



# M&G Global Sustain Paris Aligned Fund

## Joint Investment Conference

John William Olsen, Fund Manager

Lucy Hancock, Senior Analyst

Chris Andrews, Head of Engagement for Sustain & Impact Strategies

April 2023

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

# M&G Global Sustain Paris Aligned Fund

## Risks associated with this fund

- 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.
- The fund holds a small number of investments, and therefore a fall in the value of a single investment may have a greater impact than if it held a larger number of investments.
- The fund can be exposed to different currencies. Movements in currency exchange rates may adversely affect the value of your investment.
- 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.
- 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.
- For any performance shown, please note that past performance is not a guide to future performance.
- The views expressed in this document should not be taken as a recommendation, advice or forecast.
- The views expressed in this document should not be taken as a recommendation, advice or forecast.
- Please note, investing in this fund means acquiring units or shares in a fund, and not in a given underlying asset such as a building or shares of a company, as these are only the underlying assets owned by the fund.

## It is also important to note that

- The fund invests mainly in company shares and is therefore likely to experience larger price fluctuations than funds that invest in bonds and/or cash.
- At least 80% of the fund is invested in the shares of sustainable companies from across the world. The fund is concentrated and usually holds fewer than 40 companies. Sustainability considerations are fully integrated into the investment process. Companies that are assessed to be in breach of the United Nations Global Compact principles on human rights, labour, environment and anti-corruption are excluded from the investment universe. Industries such as tobacco and controversial weapons are also excluded. The fund manager makes long-term investments in companies with sustainable business models, where short-term issues have created buying opportunities for the fund

## Today's speakers



**John William Olsen**  
Fund Manager



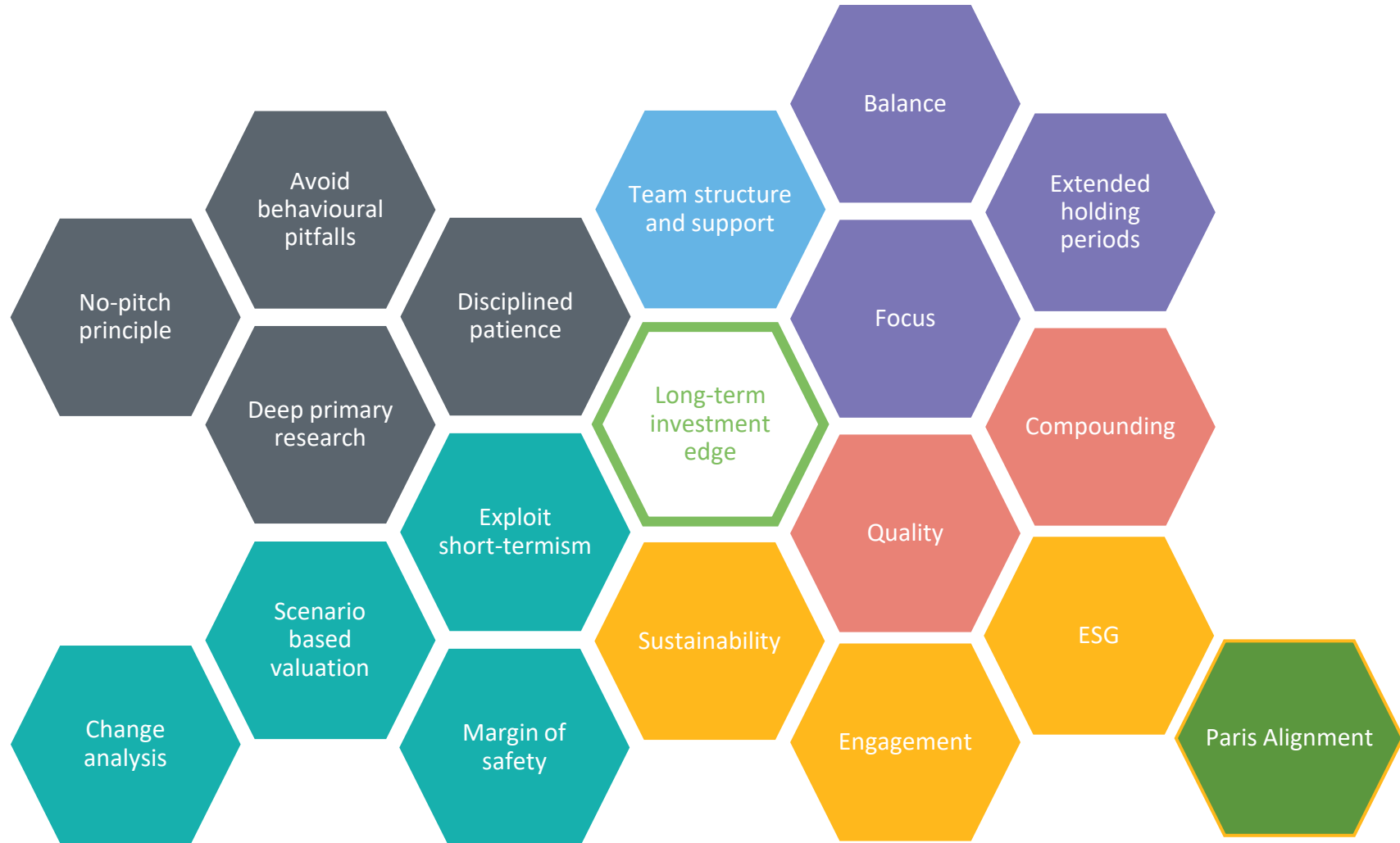
**Lucy Hancock**  
Senior Analyst



**Chris Andrews**  
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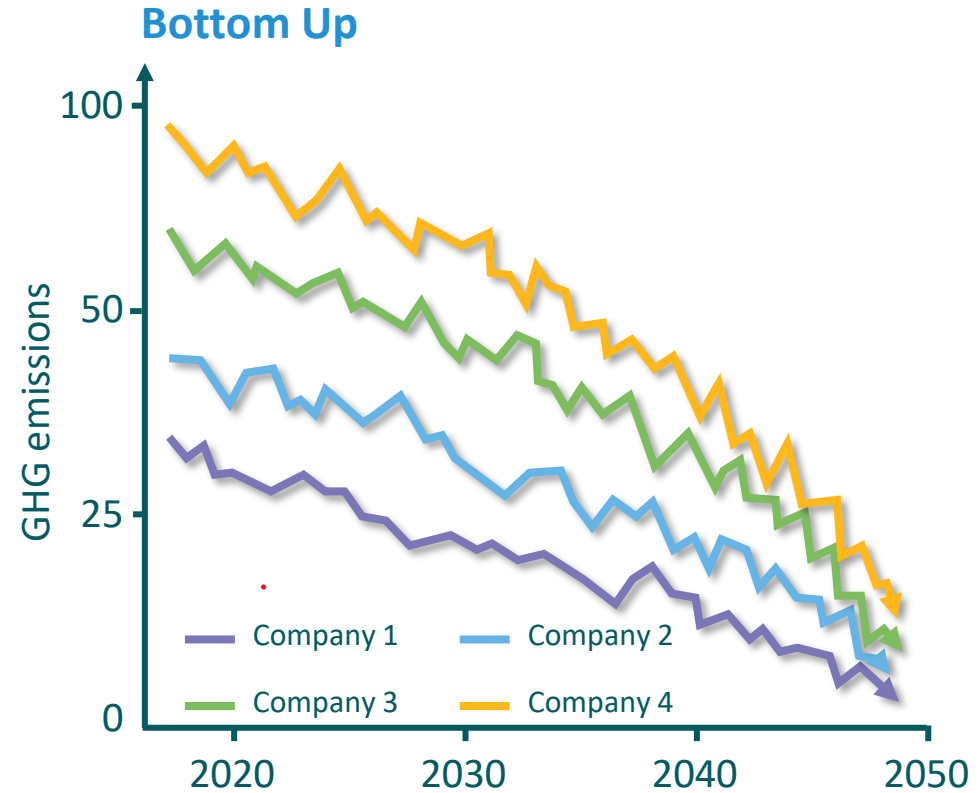
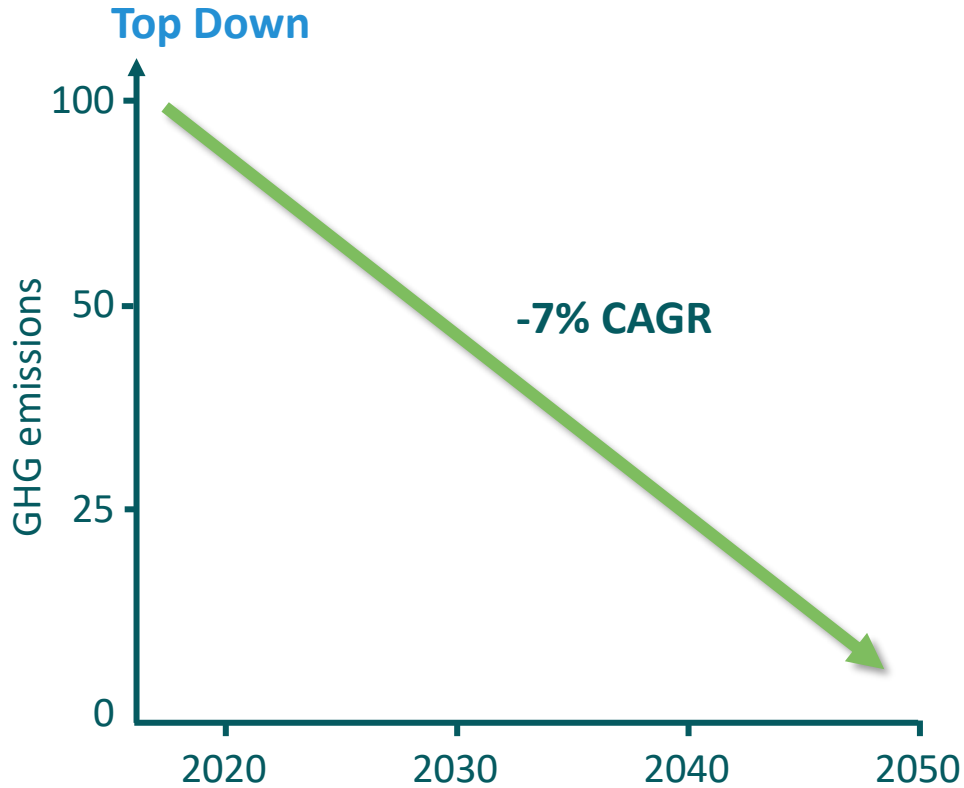
# Long-term investing in a short-term world

## Our competitive edge – and how we nurture it



# What is Paris alignment?

## Two broad approaches to Paris Aligned Investments



# What is Paris alignment

## The Sustain approach

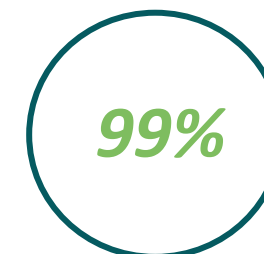
- High level portfolio alignment
- Follow general “Do no significant harm” principles
- Focus on real world alignment via company reduction effort or solutions provision
- Engage to improve
- Based on thorough research

# Output

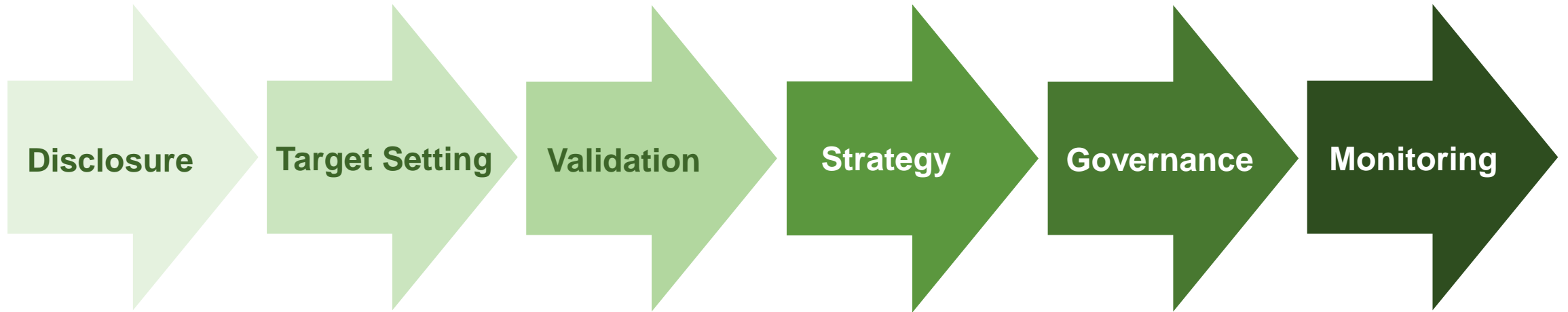
	Weighted Average Carbon Intensity tCO2e/\$M Sales	Financed carbon emissions tCO2e/\$M invested (EVIC)
M&G Global Sustain Paris Aligned Fund	56.6	10.1
MSCI World	129.8	49.9
<b>WACI Fund/Benchmark</b>	<b>-56%</b>	<b>-80%</b>

	Science Based Targets committed or concrete
As % of holdings	73%
As % of portfolio NAV	79%
As % of portfolio carbon intensity	96%

**Absolute emissions  
covered by SBT's**



# Climate engagement to drive improvement and results





# Linde carbon report



## Linde

Subject	Information	
M&G Ownership:	% of Portfolio WACI (location):	
European (ex UK) Sustain	70.50%	
European Sustain	67.60%	
Global Sustain	73.90%	
Climate Solutions	N/A	
Type:	Absolute and intensity targets	
Carbon Intensity:	1,295.6 tCO2e per \$1m sales	
Carbon Footprint (tCO2e)	<b>2021</b>	<b>Targets</b>
Scope 1:	16,321,000	-35%
Scope 2:	23,573,000 (market)	-35%
Scope 3:	21,261,000	No absolute target
<b>Total</b>	<b>61,155,000</b>	[Targets vs. 2021 baseline]
Carbon Handprint:	88 MMT CO2e	
<u>Handprint</u> - Footprint	2.2x	
Peak emissions year	Not disclosed	
SBTI Status:	Near term: Committed & Validated (2035) Long term: None Net zero: None	
CDP Rating:	A	
MSCI Environmental Rating:	5.4/10	
SBTI Comment:		

- Linde's SBTi near term targets which were set in March 2020 were approved in October 2022 as being well-below 2c.
- Linde has joined the SBTi Chemicals Stakeholder Advisory Group and is working toward developing guidance for the Chemicals sector which is still in Development with publication not expected until Jan 2024.

### Emissions Targets:

Linde has two sets of targets which now run concurrently – 2028 targets with a 2018 base year and the recently added 2035 and 2050 targets with a 2021 base year.

### Linde's 2028 Sustainable Development Targets include six climate change targets:

- Invest >\$1bn in decarbonisation initiatives (cumulative).
- Direct >1/3 annual R&D budget to decarbonisation initiatives.
- >2x low-carbon power sourcing, primarily from active renewable electricity.
- Reduce carbon intensity (MMT CO2e/\$bn adjusted EBITDA) by 35%. Improve intensity by 4% for hydrogen plants (HyCOs), 10% for distribution fleet (Scope 1), and 7% for energy for air separation unit (ASU) plants (Scope 2). 10% absolute reduction in GHG emissions from Other GHG.
- Enable >2x CO2e to be avoided than emitted from Linde's operations per year.
- >50% of annual revenue from the Sustainability Portfolio.

### Linde announced the following additional targets in October 2021:

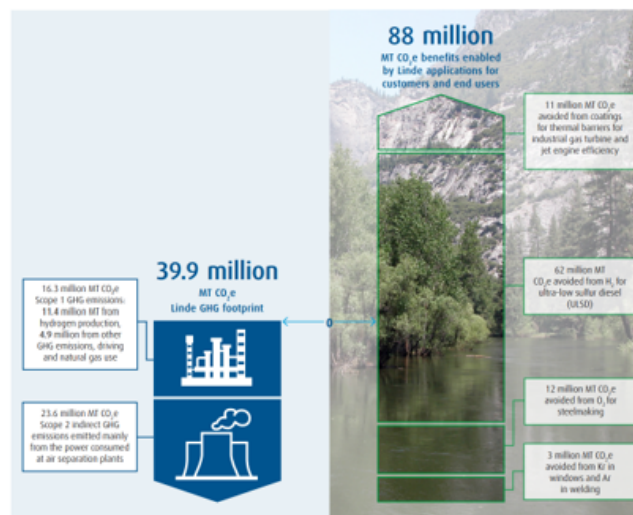
- 35% reduction in Scope 1 and Scope 2 emissions by 2035 against a 2021 baseline.
  - Source 3x more renewable and low-carbon energy
  - Utilise renewable feedstocks
  - Develop Carbon, Capture and Sequestration (CCS) projects
- Climate neutral by 2050.



- Deploy widespread use of CCS and renewable feedstocks
- Transition distribution fleet to zero emissions
- Target sourcing of 100% renewable/low carbon power
- Address remainder through negative emissions projects

### Climate Solutions:

Linde's Sustainability Portfolio includes two areas: the eco portfolio and the social portfolio. The former offers products and services that enable customers to reduce their carbon footprint. Within the eco portfolio, Linde provides oxygen that enables more energy efficient production in steelmaking, and hydrogen to lower sulphur in diesel to meet regulatory requirements and gases for water treatment. The eco portfolio products are determined based on an internal simplified LCA analysis, the criteria for which is not shared. The Sustainability Portfolio combined accounted for 55% of revenue in 2021 (\$15.4bn)<sup>1</sup> with the eco portfolio representing \$10bn and the social portfolio \$5bn.



As a result of this Sustainability portfolio Linde calculates that it enabled customers to avoid 88 MMT of CO<sub>2</sub>e in 2021. This is through a combination of products which reduce the emissions of customer processes (e.g. oxygen in steel making) and producing carbon intense gases such as hydrogen much more efficiently than their customers. Linde emitted 39.9 MMT of CO<sub>2</sub>e, of which 41% Scope 1 (11.4m from hydrogen plants, 4.9m from other) and 59% Scope 2 (almost entirely from air separation units) therefore creating a 2.2x emission benefit<sup>2</sup>.

<sup>1</sup> Linde CDP Climate Change 2021

<sup>2</sup> Linde 2021 Sustainable Development Report

# Performance in sterling

## M&G Global Sustain Paris Aligned Fund

Past performance is not a guide to future performance.

	To end Q1 2023 %	2022 %	2021 %	2020 %	2019 %	2018 %	2017 %	2016 %	2015 %	2014 %	2013 %
M&G Global Sustain Paris Aligned Fund	4.4	-5.5	26.2	9.9	28.9	-6.9	12.5	27.6	5.7	5.8	18.1
MSCI World Index*	5.0	-7.4	23.5	12.9	23.4	-2.5	12.4	29.0	3.8	11.2	21.2

	YTD 2023 %	1 year %	3 years %	5 years % pa	Manager tenure from 01 Jul 14 % pa
M&G Global Sustain Paris Aligned Fund	4.4	2.6	16.9	12.5	11.9
MSCI World Index	5.0	-0.5	17.1	11.3	11.8
IA Global sector avg.	3.7	-3.1	13.8	8.5	9.8
Quartile ranking	2	1	1	1	1

\*The Fund's benchmark is the MSCI World Index. The benchmark is a target which the fund seeks to outperform. The index has been chosen as the fund's benchmark as it best reflects the scope of the fund's investment policy. The benchmark is used solely to measure the fund's performance and does not constrain the fund's portfolio construction.

The fund is actively managed. The fund manager has complete freedom in choosing which investments to buy, hold and sell in the fund. The fund's holdings may deviate significantly from the benchmark's constituents.

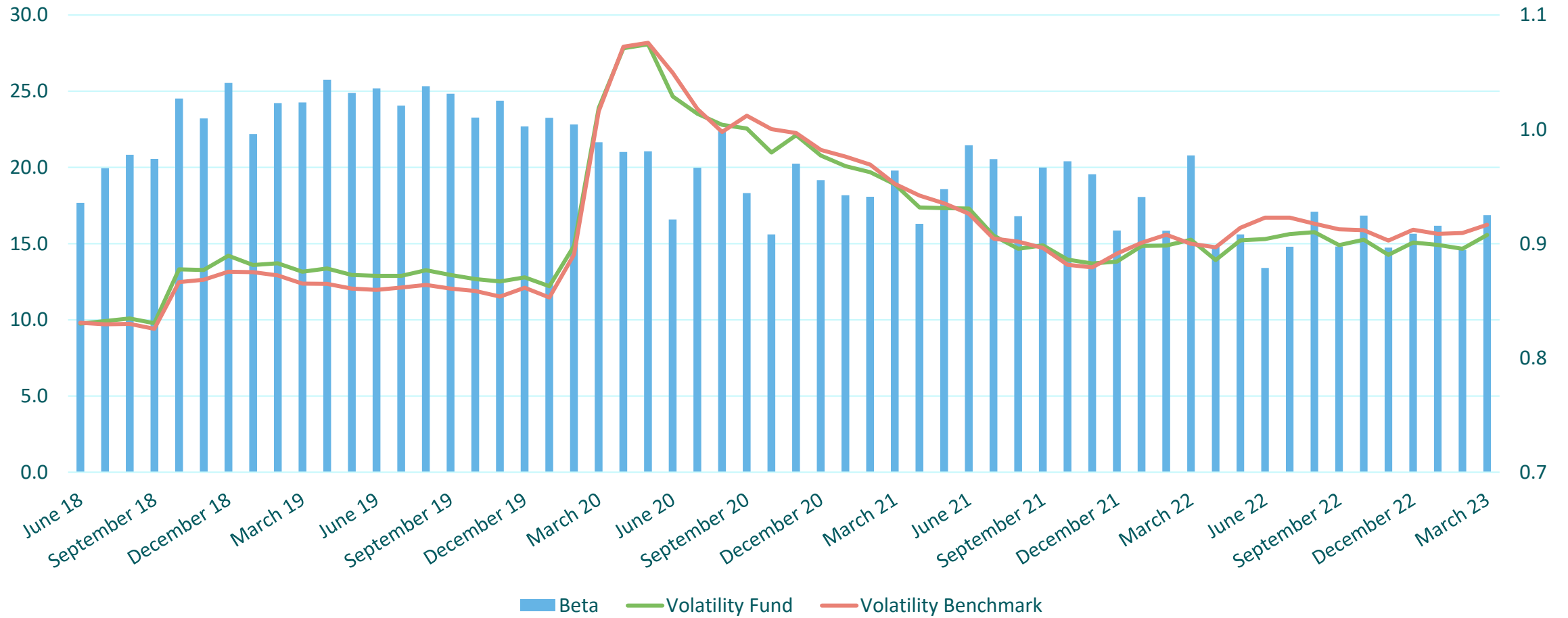
The Benchmark prior to 30 September 2008 was the FTSE World ex UK Index, from 30 September 2008 to 31 December 2011 it was the FTSE World Index, and from 01 January 2012 to 31 December 2015 it was the MSCI ACWI Index, thereafter it is the MSCI World Index

On 01 January 2016, the fund's performance comparative index changed. Past performance shown from 01 June 2013 to 31 December 2015 is the MSCI All Country World Index. Past performance shown from 01 January 2016 is the MSCI World Index.

Source: Morningstar Inc., UK database, 31 March 2023, sterling I class shares, net income reinvested, price to price.

# Diversification is working

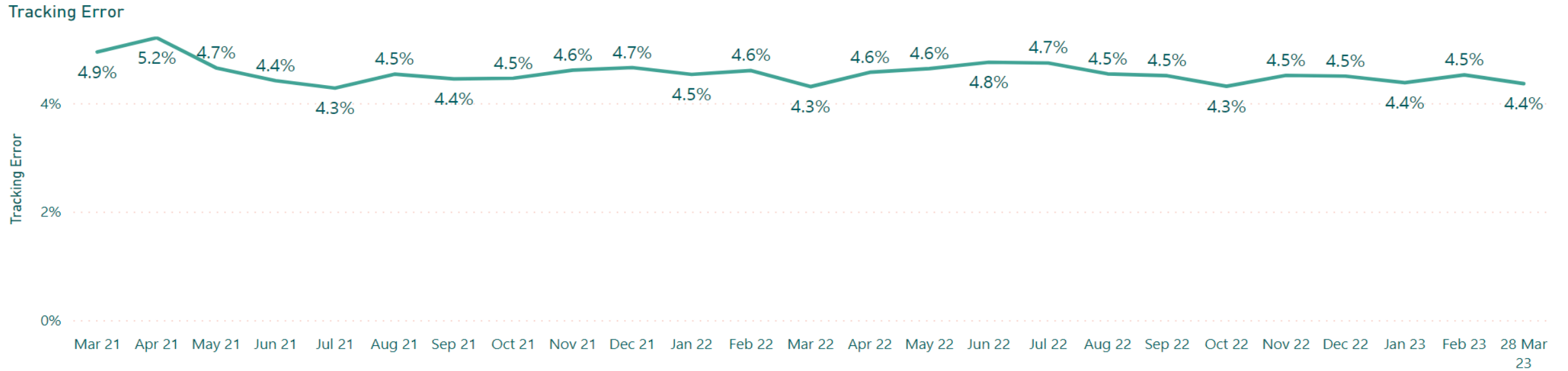
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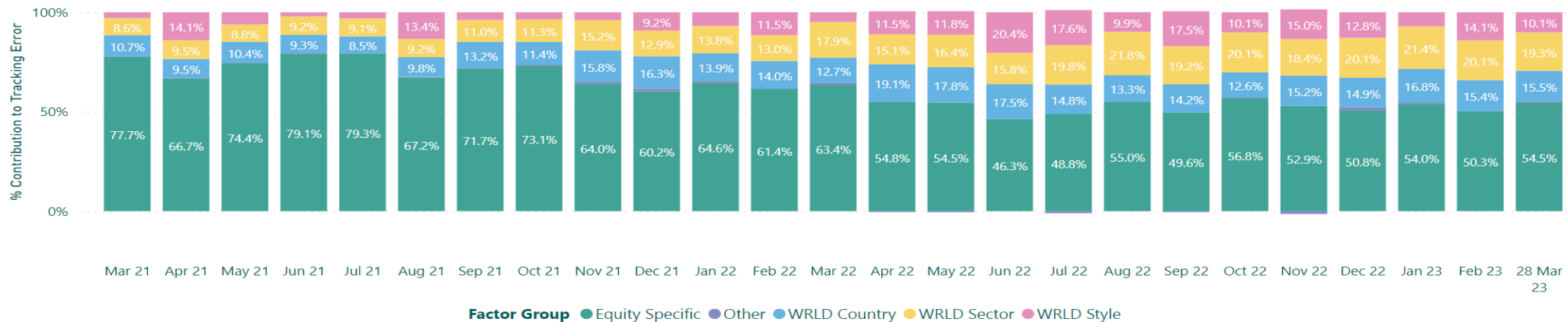
# M&G Global Sustain Paris Aligned Fund

## Drivers of portfolio risk

Tracking error	4.4
Beta	0.9
Active share	90%



**Tracking Error Breakout**



Source: Aladdin, 31 March 2023, Long Term 60 Months Equally Weighted



# Company example

# Linde carbon report



## Linde

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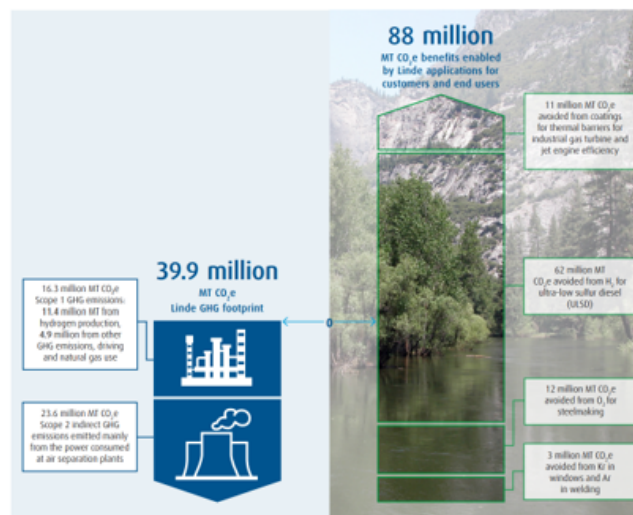
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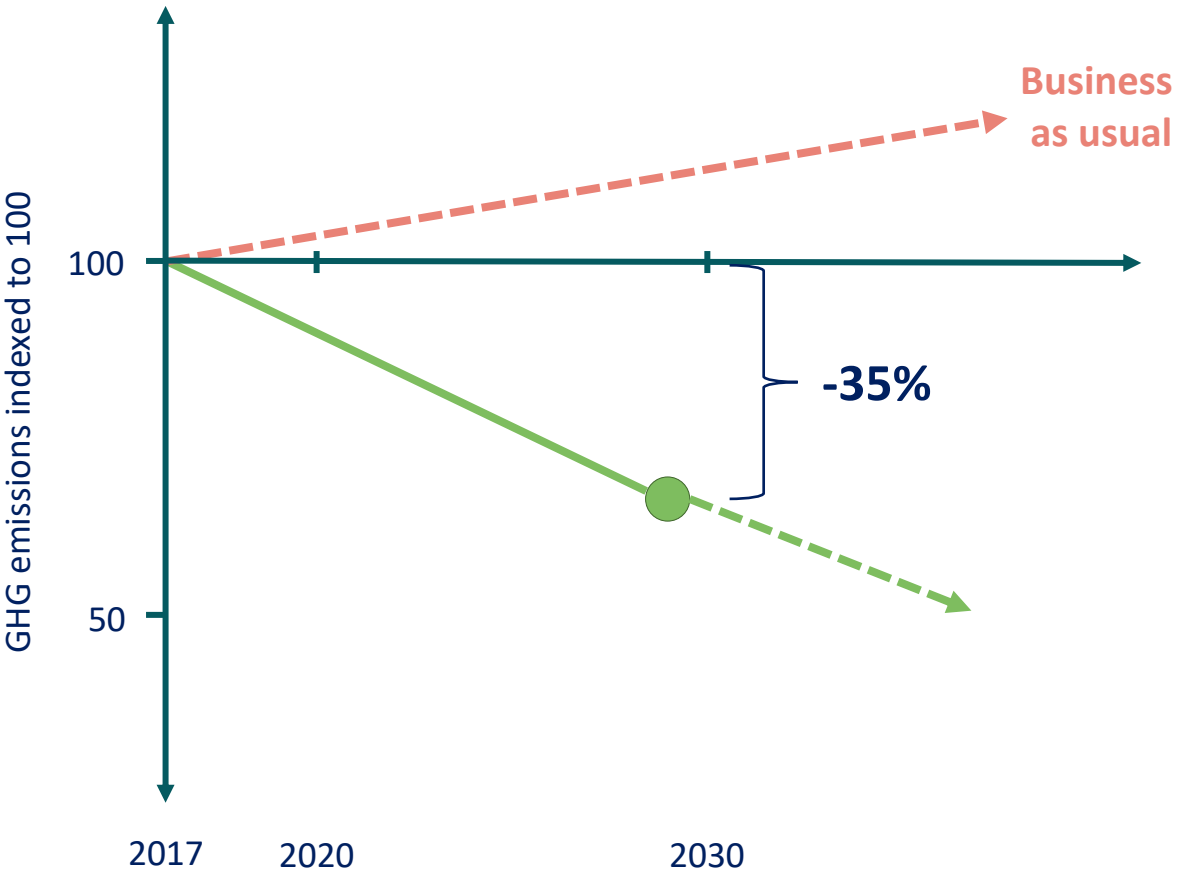


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# Science Based Target in Action Linde



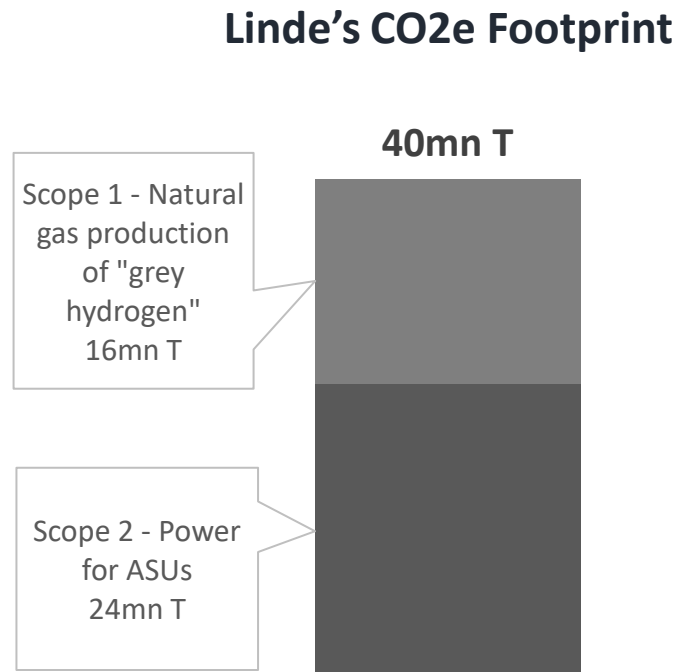
**-35%**

**GHG Emissions intensity from operations by 2028**

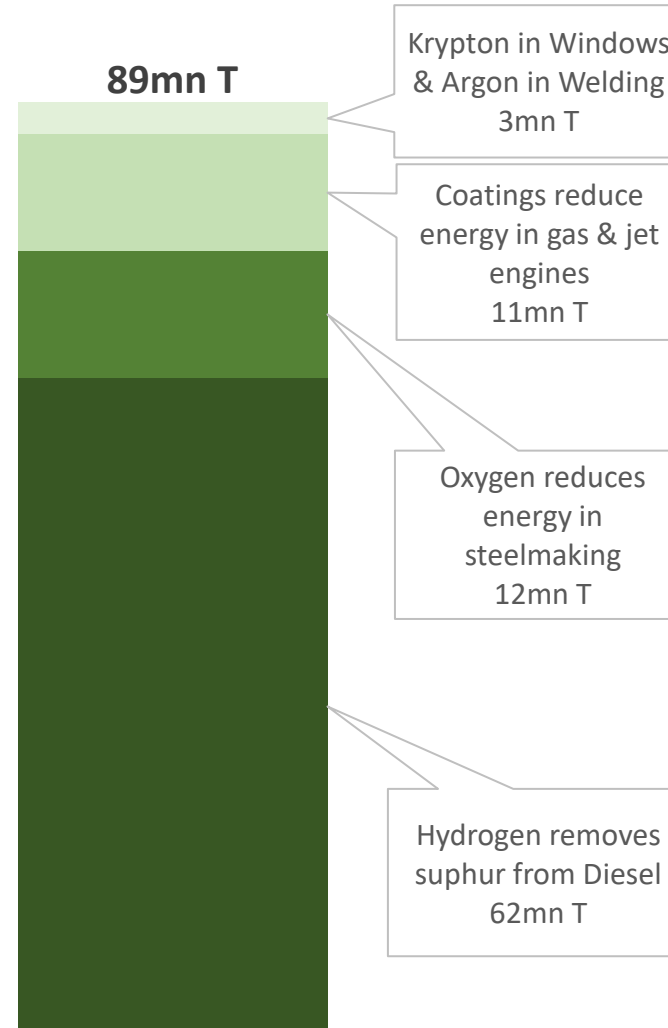


# Part of the problem but also part of the solution

Linde's products and solutions save 2.2x more emissions than they produce



### Linde's Emissions Saved



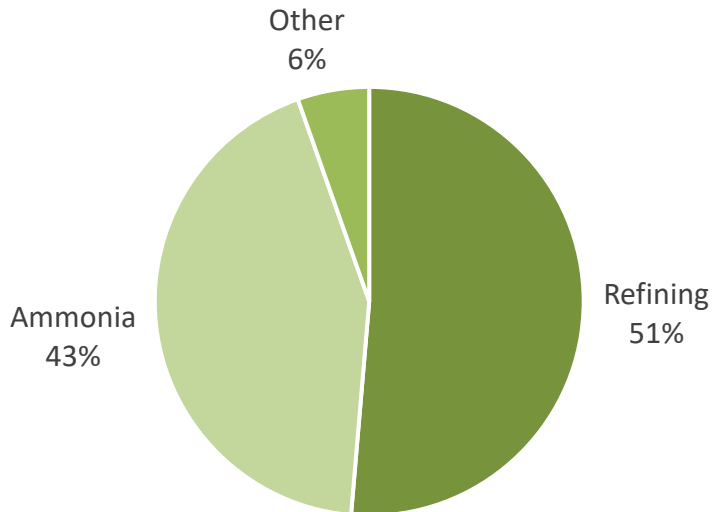


# Hydrogen expected to decarbonise many industries

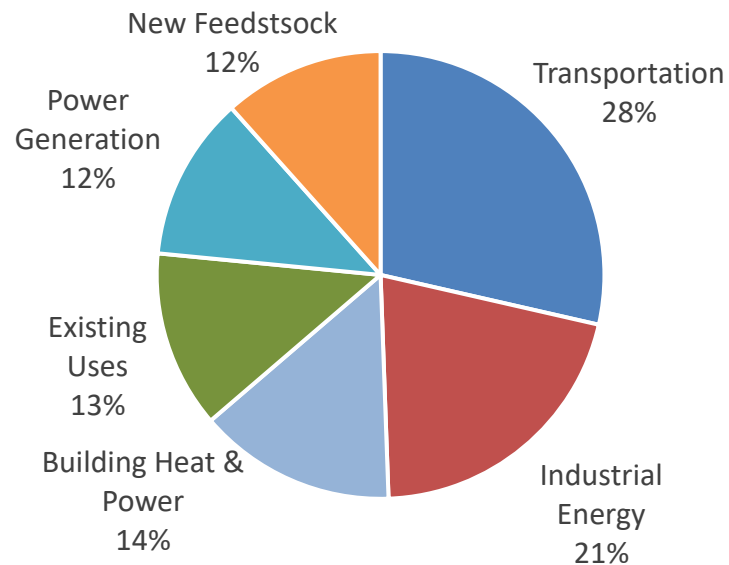
Volumes will grow ~8x by 2050, Linde is well positioned to be a leading supplier



Hydrogen uses today  
(~90mn T)



Hydrogen Applications, 2050  
(559mn T)



~\$2bn generated currently from hydrogen

Handling and transporting hydrogen for > 100 years

~1,000km of dedicated Hydrogen pipelines owned

Established and diverse industrial customer base

The information provided should not be considered a recommendation to purchase or sell any particular security

# Carbon capture is a key solution for heavy industry

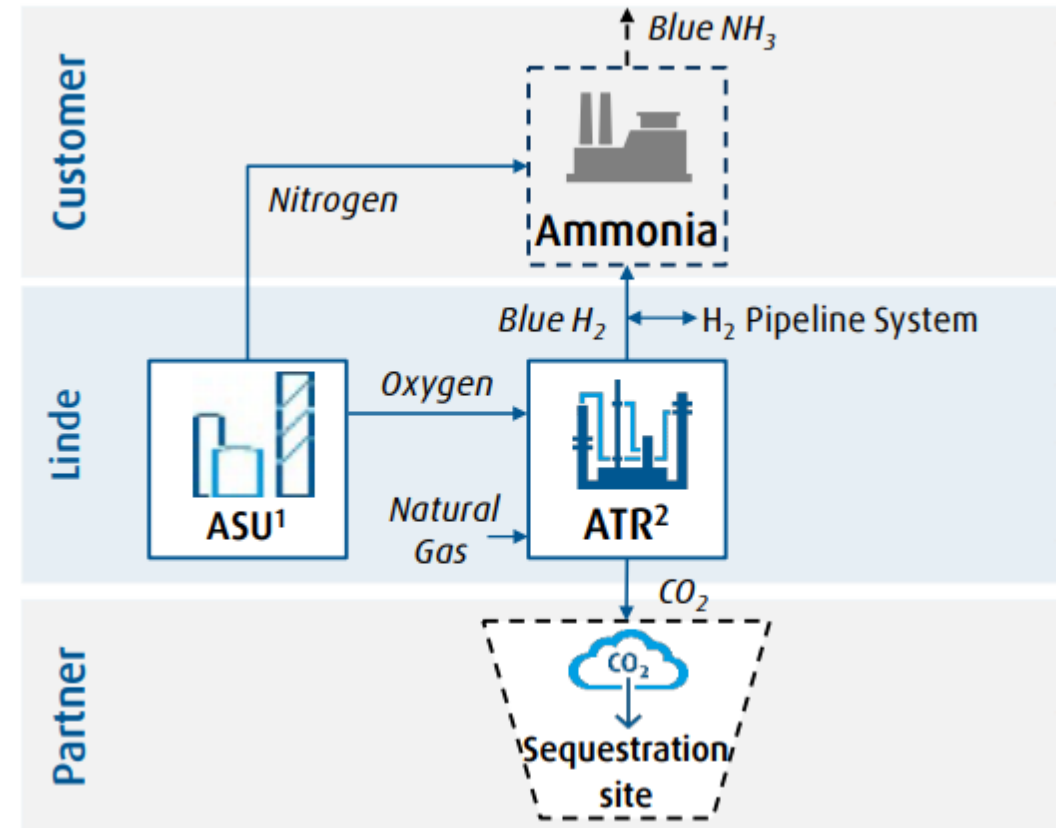
Linde has announced large carbon capture project to create low carbon “blue” ammonia

~3% Ammonia share of global CO<sub>2</sub>e

95% emissions captured from process

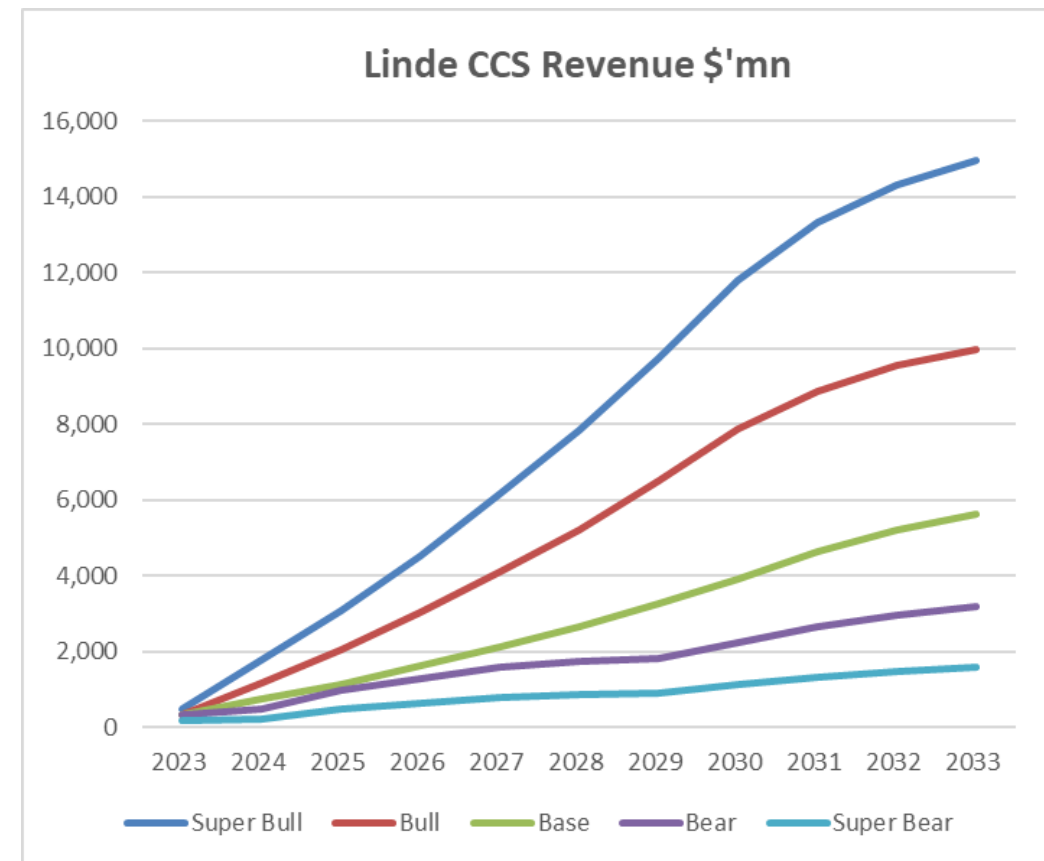
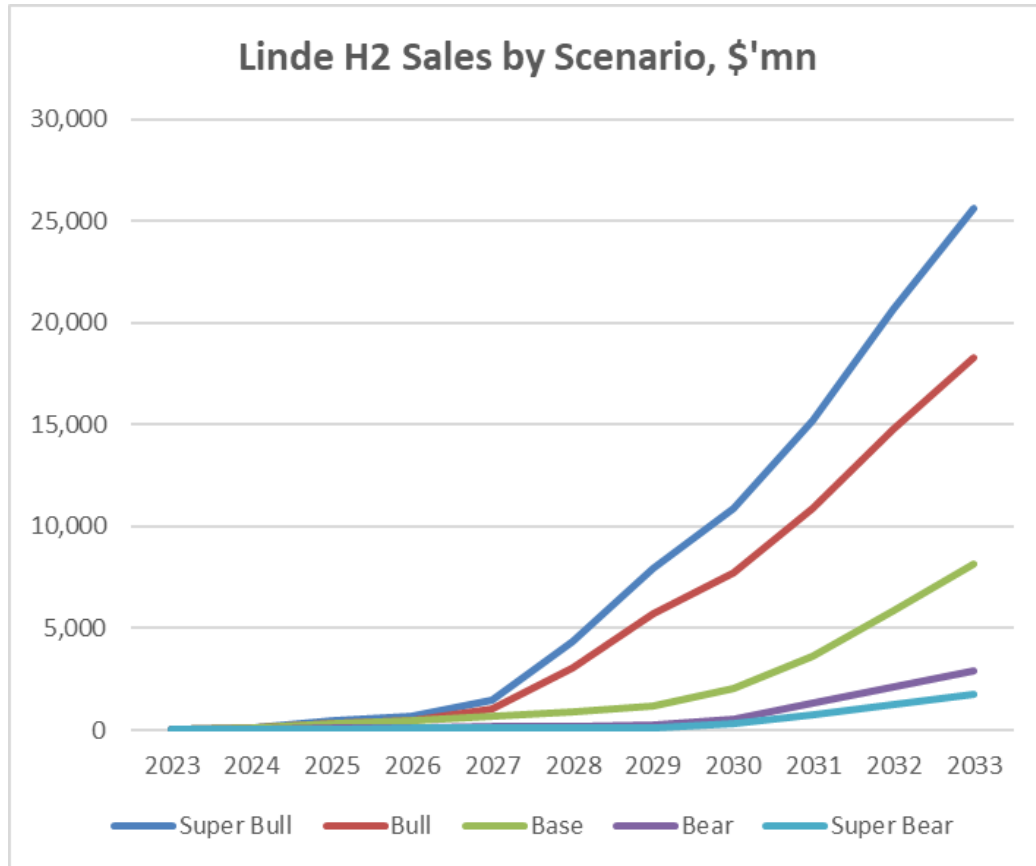
1.7mn mT CO<sub>2</sub>e sequestered p.a.

## Linde \$1.8bn Blue Ammonia Project with OCI



# Decarbonisation revenues to accelerate

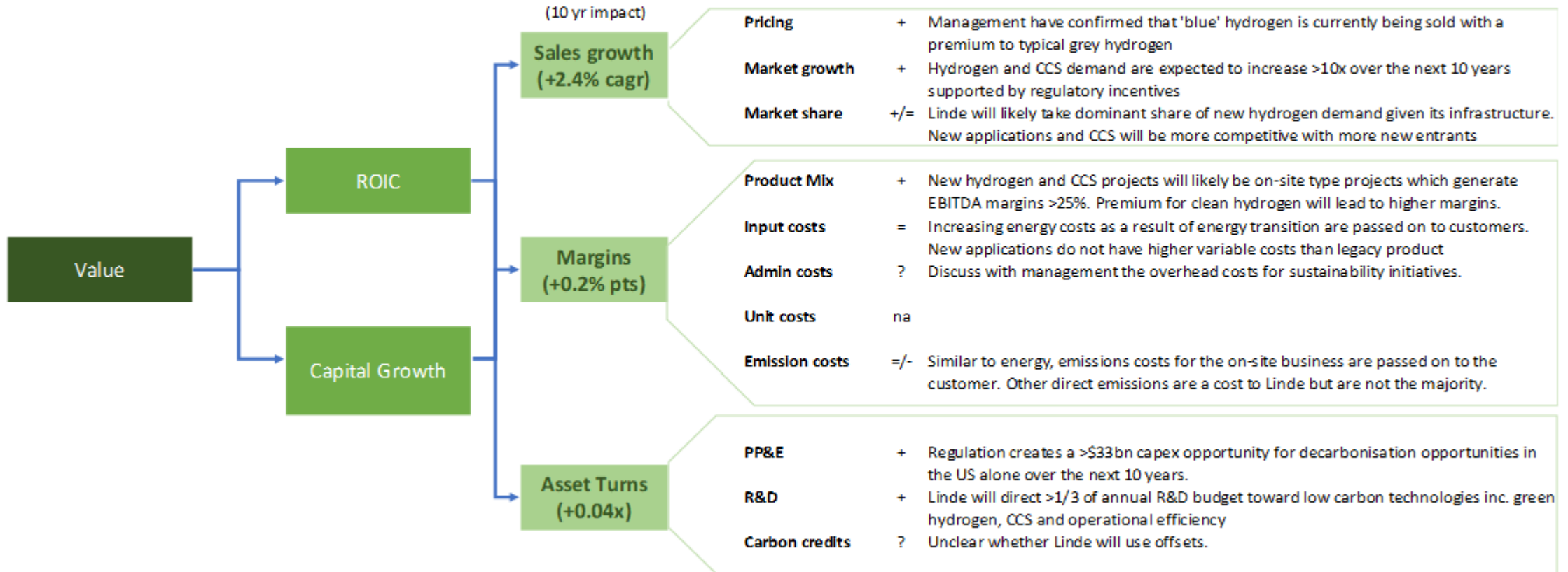
We model hydrogen and CCS to contribute ~\$13bn (22%) of revenue in 10 years



# Back to fundamentals

The shift towards net zero will affect some companies significantly

## Linde Climate Pricing Puzzle





# Engagement program

# Engagement strategy

## What is ESG engagement?

### **PRI definition of ESG engagement**

- Engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc.) on ESG issues.
- Engagements are undertaken to influence (or identify the need to influence) ESG practices and/or improve ESG disclosure.

# Engagement strategy

## How does ESG engagement differ from other company meetings?

- **Company meetings** – as part of company monitoring, updates on trading, strategy, capital allocation etc.
- **ESG informed meetings** – company monitoring meetings with ESG questions. Examples include understanding of governance, supply chain and stakeholder management, and climate disclosure and targets, for example.
- **ESG engagements** – a specific objective, action and outcome that is measurable and tracked. An ESG objective seeks to influence a company's behaviour or disclosures, and cannot be merely to increase understanding.

# Engagement strategy

## Types of engagement

- Two broad approaches – Top-down and Bottom-up
  - Top-down:
    - Specific thematic engagement applying across the portfolio
    - Includes both Climate (SBTi) and Diversity – we have expectations for both
  - Bottom-up
    - Company-specific, ad hoc engagement, with proactive targets arising from: company monitoring; ESG portfolio reviews; annual governance meetings; remuneration reviews; controversial resolutions at shareholder meetings et al
    - We also undertake reactive engagements in light of company news or flagged controversial activity



# Global Sustain climate engagement

## Science Based Targets initiative (SBTi)

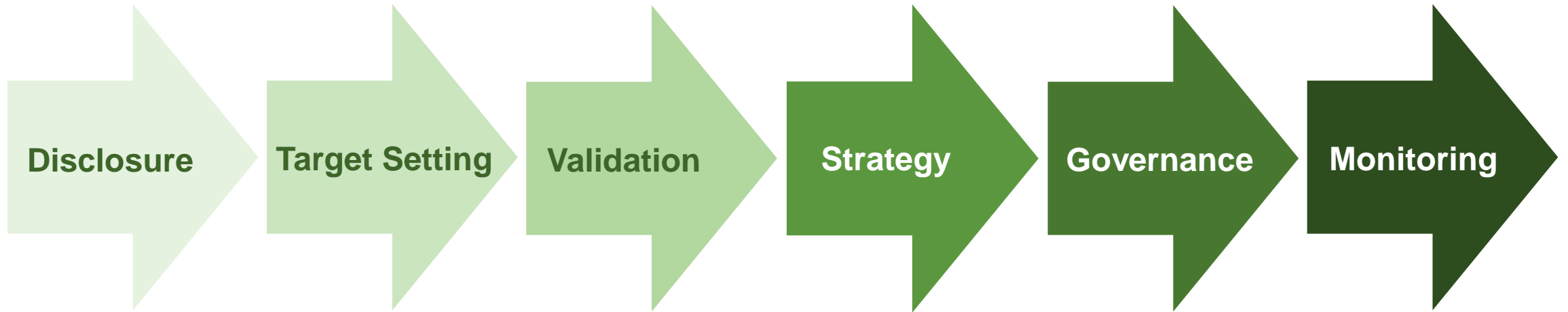
- Partnership between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF).
- Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.
- Five stage process:
  - **Commit:** submit a letter establishing your intent to set a science-based target
  - **Develop:** work on an emissions reduction target in line with the SBTi's criteria
  - **Submit:** present your target to the SBTi for official validation
  - **Communicate:** announce your target and inform your stakeholders
  - **Disclose:** report company-wide emissions and track target progress annually



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

# Climate engagement to drive improvement and results



# M&G climate engagement benchmark

## Modelled on CA100+ collective engagement initiative

- **Ambition:** Whether the company has set an ambition to achieve net zero GHG emissions by 2050 (or sooner)
- **Targets and goals:** If clear short-, medium- and long-term GHG reduction targets or goals covering all material scope 1, 2 and 3 GHG emissions are in place and aligned to a 1.5°C global warming trajectory – validated through SBTi
- **Decarbonisation strategy:** Whether the company has a robust decarbonisation strategy to deliver these GHG reduction targets, goals and ambitions
- **Capital alignment:** Whether an assessment has been carried out of the extent to which a company's capital investment in carbon-intensive assets or business lines are consistent with the goals of the Paris Agreement
- **Climate policy support:** If a clear commitment and set of disclosures clarifying intent to support climate policy has been developed by the company, together with a demonstration of how direct and indirect lobbying is consistent with this intent
- **Governance:** Whether the company has effective board oversight of, and remuneration linked to, delivery of GHG targets and goals
- **Just transition:** Whether the company has disclosed information on how a 'just transition' can be achieved – taking account of the impact on employees, communities and other stakeholders – and has been incorporated into the company's transition planning
- **Reporting:** Whether the company's overall climate risk reporting is consistent with the recommendations of the TCFD

# Climate engagement with Linde



- **Objective:** To ask German industrial gases producer Linde to publicly disclose an ambition to achieve net-zero GHG emissions by 2050 (or sooner) and set clear short, medium and long-term GHG reduction targets, validated by SBTi.
- **Action:** We met with Linde's head of sustainability and head of investor relations to explain our expectations.
- **Outcome:** Having previously set ESG goals in January 2020, following our meeting in 2021, Linde announced new, more ambitious sustainability goals, which included a roadmap to climate neutrality by 2050. In its path to reach this goal, Linde announced that it expected to reduce absolute GHG emissions by 35% by 2035. The company also committed to the SBTi – and we engaged further in 2022 to ensure it had submitted its targets for approval. Those targets were subsequently approved.

Next phase – engagement on strategy, governance and the potential for more stretching targets

The information provided should not be considered a recommendation to purchase or sell any particular security

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and investors may not get back the original amount invested.

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 **M&G** Appendix  
Investments

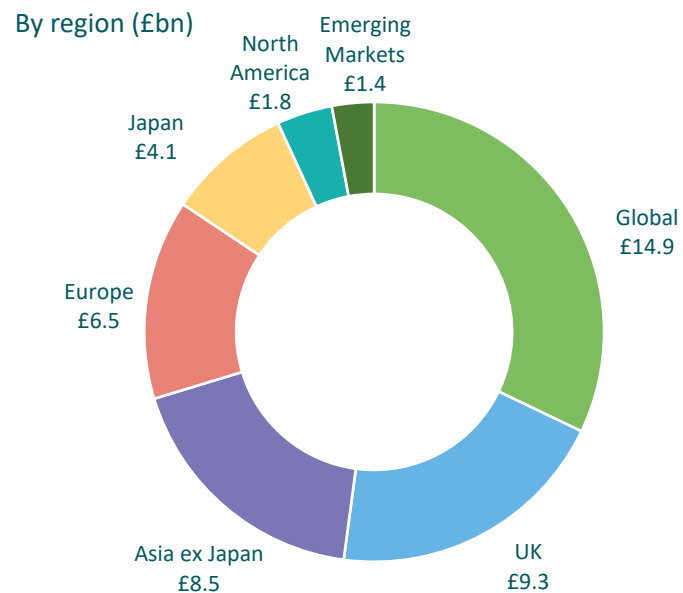
# M&G Equities: Scale and presence

## Overview

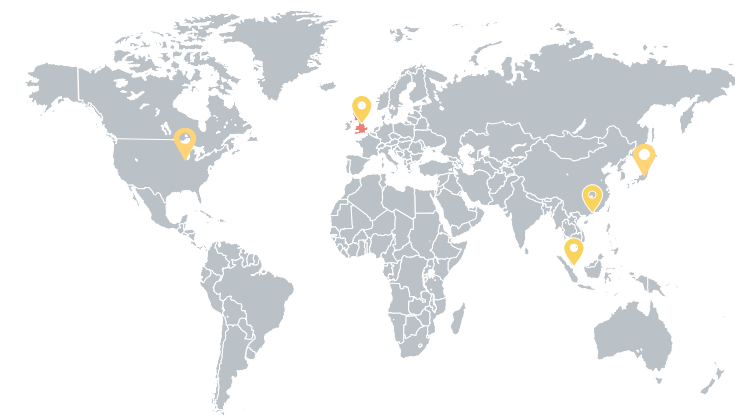
### 74 Investment professionals



### Total assets under management of £46 billion

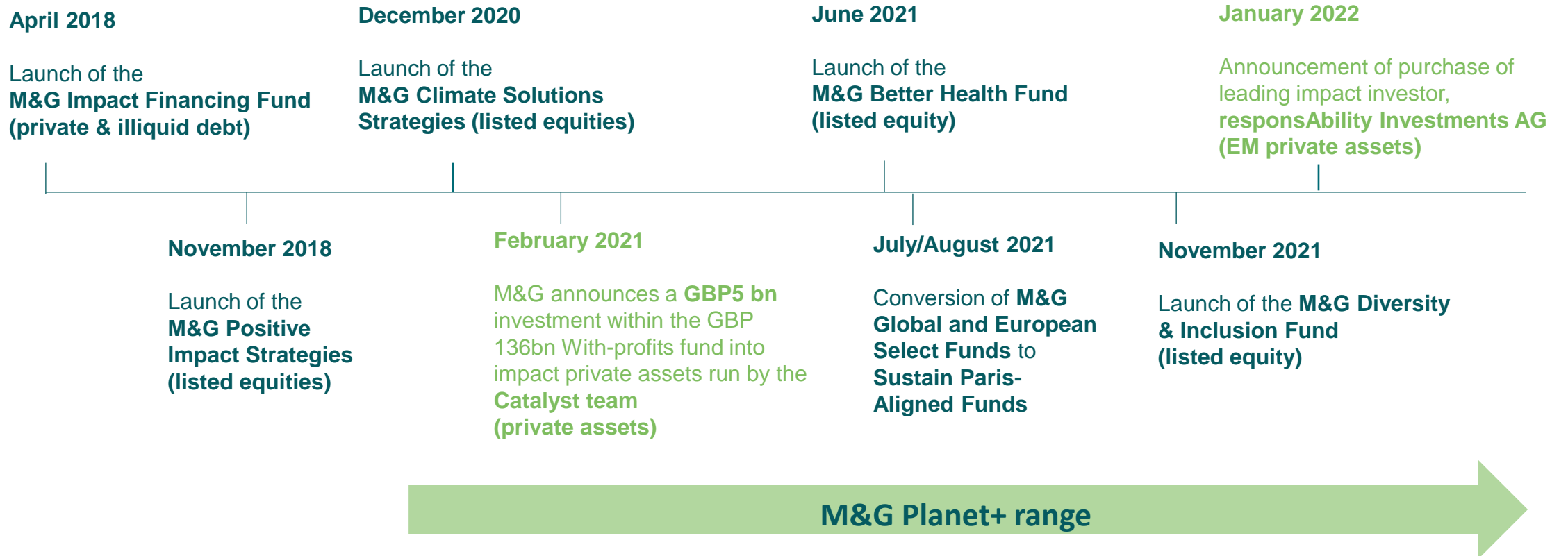


### Investment professionals located in London, Singapore, Hong Kong, Tokyo and Chicago



# M&G's commitment to sustainable & impact investing

## Selected Fund developments related to sustainability and impact

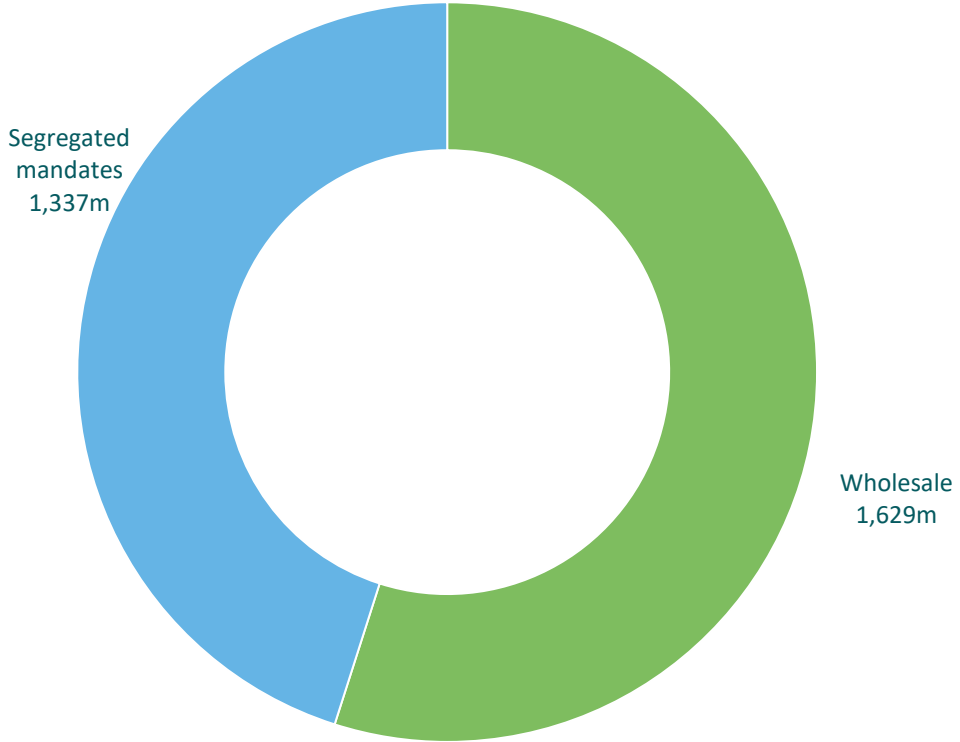
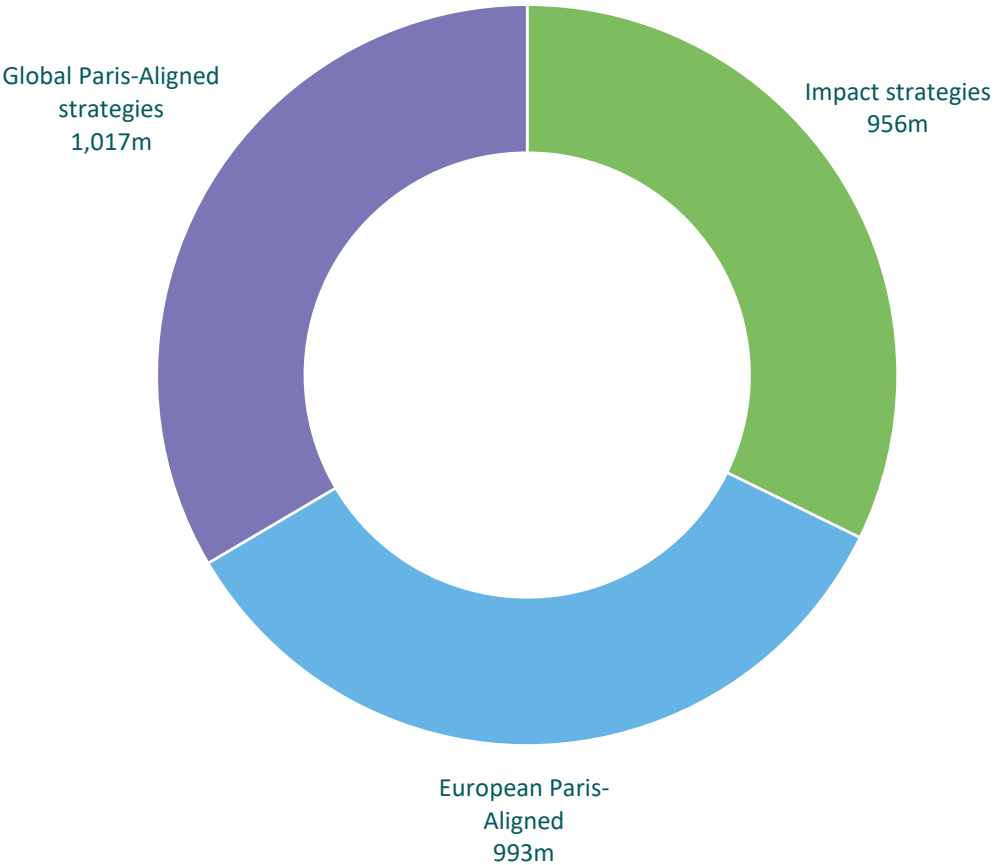




# AUM for Sustain & Impact team

## Breakdown of assets in GBP

By client type

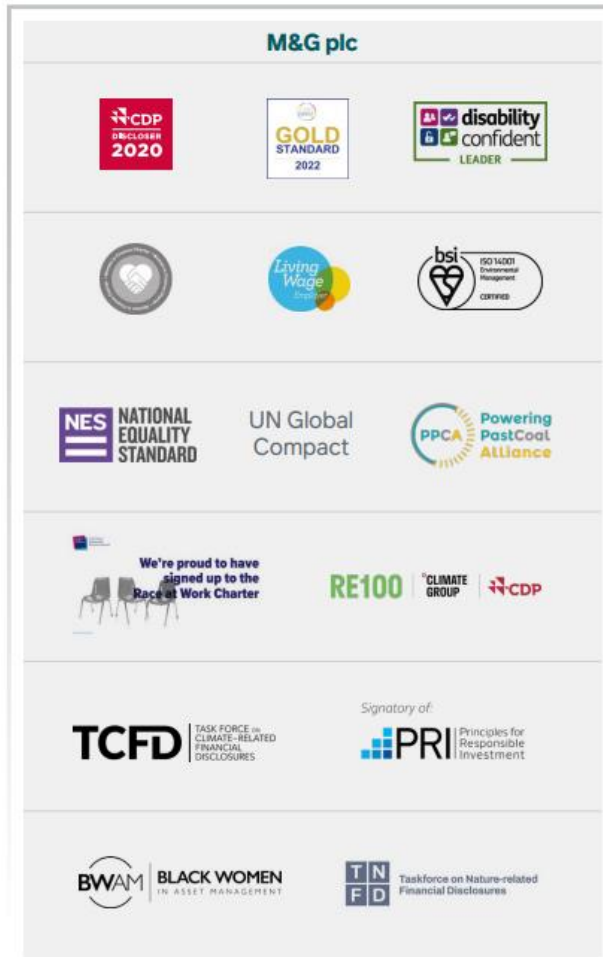


Total assets under management of £3 billion

Source: M&G, 30 September 2022; Impact strategies include the M&G (Lux) Diversity and Inclusion Fund

# Evidencing our commitment to Sustainability

## M&G commitments, memberships and alignments



<b>B</b> CDP Score	<b>A+</b> UNPRI Strategy and Governance Score
UK Stewardship Code 2020	<b>9th</b> ShareAction responsible investment survey ranking

### Corporate commitments:

- M&G Plc aims to reduce corporate carbon emissions to 'net zero' by 2030
- M&G Plc aims to achieve **40% female and 20% ethnically-diverse representation in the leadership team by 2025**
- M&G Investments aims to achieve **carbon 'net zero' across AUM by 2050** and has set a **2030 interim target** of 50% reduction in carbon emissions on 20% of AUM to date
- M&G Investments aims to **reduce exposure to unabated coal** by 2030 in OECD and EU member states, and by 2040 elsewhere

Ranked 9 out of 75 of the world's largest asset managers across responsible investment themes in the most recent ShareAction survey



# John William Olsen

## Biography



- Joined M&G in April 2014, and was appointed fund manager of the M&G Global Sustain Paris Aligned Fund and M&G European Sustain Paris Aligned Fund in July 2014. In July 2016, was appointed manager of the M&G European Select Fund and deputy manager of the M&G European Smaller Companies Fund
- Fund manager of the M&G Positive Impact Fund since its launch in 2018 and acts as deputy manager of M&G Climate Solutions, M&G Better Health Solutions and Diversity & Inclusion strategies
- Formerly from Danske Capital, where from 2002 he had managed non-domestic equity portfolios, including the Global Stock Picking and Global Select equity funds, and also the European Select strategy
- John joined Danske Capital in 1998 as a fund manager on the domestic Danish equities team, and in 2000 also became a global sector analyst focusing on technology and telecommunications stocks
- He gained a BA in business economics and then an MSc in finance and accounting from Copenhagen Business School

# Lucy Hancock

## Biography



- Lucy is a Senior Analyst on the Sustain and Impact Team. She is a generalist sector assignment but with a focus on energy transition, decarbonisation technologies and sustainable materials
- She joined M&G in 2022 from Sanford C. Bernstein where she was an analyst on the European Chemicals Team for 3 years.
- Prior to this she has spent 15 years in various roles in strategy consulting, private equity, energy and soft commodity trading, sales and structuring.
- She holds a B.Sc in Economics from the University of Bristol, an M.B.A. from London Business School and is a FSA (SASB) certificate holder.

# Christoph Andrews

## Biography



- Chris is the Head of Engagement for Sustain & Impact Strategies. In this role Chris leads on investee company engagement for M&G Investments' Sustain & Impact strategies, as well as undertaking a range of investor stewardship activities, including remuneration consultation and industry working group participation. Chris also acts as an impact and sustainability subject matter expert for the wider business.
- He joined M&G in 2011, initially as part of the investment communications team, moving to the Stewardship Team in 2016. Prior to joining M&G, Chris spent 10 years as a financial journalist, working across a number of trade and mainstream publications.

# The Positive Impact & Sustain Research team



John William Olsen  
Head of Sustain & Positive Impact  
Strategies

26



Thembeke Stemela  
Positive Impact deputy  
+ D&I Strategy

8



Michael Oliveros  
Sustain deputy  
+ European smaller caps

19



Jasveet Brar  
Better Health Strategy

14



Michael Rae  
Senior Analyst

17



Nayab Amjad  
Senior Analyst

11



Lucy Hancock  
Senior Analyst

12



Darshan Rughani  
Junior Analyst

5



Laura Sturch  
Junior Analyst

8



Jermaine Mensah  
Junior Analyst

2

Years industry experience

Source: M&G, September 2022

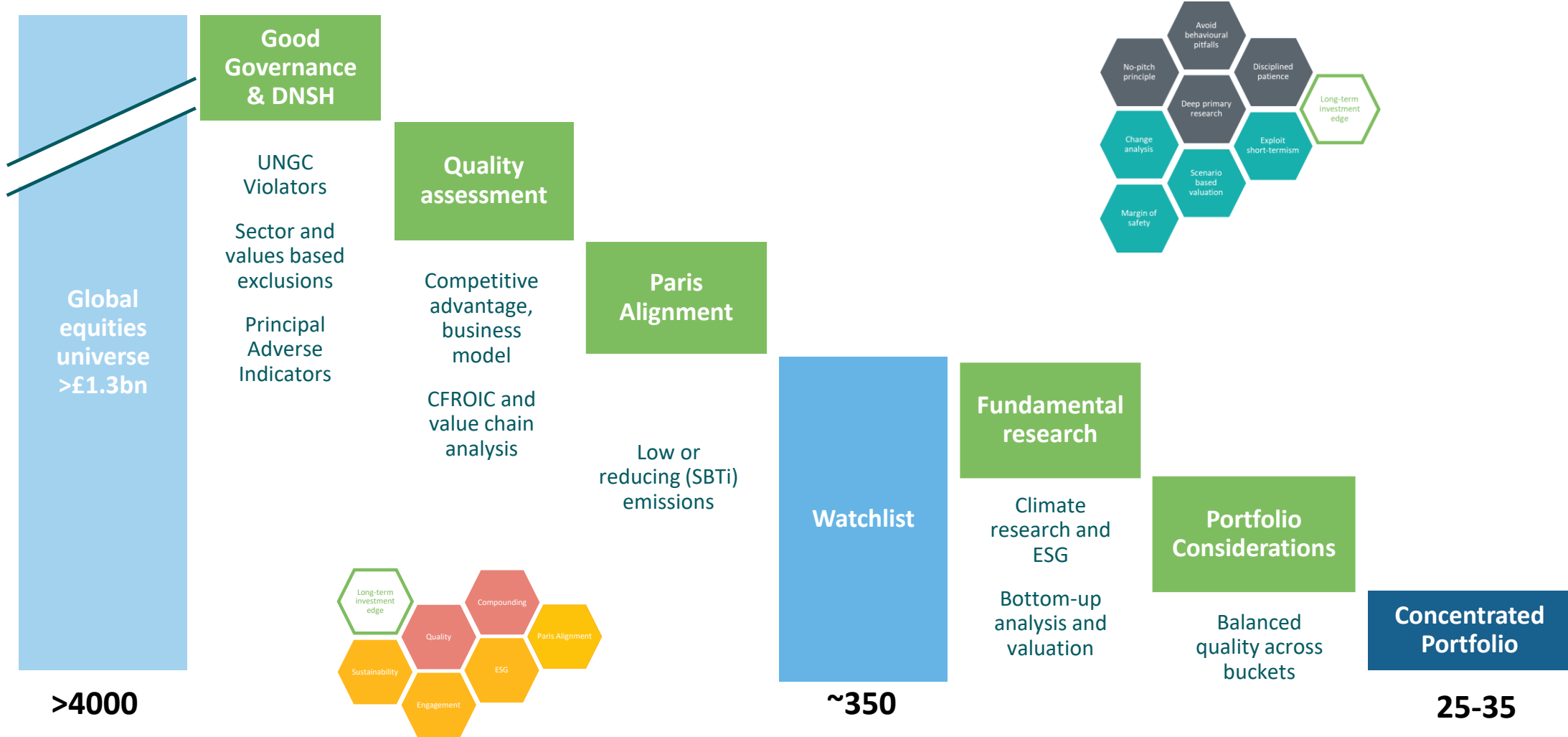
# Wider M&G resources for the Sustain & Positive Impact funds





# Investment process

## Turning a broad market into a conviction portfolio



# Annual Carbon Report

## Annual Measurement Report and Metrics



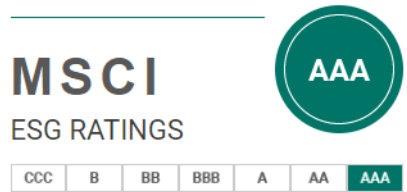
### Stock By Stock Analysis

- Carbon Emissions, Scope 1, 2 and 3 when available
- YOY change in carbon emissions
- Progress versus Science based targets
- Carbon Intensity
- YOY Change in Carbon Intensity

### Engagement Summary

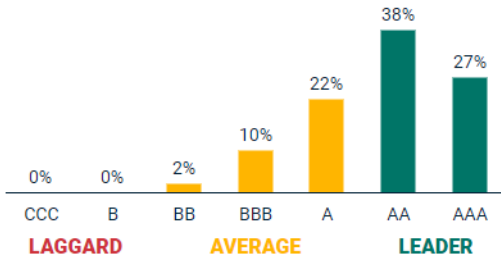
- Engagement programme to set SBTi for low carbon companies
- Tailored Engagement with Reducing companies

# MSCI ESG Portfolio Snapshot



## ESG Rating distribution of fund holdings

65% of the fund's holdings receive an MSCI ESG Rating of AAA or AA (ESG Leaders) and 0% receive an MSCI ESG Rating of B or CCC (ESG Laggards).



An Implied Temperature Rise of **between 1.5 and 2.0°C** indicates that the fund is in line with the Paris agreement's goal of limiting global mean temperature to below 2°C.<sup>(1)</sup>

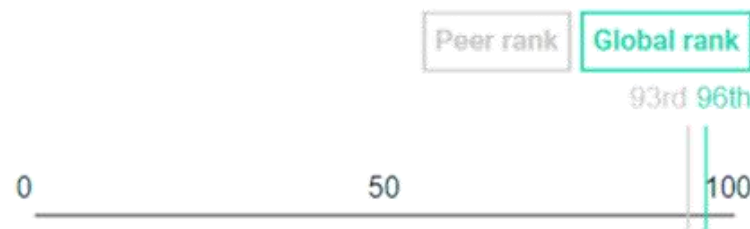
## Implied Temperature Rise % coverage of the fund

We have calculated an Implied Temperature Rise for 98.1% of the fund's holdings.

<sup>1)</sup> Implied Temperature Rise Methodology - Executive Summary

## Peer and global rank

The fund ranks in the 93rd percentile within the Equity Global peer group and in the 96th percentile within the global universe of approximately 34,000 funds in coverage.

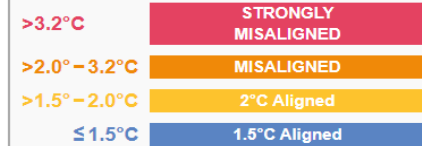


### What is MSCI ESG Research's Implied Temperature Rise?

Implied Temperature Rise from MSCI ESG Research is an intuitive, forward-looking metric, expressed in degrees Celsius, designed to show the temperature alignment of companies, portfolios and funds with global temperature goals.

We show the ITR of the fund in temperature range bands on this public tool. To see the fund's exact ITR, and gain access to ESG and Climate data for over 56,000 equity and fixed income funds, [please contact us](#).

### Alignment with global temperature goals



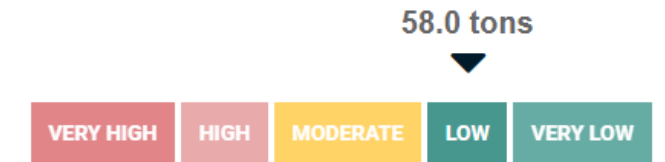
### Learn more

- [How Implied Temperature Rise works →](#)
- [Methodology Excerpt →](#)
- [What Implied Temperature Rise Means for Funds →](#)
- [Measuring the Temperature of Your Portfolio →](#)

## Weighted average carbon intensity

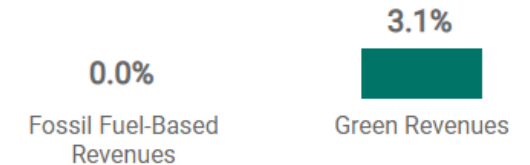
(tCO2e / \$m sales)

The fund's holdings have low carbon intensity, based on the weighted average carbon emissions per USD million sales.













## Green vs. Fossil Fuel-Based Revenue

We classify 3.1% of the total revenue generated by the fund's holdings as green (e.g. alternative energy) and 0.0% of total revenue as fossil fuel-based (e.g. thermal coal).



# Specific exclusion criteria

## Monitored on a daily basis

Exclusions	Thresholds
 Cluster munitions	0% ties
 Anti personnel landmines	0% ties
 Coal Mining, coal fired plants	As defined in M&G coal policy
 Controversial weapons other than cluster munitions and anti personnel landmines	0% revenues
 UNGC Breaches	0% revenues
 Tobacco	0% Production, 10% Distribution
XXX Adult entertainment	0% Production
 Gambling services	0% Production
 Weapons other than controversial	5% production
 Fossil fuel extraction, conventional and unconventional including Thermal coal	0% production
 Carbon intensive power generation	Maximum 25% revenues from oil and gas , Maximum 10% revenues from coal

All M&G funds

M&G Global Sustain Paris Aligned Fund

The value of investments will fluctuate, which will cause fund prices to fall as well as rise and investors may not get back the original amount invested.

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