April 2021

ESG Criteria and Impact Criteria

M&G (Lux) Sustainable Allocation Fund

This document, referred to in the Fund's prospectus, provides further information on the ESG Criteria and Impact Criteria, and 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, considering 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 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.

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+, Climate Bonds Initiative and the Principles for Responsible Investment (PRI). We are also involved with impact orientated organisations, including the Impact Management Project, the Global Impact Investing Network and the UK National Advisory Board on Impact Investing.

M&G takes a responsible, active and long-term approach that considers all 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 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 developed a proprietary 'ESG scorecard' for individual companies which incorporates a standardised section reflecting M&G's values which is combined with the Sustainability Accounting Standards Board (SASB) framework. In order to provide insight into analysis we have also been developing internal tools, including an 'ESG dashboard', and have created a databank of questions to identify material issues for specific industries and sectors.

M&G's Stewardship and Sustainability team oversee 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.

2. Our Approach to Sustainable Multi Asset Investing

We intend for the asset allocation decisions to be the key drivers of returns for the Fund. Implementation of those decisions sees the Fund 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 fund manager builds the Fund's portfolio 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 Fund primarily seeks to invest via direct holdings, in order to be able to adhere to the ESG Criteria and/or Impact Criteria and achieve the desired positive impact from its impact holdings. All candidate securities will be assessed by the fund manager to determine that they meet the ESG Criteria and/or Impact Criteria prior to selection, using third-party ESG information and/or proprietary analysis. The fund manager does have the freedom to invest indirectly (e.g. via derivatives) in certain cases.

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

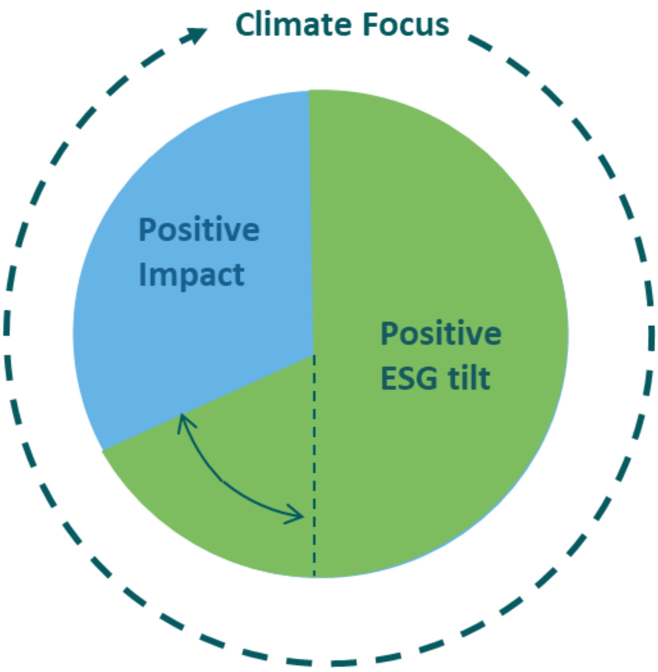
A derivative may be held indefinitely when:

1. The underlying security has met the Fund's ESG Criteria and/or Impact 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 and/or Impact 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 and/or Impact criteria. In this case, the instruments can be purchased but only to take advantage of short-term market movements and to hedge currency exposures.

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 policy of these funds. More specifically, the fund manager will assess the criteria used by these funds with regards to: positive ESG tilt, 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.

2.1. Climate Focus



In addition to the ESG and positive impact process, the fund has 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 take into consideration: sector exclusions, science based targets adherence, and climate governance engagement.

2.2. Divestment Approach

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

- Breach of formal sector/activity exclusions and ESG ratings criteria – Whenever a breach is identified during daily monitoring, disinvestment will take place within five business days or the fund manager will have to provide rationale to the ESG investment oversight function for inclusion in the portfolio.
- 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. 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 (Lux) Sustainable Allocation Fund

The exclusions are categorised into 1) norms-based 2) sector-based and/or values-based exclusions and 3) other exclusions to align with the Fund's investment policy.

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.

Norms-based exclusions

The M&G (Lux) Sustainable Allocation Fund excludes companies deemed to be in breach of the UN Global Compact Principles of human rights, labour, the environment and anti-corruption (see Appendix 9, sub-section 2).

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 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 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 Fund excludes companies involved in the production of alcohol for consumption. We apply a 0% revenue threshold for alcohol producers.

Exclusion criteria: Social		
Controversial countries	Countries that perpetrate, violate and infringe international human rights standards do not support socially responsible investment practices.	The Fund considers 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 Fund excludes 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 Fund excludes 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 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.

Exclusion criteria: Social		
Other weapons	Although used legally in many democratic countries across the world, weapons are designed to insure 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 10% of their revenues from the production or sale of weapons systems, components, and support systems and services.

Exclusion 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 Fund excludes 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 extraction 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 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 generation (electricity generation, fossil fuel-derived power, nuclear power)	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 does not finance electricity utility firms that derive more than 10% power production from coal, more than 30% from oil and gas or 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.

Other ESG considerations		
Issue	**Rationale**	**Criteria**
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 considers 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 considers 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 9, sub-section 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 considers 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.

Other exclusions

Investments assessed to be otherwise in conflict with the ESG Criteria and/or Impact Criteria are also excluded.

Indirect Investments

Indirect investments may not be possible to screen in the same way as securities held directly. In order to be eligible for investment for this Fund, the fund manager has to assess the suitability of such investments relative to the Fund's investment objective and provide the investment rationale to the ESG investment oversight function. If a derivative does not satisfy the Fund's ESG criteria and/or Impact criteria, the Fund may only invest via the instrument to take advantage of short-term market movements and to hedge currency exposures.

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 (Positive ESG tilt assets).

As the majority of the Fund is invested in positive ESG tilt 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 the 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.

4.1. The Three-stage Screening Process

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

Norms-based exclusions

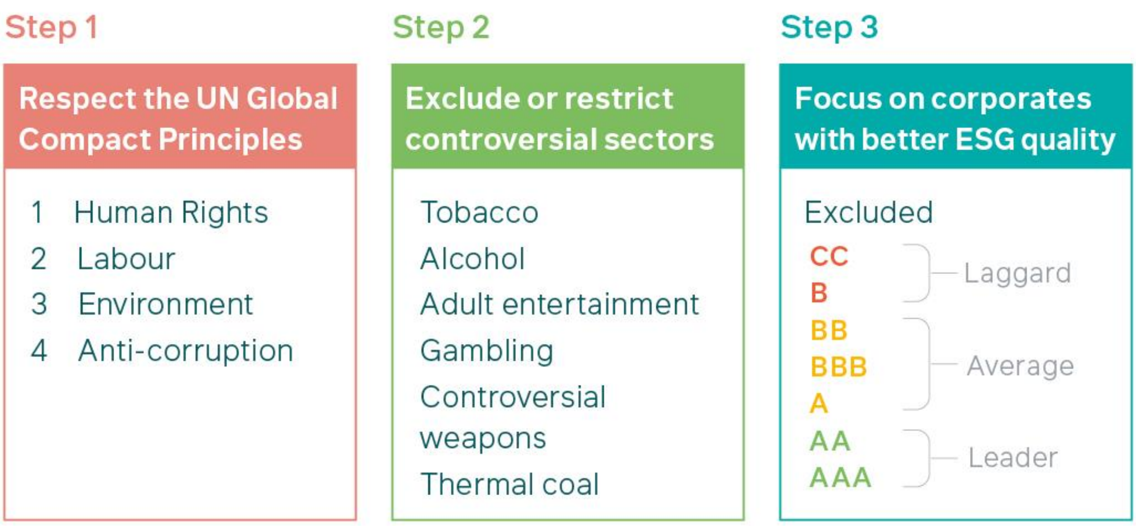
First, we exclude companies assessed to be in breach of the United Nations Global Compact Principles on human rights, labour, the environment and anti-corruption – Step 1 in the figure below.

Sector-based and/or values-based exclusions

We further exclude companies that are producers of, or provide services in, controversial products and we scrutinise CO_2 intensive industries such as oil and gas and utilities, 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. In addition, we will look to incorporate internal ESG research into our analysis where available.

Three-stage screening process



Source: M&G. As at January 2021. *MSCI Corporate Universe

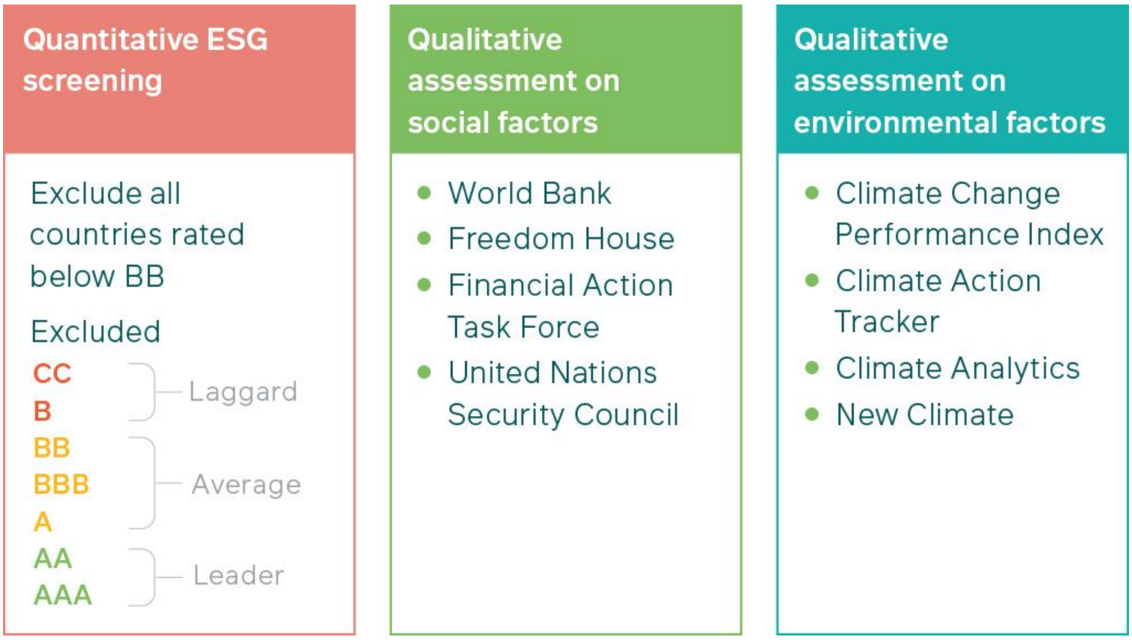
5. ESG Approach to Sovereign Holdings

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. In addition, we will incorporate further data sources (see below) in our analysis of relevant social and environmental factors.

Three-stage screening process



Source: M&G, MSCI. As at January 2021.

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.

As part of M&G's impact assessment methodology, M&G (Lux) Positive Impact Fund uses a III framework as a practical means of assessing a security's suitability for the Fund. This framework, called the III, robustly and consistently applies set criteria and standards for scoring the Impact, Intention and Investment case of each security.

Each 'I' score is derived from the assessment and rating of its key drivers, outlined below. The scoring is out of 10 for Investment, Intention and Impact and if the score is below 5 on any one of the three pillars, the security is not included on the watchlist. Once a security has been analysed through the III process and then been deemed potentially appropriate for the watch-list, the wider team will debate its merits. Only when the team is unanimously convinced of the appropriateness of the investment will it enter the watch-list.

The team aims to achieve an optimal balance of quality investments, with a solid, established culture that is consistent

with the management's vision and strategy. The team believes that this will enable an investment to effectively create a positive environmental, social or economic impact for the regions and people it serves. Triple-I framework

Source: M&G, as at January 2021.

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

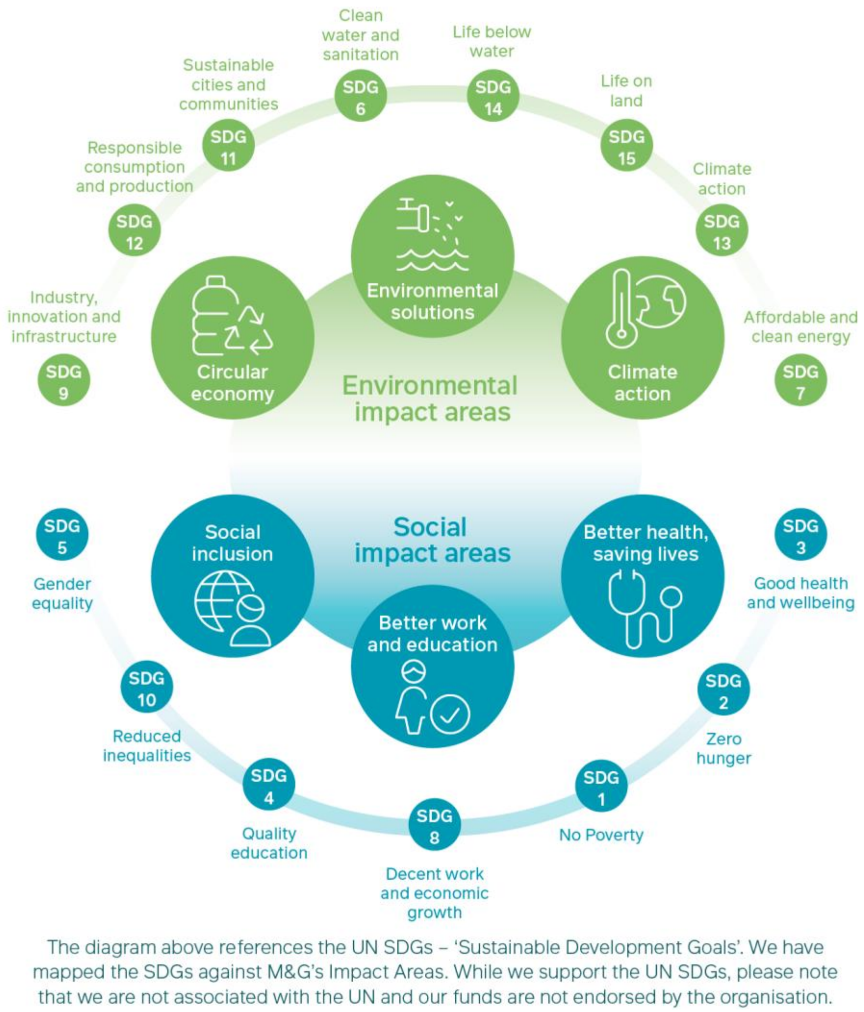
Intention: we aim to understand the intentionality behind the security/instrument issued by the company.

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 9, sub-section 1). These are: climate action; environmental solutions; circular economy; better health, saving lives; better work & education; and social inclusion.

Distribution of Positive Impact holdings by impact area



Source: M&G, as at January 2021.

We aim for the positive impact section of the portfolio to represent 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 development banks such as the Inter-American Development Bank particularly, infrastructure investments or collective investment vehicles.

More details on Impact measures and key performance indicators can be found in the Fund's annual ESG and Positive Impact report, 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 holdings, the team internally scores companies on their III credentials, and requires above-average results for inclusion in the watch-list, as well as consensus agreement of a company'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. ESG Analysis

7.1. 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.

8. Active Stewardship

8.1. 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.

8.2. 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.

8.3. Strategic ESG Engagement

Across our portfolio's 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 (Lux) Sustainable Allocation Fund is a multi-asset product, we are able to also engage with companies issuing bonds, including green bonds and infrastructure bonds, particularly when bonds are being newly issued.

M&G's Stewardship and Sustainability team

We have a large and well-resourced in-house team focused on engagement with our investee companies, which supports the fund's investment team on issues that can affect our investments over the long term. This dedicated in-house team is a central function that ensures oversight and accountability for stewardship and targeted, high-quality engagement on ESG issues.

The team coordinates M&G's stewardship activities, engaging with companies on issues from corporate governance to environmental sustainability, alongside the investment teams. Closely linked to this engagement work, the team undertakes M&G's voting responsibilities at shareholder meetings, which we see as one of our central responsibilities as long-term shareholders.

The team is responsible for coordinating M&G's participation in various external initiatives and investor collaborations, including the UK's Investment Association, the Investor Forum, the Institutional Investors Group on Climate Change and the Asian Corporate Governance Association. The team also maintains our relationship with responsible investment-oriented organisations, including the UN-backed Principles for Responsible Investment (UNPRI).

9. Appendix

1. The United Nations Sustainable Development Goals (SDGs)

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

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 allocation: Allocating a portfolio's assets according to risk tolerance and investment goals.

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.

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.

Derivative: A financial instrument whose value and price depend on one or more underlying assets. Derivatives can be used to gain exposure to, or to help protect against, expected changes in the value of the underlying investments. Derivatives may be traded on a regulated exchange or directly between two parties (over the counter).

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.

High yield bonds: Loans taken out in the form of fixed income securities issued by companies with a low credit rating from a recognised credit rating agency. They are considered to be at higher risk of default than better-quality, higher-rated fixed income securities, but they have the potential for higher rewards. Default means that a bond issuer is unable to meet interest payments or repay the initial amount borrowed at the end of a security's life.

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.

Investment grade bonds: Fixed income securities issued by a government or company with a medium or high credit rating from a recognised credit rating agency. They are considered to be at lower risk of default than those issued by issuers with lower credit ratings. Default means that a borrower is unable to meet interest payments or repay the initial investment amount at the end of a security's life.

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.

Long position: Holding a security in the expectation that its value will rise.

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

Positive ESG tilt: An approach to Responsible Investment, whereby the portfolio is tilted towards companies or issuers with better ESG characteristics than their respective peers.

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.

Short position: Holding a security in the expectation that its value will fall.

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.

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