, green loans and green bonds, and green commercial real estate financing.
On track?	→	Its Scope 1 and 2 GHG emissions are flat over a 3-year period, primarily due to the addition of a new headquarters building in 2023, otherwise this would have fallen. The bank has reduced its Scope 1 GHG emissions by 38% and its Scope 3 GHG emissions by 33% from the 2019 base year.
Engagement topics		• Enhanced target setting • Enhanced disclosure (category 15 of its Scope 3 GHG emissions)

eBay

Climate targets? ✓ **Climate solutions?** ✓

One of the largest e-commerce marketplaces in the world, enabling the reuse (and thus GHG emission savings) of a wide range of consumer products.

Disclosure	→	Discloses a full inventory of its GHG emissions.
Target setting	↑	Near-term 1.5°C target validated by the SBTi to reduce Scope 1 and 2 GHG emissions 90% and Scope 3 downstream transportation and distribution GHG emissions 27.5% by 2030 against a 2019 base year. Its net zero target to reduce 90% of emissions by 2045 is also validated.
Strategy	↑	Its strategy includes energy efficiency, renewable energy, building automation and green certificates to address Scope 1 and 2 GHG emission reductions.
Governance	→	Renee Morin, eBay's Chief Sustainability Officer, is responsible for sustainability. She chairs the ESG Council which reports to the Executive Leadership team. ESG is included in annual cash incentive.
Other initiatives	→	1.6 million tons of carbon emissions and 70,000 tons of waste was avoided in 2024 due to recommerce.
On track?	↑	The company remains on track to meet its Scope 1 and 2 GHG emission targets.
Solutions	→	40% of sales are generated from pre-owned and refurbished items to promote and facilitate the circular economy.
Engagement topics		• Net zero SBTi validation • Scope 3 engagement plan

HDFC Bank

Climate targets? ✓ **Climate solutions?** n/a

A leading Indian private bank benefiting from the strong growth of India's middle class. Provides retail, wholesale and business banking as well as treasury services.

Disclosure	→	Discloses Scope 1, 2 and partial Scope 3 GHG emissions.
Target setting	→	Targeting carbon neutrality of Scope 1 and 2 GHG emissions by FY31-32.
Strategy	→	The bank has committed to a net-zero pathway which includes reducing its energy footprint through renewable energy adoption, energy efficient infrastructure, and automated energy management.
Governance	→	The bank has linked executive compensation to ESG targets.
Other initiatives	→	HDFC Bank plans to offer green financing such as lower-rate loans for green products such as electric vehicles. It is also working on a green bond framework.
On track?	→	GHG emissions have risen at an absolute level over a three-year CAGR but decreased on a revenue intensity basis.
Engagement topics		• Financed GHG emissions • Enhanced target setting

ISS

Climate targets? ✓ **Climate solutions?** n/a

One of the leading global facilities managers focused on cleaning services and catering. It is typically a stable and cash-generative business.

Disclosure	→	Discloses a full inventory of GHG emissions.
Target setting	→	Short-term targets of a 46.5% reduction in Scope 1 and 2 GHG emissions by 2030 against a 2019 base year, and select Scope 3 categories by 27.5%, both of which are approved by SBTi as 1.5°C aligned.
Strategy	↑	Electrifying the vehicle fleet, renewable energy, lowering the carbon footprint of food in the supply chain, and growing decarbonisation solutions for customers.
Governance	→	The Board of Directors and the Executive Group Management (EGM) set sustainability direction and regularly monitor progress. The company's short-term incentive plan (STIP) includes ESG targets, which account for 15% of the EGM's annual bonus. However, there are no such incentives included in the long-term incentive plan (LTIP).
Other initiatives	↑	Reduce food waste 50% by 2027, electrify 18,000 vehicles by 2030 and reduce emissions from food 25% by 2030.
On track?	↑	Has reduced Scope 1 and 2 GHG emissions >7% CAGR over three years.
Engagement topics		• Net zero SBTi validation • Forward-looking milestones in transition plan

Johnson Controls

Climate targets? ✓ **Climate solutions?** ✓

Offers a market-leading portfolio of energy efficient heating ventilation air conditioning (HVAC) products, complemented by high switching costs and growth driven by the secular impact of building efficiency.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	It has near-term Scope 1 and 2 targets in place for 2025, and long-term Scope 3 GHG emission targets. All near-term GHG emission targets are SBTi-aligned.
Strategy	→	It has an ESG strategy in place with a clear carbon transition plan. The strategy comprises a four-part plan linked directly to achieving the emission reduction targets approved by the SBTi.
Governance	→	Executive compensation is tied to sustainability. The Board oversees and reviews all ESG strategy initiatives. There is an ESG Leadership Committee in place, chaired by the Vice President of Global Sustainability and Regulatory Affairs, and reports to the Chief Sustainability and External Relations Office.
Other initiatives	↑	In 2024, 88% of new product R&D was allocated to climate-related innovation of sustainable products and services. Sustainability key performance indicators are incorporated into the product design during the stage gate review of the innovation process.
On track?	→	It is on track to achieving its long term GHG emission reduction targets. Scope 1 and 2 GHG emissions reduced by 21% from the 2021 baseline.
Solutions	↑	It offers a vast product range of HVAC equipment and building control software that supports carbon emission reductions. Approximately 59% of revenue is derived from products and services that are climate solutions for customers.
Engagement topics		• Net zero SBTi validation

Linde

Climate targets? ✓ **Climate solutions?** ✓

One of the largest industrial gas companies in a three-player oligopoly. Generates very defensible returns as volumes are protected by long-term contracts and commodity prices are fully passed through to customers.

Disclosure	→	Discloses a full inventory of Scope 1, 2 and 3 GHG emissions.
Target setting	→	Near-term targets to achieve a 35% reduction in Scope 1 and 2 GHG emissions by 2035 from a 2021 base year were approved by the SBTi in October 2022 as being well-below 2°C.
Strategy	→	It plans to achieve its targets by tripling the procurement of low-carbon energy, utilising renewable feedstocks, and developing carbon capture and storage (CCS) projects. Capex and R&D spending is disclosed.
Governance	→	Sustainable development is overseen by the Board and Executive Leadership, and integrated throughout the company. The Sustainability Committee has oversight of emission reductions. Climate is linked to 20% of the strategic non-financial compensation, which comprises 25% of annual compensation.
Other initiatives	→	Targets zero waste globally by 2035 and a 20% reduction of water withdrawal intensity in areas of high stress by 2035.
On track?	→	GHG emissions have declined only 2% over three-year CAGR.
Solutions	↑	Linde provides oxygen that results in more energy-efficient steelmaking, hydrogen to reduce sulphur in diesel to meet regulatory requirements, and gases for insulation. This enabled savings of 96 million tonnes of CO_2e for customers in 2023.
Engagement topics		• Scope 3 GHG emissions target setting • Climate lobbying statement

Manhattan Associates

Climate targets? n/a **Climate solutions?** ✓

The company provides software for supply chain management inventory optimisation, and omnichannel operations. It dominates a core vertical in the supply chain software market.

Disclosure	→	Manhattan Associates discloses its total energy consumption (MWh) and percentage of total energy consumption that is grid electricity. The data disclosed is from 2020- 2024. The company does not disclose its Scope 1, 2 and 3 GHG emissions.
Target setting	→	The company does not have any GHG emission reduction targets in place.
Strategy	→	There is no climate or GHG emission reduction strategy currently in place.
Governance	→	There is no reference to governance for environmental sustainability.
Other initiatives	→	There are no other climate initiatives in place.
On track?	→	The company has not disclosed emissions data, making it difficult to measure progress. Given its sector, it is considered a low GHG emissions company for Scope 1 and 2 GHG emissions.
Solutions	→	The company does not disclose absolute figures on the impact of its climate solutions, but our internal analysis, supplemented with external analysis, suggests that c.40% of sales of products contribute towards customer GHG emission savings resulting from improved efficiencies.
Engagement topics		• GHG emissions disclosure • Carbon reduction target setting • Publication of avoided GHG emissions

Microsoft

Climate targets? ✓ **Climate solutions?** ✓

One of the largest infrastructure, application software and hardware companies. It is highly moated due to its extensive network effects, with the Windows operating system running on 1.4 billion devices and the company's presence across the entire technology stack providing critical infrastructure.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	↓	Its near-term target commits to reducing Scope 3 revenue intensity 30% by 2030 against a 2017 base year, and avoiding growth in absolute GHG emissions. This has been validated by the SBTi as 1.5°C aligned, however, its net-zero target has been removed.
Strategy	→	This includes improving energy efficiency, accelerating renewable energy contracting, scaling start-up investments, and using its power and influence to accelerate green technologies. It has more reliance on carbon credits and removals to achieve its own net-zero targets than other technology firms.
Governance	→	The Chief Sustainability Officer, who leads and executes the sustainability strategy, reports to the Vice Chair and President who are responsible for setting the sustainability strategy. The Environmental, Social, and Public Policy Committee provides oversight and guidance on sustainability strategy. The CEO and NEOs are incentivised on sustainability through their annual cash bonus, with 10% assigned to culture, diversity and sustainability.
Other initiatives	→	Microsoft has set a wide range of other climate-related targets. For example, a 90% diversion of solid waste and 75% from construction/demolition by 2030; by 2025, 90% of servers and components for all cloud hardware are to be reused and recycled; by 2025, its aim is to eliminate single-use plastics, and it seeks to make hardware products and packaging fully recyclable by 2030. It also aims to replenish more water than used by 2050 and provide 1.5 million people with access to clean water and sanitation by 2030.
On track?	↑	Scope 1 and 2 GHG emissions have fallen by 10% CAGR over three years.
Solutions	→	It provides the most energy-efficient data centres through its Azure Cloud Computing services. The company also supplies technology solutions that help customers and suppliers monitor and reduce their environmental impact.
Engagement topics		• Allegations of misuse of cloud services

Morningstar

Climate targets? ✓ **Climate solutions?** ✓

A global leader in investment information and services, providing data, research and analysis.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	Has a target to reduce GHG emissions 50% by 2030 against a 2019 base and reach net zero by 2050. The targets are not yet externally validated, but the company has stated that it is looking to align with best practice (SBTi).
Strategy	→	The climate transition plan has been published and details how the company measures, manages and will reduce GHG emissions, including renewable energy procurement and data centre migration.
Governance	→	The Board has explicit responsibility for ESG, including climate-related risks and opportunities. There is a cross-functional ESG Committee at management level.
Other initiatives	→	Morningstar launched a set of Low Carbon Transition Leaders (LCTL) Indexes. These indexes are based on companies that are leading their peers in readiness and action towards a low-carbon economy.
On track?	↓	GHG emissions have risen over the last three years. However, as GHG emissions are so low this does not impact Morningstar's medium- and long-term reduction targets.
Solutions	→	It provides solutions to help customers reduce GHG emissions. Its end-to-end climate solutions help investors navigate and address the investment implications of climate change.
Engagement topics		• Climate targets SBTi validation • Forward looking milestones in transition plan • Executive remuneration links to climate targets

Nestlé

Climate targets? ✓ **Climate solutions?** n/a

A leading global business in food manufacturing, which commands leadership in attractive categories such as coffee and pet care.

Disclosure	→	Discloses Scope 1, 2 and 3 GHG emissions.
Target setting	→	Aims to reduce its absolute Scope 1 and 2 GHG emissions 20% by 2025 and 50% by 2030, against a 2018 base year. This target has been validated by the SBTi and aligns with the 1.5°C pathway of the Paris Agreement. It also has an SBTi-approved net zero target in place.
Strategy	→	The strategy for reducing emissions includes increasing the use of renewable energy sources, and the company is working with suppliers and farmers to reduce the GHG emissions of ingredients, including dairy.
Governance	→	The ESG & Sustainability Council drives the implementation of the strategy and regularly reports to the Executive Board. The Executive Board's long-term incentive plan is 15% linked to ESG-related key performance indicators and includes the reduction of GHG emissions.
Other initiatives	→	Nestlé runs a Global Reforestation programme which aims to plant 200 million trees by 2030 in landscapes from which the company sources raw materials, and for 50% of its key ingredients to come from regenerative agriculture by 2030.
On track?	→	Nestle remains on track to meet its GHG emission reduction targets.
Engagement topics		• Progress against climate milestones and targets • New five-year plan to 2030

Novo Nordisk

Climate targets? ✓ **Climate solutions?** n/a

A global biopharmaceutical company with leadership positions in diabetes and the nascent obesity care market, having launched GLP-1 weight-loss drug, Wegovy, in 2022.

Disclosure	→	Publishes its Scope 1 and 2 emissions, and nine relevant categories of Scope 3 GHG emissions.
Target setting	↓	Aims to achieve net zero emissions across its entire value chain by 2045. Scope 1 and 2 emissions targets are aligned with the SBTi 1.5°C pathway. However, Scope 3 emissions targets are not. The company has an interim target to reduce Scope 3 GHG emissions by 33% on an absolute basis from a 2024 base year.
Strategy	→	Has a strategy to reduce Scope 1 and 2 GHG emissions, which includes sourcing 100% renewable energy for its production sites and transitioning to 100% electric company cars by 2030.
Governance	→	Climate targets are well integrated into governance, reporting and monitoring. It also has a Sustainability Operations Council, comprising external experts in social and environmental sustainability that provide an outside-in perspective on sustainability topics. 25% of Executives' short-term incentives and 33% of long-term incentives are linked to ESG goals or 'Purpose & Sustainability and Innovation & Therapeutic Focus'. This is split across nine key objectives, including performance against environmental targets.
Other initiatives	→	Other initiatives include targeting a 30% reduction in the amount of plastic used per patient by 2033.
On track?	→	Novo Nordisk remains on track for its Scope 1 and 2 GHG emissions targets, with GHG emissions having declined by 43% against the 2018 baseline.
Engagement topics		• Nature and biodiversity • Board composition

Ørsted

Climate targets? ✓ **Climate solutions?** ✓

One of the world's largest producers of renewable energy and a leader in offshore wind farms. It has assets across the world and a strong growth pipeline of projects.

Disclosure	→	Discloses a full Scope 1, 2 and 3 GHG emissions inventory.
Target setting	→	Has SBTi-approved near-term (2025) and long-term (2040) GHG emission reduction targets, both of which are 1.5°C aligned, with an aim to achieve net zero by 2040.
Strategy	→	The company has disclosed a quantified transition plan.
Governance	→	The Board of Directors has responsibility for the climate plan and executive remuneration is linked to climate goals.
Other initiatives	→	Has a target to make a net-positive biodiversity impact from all new renewable energy projects commissioned from 2030 at the latest.
On track?	↑	Continues to make strong progress in reducing its GHG emissions footprint. The company recently completed the shutdown of its last coal-fired heat and power plant. The phase-out was previously delayed by the Danish government to maintain security of the energy supply.
Solutions	↑	As a world leader in offshore wind energy, the company is a climate solutions provider. EU Taxonomy-aligned EBITDA has risen to 95%.
Engagement topics		• Nature and biodiversity • Disclosure of avoided GHG emissions

Reckitt Benckiser

Climate targets? ✓ **Climate solutions?** n/a

Sells trusted hygiene, health, and infant nutrition products. This portfolio of products is comprised of leading brands in their respective categories and is well diversified globally.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	The company has achieved its goal of reducing Scope 1 and 2 GHG emissions 65% by 2030, compared to the 2015 baseline, and to cut Scope 3 GHG emissions by 50% within the same timeframe. It aims to achieve net zero by 2040.
Strategy	→	It has a clear 2030 roadmap to help achieve its sustainability targets with clearly defined goals and objectives. This includes product design, ingredient sourcing, sustainable packaging, improving logistics, and supplier engagement.
Governance	→	Climate targets are incorporated into governance, reporting and monitoring. The responsibility for these lie with the Risk, Sustainability and Compliance Committee (RSCC) chaired by the CEO. It ties GHG emission reduction targets to executive remuneration.
Other initiatives	→	Reckitt helped launch a global partnership with the Resilient Cities Network and the Sustainable Markets Initiative (SMI) to focus on climate-sensitive, preventative public health in cities – including GHG emissions reduction.
On track?	→	It has reduced GHG emissions by >7% CAGR over the last three years and remains ontrack to meet targets.
Engagement topics		• Net zero SBTi validation • Overview disclosure of all sustainability and target data

Schneider Electric

Climate targets? ✓ **Climate solutions?** ✓

A leading global supplier of electrical and industrial automation equipment. It has a leading market position and brand reputation for electrical components, equipment and HVAC products, and derives its competitive advantage from the high switching costs.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	Has a net zero target validated by SBTi with a 25% absolute reduction target across Scope 1, 2 and 3 emissions. It also targets a carbon-neutral value chain by 2040.
Strategy	→	The company has a clearly aligned roadmap towards 2050, with high-level interim targets for 2025, 2030, 2040 and 2050.
Governance	→	A clear sustainability governance framework is in place, with a Governance, Nominations & Sustainability Committee that reports to the Board of Directors and the Function Committee for validation. The latter has seven members, each holding functional responsibilities and report directly to the CEO. Executive remuneration is tied to climate targets.
Other initiatives	→	Schneider currently uses 40% green material content in its products, alongside 80% of packaging being free from single-use plastics.
On track?	↑	The company is on track to achieve its net zero targets and reduced its Scope 1 and 2 GHG emissions by 21% against a 2021 baseline.
Solutions	↑	The company had 74% impactful revenues in 2024, the same percentage as 2023. These products and services help its customers reduce their GHG emissions.
Engagement topics		• Scope 3 GHG emissions reduction

Siemens

Climate targets? ✓ **Climate solutions?** ✓

A multi-industry company focused on the areas of automation, electrification, mobility and healthcare. It has a rich portfolio and a deep installed base in discrete/process automation. This is complemented by a first-in-class engineering software offering that is difficult to replicate and offers an edge versus industrial competitors.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	Has pledged to reduce GHG emissions from its own operations (Scope 1 and 2) 50% and its value chain (Scope 3) 15% by 2030 against a 2019 base year. These sciencebased targets are aimed at aligning the business's activities with a 1.5°C decarbonisation pathway.
Strategy	→	It has a clear sustainability strategy that includes targeting its operational GHG emissions and those within its product design.
Governance	→	Siemens has a clear governance structure in place with remuneration incentives aligned with ESG and sustainability metrics.
Other initiatives	→	Siemens increased the number of battery electric vehicles (BEV) in its fleet to roughly 8,000, equalling a BEV-rate of 18%, and increased the number of charging points installed at Siemens locations to around 3,700 in fiscal year 2024. Additionally, for its largest country fleet in Germany, Siemens doubled the number of BEVs to more than 3,700 and attained a BEV-order ratio of over 80%.
On track?	↑	The company has reduced its GHG emissions by >7% CAGR over the last three years. The company remains on track to achieving its GHG emission targets.
Solutions	↑	The company's Smart Infrastructure and Mobility divisions (total 43%) are classified as climate solutions.
Engagement topics		• GHG emissions avoided targets • Rating provider engagement in relation to Xinjiang

Synopsys

Climate targets? ✓ **Climate solutions?** ✓

A global provider of electronic design automation software and intellectual property products. EDA software automates and aids in the chip design process, enhancing design accuracy, productivity and complexity in a full-flow end-to-end solution.

Disclosure	↑	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	↑	Synopsys has committed to reducing its absolute Scope 1 and 2 GHG emissions 55% by 2032 against a 2019 base year, and its Scope 3 GHG emissions from employee commuting and business travel 62% per employee within the same timeframe. Synopsys further committed to reducing Scope 3 GHG emissions from use of sold products 62% per lifetime verification task within the same timeframe. In addition, 45% of its suppliers by spend, covering purchased goods and services, and capital goods, will have science-based targets by 2027.
Strategy	→	While Synopsys has communicated its intention to reduce its GHG emissions, there is not a clear stated strategy as of yet.
Governance	→	Synopsys does not have a clear remuneration alignment to ESG and sustainability. However, the business has a Climate Action Steering Committee and the cross functional Responsible Business Leadership Committee which includes executive members of the Board which drives sustainability actions across the company.
Other initiatives	↑	Synopsys commits to sustainability across its offices and data centres by seeking LEED/BREEAM or equivalent certification where possible.
On track?	↑	The company has reduced its GHG emissions >7% CAGR over the last three years. The company remains on track to achieving its GHG emission targets.
Solutions	→	Synopsys classifies 90% of its revenues that are from low-carbon products or services. These are products/services that can enhance efficiency for customers.
Engagement topics		• Development of GHG emissions/waste avoided measurement

Tencent

Climate targets? ✓ **Climate solutions?** n/a

A leading Chinese technology business and owner of WeChat, China's largest social media app, and a leading video game publisher. It is well moated due to its extensive user base, creating material network effects, the broad product offering of WeChat, and consequently creating an extremely sticky customer base and the intellectual property of its game portfolio.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	It has committed to reducing its Scope 1 and 2 GHG emissions 70% by 2030 against a 2021 base year and reducing absolute Scope 3 GHG emissions 30% within the same timeframe. These are SBTi approved and 1.5°C aligned. It has also had its net zero target validated by the SBTi.
Strategy	→	Includes improving energy efficiency, increasing the share of renewable energy consumed in its own and leased data centres, actively participating in green power trading, potential investments in renewable energy projects, and offsetting residual emissions. There is no capex on sustainability investments.
Governance	→	The Corporate Governance Committee holds responsibility for climate-related issues and is supported by its Sustainable Social Value Organisation. It has not disclosed any ESG-related incentives for management.
Other initiatives	→	Tencent has invested in carbon capture, utilisation and storage (CCUS) and long duration storage. It has implemented the Tencent Solid Waste Management Policy, practising the Reduce, Reuse, and Recycle principle. However, no clear targets have been set.
On track?	↓	Tencent is currently off track as its Scope 1 and 2 GHG emissions grew 2% over three years.
Engagement topics		• Human rights and data privacy • Board composition

Tokio Marine

Climate targets? ✓ **Climate solutions?** n/a

It is the oldest property and casualty insurer in Japan, and has expanded its expertise to international markets. It is now a global insurance and reinsurance business and covers specialised securities and risk management.

Disclosure	→	Discloses its Scope 1 and 2 GHG emissions, and five categories of Scope 3 GHG emissions, including financed emissions associated with its investment portfolios.
Target setting	→	It has set targets to reduce its Scope 1, 2 and 3 (excluding financed emissions) 60% by 2030 against a 2015 base year. It also aims to reduce its GHG emissions to net zero by 2050, including financed emissions. The company has not set near-term targets for its financed emissions.
Strategy	→	Tokio Marine has disclosed its Scope 1 and 2 GHG emissions reduction strategy, which includes efficiencies, renewable energy purchase and fleet electrification. The company targets 100% renewable electricity usage at key business facilities by 2030. An extensive, ongoing programme of mangrove planting also ties into the strategy to achieve carbon neutrality.
Governance	→	Its Sustainability Committee consists of the Group Chief Executive and Chief Divisional Officers, overseeing the implementation of the Group's sustainability strategy. Sustainability is linked to executive remuneration.
Other initiatives	→	It commits to engage with its 200 largest corporate clients on their decarbonisation plans by 2030, and aims to achieve decarbonisation-related insurance premiums of 45 billion yen by 2026. The company has implemented sector restrictions on coalfired power generation, thermal coal mining, oil sands, and Arctic oil and gas.
On track?	→	The company remains on track to achieve its targets. Its Scope 1 and 2 GHG emissions have declined at a three-year CAGR of 18%.
Engagement topics		• SBTi validation of climate targets • TNFD-aligned reporting • Business improvement plan

Unilever

Climate targets? ✓ **Climate solutions?** n/a

A global consumer packaged goods manufacturer with a portfolio of iconic brands. It is one of the largest producers of household and personal care products worldwide.

Disclosure	↑	Discloses it Scope 1, 2 and all relevant categories of Scope 3 GHG emissions.
Target setting	→	Aims to achieve a 100% reduction in absolute Scope 1 and Scope 2 GHG emissions by 2030, a 42% reduction in Scope 3 energy and industrial GHG emissions against a 2021 base year, and a 30.3% reduction in Scope 3 forest, land, and agriculture GHG emissions by 2030 against the same base year.
Strategy	↑	Unilever's GHG emission reduction strategy includes a supplier climate programme, product reformulation, and using alternative aerosol propellants.
Governance	→	The Board of Unilever has accountability for climate, and the Climate Transition Pathway is overseen by the Executive Board. There are climate performance targets linked to executive remuneration.
Other initiatives	→	Unilever is investing in regenerative farming practices (eg, cover crops and improved soil health) across its supply chain to sequester carbon, build resilience, and reduce GHG emissions. Its goal is to scale projects to 1 million hectares by 2030.
On track?	→	Unilever has reduced its GHG emissions by >7% CAGR over the last three years and remains on track to meet its targets.
Engagement topics		• Target roll-backs • Climate lobbying

UnitedHealth

Climate targets? ✓ **Climate solutions?** n/a

America's largest private health insurer and healthcare services company. It capitalises on the steady growth of US healthcare spending by leveraging its scale. The company offers a diverse range of health benefit plans and health services through its Optum line of business to help manage healthcare costs.

Disclosure	→	Published its Scope 1, 2, and nine categories of Scope 3 GHG emissions.
Target setting	↑	It has set targets to reduce its absolute Scope 1 and 2 GHG emissions 60% by 2030 against a 2021 baseline. It also aims to reduce its GHG emissions across the value chain to net zero by 2050. The targets have been validated by the SBTi.
Strategy	→	UnitedHealth's GHG emission reduction strategy includes upgrading facilities with energy efficient projects, such as LED lighting and HVAC, investing in large-scale solar projects, and purchasing carbon removals for the remaining 10% or less of GHG emissions.
Governance	→	The governance model includes a Sustainability Steering Committee and working groups overseen by the Board of Directors.
Other initiatives	→	UnitedHealth aims to have 77% of suppliers set science-based targets by 2030. The company also has an enterprise-wide paperless initiative where 2.7 billion pieces of paper were saved in 2024 and more than 4.3 billion pieces of paper since establishing the initiative in 2022.
On track?	↑	There has been a 23% reduction in Scope 1 and 2 GHG emissions relative to its 2021 baseline with the company reducing emissions 8% CAGR over the last three years.
Engagement topics		• Progression on near-term climate targets • Consideration of health risks of climate change

Visa

Climate targets? ✓ **Climate solutions?** n/a

Visa operates one of the world's largest retail electronic payments networks and manages global financial services. It offers global commerce through the transfer of value and information among financial institutions, merchants, consumers, businesses and government entities.

Disclosure	→	Discloses its Scope 1 and 2 GHG emissions, and five categories of Scope 3 GHG emissions.
Target setting	↑	Updated its near-term targets and had its net zero target validated by the SBTi in 2024. Its near-term targets are to reduce its Scope 1 and 2 GHG emissions 81% by 2030 against a 2019 base year, and reduce its Scope 3 GHG emissions 46% within the same timeframe. It also has a net zero target to reduce its Scope 1, 2 and 3 GHG emissions 90% by 2040 from a 2019 base year.
Strategy	→	Visa has disclosed a strategy to achieve its Scope 1 and 2 GHG emission reduction targets, which include 100% renewable electricity use at its offices and data centres. The company has also disclosed its Scope 3 strategy which focuses on supplier engagement.
Governance	→	There is Board-level oversight of its climate strategy, and executive remuneration is linked to climate goals.
Other initiatives	→	The company continues to expand climate positive initiatives by embedding sustainability across the business and implementing initiatives to understand and encourage consumers towards sustainable commerce.
On track?	→	Its Scope 1 and 2 GHG emissions have increased at a three-year CAGR of 5.9%, following a rebound in activity post-COVID. The company remains on track versus its SBTi-validated target, achieving a 69% reduction in its Scope 1 and 2 GHG emissions against the 2019 base year.
Engagement topics		• Net-zero SBTi validation • Scope 3 GHG emission reduction efforts

Weir Group

Climate targets? ✓ **Climate solutions?** ✓

A global manufacturing business, predominantly involved in the design and manufacture of pumps and valves, and operating with a very attractive business model covering both original equipment and aftermarket revenues.

Disclosure	→	Discloses Scope 1, 2 and 3 GHG emissions.
Target setting	→	Has set near-term and long-term targets approved by the SBTi, covering Scope 1, 2 and 3 GHG emissions. These include reducing absolute Scope 1 and 2 GHG emissions 30% by 2030 against a 2019 base year and absolute Scope 3 GHG emissions from the use of sold products 15% within the same timeframe.
Strategy	→	It has established a clear sustainability strategy that focuses on reducing emissions from its own operations and wider value chain. The strategy includes manufacturing products that help customers with their own decarbonisation targets.
Governance	→	Management remuneration is linked to achieving Scope 1 and 2 GHG emissions targets aligned to SBTi. 20% of Executive Director annual bonus for 2024 was linked to ESG measures.
Other initiatives	↑	Weir has formed a new steering committee to drive its inclusion, diversity and equity (ID&E) agenda. The business is growing its capability in digital and AI to add intelligent automation to its solutions offering in order to boost the productivity and sustainability performance of products even further.
On track?	→	Weir reduced its GHG emissions c3% CAGR over the last three years.
Solutions	→	Weir Group produces energy efficient equipment that helps its customers in the mining industry reduce their energy consumption. Weir has >10% of revenue contribution from climate solutions.
Engagement topics		• Scope 3 GHG emissions calculation • Avoided GHG emissions

WH Smith

Climate targets? ✓ **Climate solutions?** n/a

A leading travel retailer with a strong brand, extensive network of prime locations at airports and train stations, and established customer loyalty.

Disclosure	→	Discloses its Scope 1, 2 and 3 GHG emissions.
Target setting	→	Targets an 80% reduction in absolute Scope 1 and 2 GHG emissions by 2030 against a 2020 base year. Additionally, it aims for 75% of its suppliers, covering purchased goods, services, and upstream transportation and distribution, to have science-based targets by 2027. Its targets are validated by the SBTi as near-term 1.5°C aligned.
Strategy	→	Its sustainability strategy is built around three pillars: Planet, People and Communities, focused on cutting environmental impact (net zero by 2050, less packaging and waste, zero deforestation), supporting employees through safety, wellbeing and DE&I, contributing to society by promoting children's reading, and driving positive community impact through fundraising and donations.
Governance	→	ESG governance is overseen by a Board-level committee, with the CEO-led ESG Steering Group reviewing progress on a monthly basis. Business owners and the sustainability team manage day-to-day issues, while the Audit Committee and Business Risk Committees receive quarterly updates. ESG targets are embedded in senior management incentives and tied to the company's revolving credit facility, which offers interest-rate reductions when predetermined ESG targets are met.
Other initiatives	→	The company maintains strong responsible business standards with a zero deforestation policy for own brand products, plans to cut plastic packaging by 2025, efforts to reduce food waste through Too Good To Go, and support for children's literacy through the Gift a Gruffalo campaign.
On track?	↑	The company has made strong progress by reducing Scope 1 and 2 GHG emissions 90% since 2020, reaching 32% supplier coverage with science-based targets, and sourcing 100% of paper-based own brand products from certified or recycled materials.
Engagement topics		• Climate targets in light of high street divestment • Better communication of strategy • Board composition

Portfolio emissions data

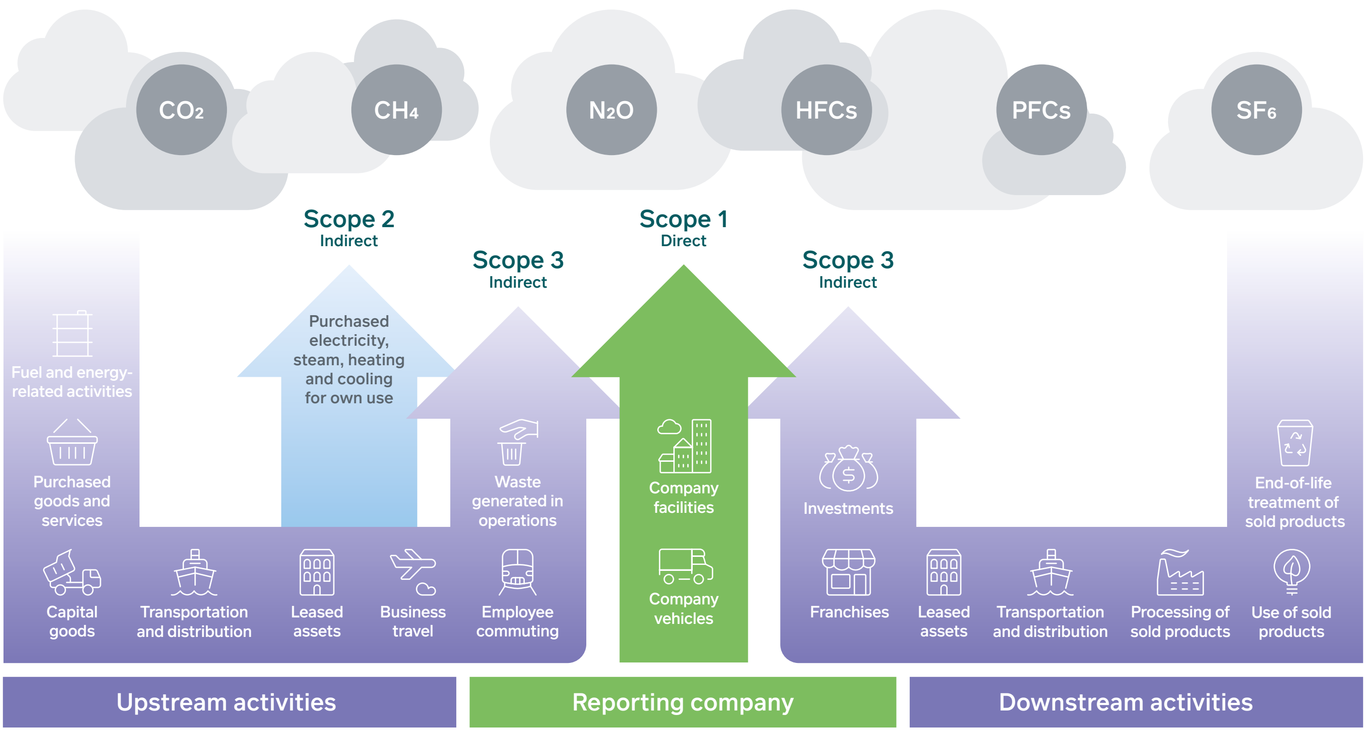
Here we have reported the fund's Weighted Average Carbon Intensity (WACI) versus its benchmark, the MSCI World Index. We have shown the WACI using two different, but common methodologies. One compares emissions with the value of sales (revenue carbon intensity), the other compares emissions with enterprise value – the value of the company's total assets and debt – plus cash (EVIC).

For every company held in the fund, we have reported the amount of Scope 1 and 2 GHG emissions, alongside the carbon intensity, using the sales-based methodology, as we believe this is more appropriate for individual holdings. We have also provided the year-on-year changes for total GHG emissions and carbon intensity, although it is worth noting that decarbonisation is a long-term, non-linear process, and we would not expect consistent reductions, year in, year out. Where available, we have also included Scope 3 GHG emissions, but have not taken these into account when reporting annual changes to GHG emissions, or carbon intensity figures. Scope 3 GHG emissions are by their nature difficult to measure, and there are reporting inconsistencies between companies, alongside data availability issues.

Companies tend to report climate data in their annual reports and accounts and/or sustainability reports, which are released at different times of the year and include emissions figures for the previous year. In this report, we have used the latest available data from investee companies, covering annual GHG emissions for calendar year 2024, provided in 2025.

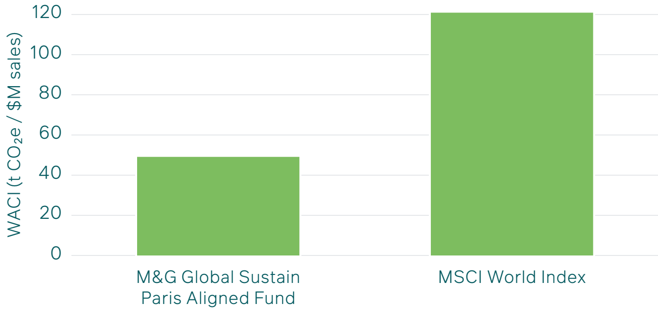
Emissions reporting: key metric definitions

Scope 1 GHG emissions	Direct emissions from the activities of a company or under its control.
Scope 2 GHG emissions	Indirect emissions from electricity purchased and used by a company.
Scope 3 GHG emissions	All other indirect emissions from the activities of a company, but which occur from sources it does not own or control. This includes emissions from suppliers and customers.
Carbon intensity	The amount of Scope 1 and Scope 2 carbon emissions per million US dollars of sales.
Weighted Average Carbon Intensity (WACI)	The combined carbon intensity of every holding, weighted to their proportions in the fund or benchmark.



Fund GHG emissions intensity

	WACI	
	t CO_2e / £M sales	t CO_2e / EVIC £
M&G Global Sustain Paris Aligned Fund	49.1	9.4
MSCI World Index	120.9	39.2
Fund versus benchmark	-59%	-76%



Source: MSCI ESG Carbon Footprint Calculator, holdings as at 31 October 2025.

Individual company GHG emissions data

Company	Scope 1	Scope 2	Scope 3	Total GHG emissions (Scopes 1+2)	YOY change	Carbon intensity	YOY change
	t CO_2e	t CO_2e	t CO_2e	t CO_2e	%	t CO_2e / $M sales	%
Adobe	7,218	19,602	496,951	26,820	-61.86%	1.2	-20.89%
Alphabet	73,100	3,059,100	12,053,000	3,123,200	-10.58%	8.9	-21.47%
American Express	21,817	1,758	1,901,592	23,575	-24.49%	0.3	-31.45%
ASML Holding	23,500	9,300	12,038,800	32,800	-6.55%	1.1	-2.80%
Ball Corporation	387,349	674,976	7,544,675	1,062,325	-5.63%	49.0	8.66%
Bank of New York Mellon	8,291	1,586	22,522	9,877	17.08%	0.2	-0.55%
Becton Dickinson	176,565	214,417	2,356,004	390,982	-6.10%	19.4	-11.81%
Capital One	7,251	2,041	521,795	9,292	-12.76%	0.2	-36.74%
eBay	4,951	146	2,096,472	5,097	-80.71%	0.5	-81.03%
HDFC Bank	77,999	284,877	230,310	537,718	-38.28%	6.5	-46.42%
ISS	56,592	5,594	1,617,882	62,186	-14.06%	5.3	-15.47%
Johnson Controls	377,446	288,016	218,140,000	665,462	-6.71%	23.1	1.90%
Linde	16,470,000	20,943,000	24,367,000	37,413,000	-1.92%	1,133.6	-2.37%
Manhattan Associates*	495	5,780	n/a	6,276	13.25%	6.0	0.90%
Microsoft	143,510	259,090	15,140,000	402,600	-25.18%	1.6	-35.32%
Morningstar	239	6,867	5,663	7,106	26.69%	1.0	62.37%

Company	Scope 1	Scope 2	Scope 3	Total GHG emissions (Scopes 1+2)	YOY change	Carbon intensity	YOY change
	t CO_2e	t CO_2e	t CO_2e	t CO_2e	%	t CO_2e / $M sales	%
Nestlé	3,080,000	260,000	71,350,000	3,340,000	-3.60%	33.1	5.66%
Novo Nordisk	85,000	16,000	2,160,000	101,000	8.60%	2.5	-8.68%
Ørsted	733,299	58,925	9,043,386	792,224	-52.79%	74.4	-44.87%
Reckitt Benckiser	107,029	6,714	7,573,628	113,743	-68.17%	6.4	-4.21%
Schneider Electric	106,360	37,348	55,649,186	143,708	-28.94%	3.6	-28.67%
Siemens	347,000	94,000	416,758,000	441,000	-19.82%	5.2	-22.10%
Synopsys	2,273	25,254	221,148	27,527	-45.12%	4.5	-21.73%
Tencent	121,466	2,863,848	3,071,295	2,985,314	5.24%	33.0	-0.09%
Tokio Marine	12,517.00	21,344.00	23,509	33,861	-20.11%	0.7	-25.45%
Unilever	480,000	210,000	53,800,000	690,000	-5.27%	10.7	-2.80%
UnitedHealth	105,782	265,661	17,977,601	371,443	-32.77%	0.9	-37.51%
Visa	13,510	25	613,162	13,535	-19.21%	0.4	-28.53%
Weir Group	64,880	93,234	50,005,216	158,114	-1.05%	42.5	0.52%
WH Smith	1,370	1,809	513,030	3,179	-71.37%	1.3	-74.19%

Source: MSCI, CDP and company literature. Data collected as at 31 October 2025. Total carbon emissions and carbon intensity include Scope 1 and 2. Data is for the year 2024. YOY change figures are calculated by comparing data with the preceding year, taking into account only Scope 1 and 2 emissions. For Scope 2 data, we have used market-based figures. We believe this approach provides a more accurate representation of company emission reduction efforts. Those marked with an asterisk* are estimated Scope 1 and 2 emissions. The information provided should not be considered a recommendation to purchase or sell any specific security.

Climate solutions providers: real world impact

When analysing potential companies for the fund, we will consider whether they provide solutions to the climate challenge through their products and services. These companies tend to be large emitters, but we believe they make a net positive climate impact regardless, as the emissions avoided/saved through the use of their products and services tend to exceed those emitted in providing these products and services. We have highlighted examples of these companies below, alongside their net positive impact and revenue generated from climate solutions, where available.

Ball Corporation

Ball Corp is the #1 aluminium can producer globally providing scale advantages and beneficial buying power. Aluminium has the highest packaging recycling rates across the world and can be indefinitely recycled. It therefore helps reduce GHG emissions and waste due for landfill when it is substituted for other packaging methods such as glass and plastic. Ball Corp promotes a circular economy and responsible consumption.

eBay

eBay is one of the largest global online marketplaces; its platform serves to connect buyers with product sellers in a seamless way. Over 40% of sales are generated from pre-owned and refurbished items, promoting a circular economy and helping to reduce global GHG emissions.

Ørsted

Ørsted is a global leader in renewable energy production, specialising in offshore wind. As we continue along the path of transition, wind power will play a very important role in decarbonising energy grids across the world.

Siemens AG

Siemens' Smart Infrastructure segment comprises products ranging from switchboards and circuit breakers to HVAC systems. They are used to create more sustainable, efficient and smart buildings. The company also provides infrastructure to facilitate sustainable, electrified rail transit.

Climate solutions providers carbon data

Company	Scope 1+2 emissions	Avoided/saved emissions	Revenue from climate solutions
	t CO_2e	t CO_2e	%
Adobe	26,820	n/a	~10%*
Alphabet	3,132,200	n/a	n/a
Ball Corporation	1,062,325	n/a	100%
eBay	5,097	1,600,000	n/a
Johnson Controls	665,462	2,000,000	59%
Linde	37,413,000	96,000,000	n/a
Manhattan Associates*	6,276	n/a	40%
Microsoft	402,600	n/a	n/a
Morningstar	7,106	n/a	<5%
Ørsted	792,224	7,300,000	99%
Schneider Electric	143,708	679,000,000	74%
Siemens	441,000	144,000,000	43%
Synopsys	27,527	n/a	n/a
Weir Group	158,114	442,894	<10%

*Figure is based on external analyst estimates and management discussions, as revenue data is not disclosed.

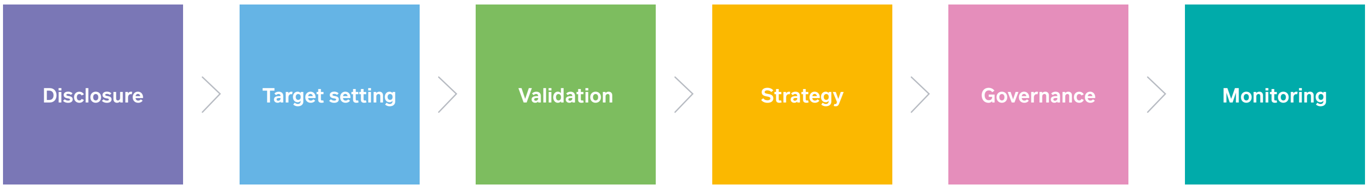
Source: MSCI, CDP, the latest company literature, as at 31 October 2025.

The information provided should not be considered a recommendation to purchase or sell any specific security.

Company engagements

Engagement is an integral part of our investment process, and is overseen by our dedicated engagement specialist. The fund is managed in line with general 'Do No Significant Harm' and 'Good Governance' principles, leading us to engage with companies across a variety of social and environmental issues. We have a particular in-depth focus on climate engagement, ranging from prompting and improving emission disclosures, to monitoring targets for companies that have more comprehensive climate strategies. However, we also engage on wider social or environmental sustainability issues.

Since we published last year's annual emissions report, we have undertaken 52 company engagements, collectively responsible for 87% of portfolio emissions, with some engaged more than once during the period. Below we highlight several examples of these engagements.



For illustrative purpose only.

ASML

Objective: As part of a wider sustainability discussion, including the company's approach to diversity and inclusion, we encouraged Dutch semiconductor specialist ASML to resubmit its targets to SBTi, as its original 2025 target date was nearing completion. We also requested that the company reports on its climate lobbying efforts, to ensure these are aligned with the Paris agreement goals.

Action: M&G met with the company's investor relations.

Outcome: ASML had a near-term target validated by SBTi in 2021, to reduce absolute Scope 1 and 2 GHG emissions 25.2% by 2025 from a 2019 base year, and Scope 3 emissions by 35.3% per unit of value added within the same timeframe. The company confirmed that it would be trying to provide further data to SBTi by the end of 2025, with the goal of having 2030 targets validated. The barrier here is potentially SBTi itself, given its backlogs.

The company has published targets for net zero emissions in its Scope 3 upstream by 2030, and downstream by 2040. For the former, supplier engagement is critical, with ASML aiming to influence suppliers to design products with energy consumption in mind and encouraging renewable energy use.

Sustainability is also now part of the company's QLTCS (Quality, Logistics, Technology, Costs, Sustainability) programme, under which suppliers must meet or plan to meet sustainability targets which may include SBTi commitment, while audits, including third-party assessments, will be conducted on suppliers to ensure they are fulfilling these requirements. Subsequent to our meeting, ASML's near term and net zero targets were approved by SBTi.

In terms of lobbying, the company cited its efforts to engage with suppliers and customers to work towards sustainability, particularly in renewable energy usage. The company said it was happy to consider disclosure around its lobbying efforts here. We will review its disclosure in the next combined report, published in March.

See page 42 for more information about ASML and its approach to sustainability.[2]

[2]Source: ASML 2024 Annual Report.

Linde

Objective: As part of the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Engagement Initiative (NZEI), we encouraged industrial gases company Linde to set Scope 3 emission reduction targets, and to report a comprehensive list of its lobbying activities as part of its climate transition plan.

By way of background, the NZEI is a collective engagement programme, and the M&G Sustain & Impact team's Head of Engagement sits on the investor group for Linde. A number of other investment firms are on the Linde group, and the range of the discussion included the evolving US policy landscape, renewable energy sourcing targets and challenges, and demand for green hydrogen, among others.

Action: M&G and the other investors in the group met with Linde's new VP, Sustainability, and its Head of Investor Relations.

Outcome: Linde is actively reporting on 14 of the Scope 3 categories, but the company said the work was considerable to understand its total Scope 3 footprint. A substantial part of the inventory is based on modelling (around 60%), but the company continues to work to understand its calculations, and on what aspects it can undertake action – it is predominantly focused on Scopes 1 and 2, as, unlike many companies, these are the largest part of its emissions. Linde also pointed out that its Scope 3 would be reduced by focussing on Scope 1 and 2, as this reduces the dependence on upstream fuels and electricity.

Linde will likely not issue a target in 2025, as it is currently educating colleagues internally and focusing on the areas where there is most traction. Its SBTi validation renewal is planned for 2027, and this may be where Scope 3 targets are disclosed. This was a disappointing outcome, as plans were originally to publish targets in 2026, but we will continue to encourage the company to improve its calculations and set targets.

In terms of lobbying, the company pointed out that it discloses public advocacy activities in several different places in the annual sustainability report, including the amount spent and key positions, as well as in its CDP submission. The regulatory requirements in the EU and US also ensure that Linde remains transparent about lobbying activities. Linde said it was encouraging alignment with associations. However, it is a member of very different associations. The company reviews alignment with climate strategy, and this is disclosed in more detail in the CDP response, where it goes through the key memberships and whether the climate strategy is aligned with this.

The company said there would be some industry associations that were not aligned, but that it retains membership for practical reasons. For example, Linde has refineries as a large customer base, and so there is an expectation that it will participate in related associations. These provide a forum for customer engagement and discussions around a variety of topics, including safety and processes as well as climate.

A shareholder resolution at the company's AGM, following this meeting, was calling for a more comprehensive overview of lobbying activity, which we supported. However, the resolution was subsequently withdrawn.

UnitedHealth Group

Objective 1: To ensure that US-managed healthcare company UnitedHealth was on track to achieve its near term climate reduction targets, and to encourage the company to publish forward looking milestones, and the investment needed to achieve them, in its public transition plan.

Action: M&G met with the company's VP, Sustainability, its Director, Environmental Sustainability, and its ESG Stakeholder Activation Lead.

Outcome: Regarding UnitedHealth's 2030 target, the company couldn't give exact numbers as these have not yet been published, but it is well on track. A virtual PPA came online in 2024 (with the upcoming sustainability report to explain the percentage of total power covered), while onsite solar at two locations in Minnesota, where its head office is located, will account for 50% of the energy requirements for those locations.

Scope 3 engagement is also progressing well, with good progress made through corporate services groups, including the pharma industry's supplier engagement programme 'Energise' (operated by Schneider Electric) as the first non-pharma company to join. The company believes that education and awareness is key – and it again ran its supplier summit in August last year, with around 200 suppliers. The team has been engaging over several years, and there is a bit of a lag as suppliers go through the SBTi application process.

And in terms of forward looking milestones, the company has been focused on getting targets in place and SBTi validated, and forward looking disclosure will be the next step. We will follow up on this particular request after the next reporting cycle, and continue to monitor the company's decarbonisation progress.

Objective 2: To encourage UnitedHealth to consider the health risks of climate change, and how this could, for example, affect future healthcare delivery.

Action: M&G met with the company's VP, Sustainability, its Director, Environmental Sustainability, and its ESG Stakeholder Activation Lead.

Outcome: UnitedHealth is the largest health insurance provider in the US, and climate risks may not be immediately obvious from a claims perspective. For a P&C insurer this would seem to be more straightforward, ie the risks of a business operating on a floodplain or in an area of heightened wildfire risk. We were pleased to learn that, while in the early stages, UnitedHealth has begun work on assessing health related outcomes with large climate events, overlaying its Optum claims data with those events. This looks at, for example, air quality and wild fires or heat waves and cardiovascular function. This is being assessed from a long term cost perspective, but also from an Optum Health/Healthcare perspective, in terms of getting care to people. It is starting to think about geo tracking and other forms of tech to enrich the data. Again, it is early days for this research, but this is a definite area of development.

Multi-year engagement case study

Nestlé

Supply chain labour

M&G's Sustain & Impact team engaged with Nestlé in 2017 (with follow-on engagement in 2019) on the issue of labour management, specifically looking at instances of slave labour in its Brazilian coffee supply chain. This focused on supply-chain control functions, and how Nestlé aimed to address the issues going forward.

Given Nestlé's size and scale, the company sources huge amounts of raw materials from across the world, and as the largest producer of coffee globally, is exposed to more risk than its smaller peers. Our engagement led us to believe that the company had set in place some fairly high standards for the sourcing of coffee, and was ultimately responsible for helping to create better conditions for coffee farmers around the world. There is, however, always more to be done. Indeed, finding and remedying instances of slavery in supply chains requires relentless effort – but we felt Nestlé was taking the issue seriously.

Beyond that engagement, and specifically relating to allegations of forced child labour in Côte d'Ivoire cocoa production, around 60% of the world's cocoa is produced in Côte d'Ivoire and Ghana, meaning a company the size of Nestlé relies on these sources.

In light of that fact, we believe the company has taken good steps on the issue of forced child labour in its cocoa supply chain. Nestlé's CLMRS – Child Labour Monitoring and Remediation System – has been in place since 2012, and the company publicly reported against the CLMRS in 2017 and 2019, with the Fair Labor Association publishing its own report into the effectiveness of Nestlé's system.

Among other findings, the Fair Labor Association's report concluded that 'the CLMRS is collecting relevant community-level data on the prevalence of child labour and laying a foundation to build the capacity of cooperatives to address the issue.'

More generally, CLMRS is an industry initiative of which Nestlé and its key suppliers are all members. As with many ESG issues, there is strength in working together with other industry participants to push for better standards and broad change.

2022

Plastic, deforestation, water and labour

We engaged with Nestlé's Global Lead on Social impact on a number of areas:

- to encourage its plastic packaging initiatives
- to ensure it was adequately taking account of deforestation in its supply chain
- to revisit its approach to forced/ child labour in its supply chain

In plastic packaging, the company is investing in, and looking for, solutions to plastic waste. For example, paying a premium to recyclers to drive the industry and establishing a plastics R&D centre to help drive innovation. The company expects to miss its target for 100% reusable or recyclable plastic by 2025, but this applies to most of the industry due to a lack of capacity. We will continue to encourage progress in Nestlé's approach to packaging and waste.

In terms of biodiversity, the company has monitoring systems in place and is driving a regenerative agriculture initiative, in its goal to reach 100% deforestation-free supply chains by 2025. The company acknowledges that this is not an easy feat, but appears to be doing the right things and moving in the right direction. We also felt positively about the company linking its biodiversity targets with social considerations – small-holder farms often cannot be monitored for deforestation, or it happens outside their control. Nestlé doesn't remove them from the supplier list, as it is aware of the social impacts this would have, and therefore works with them to help avoid future instances.

There was also a discussion on water, in particular how the company was mitigating sources of water stress related to its agricultural suppliers. The company is aware of the stressed areas it sources from, which is important from a business perspective as it relies on the supply. The company cited Vietnam as a case study, where it found that issues had actually related to poor water management, rather than water stress. It subsequently created an app for farmers to help them better manage water usage. The company explained that it had been working on water stress for over 10 years, and has been modelling impact for the past five years. While it does not publicly disclose metrics, these are shared with farmers to help them manage the risk.

And as pertains to child labour, we remained encouraged by Nestlé's approach, as the company is very engaged on this issue. It recognises that this is a common factor in long supply chains, but is monitoring actively on the ground, working with communities to address the key issues. This is house-by-house engagement, with good remediation work in place where instances are discovered – please see the commentary on CLMRS above.

Nestlé

2023

Climate targets, deforestation, healthy food and plastic

We met with Nestlé's Global Head of Climate and Sustainable Sourcing and its Global Public Affairs Lead for Packaging and Sustainability. The purpose of the engagement was to assess its progress against climate milestones and targets, and to revisit how it was dealing with deforestation in its supply chain. We also discussed nutrition in light of the company's recently announced targets to increase sales of the healthier portion of its portfolio, and revisited plastic packaging.

Nestlé has decarbonisation targets approved by the Science Based Targets initiative (SBTi) in place. It aims to reduce absolute Scope 1, 2 and 3 GHG emissions 20% by 2025 and 50% by 2030 from a 2018 base year, as well as a 2050 approved net zero target. It also commits to increasing annual sourcing of renewable electricity from 40% in 2019 to 100% by 2025. It currently appears to be on track to achieve these targets.

In terms of deforestation, specifically related to palm oil, 96% of the palm oil procured by Nestlé is certified deforestation-free. The remaining 4% of volumes are not addressable or not yet transitioned. The company has disclosed those farmers, and where forests have been cut illegally, and is working with those farmers to transition their practices, rather than simply moving on (whereby that deforestation would continue). Even for farms with government permission to expand through deforestation, once onboarded by Nestlé they can no longer do this, despite the legal right.

Agriculture represents 74% of Nestlé's carbon footprint, a third of which is dairy. The company is operating some 3,000 projects in agroforest commodities, including restoration of native tree species and 'intercropping' to avoid monoculture. This works from a sustainability perspective, but also makes good sourcing flexibility sense – ie palm oil and cocoa can be grown in the same hectare, with the palm providing natural fertiliser for the cocoa, for example. Dairy, the company acknowledged, is not yet ready for fast decarbonisation, but this will be the focus after 2025. Nestlé is also working on regenerative agriculture techniques with farmers producing annual crops. We will continue to monitor the company, to ensure it is on track to hit the milestones towards achieving its targets for climate, healthy food sales and plastic packaging.

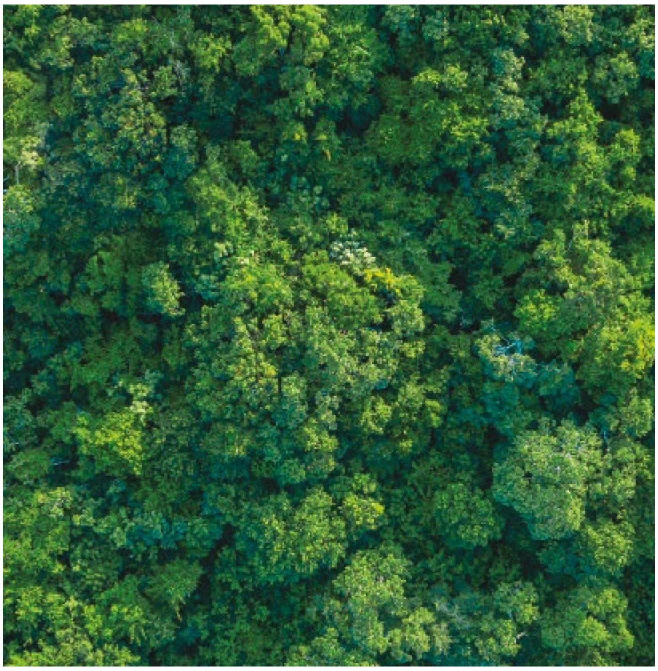
2024

2025

Climate targets and five-year plan

Following on from our previous engagements with Nestlé, and in light of its change in Chief Executive Officer in 2024, we engaged with the company to assess progress towards its climate milestones and targets, and to encourage the re-publication of forward-looking milestones in its next five-year plan. This, the company said, it would continue to do.

We also discussed the company's strategy for dairy – which it has now published, re-visited its packaging initiatives, and ran through several reported controversies to ensure Nestlé was managing these appropriately. The company will publish its new five-year plan later this year, and we will follow up once we've reviewed this.



Methane

In light of the announcement in October 2025 that Nestlé was exiting the Dairy Methane Action Alliance, we met with the company to talk through its reasoning for the departure, and its approach to methane more generally.

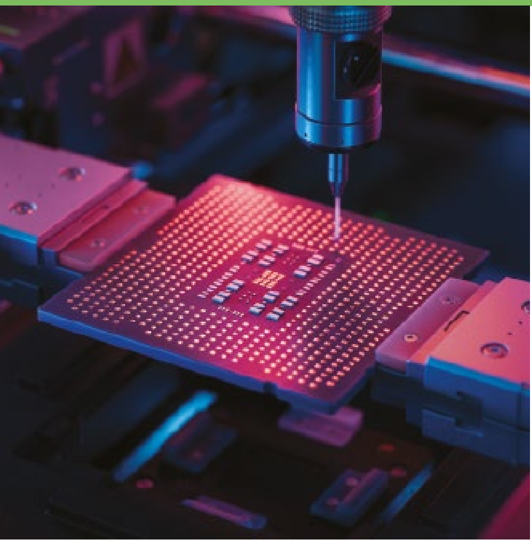
Nestlé joined the Dairy Methane Action Alliance as a founding member in 2023, as dairy is the largest proportion of its Scope 3 emissions, and it wanted to put its weight behind the organisation to help get it off the ground – this ties into its wider attempts to spark collaboration. However, this is not the only commodity it needs to work on, although it is a large percentage of the total, and the company did not want to have its arms tied as to where it invested its money and efforts. There are a lot of platforms related to climate and biodiversity, and once the Alliance said it required specific methane targets, that's when Nestlé decided to leave. The company said it has often taken the approach of joining an organisation to help get it off the ground, giving the example of TNFD – it will work with the organisation, but is not necessarily in a position to take the next step.

Concerning the target, Nestlé has science-based Scope 3 targets in place, and it did not want to be restricted in how it worked to achieve those. Obviously methane forms a large part of that strategy, and in terms of developing its approach to methane, Nestlé runs an Institute of Agricultural Sciences, working on both mitigation and adaptation. The example was given of new ways to harvest cocoa using the entire pod. It researches dairy, runs research farms and is currently generating a lot of primary data. This will allow it to better understand the right mix and environment, what impact it can drive and what the cost will be. There will be a paper published next year spelling some of this out. Overall, there is no silver bullet to the methane question, but the company appears to be putting solid effort into addressing it.[3]

[3]Sources: https://www.nestle.com/sustainability/climate-change/zero-environmental-impact and https://www.nestle.com/sustainability/climate-change/operations

Company case study

ASML



Advanced Semiconductor Materials Lithography (ASML) is the world's leading supplier of photolithography systems for the semiconductor industry. Photolithography is effectively hightechnology printing that uses light to draw the microscopic circuits on chips, and is the backbone of modern semiconductor production.

Mission critical

Founded in 1984 and headquartered in the Netherlands, ASML designs and manufactures advanced lithography machines essential for producing integrated circuits. Its flagship products include Extreme Ultraviolet (EUV) lithography systems – critical for the most advanced chips – and Deep Ultraviolet (DUV) systems for larger nodes. ASML also provides metrology, inspection systems, and computational lithography software, along with services for system upgrades and support. The company employs over 44,000 people globally, serving the world's major chipmakers, including TSMC and Samsung. Importantly, ASML is the sole supplier of EUV lithography machines worldwide, giving it a unique position in the modern semiconductor equipment market.

Reducing the footprint

Lithography is an energy intensive process, to both power and cool the machines, but ASML has been laser focused on improving the efficiency of its systems. Since 2018 the company has achieved a 54% reduction[4] in energy per wafer for EUV lithography, with a roadmap for further reductions.

These improvements mean that customers can produce more advanced chips using less energy per unit of output, avoiding GHG emissions that would otherwise occur if energy intensity remained constant. ASML estimates these avoided GHG emissions by comparing a scenario of constant GHG emissions intensity since 2019 with its actual trajectory, attributing the difference to efficiency gains and scaling. This approach aligns with emerging Scope 4 (avoided GHG emissions) practices and supports ASML's broader goal of achieving net-zero GHG emissions across its value chain by 2040, including product use at customer sites.

[4]2024 Annual report: p 215

Paris-Aligned engagement

Shortly after our initial investment in ASML, we met with the company to have a wide-ranging discussion on its sustainability strategy. This included asking the company to re-submit targets to SBTi, as its original 2025 target date was nearing completion, and requesting that the company report on its climate lobbying efforts, to ensure these are aligned with the Paris agreement goals.

ASML has reduced its absolute Scope 1 and 2 GHG emissions by approximately 25% since 2019, despite its strong revenue growth. It has shifted a part of its sustainability-focused executive remuneration links from reducing Scope 1 and 2 GHG emissions, to reducing Scope 3 GHG emissions, where it can have a larger impact from here. For more information about our engagement with ASML to discuss resubmitting its targets to SBTi, please see the 'Company engagements' section on page 32.

Robust decarbonisation targets

ASML has committed to reach net-zero greenhouse gas emissions across the value chain by 2040, reducing absolute Scope 1 and 2 GHG emissions 90% versus a 2019 base year, and Scope 3 GHG emissions 97% per million EUR value added within the same timeframe.

In the near term, the company has committed to reducing absolute Scope 1 and 2 GHG emissions 75% by 2030 from a 2019 base year. It has also committed to reducing Scope 3 GHG emissions 55% per million EUR value added within the same timeframe.

Again, these targets have been validated by the Science Based Targets initiative.

M&G Investments