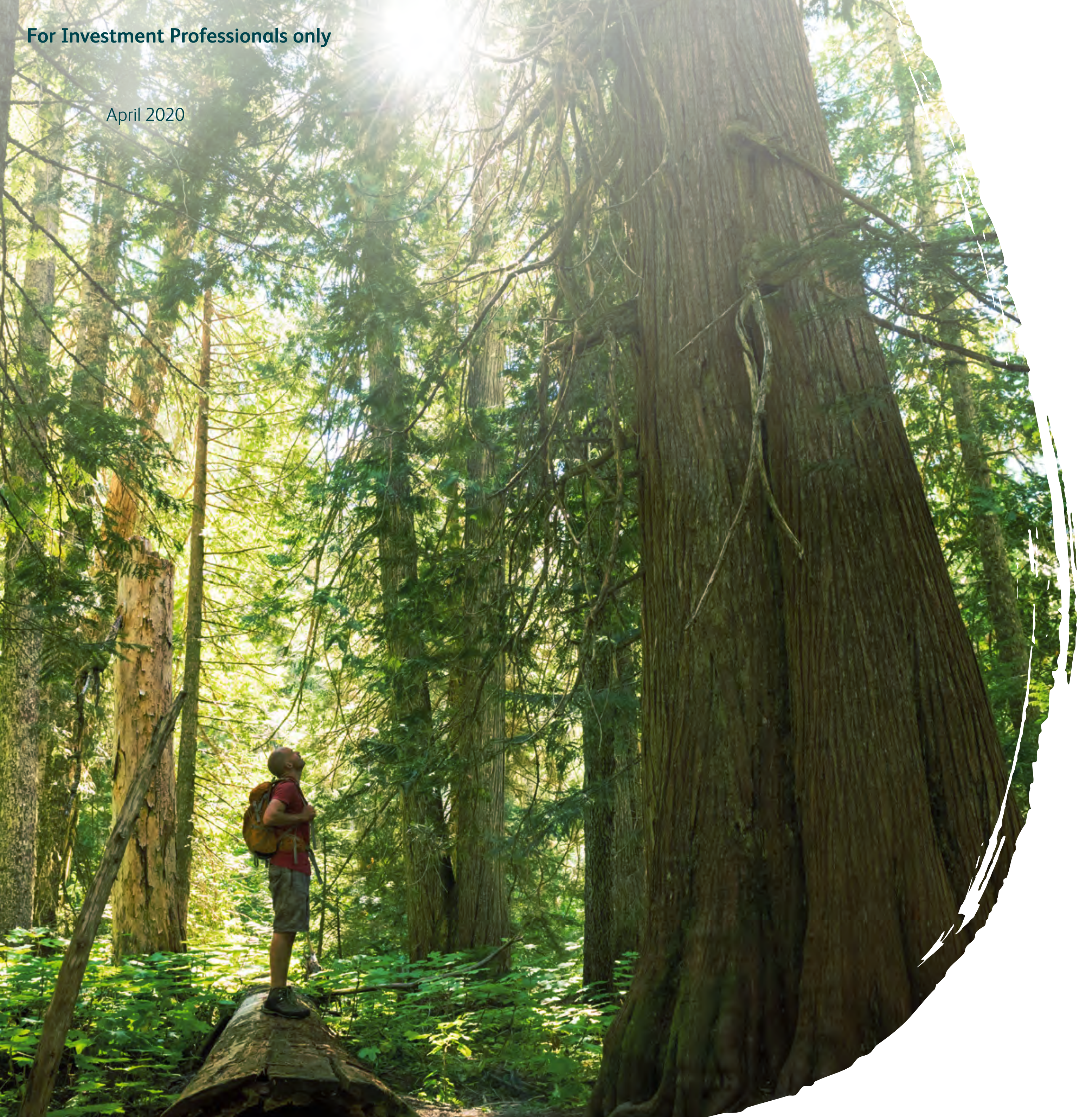
For Investment Professionals only

April 2020



M&G (Lux) Sustainable Allocation Fund

ESG and Positive Impact Review 2019

UCITS HAVE NO GUARANTEED RETURN, AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE

M&G INVESTMENTS

The main risks that could affect the fund's performance are set out below:

- The value and income from the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.
- Investments in bonds are affected by interest rates, inflation and credit ratings. It is possible that bond issuers will not pay interest or return the capital. All of these events can reduce the value of bonds held by the fund.
- The fund is exposed to different currencies. Derivatives are used to minimise, but may not always eliminate, the impact of movements in currency exchange rates.
- Investing in emerging markets involves a greater risk of loss due to greater political, tax, economic, foreign exchange, liquidity and regulatory risks, among other factors. There may be difficulties in buying, selling, safekeeping or valuing investments in such countries.
- The fund may use derivatives to profit from an expected rise or fall in the value of an asset. Should the asset's value vary in an unexpected way, the fund will incur a loss. The fund's use of derivatives may be extensive and exceed the value of its assets (leverage). This has the effect of magnifying the size of losses and gains, resulting in greater fluctuations in the value of the fund.
- In exceptional circumstances where assets cannot be fairly valued, or have to be sold at a large discount to raise cash, we may temporarily suspend the fund in the best interest of all investors.
- The fund could lose money if a counterparty with which it does business becomes unwilling or unable to repay money owed to the fund.
- Operational risks arising from errors in transactions, valuation, accounting, and financial reporting, among other things, may also affect the value of your investments.

Further details of the risks that apply to the fund can be found in the fund's Prospectus on the M&G website.

Contents

Introduction

Since the middle of the 19th century, the world has experienced socio-economic trends bringing great improvements to people's wellbeing and life expectancy and significantly reducing the numbers of people living in poverty. Over that period, the world population increased nearly sevenfold, from about 1-1.2 billion to nearly 7.8 billion people today. Economic activity has grown much faster however, with a similar sevenfold expansion in global gross domestic product (GDP) taking place since just 1960, to the current US$85 trillion. The industrialisation process, together with globalisation and technological innovation all contributed to shape this period of "Great acceleration".

Some scientists are now referring to our times as a new geological epoch: the "Anthropocene", to reflect the extent of humanity's effect on the Earth's climate and geology. Important earth-system trends have accompanied the socio-economic ones. The intensification of biosphere degradation, the increase in stratospheric ozone or the evident and persistent increase in atmospheric CO_2 demonstrate the significant man-made changes to the planet's ecosystem over that time.

Changes to earth systems are extremely important to our economies. In its 2018 Living Planet Report, the WWF highlighted that nature provides services equivalent to around US$125 trillion per year, or 1.5x the GDP of the entire world. However, the way that our society has been transforming the planet is threatening such precious and indispensable resources.

Most of the economic and social models that governments use have been built around linear economic systems that have excluded the natural environment, and thus miss out important factors. As we continue to learn the true cost of our detrimental activities, and begin to attribute an actual dollar value to them, our system can better evolve towards a more circular, sustainable economy.

Such transformation requires substantial product innovation (towards greater recyclability), a change in the way consumption works and renovation of certain sectors. Although initial investment will be required, a more circular economy can bring other efficiencies, such as by reducing energy costs, limiting waste and strengthening the supply chain.

Conditions are ripe for change and the shoots of a more significant transformation are emerging:

- Scientific evidence enables us to identify a more correct price for including natural resources in economic models. Initiatives such as the Task Force on Climate-related Financial Disclosures are a good example.
- From Greta to Attenborough, from Oscars acceptances to CEOs speeches in Davos, social media contributes to the pace of change in consumer habits and behaviour.
- Low yields and abundant liquidity can provide fertile ground for businesses to invest in innovation and sustainability and the growth of the green bond market is evidence of the existing appetite.
- The financial sector is rapidly integrating environmental, social and governance (ESG) and impact features into the products it offers. 2019 saw a big boost in sustainable investment products in Europe.

These are just some of the reasons I believe the M&G (Lux) Sustainable Allocation Fund is well positioned to deliver investment returns, while contributing to a more sustainable economy.

Maria Municchi
Fund Manager

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.

A valuation-driven strategic asset allocation is combined with tactical, or dynamic, preferences, which may periodically and temporarily arise from the behaviour of investors as they 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.

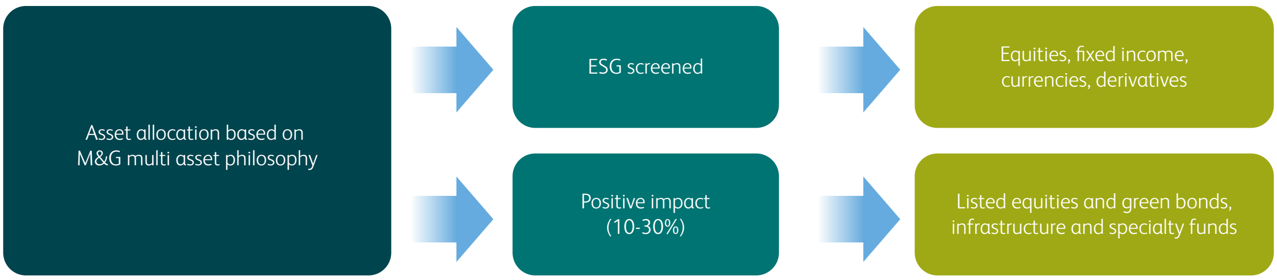
The manager builds the fund's portfolio of assets, selecting the most suitable assets from an investment universe, to reflect the asset allocation preferences. The majority of the fund is invested in ESG screened assets, with a maximum of 30% of the fund dedicated to positive impact assets.

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

Allocation to asset classes



Source: M&G, illustrative, March 2020.

A variety of literature and research papers are also available on various M&G websites, on such subjects as our ESG and Impact processes, exclusion policies and how we approach investments in government bonds.

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 the fund, typically at least 70%, 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 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.

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

Source: M&G, March 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 anti-corruption – Step 1 in the above.

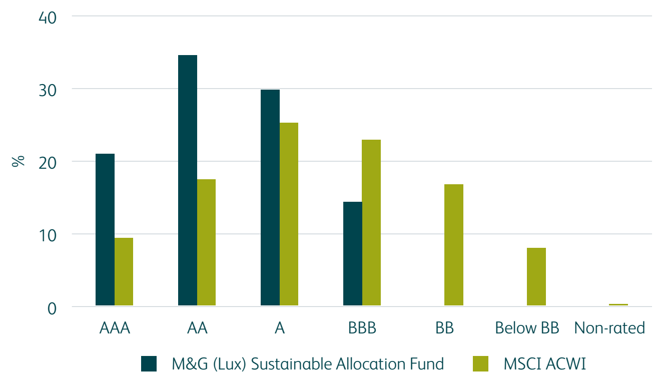
We further exclude companies that are producers of, or provide services in, controversial products and we scrutinise CO_2 intensive industries such as oil and gas and utilities, as illustrated in Step 2. Please refer to the Appendix for further details.

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.

As at the end of February 2020, the average MSCI ESG score across equity and corporate bond holdings in the fund is 6.6, compared to 5.9 for the MSCI ACWI universe. The MSCI ESG rating of the corporate exposure within the fund ranges from AAA to BBB (the minimum we permit), and currently there is a significant overweight in the AAA and AA rated sectors and underweight the BBB rating.

MSCI ESG rating breakdown for corporate holdings



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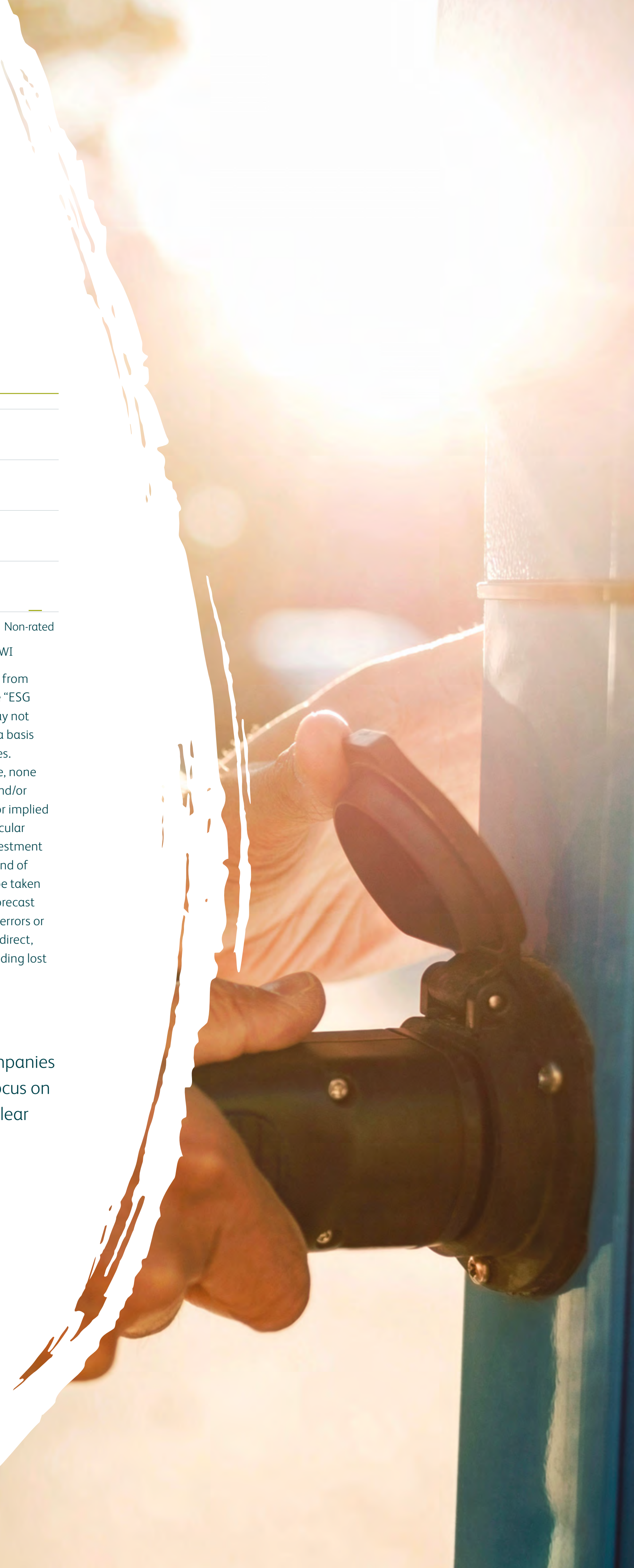
Source: M&G, MSCI, as at 29 February 2020.

We currently have no exposure to oil and gas companies and only limited exposure to utilities, where we focus on companies such as Ørsted and Enel that have a clear transition strategy to renewables.



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 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.

We also consider how governments are performing on social and environmental factors, using data and analysis from a range of independent research providers.

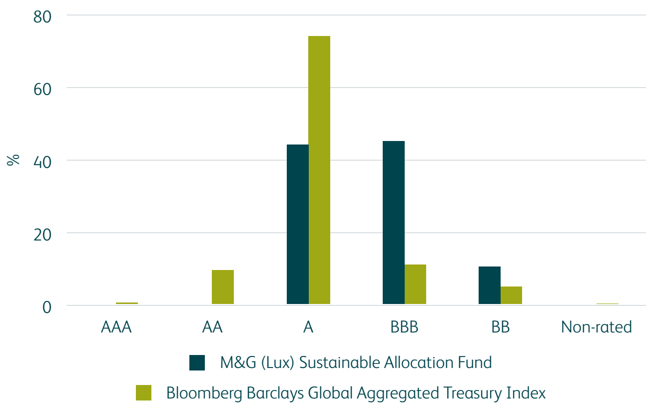
MSCI ESG screening

Source: M&G, MSCI, February 2020.

As at 29 February 2020, our MSCI ESG score across sovereign exposure is 5.4 compared to 6.1 for the BBG Barclays Global Aggregate, an index which also includes corporate issuers. Given the low level of yields currently available from most government bonds, we have a preference for a diversified basket of emerging market sovereigns, while in western government bonds we have exposure to the US and Italy.

Our ESG approach to government bonds led us to exclude holdings in government bonds issued by Egypt, China, Russia or Indonesia. However, in some cases we are able to achieve a similar market exposure by investing in bonds issued by development banks, priced in emerging market currencies. We also carefully consider new issuance including green bonds or bonds from emerging markets that focus on one or more of the UN Sustainable Development Goals (SDGs). Chile and Mexico are recent examples.

MSCI ESG rating breakdown for government bond holdings



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Source: M&G, MSCI, Bloomberg, as at 29 February 2020.

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

Since the fund launched in 2018, on behalf of the M&G (Lux) Sustainable Allocation Fund, the M&G Impact team voted at 96 of 97 voteable meetings (99%), for 82 companies. At those meetings, we cast votes for 1,283 proposals (99% of the 1,297 voteable items).

At a regional level, we have been most active with voting across European and UK region, though at individual country level we have been most active in the US.

For example, despite Microsoft setting an excellent example in privacy and data security within its sector and having a good ESG profile, we have cast votes in favour of shareholder resolutions for gender pay gap disclosure and employee representation on the board. We have also voted against management on such things as remuneration and choice of auditors.

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. A recent example is the work done with Danone, which is one of the fund's equity holdings. Through our engagement with the company, we have been aiming to gain a better understanding of its sustainability agenda, its targets and the oversight processes of those initiatives.

As the M&G (Lux) Sustainable Allocation Fund is a multi asset product, we are able to also engage with companies as bond issuers, including green bonds and infrastructure investments, particularly when they are being newly issued.

M&G's Corporate Finance and Stewardship 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, among others. The team also supports M&G's Responsible Investment Advisory Forum in maintaining our relationship with responsible investment-oriented organisations, in particular the UN-backed Principles for Responsible Investment (UNPRI).

Positive Impact approach

> "Growing awareness of impact investing will require mutual fund managers to think creatively about how to select and manage publicly traded companies for positive impact"
>
> Global Impact Investing Network (GIIN)

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.

Each investment is assessed via our proprietary III framework.

The framework robustly and consistently applies set criteria and standards for rating the impact and investment case of these entities.

Three-factor analysis – III framework

Investment	Intention	Impact
Quality of investment	Mission Statement and purpose	Measurability
Risk assessment	ESG and culture	Materiality/revenues to SDGs

Source: M&G, MSCI, February 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.

Across our positive impact holdings we use engagement to effect 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.

The fund embraces the Sustainable Development Goals framework and invests in companies focused on six key areas, mapped against the SDGs. These are: climate action; environmental solutions; circular economy; better health, saving lives; better work and education; and social inclusion.

Distribution of Positive Impact holdings by impact area

Source: M&G, as at 31 January 2020. The M&G (Lux) Sustainable Allocation Fund has a 20% allocation to impact assets, of which the above distribution sums to 100% of this allocation.

We aim for the positive impact section to represent approximately 20% of the fund and between 10% and 30%. The investments held within 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. 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.

The M&G Impact team

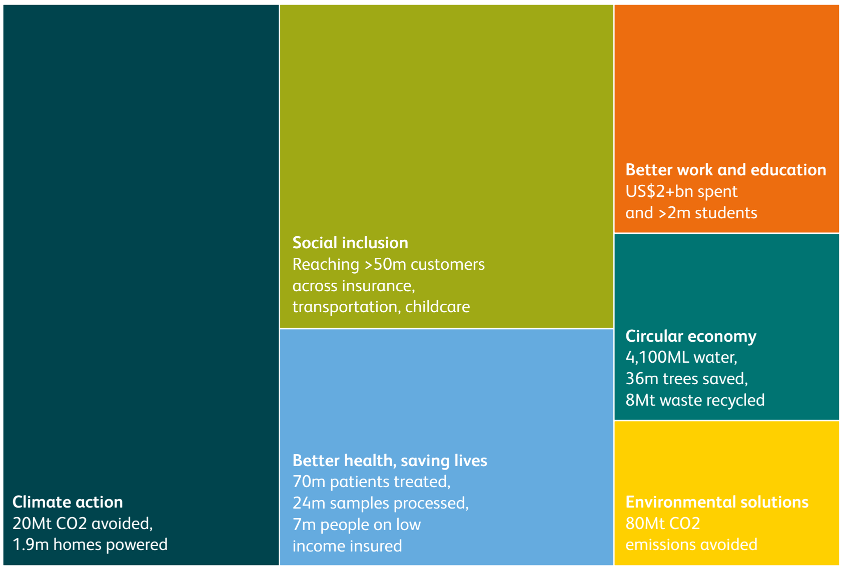
As part of the III analysis of the fund's equity holdings, the team internally scores companies on their III credentials, and requires above-average results for inclusion in the watch-list, as well as consensus agreement of a company's merits from the entire Positive Impact team.

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

Measuring our investments' positive impact

Measurability is one of the central tenets of impact investing, and also one of its most challenging aspects. In the following figure, we have attempted to illustrate the effects of the fund's 20% allocation to positive impact assets.

Positive Impact Areas KPIs



The KPI summaries in the figure above have been estimated using cumulative data relating to the potential achievements reported for each stock held in the positive impact section of the fund, which was 20% on average over 2019.

Source: M&G. as at 29 February 2020.

In the following sections, we review the fund's positive impact investments as of 31 December 2019, by impact area, and highlight the impact we assess the companies have made, quantifying that overall impact where possible.

There are some companies currently within the portfolio whose impact it has proven very challenging to quantify. For these types of companies in particular, we have engaged to encourage better disclosure, and will look for different ways to measure their impact as we move through the fund's second year of operation. An example of one such company, Horiba, is shown in the Appendix.

Impact area:

Climate action

Concerns around the risks of man-made climate change have been building for years, with retreating glaciers and rising sea levels. While 'mitigation' efforts to reduce greenhouse gas (GHG) emissions will be a priority, understanding how business will adapt to a significantly warmer world will be equally important, and is receiving growing attention from governments and investors alike.

Our investments in this area are having a direct positive impact in trying to mitigate the effects of climate change, most notably through the production of renewable energy, or by increasing the efficiency of renewable energy being produced.

> "Climate change is now affecting every country on every continent. It is disrupting national economies and affecting lives, costing people, communities and countries dearly today and even more tomorrow."
>
> United Nations

Company	Activity	Primary UN SDG	KPI outcomes*
Apple	Two green bonds issued to fund environmental impact and sustainability projects		9,000 drought-resistant trees in Apple's new campus 4.8Mt (million metric tonnes/megatonnes) fewer carbon emissions in 2018 compared to 2017 Prevented over 2.8Mt CO_2e (equivalent) from entering the atmosphere since 2011. Similar to taking more than 590,000 cars off the road for one year
Bank of America	$4.35bn of green bonds for renewable energy projects such as wind farms and solar farms		$6.35bn raised for renewable energy projects in five green bonds, since 2013
China Everbright	Environmental protection project management		3.8Mt of CO_2 avoided in 2018 while supplying 2.9b kWh of green energy
EDF	Green bond series to finance new EDF Renewables wind and solar projects. Also active to renovate and modernise French hydropower assets		24 new renewable farms since November 2013
Greencoat Renewables	Owner and operator of renewable infrastructure energy assets		The Group's investments generated 440.5GWh (gigawatt hours) of green electricity in 2018
KFW	Green bonds issued to facilitate projects focused on renewable energy sources		1,284,000 tons of GHG emission reduction per annum
Ørsted	Operates wind farms		Provides clean energy to 12 million people 8.1Mt CO_2e avoided in 2018
The Renewables Infrastructure Group (TRIG)	Renewable energy infrastructure in the UK and Northern Europe, with a focus on operating projects.		If the energy produced since launch had been generated with coal it would have needed 1.3m tonnes of coal, equivalent to 2.7Mt of CO_2e

*KPI = Key Performance Indicators.

Based on information available from company literature.

Impact area:

Environmental solutions

Environmental solutions attempt to mitigate the harmful effects of human activity on the biophysical environment. Our investments in this area deliver positive solutions, either directly or indirectly, to the environmental challenges the world is facing. In 2018, our investments focused on companies helping to reduce energy use, improve energy efficiency and provide environmental diagnostic solutions.

> "Affordable, scalable solutions are now available to enable countries to leapfrog to cleaner, more resilient economies."
>
> United Nations

Company	Activity	Primary UN SDG	KPI outcomes*
Fibria	Green bonds issued used to achieve sustainable forest management, restoration of native forests and conservation of natural biodiversity	15	$700 million for sustainability projects in total
Hannon Armstrong	Infrastructure solutions that reduce carbon emissions and increase resilience to climate change	9	1.5 bn gallons of water are saved annually, equivalent to the total water consumption of 10,000 US households 496,000 t of CO_2 emissions avoided in 2018 170,000 school children benefited in 2018 from school upgrades 1m veterans benefit annually from hospitals upgrades
Horiba	Manufacture of precision instruments for measurement and analysis	6	Horiba is an enabler. We have identified difficulties in measuring attributable impact
Johnson Controls	Produces building management equipment and systems	9	55,639 t of CO_2e reduced in 2018
Schneider Electric	World leader in low-voltage electrical components	9	Helped customers avoid 51Mt CO_2e in 2018

*KPI = Key Performance Indicators.

Based on information available from company literature.

Impact area:

Circular economy

The world currently generates some two billion tonnes of waste annually. Moving to a more 'circular economy' would help reduce unnecessary waste and mitigate the risks of resource scarcity, while providing both environmental and economic benefits.

The companies we invest in in this area are helping to create a more circular economy and effectively dealing with the ever-growing accumulation of waste that society is producing.

"Based on the simple concepts of reducing waste, reusing materials and redesigning how we create value from products and services, the idea of the circular economy has emerged as a beacon for moving away from a take-make-dispose culture and society."

UN Environment Programme United Nations

Company	Activity	Primary UN SDG	KPI outcomes*
Brambles	Global business perpetuating the share and reuse of the world's largest pool of reusable pallets	12	Save 1.7m trees in 2018 Save 2.6Mt of carbon emissions in 2018 Saved 4,100 megalitres (ML) of water in 2018
DS Smith	Corrugated packaging services, focused on closed-loop recycling	12	Efficient packaging has saved 18,000km of plastic tape – enough to stretch halfway around the world 63% of waste was recycled in 2018 170,000 school children benefited in 2018 from school upgrades 37% of plastic raw materials from recycled sources in 2017
Republic Services	Non-hazardous solid waste collection, transfer, disposal, recycling and energy services	11	Recycled 8Mt in 2018, which is equivalent to 20Mt CO_2e per year

*KPI = Key Performance Indicators.

Based on information available from company literature.

Impact area:

Better health, saving lives

Investment to help improve the health of populations across the globe is paramount. According to the World Health Statistics 2018 report, the World Health Organisation's annual snapshot of the state of the world's health, less than half the people in the world today get the health services they need.

We have identified a number of investable companies seeking to improve health and save lives, covering both prevention and cure, from advanced, low-cost diagnostics to cutting-edge pharmaceuticals.

> "Ensuring healthy lives and promoting well-being at all ages is essential to sustainable development."
>
> United Nations

Company	Activity	Primary UN SDG	KPI outcomes*
Agilent Technologies	Provides application solutions for laboratories	3	Owns more than 675 active published patent applications and almost 2,000 issued patents worldwide to date
ALK-Abelló	Produces immunotherapy allergy treatments and diagnostic products	3	Treats 1.7m patients on average each year
Fresenius Medical Care	The world's largest dialysis company	3	More than 300,000 patients rely on Fresenius to be able to continue to lead normal lives
Grifols	A vertically integrated manufacturer of proteins derived from blood plasma	3	Provide 14ML of plasma protein products to the market each year – it takes between 130 and 1,200 plasma donations to treat one patient for a year Serves approximately 12,000 patients suffering from rare, genetic and sometimes life-threatening conditions
Novo Nordisk	World's leading producer of human insulin for the treatment of diabetes	3	Treats 29.2m diabetics
Quest Diagnostics	Leading provider of diagnostic information services	3	Serves 90% of US insured lives (210m people)
UnitedHealth Group	Provides health insurance and speciality health services	3	Affordable health insurance for 8.4m low-income individuals globally

*KPI = Key Performance Indicators.

Based on information available from company literature.

Impact area:

Better work and education

We are currently in the midst of a 'learning crisis', with some 617 million children and adolescents worldwide not achieving minimum proficiency levels in reading and mathematics, according to the United Nations Educational, Scientific and Cultural Organisation (UNESCO). We also have a problem with poor quality employment, which the International Labour Organisation has described as the main issue for global labour markets, with millions of people forced to accept inadequate working conditions.

We seek to invest in companies that are delivering solutions to improve working conditions and educational attainment. However, this has proved to be a challenging area in which to find investable ideas, but we continue to search for impactful companies that are making a difference.

> "Education is a human right for all throughout life and access must be matched by quality."
>
> Unesco

Company	Activity	Primary UN SDG	KPI outcomes*
Cogna Educação	Provides educational services to under-served groups in Brazil		2.4m students taught in 2018

*KPI = Key Performance Indicators.

Based on information available from company literature.

Impact area:

Social inclusion

Social inclusion is the process of improving the terms on which individuals and groups take part in society, particularly when they have been disadvantaged on the basis of their identity, their access to housing and financial products, or limited opportunities to achieve an acceptable quality of life. Inequality threatens long-term social and economic development, harms poverty reduction and destroys people's sense of fulfilment and self-worth. This, in turn, can breed crime, disease and environmental degradation.

Our investments in this area are helping to improve the level of social inclusion across societies, from gender equality in the US to accessible mortgages in India. In 2018 our investments focused on providers of financial services, as well as the provision of childcare.

> "A socially cohesive society is one where all groups have a sense of belonging, participation, inclusion, recognition and legitimacy."
>
> United Nations

Company	Activity	Primary UN SDG	KPI outcomes*
AIA	The largest independent, publicly listed pan-Asian insurance group		33m individual policies Over 13m benefit payments were made in 2018 to help customers and their families cope with challenges at different life stages
Bank of Georgia	Provides financial services to the Georgian economy		Serviced over 2.3m customers in 2018
Bright Horizons	Provides childcare, early education and educational advisory options		More than 1,100 sites caring for 120,000 children
HDFC Bank	India's quality specialised mortgage company, expanding access to financial services		Supports rural 360,000 households since inception by providing loans to schools, farmers, small businesses and other mortgages
Inter-American Development Bank	Assists in formulating development policies and provides financing and technical assistance		$13.5bn USD of lending deployed in 2018
International Bank for Reconstruction and Development (The World Bank)	Provides loans, guarantees, risk management products, and advisory services to middle- and low-income countries		$17.4bn USD of lending deployed in 2018
Sanlam	Provides life and non-life insurance solutions in Africa		Over 2/3rd of 4m in force policies from underserved markets

*KPI = Key Performance Indicators.

Based on information available from company literature.
As examples, for Bank of Georgia, 87% of its 2.3 million customers are from the low-income and mass-market groups, while half of Sanlam's customers are 'entry level'.

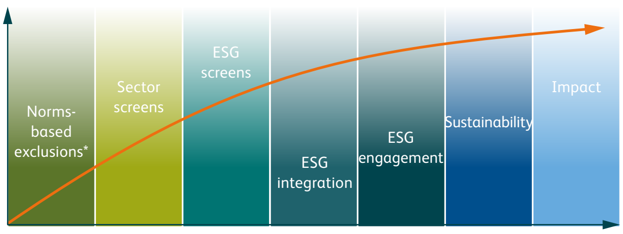
Appendix

Spectrum of responsible investing

There is a spectrum of approaches to responsible investment, from uncomplicated negative screens that exclude certain sectors or industries, to the full integration of environmental, social and governance (ESG) and impact factors in the investment process. There are also specific thematic or sustainable approaches an investor can take.

The nature of ESG, sustainable and impact investing – primarily private finance to fund-specific projects – means that, historically, it has chiefly sat within the sphere of institutional or high net-worth investors, with little access available to the general public. The M&G (Lux) Sustainable Allocation Fund, however, makes investments through a liquid, open-ended investment vehicle. This effectively allows for the 'democratisation of sustainable investing', providing access to individual investors and institutions alike.

Spectrum of responsible investing



Source: M&G, illustrative, as at March 2020.

Sector exclusions

As part of this screening, we exclude companies that are producers of, or provide services in, controversial products.

- **Weapons:** 0% revenues threshold for controversial weapons including, but not limited to, anti-personnel mines, cluster munitions, chemical, biological or nuclear weapons. We apply a 10% revenues threshold for all weapons systems, components, and support systems and services
- **Tobacco:** 0% revenues threshold for producers. 10% revenue threshold for tobacco-related business services
- **Alcohol:** 0% revenues threshold for alcohol producers
- **Gambling:** 0% revenues threshold for gambling-related business services
- **Adult entertainment:** 0% revenues threshold for production, direction or publishing adult entertainment materials

As part of this sectoral screening process, we also apply exclusion threshold for coal and unconventional oil and gas extraction techniques. We set a 0% revenues threshold for thermal coal extraction and a 10% revenues limit for unconventional oil and gas extraction techniques, such as shale oil and gas, oil sands and arctic drilling.

For conventional oil and gas extraction, we apply an exclusion for companies which derive less than 40% of their revenues from activities related to natural gas extraction or renewable energy sources.

We do not invest in companies that derive their entire revenues from nuclear energy.

Sustainable Development Goals (SDGs)

The United Nations SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Its timeframes run to 2030. The SDGs provide a framework to deliver sustainable outcomes, and are increasingly being adopted by both investors and companies as a means of framing their sustainable, or impact, activities.

Impact case study for enablers

Horiba – Precision instruments for measurement and analysis iii rationale

Investment

- Company is highly diversified, with solid positions in key technologies
- Strong brand, innovative products, and exceptional track record of delivery

Intention

- Business strategy is aligned with achieving better health, safety and environmental outcomes
- Builds state-of-the-art technology with a focus on social responsibility

Impact

- 73% of revenues stem from improving safety and the reduction of emissions while bettering environmental practices through measurement and monitoring tools

Horiba provides a broad range of testing products dedicated to the automotive industry, covering the entire production chain, from analysing materials to testing tyres, brakes, engines, batteries and exhaust systems.

Horiba's automotive emission measurement systems have been adopted as the primary standard by national certification bodies in many countries.

To help compliance with new EU requirements, Horiba introduced a range of real driving emissions testing equipment together with a user friendly mobile app that helps simplify the testing process.

The views expressed in this document should not be taken as a recommendation, advice or forecast.

UCITS HAVE NO GUARANTEED RETURN, AND PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE