ESG and Impact Criteria

M&G Sustainable Multi Asset Cautious Fund

M&G Sustainable Multi Asset Balanced Fund

M&G Sustainable Multi Asset Growth Fund

December 2020

This document, referred to in the Funds' prospectus, provides further information on the ESG standards and exclusions, and impact criteria used by the Investment Manager when managing the funds.

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1. Responsible Investing at M&G

1.1. M&G's Responsible Principles

M&G believes that Environmental, Social and Governance (ESG) 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 incorporated into investment decisions wherever they have a material impact on risk or return.

We apply an active ownership approach through taking controlling or significant minority stakes in our investee companies. 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.

M&G seeks to support companies over the long term where possible, 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+ (of which we are a founding signatory), Climate Bonds Initiative and the Principles for Responsible Investment (PRI). We are also involved with impact orientated 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 continue to develop internal tools to support our ESG analysis and investment process. Such tools include 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, as well as a proprietary 'ESG scorecard' for individual companies.

M&G's Stewardship and Sustainability Team oversees our stewardship of the companies in which we invest. Active voting is an integral part of our investment approach. M&G has a robust voting policy in which we seek to exercise 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.

1.3. Climate Change Group Policy

Our approach to climate change is at the forefront of our stewardship framework and seeks to reflect regulatory advances, shifting client expectation and an increasingly clear investment imperative.

In March 2020, M&G plc announced two new commitments to focus and accelerate our efforts, and those of our partners and investees, to address climate change.

- As an asset owner and asset manager, we have committed to reach net zero carbon emissions on our total book of assets under management and administration by 2050, in line with the Paris Agreement and the UK Government's target.
- As a company, we have committed to reduce our own carbon emissions to net zero by 2030.

This approach is focused on the delivery of two primary outcomes. The first is a structured process for understanding and managing the climate-related risks to our investments across asset classes, incorporating a climate risk management programme that focuses on the largest emitters. This is derived from a mapping of high-carbon sectors and our holdings within them, based on portfolio carbon foot-printing and elements of climate change scenario analysis. The second broad outcome is the identification of investment opportunities that represent the solutions to tackling climate change.

We believe companies that clearly understand the risks to their business – and have put in place measures to mitigate and adapt to these risks, as well as capitalising on long-term opportunities – will be better positioned to deliver stronger investment outcomes in the long run.

Our analysis provides the basis for an evaluation of opportunity against risk and a structured engagement programme, which prioritises greater transparency in corporate disclosures and a clearer demonstration of corporate decarbonisation plans. In this way, we will use our position as an investor to encourage the transition to a low-carbon economy. To build on this analysis and engagement activity, we are developing a more structured approach into our voting decisions for all companies that integrates an assessment of climate performance.

We assess the carbon footprint of our portfolios to understand their exposure to carbon emissions, incorporating a climate risk management programme that focuses on the largest emitters, and looking at both the physical risks of global warming and transition risks – these being the regulatory changes in response to climate change that will negatively affect companies without adequate net-zero transition plans. We also identify the best tools to run scenario analyses for different temperature changes, helping understand how companies and portfolios are aligned with the Paris agreement.

We participate with other investors and stakeholders to push for improved climate-related disclosures and risk management and to encourage positive change. We collaborate with the Institutional Investors Group on Climate Change (IIGCC), Climate Action 100+ and are members with the IIGCC Paris Aligned Investor Initiative. We will continue our participation in other industry-led collective engagement groups and climate change initiatives to help accelerate progress in investment approaches and wider policy direction.

More information on M&G's approach to climate change can be found here, on the M&G website.

2. Our Approach to Sustainable Multi Asset Investing

We intend for the asset allocation decisions to be the key drivers of returns for the funds. Implementation of those decisions sees the funds populated with assets by following the strict ESG and/or positive impact selection criteria we have set down.

We aim to achieve optimal asset allocation, managing the composition of a portfolio to balance anticipated risk with potential reward, according to market conditions. In addition, we seek to capitalise where we see opportunities, throughout the market cycle, by using a dynamic investment approach, which includes the flexibility to buy and sell different assets. We apply behavioural finance theory to respond when investors react, sometimes irrationally, to events or news. These reactions, or overreactions, can create value opportunities as they result in asset prices moving away from their fundamental value.

The manager builds the funds' portfolios by selecting the most suitable assets, in the investment team's view, from an investment universe to reflect the asset allocation preferences. A minimum of 20% is held in positive impact assets and, though there is no cap on the amount held, typically there will be 20%-50% of such assets held in the Fund.

The M&G Multi Asset team has been applying its unique investment philosophy and process for more than a decade. While each fund manager bears responsibility for the management decisions of each portfolio, the group functions as a true team, continually sharing and testing investment ideas and assessing a wide variety of macroeconomic data.

The M&G Multi Asset team's principles are based on:

- Repeatable process applicable to all liquid asset classes
- Asset allocation and selection as the primary driver of performance
- A disciplined valuation framework to highlight asset mispricing
- Behavioural analysis to identify causes of mispricing

The fund will primarily look to invest via direct holdings, in order to be able to adhere to the ESG criteria mentioned elsewhere and achieve the desired positive impact from its impact holdings. The fund manager does have the flexibility to invest indirectly (e.g. via derivatives) in certain circumstances.

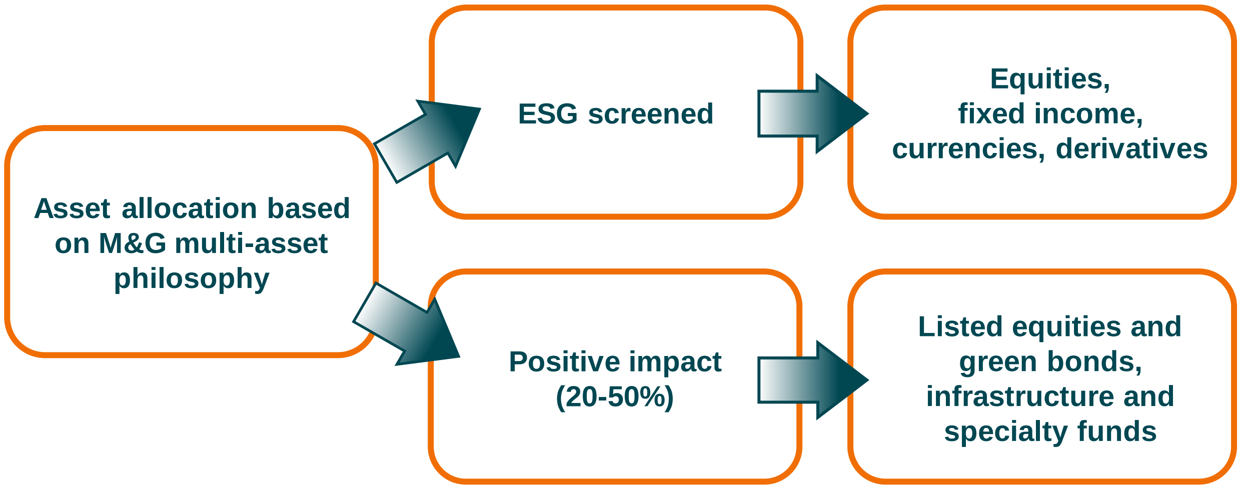
A derivative may be held indefinitely when:

1. The underlying security has met the Fund's ESG criteria or,
2. The underlying security, by its nature, cannot be screened from an ESG perspective (e.g. currency forwards or interest rate swaps) or,
3. It is not possible to screen the underlying security/issuer, where the underlying security is not covered by MSCI or ISS or where it relates to an index but the fund manager assesses them as meeting the ESG Criteria. In this case, the fund manager will provide further rationale for such instrument's inclusion in the portfolio to the ESG investment oversight function or,
4. The derivative is formally recognised as an ESG derivative. For index-based derivatives, the index needs to be formally recognised as ESG in order for it to be considered ESG compliant.

A derivative may be held temporarily when it is not possible to screen a derivative's underlying security/issuer, where the underlying security is not covered by MSCI or ISS or where it relates to an index and the fund manager does not assess them to meet the ESG criteria. In this case, the instruments can be purchased but only to take advantage of short-term market movements.

For other indirect investments that are not derivatives (e.g. M&G Funds or third-party funds), the fund manager will seek to assess their suitability by reviewing and examining the ESG and Impact criteria of these funds. More specifically, the fund manager will assess the criteria used by these funds with regards to: best-in-class ESG, positive impact investments, and exclusions applied to the portfolio. The fund manager will provide further rationale for such instrument's inclusion in the portfolio to the ESG investment oversight function.

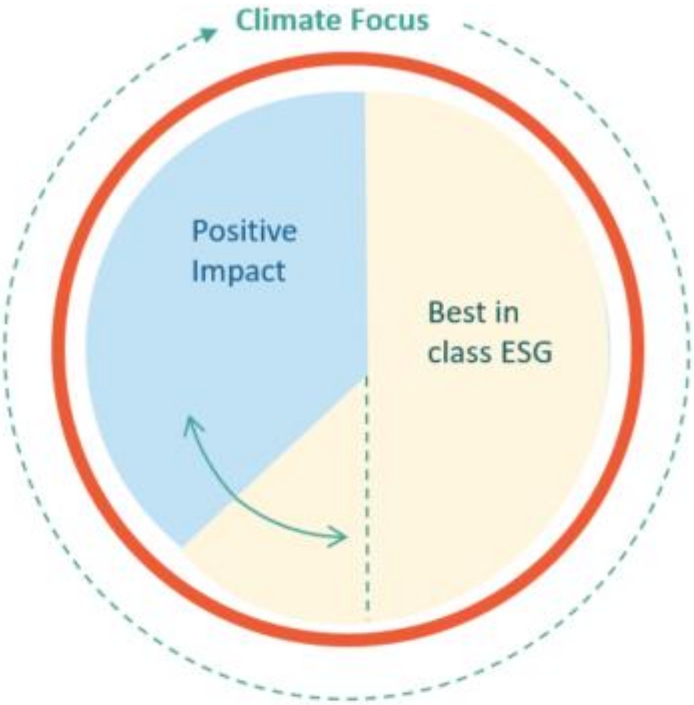
Allocation to asset class



Source: M&G, illustrative, December 2020

2.1. Climate Focus

In addition to the ESG and positive impact process, the funds also have an overarching climate focus. It is applied to the wider portfolio across asset classes, sectors and geographies. The purpose of this climate focus is to assess the long term sustainability of assets, with a focus on carbon intensity and climate adaptability, which is crucial to achieving a more sustainable global economy. To ensure this climate focus, the manager will rely on: sector exclusions, proprietary analysis on climate transition, science based targets adherence, and climate governance engagement.



Source: M&G, illustrative, December 2020

2.2. Divestment Approach

There are a number of distinct situations when disinvestment is considered from a sustainability perspective :

1. Breach of formal sector/activity exclusions and ESG ratings criteria – Whenever a breach is identified during daily monitoring, disinvestment will take place within 5 business days or the fund manager will have to provide rationale to the ESG investment oversight function for inclusion in the portfolio.
2. Material change to the impact qualification criteria (“iii” framework: investment, intention, and impact) – The fund manager will carefully consider divesting if the impact criteria changes meaningfully, specifically as it pertains to our “iii” Framework:
   - Investment: When a company’s quality is meaningfully impaired, which could precipitate a large negative change to the business model, management, corporate governance, transparency or financial discipline
   - Intention: The entity experiences changes to its positive impact intentions, as highlighted in their mission statement or by management.
   - Impact: The company experiences material changes to the measurability of their positive impact.

In these circumstances, the timing of any sale will be determined by the fund manager.

3. Exclusions/Restrictions

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 Sustainable Multi Asset Funds

The M&G Sustainable Multi Asset Funds exclude companies deemed to be in breach of the UN Global Compact Principles of human rights, labour, the environment and corruption (see Appendix 2).

The list of exclusions/restrictions and other considerations shown below 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.

Companies that decline to disclose or communicate in sufficient detail about their involvement in activities listed in the Exclusion Criteria will be excluded. Investments that newly contravene the Exclusion Criteria will be sold if initial engagement attempts are unsuccessful.

Exclusion / Restriction Criteria: Environmental		
Issue	Rationale	Criteria
Thermal coal extraction	The extraction of thermal coal can have long-lasting negative impacts on the environment. These include air and water pollution, and the increased frequency of oil spills.	The funds exclude companies involved in the extraction of thermal coal. We apply a 0% revenue threshold for such companies.
Unconventional oil and gas extraction	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 funds exclude companies that derive more than 10% of their revenue from unconventional oil and gas such as shale oil, shale gas, oil sands and Arctic drilling.
Conventional oil and gas extraction	We recognise the need for a transition period allowing conventional oil and gas products to adapt to a low-carbon economy.	Exclusions in this sector will apply only to oil & gas extraction companies that derive less than 40% of their revenue from activities related to natural gas extraction or renewable energy sources. The fund may invest in financial instruments linked to sustainability, such as green or sustainable bonds in the sector.
Carbon-intensive power	Fossil-fuel derived power, such as the generation of electricity from thermal coal, is environmentally damaging due to	The funds will not finance electricity utility firms that derive more than 10% power production from coal, more than 30% from oil and gas or

generation (electricity generation, fossil fuel-derived power, nuclear power)	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.	more than 30% from nuclear fuel sources. However, companies with a clear business model aim of accelerating transition to low-carbon power production will be considered, with a maximum total limit of 5% of the fund, even if in breach of the limits above. The fund will not finance electricity utilities with expansion plans that would increase their negative environmental impact or those constructing additional coal or nuclear-based power production installations. In addition, the fund might invest in financial instruments linked to sustainability, such as green or sustainable bonds in the sector.

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 funds exclude 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 for consumption	Alcohol has been proven to lead to addiction, have adverse health effects when excessively consumed and provoke an increase in anti-social behaviour.	The funds exclude companies involved in the production of alcohol for consumption. We apply a 0% revenue threshold for such alcohol producers.
Controversial countries	Countries that perpetrate, violate and infringe international human rights standards do not support socially responsible investment practices.	The funds consider the country in which a company operates when assessing the company's eligibility for the investment universe, particularly if based in a country where there are serious concerns over human rights violation. This does not constitute a formal constraint on investment in the company in itself, unless the company is state-owned or state-funded, in which case it will be excluded from investment.

		Sovereign bonds issued by governments that are considered to have a lack of democratic principles or operate under an oppressive regime will not be considered for investment.
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 oppose to the companies themselves, evades the responsibility of ensuring those working in the industry have fair and humane working conditions.	The funds exclude forward agricultural contract investments from the investment universe.
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 funds exclude companies involved in the provision of gambling services. We apply a 0% threshold for revenue derived from gambling-related business activities.
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 funds exclude or restrict 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 funds exclude 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	The funds exclude companies that derive more than 10% of their revenues from the production

	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.	or sale of weapons systems, components, and support systems and services.

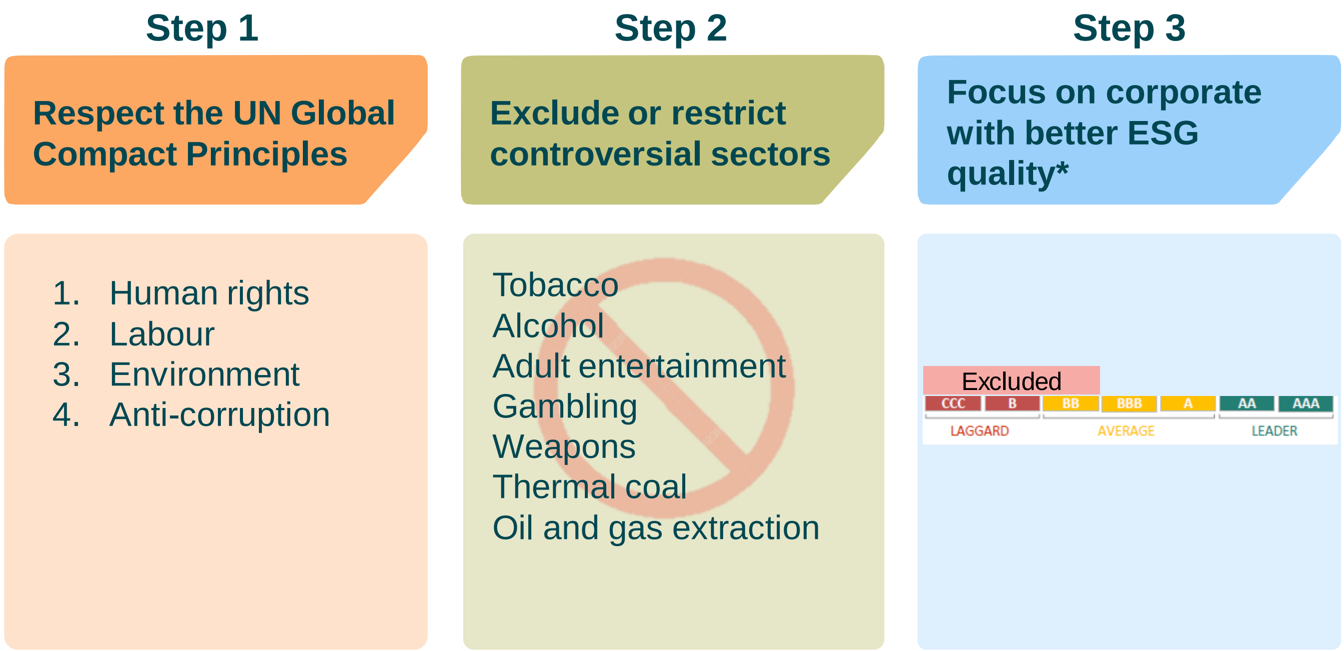
Other ESG considerations		
Biodiversity	Biodiversity is an important investment consideration as it provides biological resources, ecosystem services, and absorption of pollution. Biodiversity is therefore considered in the fund's ESG assessment and screening.	Where biodiversity is identified as a key business risk, the funds consider 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 funds consider how companies manage their operations and their impact on water usage, as well as if they have clear policies and targets for improvement.
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 funds consider if a company is based in a country that enforces the death penalty, although this does not implicitly constitute a restriction on investment. When investing in sovereign bonds, the death penalty will be considered in conjunction with the judicial system in which it is used. Countries with a clear and transparent judicial system and a democratic government are not assessed on the death penalty.

4. ESG Approach to Corporate Holdings

ESG screening represents an active process that combines negative and positive selections to identify an investable universe. Through that process, we seek to minimise or prevent investment in companies or sectors that are considered unsuitable to a responsible investor, and simultaneously can identify those that are assessed to be exhibiting better ESG characteristics than their peers.

As the majority of each fund is invested in ESG-screened assets, the process has a significant influence on the shape of the fund, by filtering to create the investable pool of companies and securities that may be held. The remainder of each fund's investments are applied to assets that are dedicated to generating a positive impact to society and the environment. Those investments will also have been subject to individual ESG assessment.

We adopt a three-stage process in screening for qualifying potential investments:



Source: M&G. As at September 2020. *MSCI Corporate Universe

First, we exclude companies assessed to be in breach of the United Nations Global Compact Principles on human rights, labour, the environment and corruption – Step 1.

We further exclude or restrict companies that are producers of, or provide services in, controversial products and we scrutinise CO_2 intensive industries such as oil and gas and utilities, as illustrated in Step 2. Please refer to the Exclusion/Restriction Policies section for further details.

Last, within each sector we aim to identify the key ESG risks and consider how each company is positioned relative to those while comparing across peers – Step 3. We want to invest in companies that we believe meet preferred standards of ESG behaviour. For this we mainly use ESG ratings provided by MSCI, where a rating of at least BBB is required for consideration.

5. ESG Approach to Sovereign Holdings

We believe that holding bonds issued by sovereign entities in sustainable strategies is fully justified. As in the case of corporates, MSCI will attribute an ESG rating to sovereigns, and we permit any with a rating of at least BB to be considered for investment. Sovereigns typically issue bonds to supplement their tax and other revenues and use that to fund their spending across the breadth of their economies.

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

Not all governments are considered to be worthy of consideration, however, even if they achieve an MSCI ESG rating of BB or higher. Each will be considered on its own merits prior to investment.

Quantitative ESG screening	**Qualitative assessment on social factors**	**Qualitative assessment on environmental factors**
• Exclude all countries rated below BB	• World Bank • Freedom House • Financial Action Task Force • United Nations Security Council	• Climate Change Performance Index • Climate Action Tracker • Climate Analytics • New Climate

Source: M&G, MSCI. As at September 2020.

6. Impact Framework

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

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

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

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

Source: M&G, MSCI. As at September 2020.

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

Intention: we aim to understand the intentionality behind the security/instrument issued by the company.

Impact: we seek to assess the material impact of the investment towards achieving one or more of the specific UN SDGs. When assessing the 'Impact' score of a company, we consider both the 'materiality' and the 'additionality' of the impact delivered. 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 fund embraces the SDGs framework and invests in companies focused on six key areas, mapped against the SDGs (see Appendix 1). These are: better health, saving lives; social inclusion; better work & education; circular economy; climate action; and environmental solutions.

Distribution of Positive Impact holdings by impact area

Source: M&G, as at September 2020.

We aim for the positive impact section of the portfolios to represent approximately 30% of each fund and usually between 20% and 50%. The investments that make up the positive impact section are made up of different asset classes and may come from anywhere in the world where we can find investable opportunities in which we have conviction. This might include listed equities, green social and sustainable bonds, bonds issued by supranationals, and in particular development banks, such as the Inter-American Development Bank, infrastructure investments or collective investment vehicles.

More details on Impact measures and key performance indicators can be found in our annual ESG and Positive Impact review, available on our website.

Across our positive impact holdings we use engagement to affect change in our investee companies on a number of issues, not least supporting responsible corporate behaviour and long-term thinking, but also pushing the company to improve disclosure or set more testing sustainability objectives. Engagement also allows for positive reinforcement of the long-term aims of a company, while further supporting a business' impactful ventures.

6.1. The M&G Impact team

As part of the III analysis of the fund's equity and fixed income holdings, in addition to other asset types such as green bonds and green infrastructure, the team internally scores entities on their III credentials. It requires above-average results for inclusion in the watch-list, as well as consensus agreement of the organisation's merits from the entire Positive Impact team.

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

7. Active Stewardship

Active Ownership

Active ownership is an essential element of our investment approach. Through meetings with management and voting at the Annual General Meetings, we can use our voice and votes to encourage our companies to act in the best interests of stakeholders and towards the UN SDGs. By encouraging open conversation with companies, we can share our thoughts and ideas regarding key issues, to encourage transformation towards a more sustainable economy.

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.

Strategic ESG Engagement

Across our portfolios' holdings we identify opportunities for strategic ESG engagement on sustainability-related matters. Subjects for engagement could range from commitments on sourcing of raw materials and effects on biodiversity to better employment and working conditions, both within the company and throughout its supply chain.

As the M&G Sustainable Multi Asset Funds are multi-asset products, we are able to also engage with companies issuing bonds, including green bonds and infrastructure bonds, particularly when bonds are being newly issued.

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:

- 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.
- 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

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.

Best-in-class: Best-in-class approaches can vary from selecting from among the best-performing companies to excluding the worst-performing relative to peers, based on analysis of ESG factors.

Circular economy: An economic model that seeks to recycle and reuse products in order to reduce waste. Usually presented in contrast with the traditional so-called "linear" economy's model of making products and discarding them after use.

Clean energy: Energy from non-polluting sources, including solar, wind and water.

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 goes bankrupt.

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.

Fundamental value: A company's fundamental value pertains specifically to that company, and is influenced by factors such as its business model, earnings, balance sheet and debt.

Green bond: Refers to a fixed-income instrument that is issued specifically to raise money for climate and/or environmental projects.

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.

Liquid assets: Assets are generally considered to be liquid if they may easily be sold 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.

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 goes bankrupt.

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

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 business strategy, and may also include resolutions put forward by shareholders.