17 June 2021

ESG Criteria and Impact Criteria

M&G Better Health Solutions Fund

This document, referred to in the Fund's prospectus, provides further information on the sustainable and impact investing criteria, exclusions and restrictions used by the Investment Manager when managing the Fund

Contents

1. Responsible Investing at M&G

1.1. M&G's Responsible Principles

M&G believes that ESG (Environmental, Social and Governance) factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance. Consequently, ESG issues are integrated into investment decisions wherever they have a material impact on risk or return.

We apply an active ownership approach through engagement with investee companies and voting at company meetings where we hold equity. This enables us to manage risks effectively and improve ESG standards across our portfolio to preserve and ultimately enhance the long-term value of the assets.

At a time when the typical holding period of an investment can be measured in months rather than years, M&G supports companies over the long term through their business and market cycles. This long-term approach means that there is a wide spectrum of both financial and non-financial factors that we need to understand when considering the long-term prospects for a business. This includes traditional governance issues, like remuneration and board composition, as well as environmental and social factors.

We believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. We think that if a company is run well, it is more likely to be successful in the long run. Social and environmental issues can also have an important impact on a company's performance and successful development. We therefore look at how companies address these issues when we analyse them.

We are aware of our responsibilities as an investor and actively participate in responsible investment initiatives, including Climate Action 100+, Climate Bonds Initiative and the Principles for Responsible Investment (PRI). We are also involved with impact-oriented organisations, including the Impact Management Project (IMP), the Global Impact Investing Network (GIIN) and the UK National Advisory Board on Impact Investing (UKNAB).

M&G takes a responsible, active and long-term approach that considers all of the relevant financial and non-financial elements of our investment.

1.2. Responsible Investing in Practice

ESG is a key component of our investment process and due diligence. We review potential investments for ESG issues through our own hands-on due diligence and by engaging with specialist advisers.

All of our investment teams have access to a range of external ESG data providers, which ensures that the teams have sufficient ESG data and research that can be used by portfolio managers and analysts when engaging with companies on issues material to them. We have also been developing internal tools, including an 'ESG dashboard', based on the Sustainability Accounting Standards Board (SASB) framework, to create a databank of questions to identify material issues for specific industries and sectors, and have developed a proprietary 'ESG scorecard' for individual companies.

M&G's Stewardship and Sustainability team oversee our stewardship of the companies in which we invest and for the exercise of our principles and stewardship responsibility. We believe exercising our votes adds value and protects our interests as shareholders. Proxy voting records are published quarterly on M&G's website.

Regular meetings with company directors allow us to identify whether a company's strategy is aligned with our interests as long-term shareholders. Our active engagement with companies helps us to understand the issues affecting them and, where appropriate, to encourage positive change. Engagement activities are disclosed in M&G's Corporate Finance & Stewardship Report, which is published annually on our website.

2. Our Approach to Impact Investing

The investment objective of the M&G Better Health Solutions Fund is twofold:

1. Provide a combination of capital growth and income to deliver a return net of the Ongoing Charges Figure that is higher than the MSCI World Index over any five-year period; and
2. Invest in companies whose products and/or services aim to promote better health and well-being.

The goal is also to open up impact investing to a broader audience than previously possible by offering a daily liquidity fund accessible to all types of investors.

2.1 Stock Selection Process

Selection begins with a global universe of over 7,000 stocks. These are global publicly listed equities with a market capitalisation above $500million and daily liquidity of more than $10m. We then screen out any companies deemed to be in breach of the UN Global Compact Principles, as well as those involved in a number of excluded/restricted sectors and activities (full details are available in the Exclusion/Restriction Policies section of this document). These screens are performed daily for UN Global Compact Principles and for excluded/restricted sectors and activities using a number of third-party data feeds.

From the remaining universe, we apply a quantitative healthcare sector screen to identify potentially appropriate companies for the better health portion of the portfolio. We couple this with a qualitative bottom-up screening for well-being companies as these are spread amongst multiple sectors. We draw on the expertise of the M&G Central Analyst Team to populate that list. This leaves us with a narrower universe of 1,000 stocks. From that list, we select those companies with a record of sustained high returns on capital employed as well as those that display clear intention in their mission statement. This leaves us with an initial watchlist of c.275 stocks.

Next, the team ‘screens in’ a watch-list of some 150 companies that deliver solutions to the challenge of better health and well-being that can be purchased if the fund manager believes the timing and price are right. These are analysed under the team’s III approach (detailed in Section 4), examining the Investment case, Intentionality and Impact of a company to assess their suitability for the fund. As part of this analysis, companies are scored on these III credentials, and require above-average marks for consideration within the approved watchlist.

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

At that point, extended due diligence is carried out on the company through a combination of qualitative and quantitative methods to further analyse all elements of the business. This ‘deep dive’ includes extensive analysis of financials, the change factors that could affect the company, supply chains, competitors in the market place, opportunities and threats, competitive advantages and so on. Environmental, Social and Governance (ESG) considerations are integrated within this process. The team uses a blend of field-work, direct experience and internal sources, i.e., other fund managers, analysts and screens, as well as a number of external sources, including Credit Suisse HOLT, Morningstar, MSCI, Sustainalytics and external brokers.

The team also carries out scenario-based valuation modelling, using change analysis to understand what is built into today’s share price, and the sensitivity to change. This focuses on the potential upside, as well as the potential downside risks, of holding the stock, placing probabilities on these different scenarios. This allows the team to determine what they believe to be a company’s intrinsic value. The fund manager will invest when he believes the margin of safety between the current share price and the company’s intrinsic value is sufficiently large – compared to alternative opportunities and considering portfolio risks.

Global Listed Equities	Applicable Companies	Initial Watchlist	Approved Watchlist	Portfolio
>7,000 companies	~1,000 companies	~275 companies	150* companies	30-40 companies
Negative Screen	**Sector Screening**	**Initial Screening**	**III Screening**	**Portfolio Inclusion**
• Norms based exclusions • Sector exclusions	• Healthcare sector screen • Bottom up idea generation for well-being companies • Central analyst team insight	• Intention screened through mission statements • Initial fundamental screen for business model • CFROI relative to industry average	• III screening • Fundamental analysis	• 3 health impact areas • 3 company types • Balance of economic sensitivity

The fund is a concentrated, high-conviction, long-only, long-term and low-turnover portfolio of quality, sustainable, companies that deliver solutions to the challenge of better health and well-being. The fund generally holds around 30-40 well-understood stocks diversified around two main impact areas that we think businesses are well placed to address:

- **Better health** covers companies that promote good health, including pharmaceutical, biotechnology, insurance and technology companies as well as healthcare REITs and companies that provide healthcare equipment and services.
- **Better well-being** covers companies whose products and/or services promote either:
    - **Better hygiene and safety,** such as clean air, clean water, personal care or safety products
    - **Better lifestyle,** such as sleep products, sports and outdoor wear, sports activities, healthy food and sustainable agriculture.

Across these areas, the fund invests in three types of impactful companies: we classify as 'pioneers', 'enablers' and 'leaders', seeking to provide additional diversification across industries, end markets, and maturity of business models.

Categorising companies as 'pioneer', 'enabler' and 'leader' is sector-agnostic.

- **'Pioneers'** tend to be young companies whose innovative products/services could have a transformational effect on bettering global health. They tend to spend large amounts of capital in research and development as a percentage and revenues and are not mature in their development. They could be transformative biotherapeutics companies dedicated to developing medicines for diseases, for example.

- **'Enablers'** are those that provide tools for other companies to deliver better health, for example, they could provide analytical instruments and equipment for research in the biotechnology, pharmaceutical and life science tools industries.

- **'Leaders'** are those companies that have spear-headed sustainability in industries promoting better health. They maintain their leadership by continuing to invest in research and development, although this represents a smaller percentage of revenues compared with pioneers because their profitability is more established. This could be leading in the diabetes market, for example.

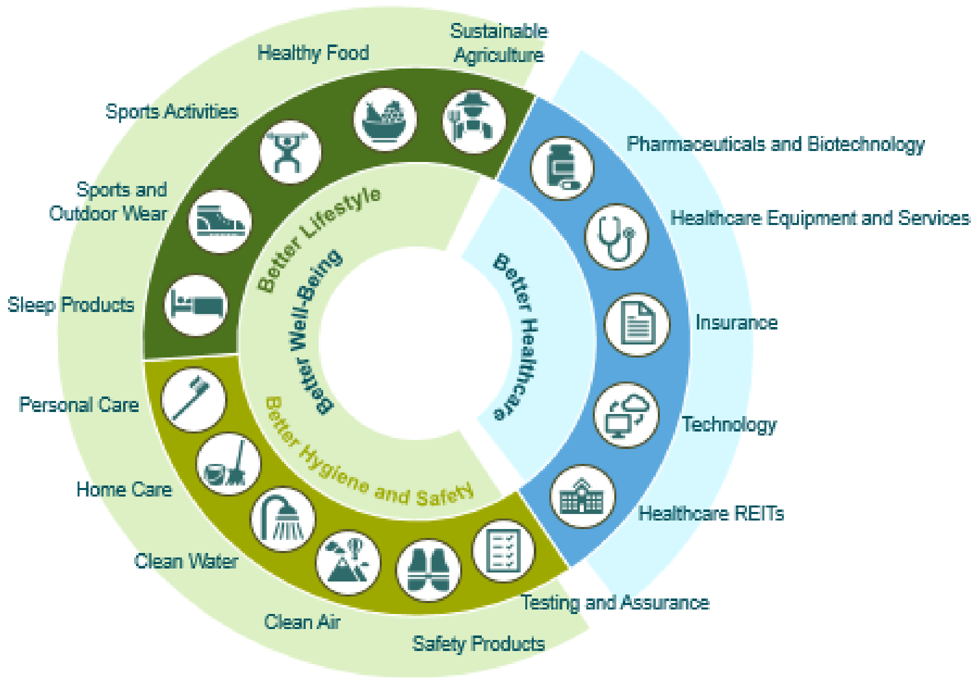
The fund seeks to be as balanced as possible across the different impact areas and company types but won't necessarily be equally split, as this will be influenced by what we see as market opportunities.

The fund embraces the United Nations Sustainable Development Goals (SDG) framework and maps each holding to its prime or dominant SDG (see Appendix Section 1). The fund focuses on six key SDGs:

- Goal 2 – Zero Hunger
- Goal 3 – Good Health and Well-Being
- Goal 6 – Clean Water and Sanitation
- Goal 8 – Decent Work and Economic Growth
- Goal 11 – Sustainable Cities and Communities
- Goal 12 – Responsible Consumption and Production

This is determined by identifying which of the SDG underlying targets the company directly contributes towards. Occasionally, a stock will help address a number of secondary SDGs. These will be listed clearly in our Annual Better Health Report once a year. Additionally, there may be occasions where a stock may not be appropriately mapped to an SDG, but these will be limited in nature and at the discretion of the fund manager to ensure they the stock remains appropriate to the overall investment objective.

Seeking to invest in solutions to the challenge of better health and well-being



2.2 Divestment approach

There are a number of distinct situations when divestment is considered:

Mandatory Divestment

Where an investment no longer complies with the negative screens described in section 3.1, such investment will be considered in breach. Whenever a breach is identified, the aim is to divest within 5 business days of the disclosure of the breach. In exceptional circumstances divestment may take longer in order to properly authenticate the nature of the breach and/or to avoid adverse impact on price execution. However, divestment will not be delayed unduly unless such circumstances apply.

Other than mandatory divestment, there are a number of distinct situations when divestment is considered, as set out below.

Company fails to deliver on expectations

Where a company's quality is meaningfully impaired, which can involve a large negative change to the business model, management, corporate governance, transparency or financial discipline

Where the positive better health/well-being thesis for the company has not developed along expected lines

The timing of the sale in such circumstances will be decided by the fund manager

Stock overvaluation

The stock becomes plainly overvalued/a better alternative is identified. The timing of the sale will be decided by the fund manager.

3. Exclusion/Restriction Policies

M&G does not invest in securities issued by companies directly involved in the manufacture, development or transfer of cluster munitions and anti-personnel landmines. M&G uses information provided by a third-party responsible investment services provider to identify companies flagged for involvement in the production of such munitions. This exclusion is applicable to all actively managed M&G funds.

3.1. Exclusions/Restrictions within the M&G Better Health Solutions Fund

As outlined in Section 2, the M&G Better Health Solutions Fund aims to invest in companies that deliver solutions to the challenge of better health and well-being. In light of this, ESG and impact considerations are fundamental to our stock selection process. In addition, the fund seeks to avoid companies considered to have potential to have harmful environmental or social outcomes. As a result, the fund excludes companies deemed to be in breach of the UN Global Compact Principles of human rights, labour, the environment and corruption (see Appendix Section 2).

The list of social and environmental exclusions/restrictions below is monitored internally on an ongoing basis through a number of external data providers which flag companies involved in breaches.

Norms-based exclusions

The exclusion/restriction list is monitored on an ongoing basis. We use the ISS Overall Flag as categorised by its traffic light signal, which assigns an overall flag to companies linked with any failures to International Standards for Responsible Business Conduct. This is used in conjunction with MSCI's assessment about whether a company is in compliance with the United Nations Global Compact Principles.

Sector-based and/or values-based exclusions

Companies and/or sectors exposed to business activities assessed by the fund manager to be damaging to human health, societal wellbeing, the environment, or otherwise assessed to be misaligned with the Fund's sector-based and/or values-based criteria will be excluded from the Fund's direct investments.

The current exclusions are set out in the tables below.

Exclusion/Restriction Criteria: Social		
Issue	**Rationale**	**Criteria**
Adult entertainment	Adult entertainment has been shown to be in some cases addictive, exploitative of workers and often easily accessed by children for whom it can be emotionally damaging.	The fund excludes companies involved in the production of adult entertainment. We apply a 0% threshold for revenues derived from producing, directing or publishing adult entertainment materials.
Alcohol	Alcohol has been proven to lead to addiction, have adverse health effects when excessively consumed and provoke an increase in anti-social behaviour.	The fund excludes companies involved in the production of alcohol. We apply a 0% revenue threshold for alcohol producers.

Exclusion/Restriction Criteria: Social		
Gambling	Gambling has been proven to be addictive and can lead to oppressive debt, which disproportionately affects the poorest in society. It can also be harmful to psychological and physical health.	The fund excludes companies involved in the provision of gambling services. We apply a 0% threshold for revenue derived from gambling-related business activities.
Forward contracts on agricultural commodities	Speculating on agricultural commodities prices through forward contracts can lead to high price volatility in the underlying produce. This has the potential to greatly diminish the pay of those working in the industry who are very vulnerable to price changes and highly dependent on the income received from these goods. Moreover, investing in agricultural forwards, as opposed to the companies themselves, evades the responsibility of ensuring those working in the industry have fair and humane working conditions.	The fund does not invest in forward contracts on agricultural commodities.
Tobacco	The consumption of tobacco leads to serious health risks, including cancer, heart disease, stroke, lung diseases, diabetes and chronic obstructive pulmonary disease (COPD). It also carries unacceptable societal risks.	The fund excludes companies involved in the production and/or distribution of tobacco, or companies with an ownership in these companies. We apply a 0% revenue threshold for tobacco producers and a 10% revenue threshold for distributors.
Controversial weapons	Controversial weapons have an indiscriminate and disproportional humanitarian impact on civilian populations. They may cause severe harm to civilians during and after conflicts, and generate significant long-term health and safety effects for the civilian population.	The fund excludes companies involved in anti-personnel mines, chemical, nuclear and biological weapons, cluster munitions, depleted uranium and white phosphorous munitions, blinding laser, non-detectable weapons from the investment universe. We apply a 0% revenue threshold for all controversial weapons.
Other weapons	Although legally used in many democratic countries across the world, weapons are designed to injure and kill, and can be misused by both governments and individuals alike. We ask that companies involved in producing or using weaponry strictly comply with international legislation and best practices.	The fund excludes companies that derive more than 5% of their revenues from the manufacturing of weapons or tailor-made components thereof. Weapons are defined as products or basic components of products that have been ‘designed to injure/kill’ and are used exclusively for military purposes. Tailor-made components are components that are developed primarily in order to be integrated into a weapon system.

Exclusion/Restriction Criteria: Environmental		
Issue	**Rationale**	**Criteria**
Thermal coal and unconventional oil and gas extraction	The extraction of thermal coal, as well as unconventional oil and gas techniques, can have long-lasting negative impacts on the environment. These include air and water pollution, and the increased frequency of oil spills.	The fund excludes companies involved in the extraction of thermal coal, unconventional oil and gas, and those that use and/or produce hydraulic fracking technologies. Unconventional oil and gas comprises shale oil, shale gas, oil sands and artic drilling. We apply a 0% revenue threshold for such companies.
Conventional oil and gas extraction	While we acknowledge that conventional oil and gas will continue to play an important role in the overall energy mix over the next decades, we believe that the transition to a low-carbon world needs to accelerate.	The fund excludes companies that extract conventional oil and gas. We apply a 0% revenue threshold for such companies.
Carbon-intensive power generation	Fossil-fuel derived power, such as the generation of electricity from thermal coal, is environmentally damaging due to emissions of carbon dioxide and other pollutants. Although nuclear power generation does not emit greenhouse gas emissions, it poses serious environmental and health risks linked to the generation of radioactive waste, and has an overwhelming net-negative impact.	The fund excludes: • Power-utility firms that derive more than 25% of their revenues from oil and gas and that are not committed to transitioning to renewable energy sources. We qualitatively assess this commitment by reviewing independently assessed climate risk management, management decarbonisation commitments and relevant statements made by the company. We engage with company management to help facilitate this transition. • Power utility firms with coal-fired power generation unless it represents less than 10% of revenue and we can qualitatively determine is supported by a clear and explicit pathway to zero coal-fired generation within a five-year time frame. • Companies involved in nuclear-based power generation. A 0% revenue threshold for nuclear power generators is applied.
Genetically modified (GM) crops	GM crops often result in the increased use of toxic herbicides and pesticides. They can also cross-pollinate with wild and non-GM plants, which can compromise the organic or non-GM farming system.	The fund excludes companies that derive more than 5% of their revenue from GM crop production.

The following considerations form part of our **qualitative** stock selection investment process.

Other ESG considerations		
Biodiversity	Biodiversity is an important investment consideration as it provides biological resources, ecosystem services, and absorption of pollution. Biodiversity is therefore considered in the fund's ESG assessment and screening.	Where biodiversity is identified as a key business risk, the fund qualitatively assesses how companies manage their operations and their impact on biodiversity, as well as if they have clear policies and targets for improvement.
Water use	The overuse of water can have serious adverse effects on farming, the environment, and ultimately the climate. Water use is therefore considered in the fund's ESG assessment and screening.	Where water use is identified as a key business risk, the fund qualitatively considers how companies manage their operations and their impact on water usage, as well as if they have clear policies and targets for improvement.
Controversial countries	Countries that perpetrate, violate and infringe international human rights standards do not support socially responsible investment practices.	The fund makes a qualitative evaluation of the country in which a company operates when assessing its eligibility for the investment universe, particularly if based in a country where there are serious concerns over human rights violation. While this does not constitute a formal constraint on investment in the company, extra due diligence is performed when the company is state owned or state funded.
Taxation	Taxes provide funds for public services such as healthcare, education and infrastructure. Companies paying a fair amount of tax in the countries in which they operate is regarded as the socially responsible thing to do.	We endeavour to ensure that companies in our investment universe adhere to the OECD Guidelines for multinational enterprises on taxation (see Appendix 3) and push for disclosure where necessary.
Death penalty	The death penalty system can be applied in an unfair manner and can be influenced by skills of attorney, the victim's social class and race, and where the crime took place. The death penalty also carries the inherent risk of executing an innocent person.	The fund qualitatively considers if a company is based in a country that enforces the death penalty, although this does not implicitly constitute a restriction on investment.

4. Impact Framework

The M&G Better Health Solutions Fund uses a III framework as a practical means of scoring candidate companies. The framework robustly and consistently applies set criteria and standards for rating the impact and investment case of each company.

Each 'I' score is derived from the assessment and rating of its key drivers, outlined below. The team aims to achieve an optimal balance of quality companies, with a solid, established culture that is consistent with the management's vision and strategy. The team believes that this will enable a company to effectively deliver solutions to the challenge of better health and well-being.

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

The Investment pillar helps determine the strength of the business model under review by examining a company's competitive attributes as well as its track record of capital allocation and its corresponding business risks.

The Intention pillar aims to protect from the risk of greenwashing by ensuring that a company has an authentic purpose that filters through the entire organisation.

When assessing the 'Impact' score of a company, we adopt a net impact approach where any activity that might be causing harm is deducted from the positive as well as consider the measurability, 'materiality', the 'additionality' of the impact delivered.

Measurability corresponds to a Key Impact Indicator at company level that helps measure and track the positive impact over time.

We define materiality as the percentage of a company's revenue that contributes to the impact being measured.

We consider additionality in terms of whether the impact being measured would be achieved if the company did not exist or were not adequately funded – i.e. could another company equally deliver that impact?

The III framework

Investment	Intention	Impact
• Business model • Competitive position • Capital allocation • Business risk • Liquidity	• Mission statement and purpose • Strategic alignment • ESG & culture • Implementation	• Impact balance • Measurability • Materiality • Additionality

5. ESG integration for investment in cash, near cash, some derivatives and collective investment schemes

In assessing counterparties and issuers for cash management (including cash and near cash), derivatives counterparties, and manufacturers of collective investment schemes, M&G's ESG analysis focuses on understanding downside risks arising from ESG factors. This principally relates to considering the likelihood of sustainability risks affecting the creditworthiness of such entity or otherwise affecting the exposure taken financially.

In addition, subject to the next paragraph, for derivatives, and collective investment schemes, M&G considers the underlying exposure and forms a view on whether it is appropriate for the Fund. For derivatives relating to single names or specific baskets of securities, appropriateness is assessed by whether the underlying would be an appropriate investment for the Fund if bought directly. For investments in actively managed collective investment schemes, excluding money market funds, the underlying fund must pursue an ESG strategy, even if the ESG criteria the underlying fund applies are not identical to the Fund's.

Where exposure to indices is taken via derivatives and/or passively managed collective investment schemes, the index may contain securities that would not be permitted if held directly. Similarly, investments in money market funds, may provide exposures, e.g. to securities that would not be permitted if held directly. In each of these cases, M&G will consider the sustainability risks arising from such securities being in the index or money market fund and consider alternative methods of exposure where appropriate.

6. Active Stewardship

6.1. The Theory of Change

Theory of Change (ToC) is a tool used to help impact-oriented organisations plan and communicate to different stakeholders the impact generated by their projects or investments. It focuses on the results being sought and how they will be delivered. For the M&G Better Health Solutions Fund, we think about ToC on two different levels: the primary focus is the impact generated by the fund's individual investments; we also think about the positive impact our fund can produce. The former follows a relatively traditional 'results chain' model, while the latter has to be considered somewhat differently than for an individual project or enterprise.

We develop Theories of Change for all the fund's investments, focusing on the inputs, activities, outputs and outcomes (short term and longer term). Each ToC primarily uses information from the company, whether annual reports, sustainability reporting or direct engagements, and where necessary draws on academic insights to join any missing dots. The fund-level ToC follows a similar route but focuses on how we can leverage the team's resources and expertise in impact investing to enhance and maximise the impact that is delivered.

Aside from selecting purposeful, impactful and profitable companies, other activities conducted by the Better Health team include: engaging with these companies to encourage alignment between their purpose and actions; pushing for improved disclosure of sustainability performance and impact metrics; and encouraging greater alignment between purpose and strategy via supporting sustainability-related incentives in long-term compensation plans. We also work actively with the broader impact community to support the development of impact standards and methodologies that we believe will facilitate the growth of impact investing while preserving its core principles. And we work hard to promote the benefits of impact investing to our client base and the wider investment community.

6.2. Voting

Our starting position is to be supportive of the management of companies in which we invest. However, there are occasions when company boards put forward resolutions that we feel are not in the best interests of the company. We aim to vote on all resolutions at general meetings of companies held in M&G's actively managed portfolios. By exercising our votes, we seek both to add value to our clients and to protect our interests as shareholders. We consider the issues, meet management if necessary, and vote accordingly

7. Measuring Performance

The non-financial objective of the fund is as follows:

> To invest in companies that deliver solutions to the challenge of better health and well-being.

7.1 Reporting for each Stock Holding

With each stock holding contributing to meeting the non-financial objective in a different way, it was deemed impractical to aggregate and provide a single measure of the overall fund performance against it. Instead, the impact is measured on a company by company basis, with each company assigned a key impact indicator ("KII") that corresponds to the nature of the better health or well-being outcome it provides. This includes metrics such as number of patients treated, number of under-served customers reached, number of samples processed. These KIIs will be published in the annual impact report, stating their absolute level as well as their year on year change. While the fund does not target a specific rate of increase every year, the expectation is for each company's better health or well-being outcome to progressively increase over time. The year on year evolution will be assessed on a qualitative scale: ahead, in line, behind, with additional comments to qualify this evaluation.

The Impact metric selected for each holding is reviewed each year to ensure that it remains fit for purpose. They are set by the analyst who researched the holding and approved unanimously by the positive impact team.

7.2 Portfolio Reporting

As per the prospectus, each stock holding contributes directly to achieving at least one of the following Sustainable Development Goals via its products and services: SDG 2 Zero Hunger, SDG3 Better Health, SDG6 Clean Water and Sanitation, SDG8 Decent Work and Economic Growth, SDG11 Sustainable Cities and Communities and SDG 12 Responsible Consumption and Production.

We measure the percentage of each company's revenues, capital expenditure or research and development that directly ties with one of those 6 SDGs for each of the stock holdings and report on this measure once a year in the annual impact report. While not prescriptive, we typically require a minimum SDG contribution percentage of 50% for companies held for their solutions to better healthcare and 30% for companies held for their solutions to better well-being.

These stock calculations are aggregated at portfolio level to provide a weighted average SDG alignment for the fund.

The annual impact report will be made available on the M&G website.

8. Appendix

1. The United Nations Sustainable Development Goals (SDGs) are the following:

Goal 1:	No Poverty	Goal 7:	Affordable and Clean Energy	Goal 13	Climate Action
Goal 2:	Zero Hunger	Goal 8:	Decent Work and Economic Growth	Goal 14:	Life Below Water
Goal 3:	Good Health and Wellbeing	Goal 9:	Industry, Innovation and Infrastructure	Goal 15:	Life on Land
Goal 4:	Quality Education	Goal 10:	Reduced Inequalities	Goal 16:	Peace, Justice and Strong Institutions
Goal 5:	Gender Equality	Goal 11:	Sustainable Cities and Communities	Goal 17:	Partnerships for the Goals
Goal 6:	Clean Water and Sanitation	Goal 12:	Responsible Consumption and Production		

2. The Ten Principles of the UN Global Compact are:

Human Rights

- Principle 1: businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- Principle 3: businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4: the elimination of all forms of forced and compulsory labour;
- Principle 5: the effective abolition of child labour; and
- Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

- Principle 7: businesses should support a precautionary approach to environmental challenges;
- Principle 8: undertake initiatives to promote greater environmental responsibility; and
- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- Principle 10: businesses should work against corruption in all its forms, including extortion and bribery.

3. OECD Guidelines for Multinational Enterprises:

1. It is important that enterprises contribute to the public finances of host countries by making timely payment of their tax liabilities. In particular, enterprises should comply with both the letter and spirit of the tax laws and regulations of the countries in which they operate. Complying with the spirit of the law means discerning and following the intention of the legislature. It does not require an enterprise to make payment in excess of the amount legally required pursuant to such an interpretation. Tax compliance includes such measures as providing to the relevant authorities timely information that is relevant or required by law for purposes of the correct determination of taxes to be assessed in connection with their operations and conforming transfer pricing practices to the arm's length principle.

2. Enterprises should treat tax governance and tax compliance as important elements of their risk oversight and broader risk management systems. In particular, corporate boards should adopt tax risk management strategies to ensure that the financial, regulatory and reputational risk associating with taxation are fully identified and evaluated.

4. The Principles for Responsible Investment:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

5. Glossary of Terms

Active management: An approach to investing whereby capital is allocated according to the judgment of the investor or fund manager(s). The active investor aims to beat the returns from the stockmarket or specified benchmark index/sector, rather than to match them.

Additionality: Whether the impact being measured would be achieved if the company did not exist or were not adequately funded – i.e. could another company equally deliver that impact?

Asset: Anything having commercial or exchange value that is owned by a business, institution or individual.

Asset class: Category of assets, such as cash, company shares, fixed income securities (bonds) and their sub-categories, as well as tangible assets such as real estate.

Capital growth: Occurs when the current value of an investment is greater than the initial amount invested.

Diversification: The practice of investing in a variety of assets, which typically should perform independently of each other. This is a risk management technique where, in a well-diversified portfolio, a loss from an individual holding should be offset by gains in other holdings, thereby lessening the impact on the overall portfolio.

Engagement: Interaction with company management on various financial and non-financial issues, including ESG. Engagement allows investors to better understand how a company operates and how it interacts with its stakeholders, as well as advising on and influencing company behaviour and disclosures where appropriate.

Equities: Shares of ownership in a company. They offer investors participation in the company's potential profits, but also the risk of losing all their investment if the company were to go bankrupt.

ESG integration: The explicit and systematic inclusion of Environmental, Social and Governance (ESG) factors in investment analysis and decisions. It underpins a responsible investment approach and, in our view, allows investors to better manage risk and generate sustainable, long-term returns.

Exclusions: Excluding or restricting investment in companies based on the sector in which they operate or for other specific criteria, i.e. they are deemed to be in breach of the United Nations Global Compact principles on human rights, labour, the environment and anti-corruption.

Exposure: The proportion of a fund invested in a particular share/fixed income security/index, sector/region, usually expressed as a percentage of the overall fund.

Fundamentals: A basic principle, rule, law, or the like, that serves as the groundwork of a system. A company's fundamentals pertain specifically to that company, and are factors such as its business model, earnings, balance sheet and debt.

Impact: Investment with the purpose of generating a measurable social or environmental return, alongside a financial return.

Index: An index represents a particular market or a portion of it, serving as a performance indicator for that market or segment.

Liquidity: Refers to the ease of turning assets into cash when needed. A company's shares are considered highly liquid if they can be easily bought or sold, since they are regularly traded in high numbers.

Materiality: The percentage of a company's revenue that contributes to the impact being measured.

Ongoing charges figure (OCF): The ongoing charges figure represents the operating costs investors can reasonably expect to pay under normal circumstances.

Risk: The chance that an investment's return will be different to what is expected. Risk includes the possibility of losing some or all of the original investment.

Risk management: The term used to describe the activities the fund manager undertakes to limit the risk of a loss in a fund.

Security: Financial term for a paper asset – usually a share in a company or a fixed income security also known as a bond.

Share: An ownership stake in a company, usually in the form of a security. Also called equity. Shares offer investors participation in the company's potential profits, but also the risk of losing all their investment if the company were to go bankrupt.

Sustainable: Investment in assets that make a positive contribution to the environment, economy or society, alongside a financial return.

Total return: The gain or loss derived from an investment over a particular period, including income and price appreciation in that period. Income can be in the form of interest for bonds or dividend payments for shares.

United Nations Global Compact: A United Nations initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on their implementation.

Valuation: The worth of an asset or company, based on the present value of the cashflows it will generate.

Volatility: The degree to which the price of a given security, fund, or index changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Voting: As the partial owners of a company, shareholders have the right to vote on resolutions put forward at a company's annual general meeting. These resolutions include the re-election of directors, executive remuneration and