

# Dream Machine



## Episode 3: Ben Constable Maxwell: ESG, SDGs and savouries

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**Laura Brown:** Hello and welcome to M&G Investments new podcast, Dream Machine, with me, Laura Brown, and my colleague Alex Matcham.

**Alex Matcham:** Hello.

**Laura:** Every episode we're going to be talking to one of our brilliant fund managers to find out a bit more about what makes them tick. But we're not going to be doing that in a traditional way, are we, Alex?

**Alex:** Oh, no. We're going to be asking them what their dream vending machine items are.

**Laura:** Of course we are. Yes, you heard that right. Each episode, we're going to be asking our investment expert to select from our virtual vending machine their favourite drink, packet of crisps and chocolate bar or sweets, as well as some other questions to help you get to know them in a broader way.

**Alex:** It's important to say at this point that none of the content of Dream Machine should be considered as financial advice, nor should anything be taken as nutritional advice. Vending machine items and snacks should be enjoyed as part of a balanced diet. If you are unsure, you should speak to a financial advisor or a nutritionist.

**Laura:** Absolutely. And we should also say that this is not a promotion for any of the items that are mentioned. And there is a whole world of delicious snacks and drinks out there.

**Alex:** So with the disclaimers well and truly done, let's begin. This episode we're talking to Ben Constable Maxwell, affectionately known as BCM, Head of Impact Investing at M&G Investments. Ben's been with M&G Investments for over 20 years, and has been a leading figure in the development of our approach to impact investing. Ben, welcome to Dream Machine.

**Ben Constable Maxwell:** Thank you very much. Great to be here.

**Alex:** Can I ask and start, what was your reaction when you were asked to come and do a podcast on your favourite vending machine items?

**Ben:** I mean, of course I thought it was the most natural question to be asked and a thing for us to be doing as a sustainable and impact investor. So didn't faze me at all. I thought it was a great suggestion.

**Laura:** Are you saying we in marketing have asked you to do weirder?

**Ben:** Much weirder.

**Alex:** Okay.

**Laura:** That's good to know. Should we start the formal proceedings at this point, do we think in terms of the dream vending machine?

**Alex:** This feels like the right time to open up the dream vending machine.

**Laura:** We know why you're here. Okay, so you've got this dream vending machine in front of you. You've got all the right change. It's working. Everything is fully stocked. And we start off with your dream drink then, what's your choice?

**Ben:** Okay, so I would go as my dream drink, Karma Cola, which you can see in front here.

**Laura:** It's coming in now. Excellent. Why Karma Cola? I'm going to open mine and pour.

**Ben:** So Karma Cola is a sort of an impact cola. So what they are doing is taking the challenge of really problematic sustainability and human rights in the cola supply chain. And they've intentionally set up a product, a drink which is trying to be a sustainable positive impact cola. And what they've done is they set up this amazing business based in Sierra Leone, which is where a lot of the kola nuts that that go into cola are produced. And they've intentionally set up, essentially a social enterprise that looks to not just create a delicious, fizzy, not particularly healthy necessarily, drink, but also which helps to support local communities, provide good work. Think about broader sustainability factors, really at the heart of what they do. So it's not a sort of add on. It's actually their reason for existing is to kind of try and challenge the soft drinks industry. And the cola in front of us is one of their drinks, but they've got a fizzy orange and a fizzy lemon and a fizzy ginger drink as well.

**Alex:** Should we have a taste?

**Laura:** I've gone already, it's nice.

**Alex:** Have you?

**Laura:** It tastes like the old-fashioned cola sweets.

**Ben:** It does taste exactly like a fizzy cola bottle.

**Laura:** Yet really does it in a good way. Yes, and I guess their packaging being a bottle rather than a can, that's all part of their business model.

**Ben:** Yes. That's right. So they're really trying for kind of like holistic sustainability across all the different levers that they can pull. They do have these bottles. They also have cans which are, you know, pretty recyclable aluminium. Which is actually can be one of the more sustainable options. They don't have any plastic bottles though. And actually randomly yesterday morning I got an email from them. From their mailing list saying that in the cap which we've got in front of us, they've just taken out all of the extra plastic that would normally be in the cap to tighten it to the bottle and, you know, thereby saving something like, I don't know, 500kg of plastic every year through that bottle. So they are really trying to think holistically about not just the social positive outcome that they can drive, but also, you know their footprint on it in an environmental sense. They're a cool company and they've really got a proper mission. And they live and breathe their mission and that's really why they exist, which is kind of interesting.

**Alex:** And can you tell us a little bit more about your daily life at M&G? What does an average day for you look like in terms of what you're doing on the funds and the teams that you're working on?

**Ben:** Yes. So I've got a dual role really. One is to work with our Equity Impact Team where I work with John William Olson and a really great team that we work with to manage our impact equity funds and strategies, particularly our Positive Impact Fund, but also the other 3 or 4 equity impact funds that we manage. And it's really about supporting the team, challenging the research, really thinking about how do we measure and manage the impact of our investments. So really working in collusion with John William and the team to deliver on the fund's impact goals and impact targets, as well as our financial and investment outcomes and targets that are core. So we run these dual objective funds where impact is equally as important to us as investment. So there's a lot of work on that, great team, as I said we really spend a lot of time discussing ideas, challenging each other to think not just about the business model, but also about the purpose and the impact that the companies can generate. And so that's the primary part of my role. But I also sit on our sustainability and stewardship team as a kind of impact lead, impact specialist, where I also work with other teams at M&G, particularly across private assets in helping to create what we think is a really interesting opportunity for end to end impact across private and public markets and trying to ensure that we've got a consistent framework. Consistent way to think about impact, what it means, how do we drive positive impact through our investments. So yes, working in a bit more of a collaborative way across other teams at M&G. And then finally there's a lot of outside work, whether it's talking and meeting our clients, presenting at conferences, taking part in really interesting working groups and workstreams with the broader impact ecosystem in the UK and elsewhere. So, you know, a lot of that is about learning from our peers and being challenged in what we do, to try and be, to do it as well as we can, but also hopefully sharing some of the insights that we've kind of gathered over 6 or 7 years of doing this with our clients and with our customers and with our peers as well.

**Alex:** In terms of impact investing itself, I think I remember you telling me a story once about being at some summit somewhere or some event that got you into it, something about holding hands or something. Can you tell us that story?

**Laura:** Hopefully this is the right anecdote.

**Alex:** It can be edited. Don't worry if there's a problem.

**Alex:** You can tell us about how this sort of genesis of your interest in the subject specifically.

**Ben:** It was actually the catalyst behind us trying to set up the Positive Impact Fund to try and create a fund that would directly support the Sustainable Development Goals, the SDGs, as well as a couple of other things. And so the event was this thing at a place called Findhorn in Scotland, and it's sort of sustainability hub, centre for Sustainable Investment and Climate Finance. And so ahead of the Cop, the 2015 Cop, which was the Paris Agreement. But really it was the genesis of thinking, let's set up a fund, you know, with someone who's a smarter investment person than me, but where we can bring in real, deep rooted sustainability and impact characteristics to this fund. And that was really when we got started working on positive impact fund.

**Laura:** I feel like should bring us back to our vending machine roots in this conversation. So we've had really good first choice. I want you to talk us through your next one, which is a pack of crisps.

**Ben:** Yes. This one is not entirely or remotely sustainability focussed. It is the Walker's Squares, salt and vinegar flavour. Used to, for those of us who are a little bit longer in the tooth, used to be Smith Squares crisps. I think is what those, Smith Square crisps is what they used to be called, now they're Walker's Squares.

**Laura:** I think I'm really pleased with this choice actually. I love a square.

**Alex:** Equally. I would say. They are among the crunchiest crisps on the market.

**Laura:** It feels like some kind of test you could do and that would definitely.

**Alex:** Is that a job, do you think? A crunch tester?

**Ben:** I would imagine it's definitely a job.

**Laura:** Yes, I would say so. In the crisp industry. Yes.

**Ben:** It's the equivalent of the kind of wine smeller.

**Laura:** Yes, yes.

**Ben:** Smeller?

**Laura:** Smell-ee-a

**Ben:** That's a great new word.

**Alex:** And give us your ten second take on why squares.

**Laura:** Yes. The pitch. Come on.

**Ben:** Yes. Well, I think you've nailed it. Really. I think it is a combination of the shape of the square, which I think is just a bit, you know, alternative and rather radical compared to most of the round shape crisps.

**Alex:** Yes. I never thought of that.

**Ben:** But I think the crunchiness is at heart of why it's a really great crisp.

**Alex:** Are you a habitual snacker, Ben? Are you, you know, do you snack a lot?

**Ben:** I do snack quite a lot. I think I'm not the most regimented in sticking to three healthy, structured meals a day. And I think as a result of that, I do get hungry. Having maybe missed lunch and therefore mid-afternoon, I do need that carb hit or sugar rush.

**Laura:** Would it generally be savoury for you, do you think? Or are you a sweet?

**Ben:** Often it's slightly depending on whatever's around. So we've got very nice people who I sit around who seem to constantly be bringing in sweets and chocolates or flapjacks or this, that and the other. So I

think if there were this great vending machine near us, I probably would go for savoury rather than sweet as a rule.

**Laura:** As a rule. Yes. Okay.

**Alex:** So if you had to eat just pasties or doughnuts for the rest of your life of any flavour, they can be sweet or savoury. What would you go for?

**Ben:** Yes. I mean, having said savoury, I do like a pasty. And I know, you know, your kind of regional background would probably lean you more towards pasties. But I am a bit of a sucker for a doughnut. And even though I think I'd naturally, my brain thinks I should go towards the savoury option, I think if there's a doughnut there, I'd nearly always go for the doughnut.

**Alex:** Sweet doughnut.

**Laura:** We need to work out a way how to get doughnuts into a vending machine, don't we?

**Alex:** I'm sure there's a doughnut vending machine somewhere.

**Ben:** Yes. In our local Sainsbury's, there is literally a doughnut...it's just a opened up. I think it's a Krispy Kreme. Like, it's not quite a vending machine, but it is a effectively a non-paying vending machine with all the different types of doughnut in it.

**Alex:** You say non-paying?

**Ben:** Well, and then you have to pay the till, but you don't have to pay.

**Laura:** So is it like, does it go and grab the doughnut in a sort of movement, or is it you open up the cupboard?

**Ben:** You have to open up the cabinet. And again, so it's not really a vending machine. But it reminds me of a doughnut related vending machine.

**Alex:** Excellent. There's a lot of excitement there, isn't there?

**Laura:** I got really excited about the idea of a vending machine.

**Alex:** Vending machines and doughnuts together.

**Laura:** There's a gap in the market for anyone who wants to do that. And so going back to kind of your job and your day to day, you know, when people are talking to you about sustainability, what do you think are the common misconceptions about what you do and what that means?

**Ben:** One of them is that sustainability is about, you know, avoiding stuff and just kind of ruling things out. I think that was obviously maybe one of the origins of ethical and responsible investing. And so it's, you know, it's framed in a slightly negative way. Sometimes it's like, you can't do this or you're ruled out from investing in that or this is our exclusion list, which I think is an important part of it. I see it as much more positive. And actually, the other kind of broad aspect is about how do you integrate risk thinking into your investment approach, which is really central to how we do it at M&G and in the industry more

broadly. But it's still a slightly negative framing. You know, our approach in positive impact and in impact investing is about investing in solutions, positive solutions to big social, environmental challenges and thinking about the opportunities for people, the planet and for investors that come from that kind of lens, that way of thinking about sustainability issues. And so I think, and that really is framing it positively, where I think there is a view that it's about negative exclusions or risk management. As I said, all of which are important. But I think it takes away that the real positive narrative that sustainable impact investing can have, you know, obviously that there has been times when it was framed as just an environmental thing. I think increasingly we recognise and some of the, you know, examples of the Karma Cola is about trying to root out child labour or modern slavery from supply chains. So I think the social side of it, is just as important as environmental side. Often those two interact in interesting ways. And yes, look, I think the other obvious one is about this question of returns and how your investment returns maybe potentially hampered by taking more of the sustainable lens. Now you're obviously you go through periods of difficult performance, whatever your style is. But we think, for example, that investing in some of the solutions to the world's biggest challenges and when there are good businesses, high quality management teams, you know, with a great product or service, those are going to be, if you take a long term perspective, those can be some of the best investments that are out there in the market. So the view that pro sustainability, positive impact result requires the sacrifice of returns. I think that's a big myth that we always want to dispel.

**Alex:** And that's really interesting, particularly at the moment with where and what we've seen over the last few years within investments and perhaps some of the market, dare I say it, getting their fingers burnt, maybe from some investing in some of those areas, at least on a shorter time periods. How do we bridge that gap, do you think, you know, because it is quite a polarising subject in places, sustainable investing in particular. You know, what? What do you think needs to happen to kind of bring it more mainstream and for the two sides, dare I say it to, to come together?

**Ben:** There are lots of different ways to answer that question. I'll quickly try and answer. Think of a couple. One would be that I think we need to be really clear about what ESG and sustainability and impact are, as sort of different kind of aspects of this broad, kind of, concept of sustainability and sustainable investing. And we touched on a couple and previously, you know, you can rule out sort of polluting companies from your investable universe. You can build better risk management and better research into your investment approach, which is about ESG integration. Or you can really focus on and target positive impact companies that are helping save the world. Now, those three examples, among others, they're quite different, and they have different outcomes, both from an investment and from a sustainability point of view. So I think we need to be much clearer about the different types of sustainable or impact approach that we can provide to our clients.

**Laura:** I think maybe, thinking about kind of you talked, about those different types of. Maybe we go on to our next, if I can segway into our next snack from the vending machine, which is your dream chocolate bar, but I wonder if this also relates to one of those.

**Ben:** Yes. So this is a Tony's Chocolonely, milk chocolate. And to your point, Laura, in an interesting way this, I reckon, encapsulates almost all three of those. So Tony's Chocolonely is something that was set up a bit like the Karma Cola example. A is a delicious, really high quality chocolate and what they're trying to do again with chocolate instead of with a drink is to say the chocolate industry and the chocolate supply chain is not fairly managed and fairly rewarded. So the people at the bottom, the farmers who kind of grow the cocoa, are often not given a very fair price and, often have their prices kept low by big buyers and by the, the kind of realities of the supply chain. So Tony's Chocolonely is really coming in and created this, what again is an impact business. And their core purpose was to try and tackle

problematic and unfair distribution of profits and opportunities within the chocolate supply chain, and also hands on tackling child labour and hands on trying to root out and reduce modern slavery, which can be part of chocolate supply chain. So they do all that. But so I'd say they do try and exclude, you know, bad actors in terms of suppliers where there's evidence of problematic supply chain behaviours. They really engage with a lot of their customers to try and improve. You know, they think that they recognise that child labour is a fact of life in certain regions that they operate in, in the Ivory Coast and in Ghana, where that chocolate plantations were. And child labour is, is really commonplace problematically, but it is frankly a fact of life. So what they do is they try and recognise it, work with growers, work with communities, provide higher prices, higher pay. And also help set up things like schools and those local communities. So the availability of education options for children and the pay, that means that the children don't have to get dragged into supporting the family income are all improved. So yes, they're a really great company. And in fact, they're set up as a positive impact business as well. I mean, that's literally why they were set up by the people who founded them. They're really interesting company.

**Laura:** Really interesting and really good chocolate.

**Alex:** It's really good.

**Laura:** It is really nice.

**Alex:** It's like bold in your face chocolate.

**Laura:** And I love this, you know, this unequal. This, the chocolate bar shaped in a non-regular way. Right, which reflects the inequality in chocolate which I can read on the bar here.

**Ben:** Yes that's right. That's tasty. Tasty chocolate.

**Laura:** And when you look to the future Ben do you feel more positive? There is obviously a lot of, you know, kind of negative things to worry about. But how do you feel about prospects for, the world is probably too big a question from an investment point of view. What's your thought?

**Ben:** The future of the planet and the future of human existence.

**Laura:** Please, if you could do that in 30 seconds.

**Ben:** I mean, I think the future of the planet and the future of how we invest, you know, as you can imagine, absolutely align. So our whole thesis and our whole view in our hopefully aptly titled Positive impact strategy is really to say, sure, there are loads of challenges and problems, but actually impact investing is about trying to identify, invest in and support and scale the solutions to those problems. So, you know, you have to have a pretty positive kind of mentality, a positive framing of these big challenges that we face, whether they're social around health and inequality or whether they're environmental around nature and biodiversity loss as well as climate, etc..

**Alex:** You mentioned there about even these products that we've got here. Maybe some of those artificial meat products as well, how it's really different now, and using this as an analogy for maybe other companies as well, that what once were perhaps less appealing. You know, dare I say it, ultimately very lentil based. You know, there's lots of alternatives now which offer you a different potential



outcome and a different route, and that maybe that's something that can be taken in and start to come elsewhere. This food using food as an analogy today. Trying to tie it up Ben.

**Laura:** You don't have to compromise.

**Alex:** Yes. No it feels like yes, it feels like there's less compromise.

**Ben:** Yes. That's right. I think one of the, you know, really critical enabling factor, without going to technical is like to support this shift in the right direction that we all need to embrace. And it's going to help tackle some of these problems. You know, they're still often a major cost differential between like, you know, Karma Cola and a can of Coke or Tony Choclonely or a bar of Dairy milk or whatever it happens to be. And actually that is because of the extra cost of doing business responsibility. The more we scale these good practices, the more the cost will come down. And I think the more that the decisions will be easy. So I think we need to get to stage where the lower cost supports the decision, because we can't really say, hey, everyone should move to more expensive organic foods because frankly, not even has the money to do it and we won't do it at scale.

**Alex:** I think that all that remains is for me to replay to you your dream machine, Ben Constable Maxwell. So your dream drink karma Cola, your dream bag of crisps, salt and vinegar squares. Walker's salt and Vinegar squares not Smith's. And Tony's Choclonely, I mean flavour to be determined, but we've got milk chocolate here. Are you happy with your selections?

**Ben:** I mean, you nailed it Alex. That's exactly right.

**Laura:** I'm very happy with the selections. They've been very good. And they're enormous.

**Alex:** They are enormous. There's plenty to go around.

**Ben:** Keeps us going for the rest of the afternoon / tomorrow / rest of the week.

**Laura:** No afternoon lull. Brilliant. Thank you very much, Ben for joining us on Dream Machine.

**Ben:** Thanks so much for having me. Thanks for the conversation. Hopefully not too sustainability focused, but you know.

**Alex:** Big part of your life is good. Yes.

**Ben:** Really interesting to chat to you guys. Thanks.

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