M&G Investments

Stewardship Report 2024

Active Stewardship and Sustainable Investment

Contents

Foreword 4

Preface: M&G Investments and the UK Stewardship Code 2020 6

Introduction 7

Stewardship overview 9

Stewardship across equities and fixed income 11

ESG activities 13

ESG engagements 14

Infracapital 52

M&G Investments Real Estate 56

Voting 59

UK Remuneration 72

Other engagement activities 74

Corporate finance 88

The Stewardship and Sustainability team 92

Examples of policy maker engagements and other initiatives 93

Appendix 1: Company engagement by topic 94

Appendix 2: M&G Investments and the UK Stewardship Code 2020 103

- Introduction 104
- Principle 1: 106
- Principle 2 112
- Principle 3: 120
- Principle 4 124
- Principle 5 129
- Principle 6 133
- Principle 7 135
- Principle 8 138
- Principle 9 140
- Principle 10 143
- Principle 11 144
- Principle 12 147

Glossary 150

Foreword

We are an international asset manager focused on active management across public and private markets. Our business is underpinned by deep and broad investment expertise across both fund management and extensive in-house research capabilities.

Our clients are at the heart of everything we do and we have a global network of investment and distribution teams, which enables us to be the local partner to our clients wherever they are in the world.

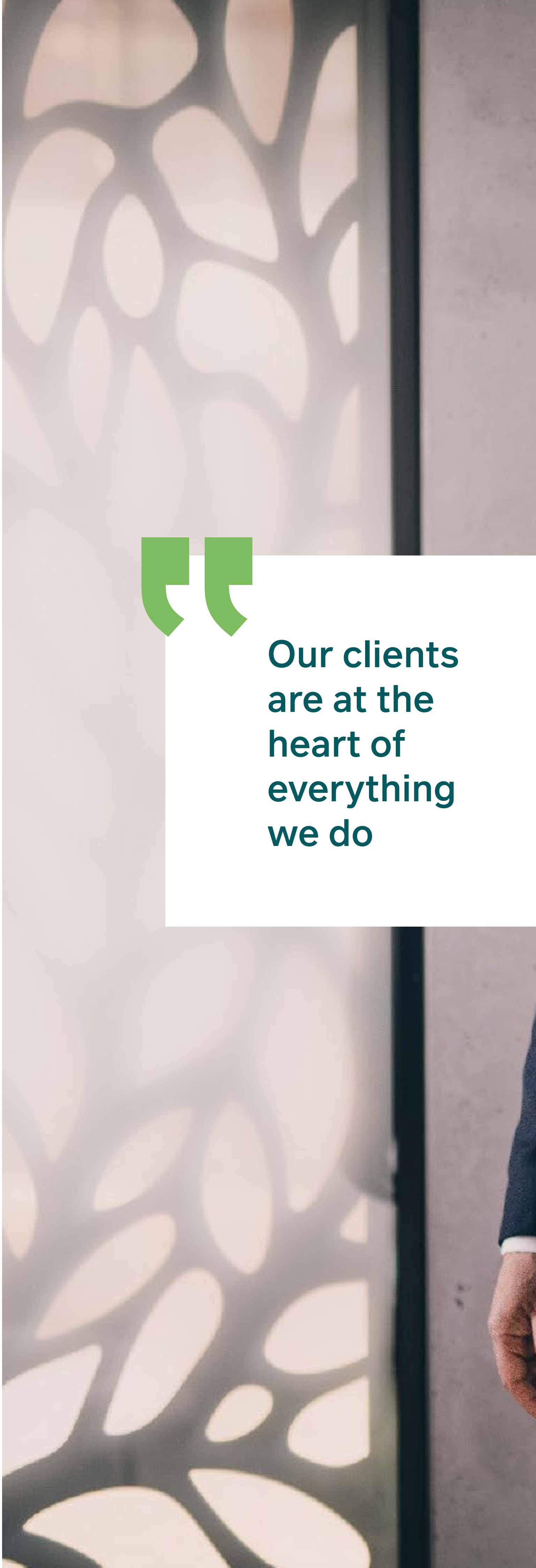
We offer a broad range of savings and investment solutions to help our clients navigate their investment needs. We work closely with our Life business to build and deliver end-to-end investment solutions, ensuring a strong alignment of interest and a deep understanding of our clients' objectives. We offer these same solutions to our third-party clients enabling us to scale new strategies.

We are leveraging this client insight to develop a suite of investment solutions for our target clients. Our investment solutions span two business areas: public markets, which is focused on public fixed income, active equity and sustainability focused funds; and private markets, where we are a leading player in Europe, with capabilities focusing on real estate, private credit and impact investment.

As a responsible, international investor, we work with investee companies to help deliver real world change, including in relation to climate change, biodiversity and social issues. In that regard, our priority as an active, long-term investor is to encourage change through engagement and voting – we engage with companies both bilaterally and through collective engagement programmes; details of both are highlighted in this report.

At the same time, we can also play a role through advocacy and collective effort at a systemic level, through our engagement and support on public policy and regulation, which we do through collaboration with peers.

In order to help us address the societal challenges we are facing as investors, over the past year we have continued to build upon our stewardship capabilities, including enhanced tools to help measure and identify issues that can lead to engagement.



Our clients are at the heart of everything we do

During 2024, we expanded our 'Hot 100' engagement programme to include our holdings with M&G Investments Southern Africa for the first time. Looking ahead, the Hot 100 will for the first time incorporate scope 3 emissions alongside scope 1 and scope 2. Our stewardship activities on biodiversity continued to increase, including under the Nature Action 100 collaborative initiative, and we will continue to develop our approach through 2025. Our efforts on board diversity over the last few years have seen a general improvement and we are now looking to integrate this into a broader human capital management programme. All of these activities are also looked at through the lens of good governance. Further details of action we have taken, and our achievements throughout 2024, can be found within this report.

As we look forward to 2025, M&G plc has grouped its activities under two themes – 'Resilient planet' and 'Resilient societies' - which include the work we do on climate, communities and people, with the addition of nature given its growing importance for our clients and broader society. This follows a Group-level review of M&G plc's sustainability strategy to ensure M&G plc is focused on areas that are important to it and where it can have positive real-world impact. The resilient planet theme is supported by two pillars – 'Financing the climate transition' and 'Developing our approach to nature', while the resilient societies theme also comprises two pillars – 'Promoting financial confidence' and 'Building communities', both of which build on the work we already do as part of our investment and corporate activities.

Many of the themes under which M&G Investments already carries out its stewardship activities fit within this updated sustainability strategy and we will look to develop these further during 2025 and beyond.

This report provides an overview of the stewardship activities M&G Investments has carried out over the past year, and demonstrates how we use our position as long-term, active, responsible investors to promote good practices at our investee companies.

Joseph Pinto
Chief Executive Officer, M&G Asset Management

Preface: M&G Investments and the UK Stewardship Code 2020

The UK Stewardship Code 2020 sets high stewardship standards for both asset owners and asset managers. The code comprises a set of 'apply and explain' principles enabling organisations to meet these expectations in a manner aligned with their unique business models and strategies. Below we present M&G Investments' approach, as an asset manager.

The 2020 Code is a response to the continuous evolution of the investment market since the initial publication of the Stewardship Code in 2010. This evolution includes significant growth in the range of asset classes beyond listed equity, such as fixed income, real estate, infrastructure, and other alternative assets. These investments have distinct terms, investment periods, rights, and responsibilities. Signatories to the 2020 Code must consider how to exercise effective stewardship and report accordingly across asset classes. Notably, environmental factors, particularly climate change, alongside social and governance issues, have become critical considerations for investors in making investment decisions and undertaking stewardship.

Since the Code's publication in 2020, we have reported against its principles, being among the first group of signatories to the new Code in 2021. We have implemented a two-pronged approach to demonstrate our stewardship activities and their alignment with the Code:

1. Through this annual stewardship report, which showcases and highlights key activities from the previous year across equities, fixed income, real estate and infrastructure.
2. Through a principle-by-principle document, reviewed annually, which provides an overview of our stewardship approach, and specifically outlines how we adhere to the code. This can be found in the appendix of this report.

2020 principles for asset owners and asset managers	
Purpose and governance	
1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2	Signatories' governance, resources and incentives support stewardship.
3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.
Investment approach	
6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8	Signatories monitor and hold to account managers and/or service providers.
Engagement	
9	Signatories engage with issuers to maintain or enhance the value of assets.
10	Signatories, where necessary, participate in collaborative engagement to influence issuers.
11	Signatories, where necessary, escalate stewardship activities to influence issuers.
Exercising rights and responsibilities	
12	Signatories actively exercise their rights and responsibilities.

Source: Financial Reporting Council, 2019.

Introduction

Welcome to M&G Investments' Annual Stewardship Report for the year ended 31 December 2024 – our 9th annual edition.

As I write this, stewardship is going through an interesting time with the Financial Reporting Council reviewing the 2020 Stewardship Code to change its definition of what stewardship means and to streamline reporting requirements. Meanwhile, we continue to evolve our stewardship activities to ensure we meet client expectations and changes to regulation, while rising to the challenge of geopolitical uncertainty. Despite these developments, we maintain our view that if a company is run well, and sustainably, it is more likely to be successful in the long run.

Engagement themes

Climate

Climate is one of our top-down engagement programmes for listed equity and fixed income investee companies, in both developed and developing markets. We are members of the Net Zero Asset Managers initiative (NZAMi), the Institutional Investors Group on Climate Change's (IIGCC) Corporate Programme Advisory Group and the Real Economy Working Group. We also engage collaboratively through Climate Action 100+ (CA100+) and the Net Zero Engagement Initiative (NZEI).

Our 'Hot 100' climate engagement programme, which we established in 2020, focuses on our largest emitters and is updated annually. During 2024 our holdings through M&G Investments Southern Africa (MGSA) were included for the first time, adding 10 new names. Moving forward, our focus will be incorporating scope 3 emissions into our assessments for the first time and including our passive funds. During the year, we also continued to engage under our Thermal Coal Investment Policy.

Biodiversity

Biodiversity is a topic that continues to gain momentum for investors. Having started engaging on this important area in 2022, we further developed our engagement approach to natural capital in 2023 and 2024, which included expanding the pipeline of companies that are seen as priorities for engagement. Our approach is a widening of our lens on climate to incorporate natural capital and biodiversity. In the same way that we built our Hot 100 focus list for climate, we have developed a list that comprises our largest holdings that have the greatest impact on nature.

We are one of the first members of IIGCC's Nature Action 100 (NA100) and we continued to co-chair the Natural Capital Committee for the International Corporate Governance Network (ICGN) until this committee was discontinued as part of a restructuring of the committees in favour of more governance related issues. As a result M&G joined the Global Policy Committee.

Social

Alongside climate change and nature, social remains one of our top-down engagement programmes. In 2022, we published our expectations on diversity at board level for our investee companies, on the back of which we began engaging with a focused list of laggards. It has been pleasing to see a discernible improvement with these companies. During the year we also contacted our 188 FTSE 250 holdings to inform them of our voting stance on ethnic diversity at board level, which comes into effect in 2025. While the focus has been on board diversity, in 2025 we are broadening this programme to include additional aspects of human capital management.

This report

Throughout our stewardship activities we focus on supporting the investment teams on engagements, including the determination of priorities and focus areas, to enhance the investment process. As a long-term investor we use stewardship, including engagement and voting, along with our ability to share knowledge and provide guidance to companies. For example, we encourage high carbon emitters to make meaningful transition efforts. We cannot stand still though. There is a need for continued evolution of our approach, in line with our clients' requirements, navigating the complexity arising from the fast-changing nature of sustainability issues and the urgent need to make progress on the net zero transition.

In this report, we detail some of the actions and initiatives we have been involved in over the past year, offer case studies on our voting and engagement activities, and provide examples of our numerous interactions with external parties.

I hope this report provides insight into our activities as an active and responsible investor.

Rupert Krefting
Head of Corporate Finance and Stewardship

Stewardship overview

Our approach

We believe that the long-term success of a company is supported by effective investor stewardship, the integration of sustainability into its strategy and high standards of corporate governance. We believe that if a company is run well, and sustainably, it is more likely to be successful in the long run.

Our approach across asset classes continued to develop in 2024, as we make use of our broad capabilities, often as a holder of both a company's equity and debt, to increase the significance of our engagement activities. The goal of all of our stewardship activities is to best serve our clients by achieving positive outcomes, including with respect to sustainability. As a global investor we can share our knowledge and insights to support investee companies, reflecting our responsibilities as a long term investor. This can help our investee companies to more effectively deal with the material risks they face, both financial and non-financial.

This requires continued engagement to bring about positive change or, where this isn't possible, voting against board members or ultimately divesting from a company. In this report, we outline how our stewardship responsibilities are discharged across asset classes.

This document is intended to provide a general overview of how M&G Investments approaches stewardship at firm level. For specific product-level stewardship commitments and approaches, please refer to product documentation.

Implementation

As an active fund manager, we meet with investee companies to add value to the investment process, to increase our understanding, or provide feedback to a company, across a number of topics, including ESG. We also undertake ESG engagements to protect our clients' interests before and during the course of our investment. Engagement occurs when we believe an ESG factor(s) is financially material and can affect investment performance and is focussed on achieving positive changes in behaviour and real-world outcomes. We focus on the underlying substance of our engagement, delivery of our objectives and the relevance for our investments when assessing the quality and effectiveness of these activities.

Active and informed voting is an integral part of our responsibility as stewards of our clients' assets. In using our votes, we seek to add value and protect the interests of our clients as shareholders. Our starting point as an active, long-term fund manager is to support the value creation of our investee companies. There will be occasions when we need to vote against management-proposed resolutions or support shareholder resolutions which are not recommended by the board, if we believe this is in the best interest of our clients and the company.

We operate a centralised proprietary engagement tool to record and evidence ESG engagements. The validation of these engagements rests with our Stewardship & Sustainability (S&S) team, who assess each engagement with public listed investments within the engagement tool before approving them. Voting results, meanwhile, are published on our website on a quarterly basis.

The S&S team supports our investment teams on a range of issues that can affect our investments over the long term, acting as a dedicated central ESG resource for the whole of M&G Investments. For an overview of the team, please see page 92 of this report.

Key themes

As mentioned in the introduction to this report, climate change is a central focus of our top-down engagement programme for investee companies, both bilaterally and through collective engagement programmes such as CA100+. We outline some of these engagements in the following pages of this report. We have also stepped up our engagement programme on natural capital and biodiversity by widening our lens on climate to incorporate these areas. Like climate, these engagements are both bilateral and collective, the latter through NA100. Lastly, social remains one of our top-down engagement programmes, where in 2022, we published our expectations on diversity at board level for our investee companies and wrote to over 1,000 of them explaining those expectations.

Importantly, engagement work on topics such as climate has increasingly expanded across asset classes, away from a sole equity focus to include public fixed income and private assets. Our investment teams have access to ESG data, research and tools, that they use to help them understand performance and to identify issues that are material for engagement.

As stewards of client assets, we see growing legislative and regulatory requirements, and client expectations. This includes increased reporting and disclosure requirements, particularly concerning the quantity and quality of company engagements and significant votes.

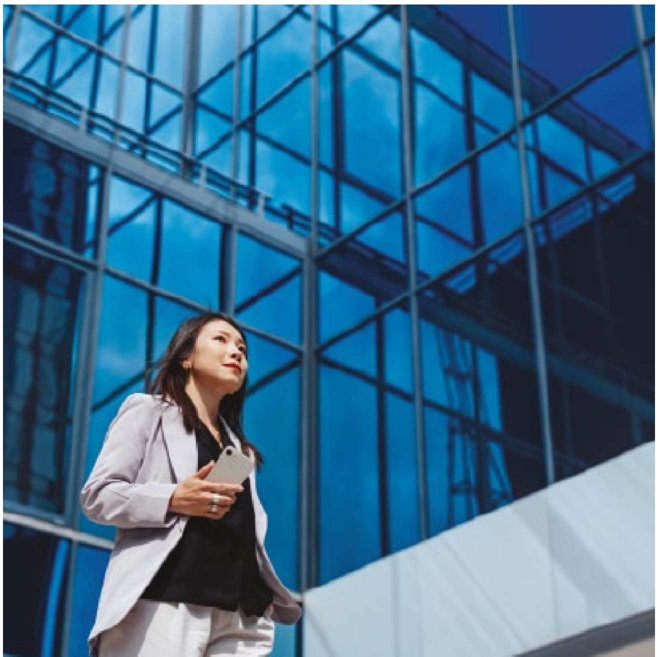
Stewardship across equities and fixed income

Across all of our asset classes, we believe that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance. Consequently, material ESG factors (both risks and opportunities) are systematically included into investment analysis and investment decisions. We apply this approach to ESG integration across all investments as far as we are able to and where it is financially material. Please see our ESG Integration and Sustainable Investing Policy on our **website**.

Equities

As mentioned above, we believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. We believe that if a company is run well, and sustainably, it is more likely to be successful in the long run. We therefore look at how companies address both the risks and opportunities that ESG issues present when we analyse them, and address these risks and opportunities in our engagement work.

Our S&S team are advocates of responsible share ownership and oversee our stewardship of the companies we invest in. Regular meetings with our investment teams and company directors allow us to identify whether a company's strategy is aligned with our interests as long-term shareholders. Our active interactions with companies help us to understand the issues affecting them and, through both bilateral and collective ESG engagement, encourage positive change.



Company directors are the cornerstone of governance, and it is important to recognise that shareholders appoint boards of directors to allocate capital and manage assets on their behalf, and to preserve and enhance shareholder value. Therefore, we actively engage with the boards of our investee companies on a number of issues, and believe that full accountability to shareholders is best achieved by directors putting themselves up for re-election on an annual basis.

We seek to add value for our clients by pursuing an active investment policy through portfolio management decisions, by maintaining a continuing dialogue with company management and by voting on resolutions at investee company general meetings. This enables us to monitor company developments over time and assess progress against objectives. As an active fund manager, we prioritise supporting the long-term success of our investee companies. When companies consistently fail to meet our reasonable expectations, we will advocate for changes, either individually or in collaboration with other investors through initiatives like the Investor Forum, CA100+, or NA100.

Over the course of 2024, we undertook a number of such engagements, many of which focused on the environmental and social factors affecting our investee companies, alongside more traditional governance issues. Please see the ESG engagement section of this report, starting on page 14, for further details.

Fixed income

Within fixed income, we continue to see the use of ESG integration, which includes engagement reviews of our portfolios, use of our proprietary ESG scorecards, and the ongoing development of analytical tools to provide an enhanced ESG overview within credit analysis. We have long understood the value of considering both financial and non-financial elements within our analysis, and believe it is a contributing factor to our performance across fixed income strategies by providing portfolio managers with a more complete picture of the creditworthiness of issuers.

Given the limited upside and potential significant downside of fixed income investments, the focus of our ESG analysis is on understanding downside risks.

Since ESG risks often develop over the longer term, and given our long-term investment approach, we believe it is essential to integrate ESG issues into our investment process. Our integrated approach to ESG is applied across all forms of fixed income including corporate bonds, government bonds, securitised debt, real estate debt, infrastructure debt, leveraged finance, direct lending and private placements, although flexibility in the implementation of ESG integration is often required to allow for differences across markets, sectors and instrument types.

Engagement with issuers is usually undertaken by our credit analyst teams, with support when needed from the S&S team, since our analysts have a clear and detailed understanding of the ESG issues affecting the credit quality of the issuers they cover. Although bond holders normally have less influence than equity holders when engaging with companies, we still consider it important to engage with fixed income issuers regarding material ESG issues to encourage improved practices.

The additional insight often gained through ESG engagement also helps inform our credit views and investment decisions. We prefer to engage on ESG issues directly with an issuer's senior management, and our significant scale in fixed income markets provides us with the necessary access to senior management in order to do so. In our private debt business, we are often one of the primary sources of finance for the borrower, which can give us significant access and ability to influence change.

In certain cases we will hold both the equity and the debt, with engagement benefiting from this joint holding

Please note, not all of M&G Investments' fixed income offerings are suitable for retail clients. Please visit our direct client website for further details.

ESG activities

Summary of equity meetings

In 2024, our Equities team attended 1,899 investment company meetings, of which 622 were with the management of UK companies (including 533 meetings with companies in the FTSE350) and 1,237 international companies. There were also 30 IPO-specific meetings, and 10 other meetings, including with private companies.

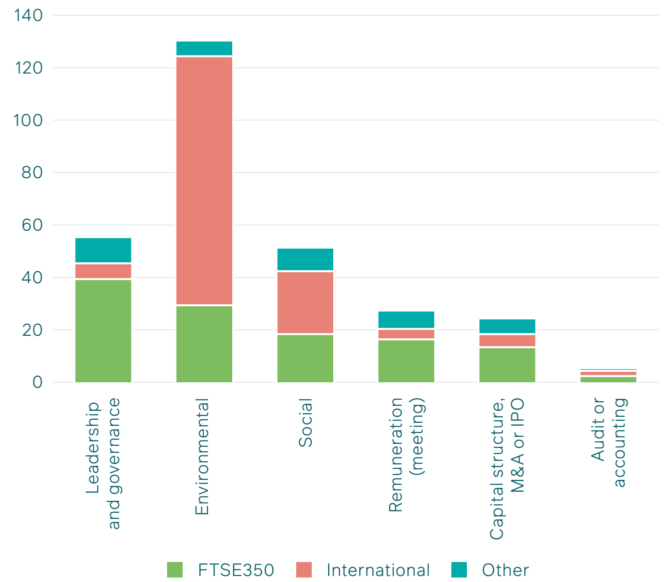
1,899 company meetings attended

533 FTSE350 meetings

1,237 international meetings

The S&S team participated in 296 of the above meetings, including 114 with FTSE350 companies and 150 with international companies, with meeting topics highlighted in the graph below. Alongside the meetings, 39 letters were sent out to companies, primarily relating to climate and social issues.

Stewardship and Sustainability meetings by issue covered

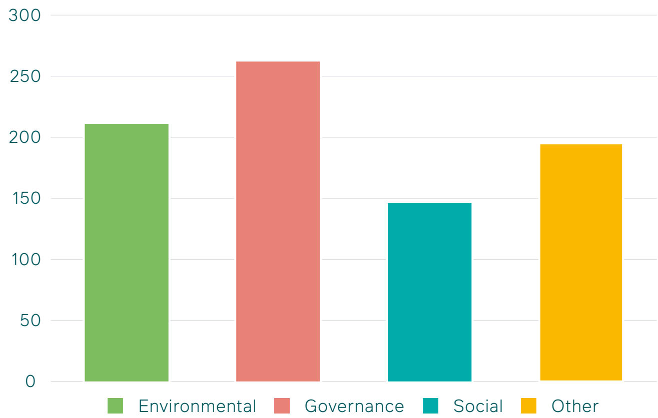


Source: M&G.

Summary of fixed income meetings

For our fixed income team, following the introduction of a new research management system across equities and fixed income, we are better able to track interactions with issuers, including ESG interactions, as set out in the graph below. An ESG interaction is a meeting/call with a company where one or more ESG topics are raised. While not an engagement as per our definition, nevertheless these interactions are an important touchpoint with the companies we invest in to discuss important ESG matters and form an important role in our stewardship activities in the same way meetings with companies in which we hold equity do. If there has been no ESG interaction, it is labelled as 'other'.

Public Fixed income ESG Interactions



Source: M&G.

ESG engagements

Engagement framework

Our engagement approach has been developed to provide a systematic process around engagements in which we have a specific objective and seek particular outcomes. Prior to commencing an engagement, that objective is clearly set out, with actions and outcomes recorded through the life of the engagement. Examples of some of these engagements over the year are outlined below, including a selection from both equities and fixed income.

We use a 'traffic light' system within our reporting to highlight if an engagement's objective has been achieved or not, or if the engagement is ongoing.

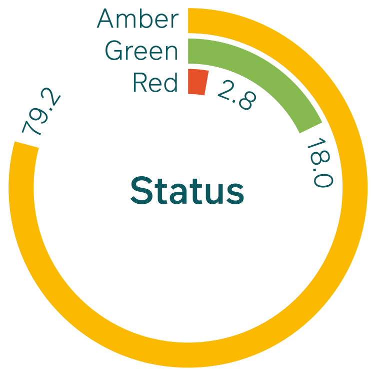
- The objective has been achieved
- The engagement is ongoing
- The objective has not been achieved

We track our ESG engagements through an in-house system which was developed in recent years. We are undertaking an exercise to assess third party engagement solutions to compare with the current proprietary engagement tool, with the aim to enhance our ability to record, track and report on engagement activity.

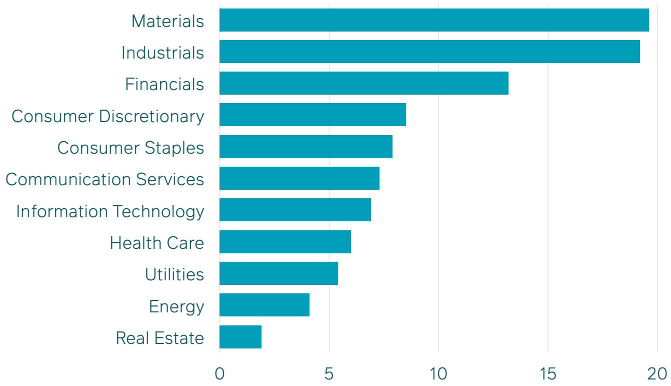
We define an engagement as an interaction with a company which primarily seeks a change in company behaviour or improved disclosures, rather than to increase understanding. Over the course of the year, we recorded 317 ESG engagements with 219 companies across both equities and fixed income, broken down in the tables below. The full list of recorded engagements can be found in Appendix 1 at the end of this report.

Recorded ESG engagements by broad pillar (%)

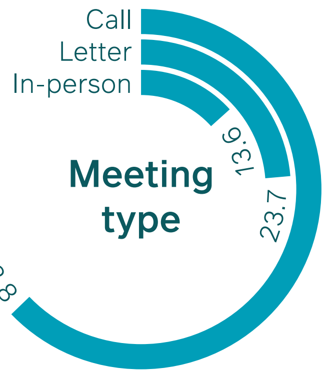
Recorded ESG engagements by outcome (%)



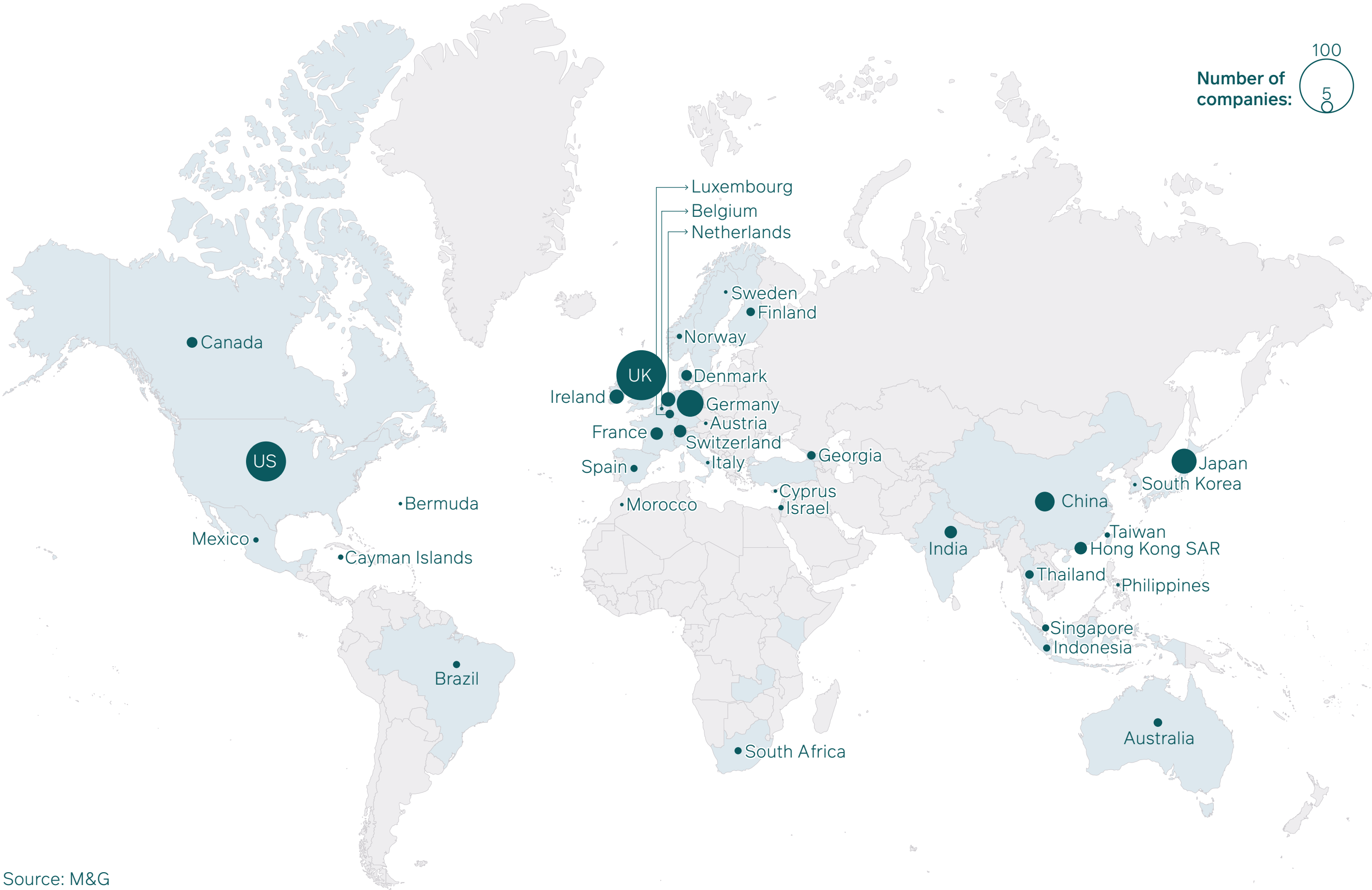
Recorded ESG engagements by sector (%)



Recorded ESG engagements by meeting type (%)



Recorded ESG engagements by market



Source: M&G

Examples of successful and unsuccessful outcomes

Fresenius officially committed to having its near-term and long-term targets validated by SBTi.

Stellantis during 2024 appointed a further female director and the company now meets our expectations on board diversity.

Garmin appointed a second female director to the board, which now meets our expectations on board diversity.

To realise value and access growth capital, **Seven & I** announced its intention to IPO its North American business in 2027.

Adani Electricity Mumbai confirmed it had divested its only coal-fired plant, the Dahanu thermal power station.

Coats Group went ahead with extending the chair's tenure by a further three years rather than one.

CITIC did not respond to our letter regarding phasing out coal and we divested our holding.

Thematic engagement

While we engage with companies on a 'bottom-up' basis, that is, as a result of portfolio reviews or reactive to company news, we also undertake 'top-down' thematic engagements on a number of issues.

Our key thematic engagement topics are climate, social and nature. Over the course of 2024, we engaged on these key themes. These included the continuation of our top-down climate engagement programme which began in 2020, engagement relating to our Thermal Coal Investment Policy, which became effective in April 2022, and engagement related to board diversity at our investee companies. We also continued our activities with CA100+ and NA100. All of these are highlighted in the following sections.

Hot 100

Climate change represents one of the most pressing challenges of the 21st century, and its impacts accelerate. We believe that climate change presents material financial risks to the investments we manage.

Consequently, as a business, in 2021 as a member of NZAMi, we committed to supporting the goal of achieving net zero greenhouse gas emissions by 2050. As part of this, we set a target for 2030 to reduce the carbon intensity of in scope listed equity and corporate debt managed on behalf of the M&G plc asset owner business by 50%. To support this target, we have undertaken, for issuers representing 70% of financed carbon emissions ('FCE') across scope 1 and 2, to assess them as Paris aligned or engage with them to help ensure they are Paris aligned (see update for 2025 below). At the end of 2024, assets in scope covered £71bn.

Our internal 'Hot 100' Climate Engagement Programme, which we established in 2020, has the similar objective of issuers representing 70% of FCE across scope 1 and 2 to assess as Paris aligned or engage to help ensure those companies are Paris aligned. The Hot 100 covers all of our public equity and corporate debt managed on behalf of retail and institutional clients in addition to the £71bn referred to above.

Our assessment framework, updated over time, is based on the Net Zero Investment Framework guidance developed by the IIGCC.

The Hot 100 list, updated annually to reflect changes in our holdings, is a result of systematically mapping our public equity and corporate debt holdings to develop a focused engagement list, encompassing the 100 companies that account for the majority of our FCE. In January 2024 the mapping included MGSA for the first time, with 48 new names joining the list, of which 10 are from South Africa.

For each company selected for engagement, we have devised a specific engagement strategy, which includes a clear objective, key performance indicators to measure progress towards delivery, and a timetable for engagement. Our overarching expectation is that companies will commit to achieving alignment with the Paris Agreement and will provide credible science-based targets and transition plans detailing how they intend to achieve this goal.

We have carried out engagements with companies on our Hot 100 list both bilaterally and through our participation in collaborative initiatives. We have been an active member of the CA100+ initiative since 2017 and we are part of the NZEI to address engagement with some of the highest emitters we hold that don't feature within CA100+.

In total for 2024, we engaged with 28 companies, representing 41% of Hot 100 FCE. This means that since the beginning of the engagement programme, of the Hot 100 companies (as at January 2024), we have initiated engagements with 52 companies (64% FCE) and assessed a further 6 companies representing 9% FCE as being Paris aligned. We are therefore now engaging with or have assessed as Paris aligned 73% of Hot 100 FCE, which itself represents 70% of scope 1 and 2 FCE of our public equity and corporate debt, as at 1 January 2024 (the date we updated the list).

In addition, we have engaged with a further 22 companies which have been in the Hot 100 but dropped out of the list prior to 2024.

For 2025 scope 3 emissions will also be incorporated into our assessments, both for the assets in scope under NZAMI and the Hot 100, which for the first time will include our passive funds. This comprehensive approach will enable us to more accurately measure and manage the full spectrum of carbon emissions associated with our investments, thereby reinforcing our commitment to achieving our climate objectives and supporting global efforts to mitigate climate change.

Summary of Hot 100 engagements

	No. of companies	M&G FCEs (t CO_2)	% Hot 100 FCEs
Total engagements prior to 2024	24	2,548,058	23%
Total engagements in 2024	28	4,543,092	41%
Total engagements so far	52	7,091,150	64%
Assessed as Paris aligned	6	981,922	9%
Engaged or Paris aligned	58	8,073,072	73%
Not engaged (including new entrants to Hot 100 in 2024)	42	2,954,900	27%
	100	11,106,563	100%

Source: M&G.

Note: As a result of the update undertaken in January 2024, the 22 companies which dropped out of the Hot 100 have been removed from the summary statistics.

- The objective has been achieved
- The engagement is ongoing
- The objective has not been achieved

Examples of bilateral engagement:

Sasol

Objective: To request that South African energy and chemicals company Sasol, in its decarbonisation plan, (i) discloses capex by lever and by period up to 2030; (ii) includes milestones to achieve a 30% reduction as a material factor in the annual bonus and LTIP; and (iii) sets out its decarbonisation plan for 2030 onwards.

Action: We met with the company to make our expectations known.

Outcome: Sasol plans to achieve a 30% reduction in GHG emissions by 2030 through various measures. These include:

Introducing renewable energy (~6%). Sasol intends to introduce 1.2GW of renewable energy capacity, half of which is to replace imported grid emissions, and the other half is to replace on-site power generation from coal. This initiative is projected to contribute to a 6% reduction in scope 2 emissions. Of this, ~0.75GW was secured in power purchase agreements with Air Liquide to date, of which ~70MW is already online and the rest all under construction.

Shutting down coal powered boilers (~12%). Currently, Sasol uses 38mt (FY24 reported number) of coal as input feed to its downstream operations, with ~30mt from its own mine, and the rest purchased coal. Out of this, ~30% of the total coal mined is fine coal which is used in 17 on-site boilers to generate steam and electricity. The plan is to shut down 4-6 boilers, together with some energy efficiency improvement projects, which will result in a ~12% emissions reduction of power generation, which will be substituted by the above renewable energy.

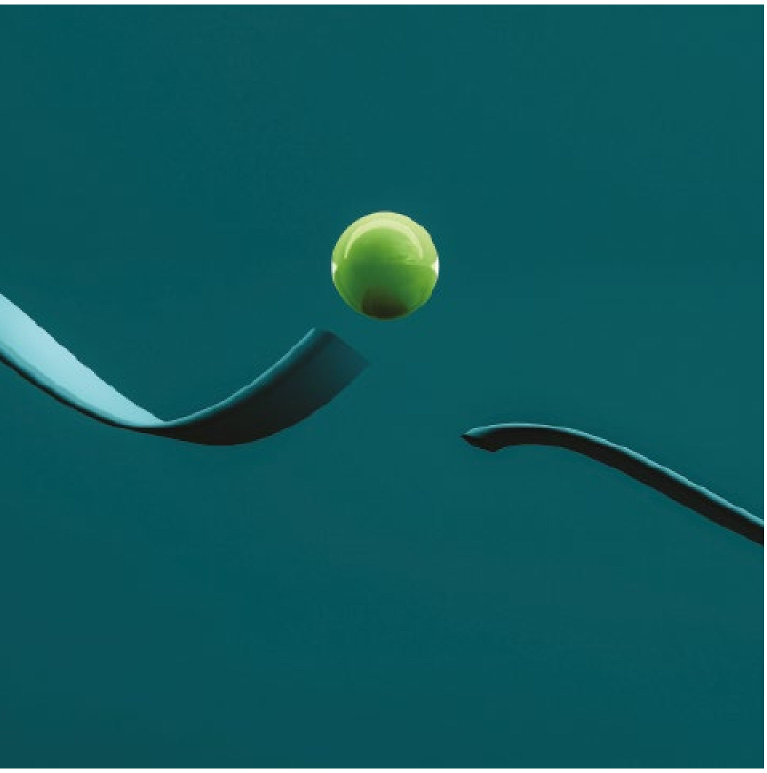
In addition, the shutting down of boilers will also reduce the sulphur dioxide emissions which is required for air quality compliance in terms of Clause 12A of the Minimum Emission Standards (MES) published on 22 November 2013 (section 21 of the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004)).

Reducing the volume of coal used in gasification (~12%). ~50% of Sasol's emissions come from gasification of coal. Currently (relatively) small volumes of piped natural gas (methane) is being used to supplement coal as a feedstock into the Secunda process, to supplement with reforming of natural gas to produce synthetic gas, or syngas. The intention is to increase the amount of natural gas as a proportion of the feedstock by reducing the amount sold to third parties from Sasol's Mozambique gas field as well as additional sources of gas as the gas fields decline towards the end of this decade. However, it is in question whether this is a long-term solution, as the current gas is likely to reduce after 2030. New exploration and extension of existing fields is underway. Use of imported LNG was considered as an option, but this is not affordable at current LNG pricing levels. Other options of biofuels could be utilised at scale in future, however at the current price points this is not feasible and would additionally require infrastructure investment. Sasol has recently successfully concluded a few pilot scale projects using sustainable feedstocks (biomass and used cooking oil) to produce utilities (steam and electricity) and fuels. Market development options are currently being explored.

The company only discloses a total cumulative capital expenditure range of 15-25 billion rand will be used for decarbonisation projects, but quantifying the breakdown/scope is complex due to various factors involved. Most of the new renewable power capacity is being funded by independent power producers (IPPs).

Beyond 2030

Looking beyond 2030, Sasol endeavours to ultimately replace coal with other sustainable and competitive/affordable feedstocks, ie, green hydrogen and biomass, however, as per above, LNG as an interim and 'cleaner' feedstock is a possibility. This, though, is dependent on further extension and finds in Mozambique gas fields or within South Africa, potential infrastructure, and gas pricing.



Incentivisation

On remuneration, Sasol highlighted that, since 2011, it has already linked certain aspects of its decarbonisation efforts, such as energy efficiency, hydrogen production, and absolute reduction, to its STI and LTI programmes. We agreed to a more detailed conversation on this in future with the remuneration chair.

In addition, the company agreed to take away our request for disclosure on the timing of each lever of decarbonisation in the years up to 2030 and more detail on the plan for 2030 onwards.

An update on the emission reduction roadmap, and associated costs, will be provided at the next Capital Markets Day in May 2025.

MGSA, the holder of Sasol's equity, had reduced their position prior to the engagement and reduced further after the engagement. This reflected the potential for uncertainty in the earnings outlook, the complex capital allocations the company faces, and the difficulty in growing volumes beyond prior levels.

- The objective has been achieved
- The engagement is ongoing
- The objective has not been achieved

Harmony Gold Mining

Objective: To encourage South African gold and copper mining and exploration company Harmony to obtain verification of its long-term emissions reduction targets by the Science-Based targets initiative (SBTi) or Transition Pathway Initiative (TPI), and to encourage the company to disclose to CDP.

Action: M&G met with Harmony's investor relations to make our requirements known.

Outcome: The company confirmed it intended to submit its long-term targets to SBTi and agreed to come back to us regarding timescales. The company confirmed that its medium-term targets had been submitted and approved by SBTi. However, it explained that the medium-term targets were likely to change because the life of some of the mines had been extended following changes in the gold price (the company's decarbonisation is contingent on mines closing). The company confirmed that, longer term, it still wanted to be carbon zero by 2045.

The company confirmed that it currently discloses to CDP water security, scoring an A, and produces a TCFD report. In terms of next steps, we will review and monitor the company's next set of sustainability disclosures.

Toray

Objective: M&G asked Japanese chemical company Toray Industries to split out the capex to reduce carbon emissions, by lever, in its next transition plan, to increase its scope 1 and 2 emissions reduction target, set a scope 3 reduction target, include climate incentives in executive remuneration and prepare a lobbying report on direct and indirect lobbying.

Action: M&G met with the investor relations team and the general manager of the Corporate Social Responsibility Operations Department.

Outcome: Toray explained that it considers the capex splits required to decarbonise as confidential and commercially sensitive, so it is resistant to disclosing the splits. However, the company stated that energy saving would be the biggest contributor. The target reduction for scope 1 and 2 of 30% by 2030 looks to be beaten and is now a 50% reduction by 2030 in terms of carbon intensity. Setting a scope 3 reduction target is difficult for Toray and it is working with its suppliers (49% of scope 3 is purchased goods) to calculate their scope 1 and 2 emissions. Following this, Toray will try to set a scope 3 upstream target in a few years.

The company stated that end of life is also difficult to calculate as its products are used in other processes and Toray is not selling direct to the end customer. Only 27% of executive remuneration is variable and there are currently no sustainability KPIs. Toray feels that it has included all the lobbying activities in its TCFD report. M&G will continue to monitor and follow up on all of these points.

CA 100+

Through the course of 2024, we continued to contribute to CA100+ collective engagement groups, participating in eight and acting as co-leads on three.

We remain co-leads on miner Rio Tinto, chemicals company BASF and cement maker Holcim Group. We are active working group members on energy company Petrobras, chemicals companies LyondellBasell and Air Liquide, pipeline operator Kinder Morgan, miner Anglo American and steel maker ArcelorMittal, electricity utility company Engie and oil and gas company BP. We also sit on the IIGCC's Corporate Programme Advisory Group, which supports with setting future CA100+ priorities, and the Net Zero Stewardship Working Group.

Looking back over five years from 2020-2024

M&G has been engaging through the CA100+ for over five years now and we thought it would be helpful to look back and see what progress has been achieved over that period as well as just reporting on the year of 2024.

Our longest lasting engagements have been as co-leads for CA100+ with BASF and Rio Tinto. Our biggest achievements have been in relation to scope 1 and 2 emissions, as set out below, and we continue to push for scope 3 targets, acknowledging that this is a significant challenge for these two businesses, not only through the lack of an industry methodology, but also the sheer quantum and complex nature of downstream products.

- The objective has been achieved
- The engagement is ongoing
- The objective has not been achieved

BASF – Case study of M&G engagement over time as CA100+ co-lead

BASF is a European-listed German chemicals company that produces 45,000 different products, ranging from basic chemicals to high value-added solutions. In 2023, BASF had approximately 112,000 employees and ~€70bn revenue.

The company is one that M&G has engaged with over a number of years; it forms part of our Hot 100 climate engagement programme and we are also co-leads on BASF for CA100+ and NA100. Below is a timeline showcasing how our relationship regarding stewardship and engagement with BASF has evolved over time.

M&G joined as the CA100+ co-lead in 2020 and first met the chief executive officer in 2021. Subsequently there have been regular meetings with the head of investor relations and head of corporate sustainability.

BASF has been taking steps to reduce emissions for many years and has reported greenhouse gas emissions across all three scopes since 2010. In the German drought of summer 2018, the low level of the Rhine and lack of navigability led to a negative earnings impact of approximately €250m, mainly due to the lack of transport capacity for raw materials. BASF is thus very aware of the financial risks associated with climate change.

In 2020 BASF, assuming 30% volume growth, was targeting a carbon intensity reduction, but flat absolute emissions to account for the growth, by 2030 for scopes 1 and 2.

The first objective for CA100+ in 2020 was to request that BASF set a NZ2050 target for scopes 1 and 2 emissions and increase the reduction target for 2030 for scope 1 and 2 emissions.

At this stage the company felt that a NZ2050 target was unrealistic, but our clear message as investors was that the company needed to be more ambitious, and we promised to use our position as active investors to further encourage this.

Just over a year later in March 2021, BASF announced a NZ2050 target for scopes 1 and 2 as well as a 25% reduction target for scopes 1 and 2 by 2030 compared with 2018, but nothing for scope 3. Due to the lack of reliable data, BASF was reluctant to set a scope 3 target. The company established a calculation methodology for product carbon footprint (PCF) calculations based on the requirements and guidance given by ISO 14067:2018 and set up a Supplier CO_2 Management programme to collect data for purchased raw materials.

The CA100+ co-leads continued to ask for a scope 3 target. Two years later, in December 2023, BASF announced a specific scope 3 upstream reduction target of 15% by 2030 compared with 2022, and a NZ2050 target for scope 3.1 upstream emissions (purchased goods and services) so that, in total, ~60% of BASF's emissions are now covered by targets. BASF expects that circular approaches (use of biomass, carbon capture, utilisation, and storage (CCUS), ChemCycling) will lead to a significant reduction in scope 3.12 emissions (end-of-life treatment of sold products). CA100+ will continue to push for a reduction target for downstream scope 3 emissions.

During 2024, we began engaging with BASF through NA100 on nature and biodiversity to enhance its biodiversity disclosure and efforts in line with the NA100 Benchmark and Indicators. During our discussions, we addressed areas such as overarching ambition, biodiversity assessment, targets, implementation, governance, and engagement. BASF disclosed a commitment to combat habitat loss and environmental pollution but acknowledged that it had not defined specific time-bound targets and appropriate KPIs. The company is considering our suggestions to collect and aggregate site-level data into an overall KPI. BASF is actively working on responsibly sourcing palm oil and engaging smallholder farmers, while also planning to update its materiality assessment to better address biodiversity. We continue to engage with BASF through the NA100.

On climate in 2024, we organised a meeting to continue to push BASF for the publication of a scope 3 downstream emissions target, seek updates on BASF's SBTi application, and discuss the latest CA100+ benchmark. BASF feels it is making progress on the CA100+ benchmark and has provided feedback. BASF disclosed new information, including average transformation-related spending of €600 million per annum until 2028, a Sustainable-Future Solutions target of more than 50% of sales by 2030, and a goal to double Loop Solution sales to €10 billion by 2030. Despite the absence of a downstream scope 3 target, BASF has been contributing to the SBTi consultation process, where BASF is actively involved in the SBTi chemical advisory group, advocating for a simplified version of the scope 3 guidelines. The company has raised concerns about the complexity of the guidelines, the reduced budget for chemical industry emissions, and the exclusion of product circularity as an alternative to scope 3.12 downstream emissions.

Summer 2018: Drought in Germany led to the low level of the Rhine and lack of navigability costing BASF c.€250m.

2020: BASF targeting a carbon intensity reduction but flat absolute emissions by 2030 for scope 1 and 2.

2020: M&G joined as a CA100+ co-lead.

March 2021: BASF announced a NZ2050 target and an interim target of 25% reduction by 2030 for scope 1 and 2. CA100+ co-leads continue to ask for a scope 3 target.

December 2023: Announced a scope 3 upstream reduction target of 15% by 2030. 60% of emissions now covered by a target.

March 2024: Began engagement through NA100.

2024: Announced average transformation-related spending for €600 million per annum until 2028.

2024: Announced goal to double Loop Solution sales to €10 billion by 2030.

2024: CA100+ co-leads continue to push for downstream scope 3 emissions reduction target.

The objective has been achieved

The engagement is ongoing

The objective has not been achieved

Rio Tinto – Case study of M&G engagement over time as CA100+ co-lead

Rio Tinto is a global mining and metals company headquartered in London, UK, and Melbourne, Australia. It produces a wide range of products, including iron ore, aluminium, copper, diamonds, gold, and industrial minerals, with operations spanning across multiple continents. The company employs approximately 52,000 people and generates $54 billion in revenue.

The company is one that M&G has engaged with over a number of years; it forms part of our Hot 100 climate engagement programme, and we are also co-leads on Rio Tinto for CA100+ and NA100. Below is a timeline showcasing how our relationship regarding stewardship and engagement with Rio Tinto has evolved over time.

Rio Tinto completed its divestment from coal assets in 2018. The company sold its remaining coal operations, including its interests in the Hail Creek coal mine and the Kestrel coal mine in Australia, as part of its strategic shift to focus on its core assets and reduce its exposure to fossil fuels. This move was in line with Rio Tinto's commitment to sustainability and reducing its carbon footprint.

M&G joined as the CA100+ co-lead in 2020, encouraging Rio Tinto to disclose a target on scope 3 emissions. In October 2021 Rio Tinto announced its ambition to reach net zero emissions across all its operations by 2050, and set specific targets for reducing scope 1 and scope 2 emissions by 2030. The company committed to a 50% reduction in absolute emissions by 2030, using 2018 as the baseline year. This initiative is part of Rio Tinto's broader strategy to address climate change and transition to a low-carbon economy.

In 2021, a joint statement from the CA100+ co-leads was included in Rio Tinto's climate report, highlighting the collaborative efforts underway to develop a methodology for measuring scope 3 emissions for diversified miners. This initiative is part of a broader industry effort to enhance transparency and accountability in reporting indirect emissions, which are a significant component of the overall carbon footprint for mining companies. The development of a standardised methodology aims to provide more accurate and consistent data, enabling better management and reduction of these emissions across the sector

At the end of 2023, M&G joined as an NA100 co-lead for Rio Tinto. In 2024, following a call with the CA100+ co-leads, Rio Tinto published a public statement supportive of the proposed law reform to the Environment Protection and Biodiversity Conservation Act 1999.

2018: Rio Tinto divested its coal assets.

2020: M&G joined as the CA100+ co-lead for Rio Tinto.

2021: Rio Tinto announced its ambition to reach net zero emissions across its operations by 2050 and set 2030 targets for scope 1 and 2 emissions

2021: a joint statement from the CA100+ co-leads was included in the Rio climate report around the work underway to developing a methodology to measure scope 3 emissions for diversified miners.

2022: the CA100+ co-leads encouraged Rio Tinto to disclose a target on scope 3 emissions.

December 2023: M&G joined as NA100 co-lead for Rio Tinto.

October 2024: Following a call with the CA100+ co-leads, Rio Tinto took on board our feedback and published a public statement supportive of the proposed law reform to the Environment Protection and Biodiversity Conservation Act 1999.

2024: CA100+ engaged with Rio Tinto during work to update the company's 2025 Climate Action Plan.

2024: Work at Rio Tinto on the technologies to address scope 3 emissions is ongoing and CA100+ will continue to push for a target.

CA100+ Co-leads

We are co-leads on BASF, Rio Tinto and Holcim. Further details on BASF and Rio Tinto can be found above.

Holcim

Throughout the year, as co-leads, M&G engaged with Holcim to encourage improved disclosures around its absolute scope 3 greenhouse gas (GHG) reduction targets and its buyer due diligence process for CO_2 – intensive company disposals. Holcim confirmed its commitment to reducing absolute scope 3 GHG emissions by 90% by 2050 from a 2018 base year. The company agreed to provide more detailed information in its 2024 climate transition plan on how this target will be achieved. Holcim confirmed having a robust buyer due diligence process to identify environmentally optimal buyers for CO_2-intensive company disposals. The company agreed to include more details on this process in its 2024 climate transition plan. Holcim's scope 3 target includes category 11, joint ventures and category 15, and the company provided clarity on timelines and capacities for CCUS. Holcim acknowledged the importance of water and energy use related risks and indicated that quantitative disclosures would follow once the first plants are operational. Each CCUS retrofit undergoes a comprehensive environmental impact assessment, which will eventually provide relevant energy and water data. For scope 1 emissions, Holcim identified the scaling-up of calcined clay use as a key driver of its decarbonisation strategy. Holcim plans to roll out this initiative across eight European locations following pilots in Mexico and France and may disclose a ratio of calcined clay use versus total cement sales as it becomes more material. Regarding next steps, M&G will review the company's 2024 annual disclosures upon release, with further discussions planned following the company's AGM.

- The objective has been achieved
- The engagement is ongoing
- The objective has not been achieved

Collective engagement on climate – NZEI

The NZEI was launched in March 2023, targeting 107 companies with significant fossil fuel usage. These companies received letters from more than 90 participating investors, urging them to develop net zero transition plans. The letters outlined four key recommendations based on the Net Zero Investment Framework (NZIF) corporate criteria:

1. A comprehensive net zero commitment.
2. Aligned greenhouse gas (GHG) targets.
3. Emissions performance tracking.
4. A credible decarbonisation strategy.

The initiative aims to extend investor engagement beyond the CA100+ focus list to include more companies contributing to fossil fuel demand.

Our engagement began with an introductory letter outlining our expectations. This was followed up with meetings requesting for companies to make a commitment to reducing emissions to net zero by 2050 or sooner; set greenhouse gas (GHG) targets aligned with the relevant emission pathway, consistent with limiting the global temperature increase to 1.5°C and disclose GHG emissions to enable investors to track underlying decarbonisation progress.

In 2024, we continued our contribution to NZEI as part of four working groups including Italian cement maker Buzzi, Norwegian chemicals company Yara, German industrial gases firm Linde and energy group UPM. We have included specific examples of the details below.

Buzzi

Objective: Following on from previous meetings, to encourage Italian cement company Buzzi to commit to a 1.5°C SBTi target and to encourage the company to phase out coal by 2030.

Action: As part of a collective engagement with other investors through the IIGCC NZEI engagement initiative, M&G held a follow-up call with the company to make our expectations known.

Outcome: The company confirmed that its current commitment to a less than 2°C SBTi target was verified by SBTi in March 2023 and it was currently working towards 1.5°C. The company explained that the current barrier to achieving 1.5°C hinges on completion of the pending transactions in Brazil and Ukraine.

The company confirmed that there was no plan to phase out coal at this point in time, as it was still required. However, the company noted that it is only investing in last mile connection (gas) and also increasing the utilisation of alternative fuels in its plants, in order to minimise traditional fuel combustion.

Furthermore, there is a lack of infrastructure to switch from coal to gas, and limited budget to build new infrastructure, which is particularly expensive. Because of this, the effort is limited to the connection on the last mile with existing infrastructure; as a cement business it is not within the company's scope to build greenfield gas infrastructure. For specific plants in the US (Pennsylvania and elsewhere) there is government support to build the necessary infrastructure.

Coal

M&G Investment's Thermal Coal Investment Policy came into effect in 2022 and commits us to phasing out our exposure to unabated thermal coal by 2030 in OECD countries, and by 2040 across the rest of the world. This policy applies to public assets actively managed by M&G Investments on behalf of its clients, including the internal asset owner, but excludes the public assets managed by MGSA. While companies with no plans to phase out coal were the subject of divestment, a number of companies identified by the M&G Investments Coal Appeals Committee, where phase-out plans were unclear or close to meeting our expectation in terms of timing, were identified for engagement with the objective of bringing the companies into alignment with our policy. To read the full policy please vist our **website**.

It has been three years since the introduction of the policy and during this time, including the lead up to the policy's introduction, we have undertaken 48 engagements that relate to coal as a result of the policy's introduction. It has been pleasing to see AES Andes announce its intention to exit coal by the end of 2025 and Adani Electricity Mumbai dispose of its last thermal generation asset during the year. Conversely, we had to divest of our holdings in NRG Energy and CITIC.

As examples of coal-specific engagements:

CITIC

Objective: As part of the ongoing M&G Coal Engagements, to ask integrated natural resources provider CITIC to provide a public coal phase out plan to exit coal by 2030 in OECD countries and 2040 in non-OECD countries by the end of November 2024.

Action: We wrote to the company to make our expectations known.

Outcome: CITIC did not respond to our initial letter in early March 2024, nor did it respond to a follow up communication in October 2024. As a result, the November 2024 deadline passed with no public coal phase out plan announced and in combination with no response from the company, the decision was made to divest of the company.

Adani

Objective: To encourage Indian utility, Adani Electricity Mumbai to publicly disclose a coal phase out plan to exit coal by 2040.

Action: M&G wrote to the company to make our expectations known.

Outcome: With effect from October 1, 2024, AESL divested its lone thermal generation asset, hence no longer involved in coal power generation. Further, as set out in its Integrated Annual report 2024, the company has publicly committed not to add any fresh thermal capacity or investment.

The objective has been achieved
The engagement is ongoing
The objective has not been achieved

Other climate

Scout24 – reporting emissions

Objective: As part of a wider sustainability discussion, to ask German digital platform operator Scout24 to remove the one-year delay in reporting its emissions (ie, 2021 emissions reported in 2023), to return to submitting to CDP, which the company had done between 2019 and 2021, and to have its climate targets validated by SBTi.

Action: We met with the company's head of ESG, members of her team, and several members of the investor relations team.

Outcome: In terms of emissions data, as the company rents office space, service charge settlements (ie, water cooling) are all a year in arrears, so to maintain consistency it published all of its climate data in the same way. In light of CSRD coming into force next year, and subject to the Omnibus proposal, it will begin reporting on the previous year, and estimate any shortfalls. The company said it had stopped submitting to CDP given resource intensity, particularly as it was reporting to five different ESG rating providers. We explained that we see CDP as a valuable source of disclosure, and suggested the company returned to reporting through it, which it took on board.

In terms of targets, the company has a 90% reduction target by 2045, with a 2025 target to maintain emission reductions of at least 60% from a 2018 baseline. In 2021 it had already seen a 75% reduction, attained through the roll-out of green electricity, reducing flights, electrifying its fleet and moving to the cloud. It was hesitant to put in a validated 2030 target, as it had already pulled its obvious decarbonisation levers, and it would therefore not be able to deliver linear reductions in the run-up to 2030. We suggested that the company consult with SBTi to identify if this really was the case – ie, that it would need to deliver year-on-year linear reductions – which it said it would consider. We subsequently confirmed with SBTi that Scout24 could publish 'maintenance targets' and reflected this back to the company. As a result of this, it is now revisiting the potential for submission.

Siemens – reporting and disclosures

Objective: We met with German multinational technology conglomerate Siemens several times over the course of 2024, and as part of our discussions requested adapted scope 3 reporting and, given the company's increasing focus as a sustainability solutions provider, to revisit its mission statement to better reflect this.

By way of background, for 2023 Siemens published a figure of 190 million tonnes of CO_2 avoided, primarily through its rolling stock, frequency converters and building systems. This, however, is counterbalanced by its much higher scope 3 calculation, which includes the total energy usage of those, for example, operating its motors, drives or trains – this number is very conservative and outside of Siemens' control. The GHG protocol allows for a line loss figure to be used instead (which Siemens can control by increasing the efficiency of its motors, drives or trains), which results in a net emissions avoided number of around 40 million tonnes. During the year we asked Siemens to publish a detailed methodology concerning the calculation of its customer avoided emissions data, publishing emissions avoided data on an ongoing basis, splitting out its percentage of green revenue within its reporting, and disclosing a less conservative scope 3 number, in line with peers, alongside its current very conservative number.

Action: M&G had several meetings with the company's sustainability specialist investor relations.

Outcome: Following our previous meetings, the company confirmed that it would indeed be publishing a scope 3 number in line with peer disclosure, and the resultant positive impact on net emissions. We will follow up after publication of the report. Siemens also took away our request to revisit its mission statement – to allow it to better reflect its intentionality as a solution provider – and we will follow up at our next meeting with the company.

Natural Capital and Biodiversity

Biodiversity is a topic that continues to gain momentum for investors. Having started engaging on this important area in 2022, we further developed our engagement approach to natural capital in 2023 and 2024, which included expanding the engagement pipeline to 40 companies that are seen as priorities. 22 engagements were initiated by the end of 2024. Our approach builds upon the years of work we have undertaken on climate to now incorporate natural capital and biodiversity.

In the same way that we built our Hot 100 focus list for climate, we have developed a list that comprises our largest holdings that have the greatest impact on nature. This was done using our largest holdings in the TNFD, Forest 500 and NA100 priority sectors, to identify M&G's most material sectors and companies exposed to nature risk. We then undertook company assessments using the NA100 framework to identify material impacts and dependencies, and started to engage bilaterally on the outcomes of these assessments.

We are one of the first members of IIGCC's NA100 and are in the working groups for five companies, three of which are extending our work on climate through CA100+ and NZEI: Rio Tinto and BASF (CA100+) UPM (NZEI), Novo Nordisk and AstraZeneca. Our work for nature in relation to Rio Tinto and BASF are set out above as part of the engagement case studies for these companies. Examples of our NA100 and other nature-related engagements are set out below.

Meanwhile, we continued to co-chair the Natural Capital Committee for the International Corporate Governance Network (ICGN) until this committee was discontinued as part of a restructuring of the committees in favour of more governance related issues.

The objective has been achieved

The engagement is ongoing

The objective has not been achieved

NA100

UPM

Objective: As part of an introductory collective engagement with NA100, we requested that forestry company UPM commit to no nature loss and to conserve and restore ecosystems at the operational level and throughout value chains by 2030, to assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities and to set time-bound, context-specific, science-based targets informed by risk assessments on nature.

Action: As part of the NA100 working group, we met with the company to make our expectations known.

Outcome: Currently, UPM is unwilling to publicly commit to no net loss due to a lack of appropriate data from its supply chain. However, the company is actively working on obtaining the necessary data. As UPM has a complex supply chain with 20,000 suppliers across 80 different countries, it is prioritising understanding the issue from a supply chain perspective but currently does not have specific data on each supplier and its value chain. Biodiversity is always location specific, so specific data is needed from all tiers.

The company is in the process of restoring ecosystems, and has committed to restore 3,000HA of land and has 100 additional ongoing projects. Regarding hydropower, the company has a target to open 500km of stream water, this is being monitored yearly with 186km achieved already.

In terms of certification, UPM's own managed forests are both Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) certified in Finland and Uruguay. In USA, Sustainable Forestry Initiative (SFI) is used. However, for its suppliers, the company requires only one certification, which the suppliers can choose. UPM note that PEFC is stronger on social and FSC is stricter in environmental standards.

While UPM's own land represents only a small percentage of its supply, the company has had global FSC chain of custody certification since 2009, which allows it to state the amount of certified fibre and guarantee the absence of High Conservation Value (HCV) areas in its global wood and fibre sourcing. UPM is going beyond old growth forests and focusing on preserving deadwood (which can take 35 years to decay), which serves as one of the company's biodiversity indicators and is reported on annually. It's important to note that there is no universally agreed-upon definition of old growth forests, and UPM defines it based on FSC criteria, which means there are no old growth forests in its supply chain according to the company's definition.

UPM has been testing TNFD reporting and is already using this framework, the company was an early adopter in March 2024. The company has identified the use of wood and forestry as its largest dependency and risk. All of the company's forests are mapped and integrated into its geo system. The company has 20,000 species in forests in Finland in Boreal zone. Peatlands cover 6-7% of UPM's land area, and the company does not engage in clear-cutting practices in these areas.

Regarding targets, UPM has set net positive indicators and has been using its own framework for 20 years. The company is also working with the SBTN and is part of the coalition and pilot. UPM is actively working to develop KPIs and is open to discussions on metrics such as the share of FSC managed forests or e-DNA in measuring biodiversity.

This introductory call provided an overview, and further engagement with UPM is planned in the coming months to delve deeper into the NA100 indicators and address additional questions. Overall, the group was pleased with UPM's approach to biodiversity at this stage.

Other nature

Anglo American

Objective: To encourage British multinational mining company Anglo American to assess and publicly disclose nature-related dependencies, impacts, risks, and opportunities at the operational level and throughout value chains and to set clear, time-bound science-based targets on nature-related dependencies, impacts, risks, and opportunities.

Action: M&G met with the company to make our expectations known.

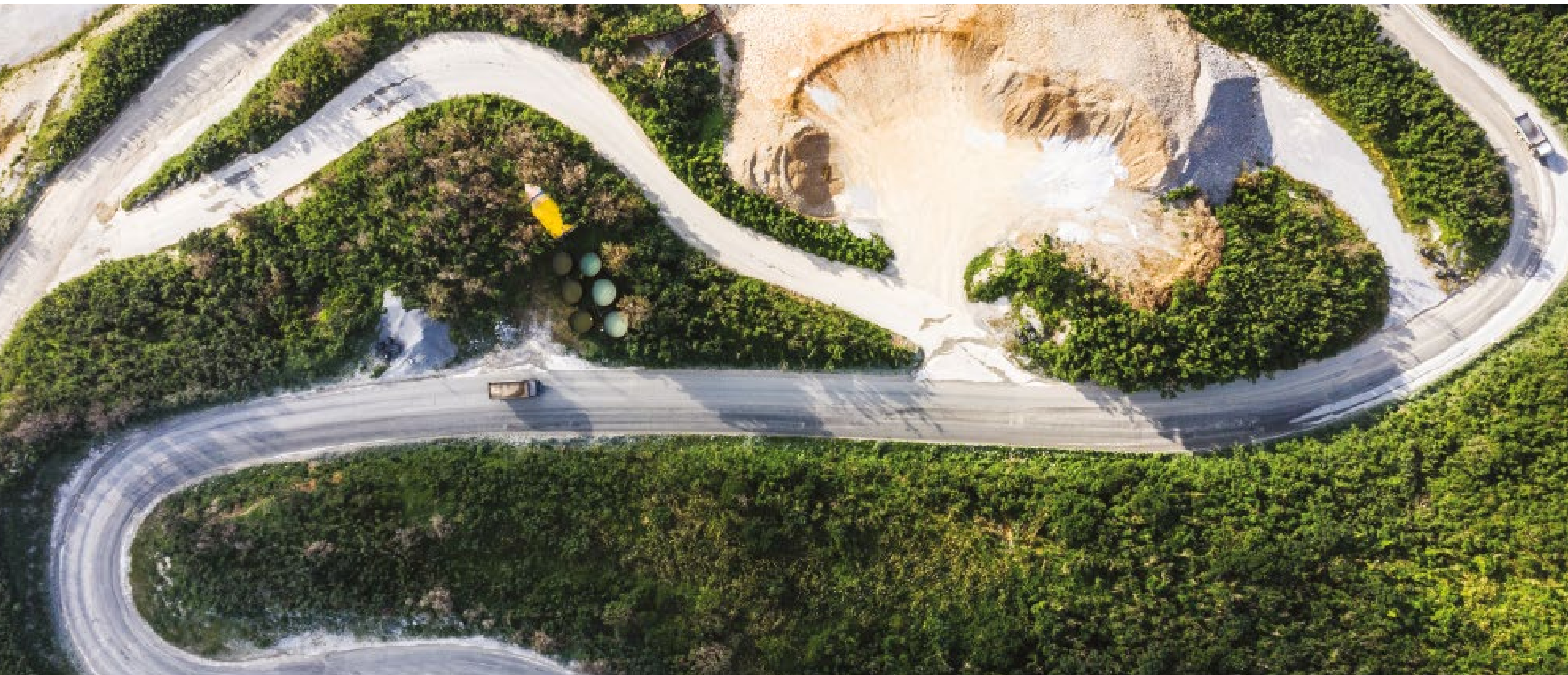
Outcome: The company confirmed that nature and biodiversity have been an integral part of the business for over a decade. The operations-wide group biodiversity standard has been part of the management framework for over 10 years and is aligned with the requirements of TNFD. The company was an early adopter of TNFD, being involved since day one. The company's head of environment chairs the Metals and Mining Group and is actively involved in the TNFD Taskforce.

The company stated that it considered itself to be mature when it comes to natural capital and biodiversity, having already completed its baseline assessments. The company has a very detailed ecosystem species habitat data-set across all sites, using a range of data techniques, including IBAT and Encore, and has on-the-ground ecological expertise at key sites.

The company has set a target to deliver net positive impact on biodiversity across its operations by 2030. The target and accompanying approach was developed in partnership with key stakeholders including NGOs, United Nations bodies and business. The company's group biodiversity standard defines the minimum requirements every site must meet to achieve the overarching net positive impact target. It sets out the responsibility for every site to have an agreed plan for measuring and delivering on targets and objectives, taking into account the local ecosystem in which it operates. The Group Biodiversity Standards cover the company's entire mining process, and starts during the initial discovery phase when the company is exploring for new mines.

The company stated that it viewed its sustainable business practices as being a competitive advantage. It does not work to the lowest acceptable standard, but rather to the 'Anglo standard', giving it a competitive edge over some of its peers when it comes to effective stakeholder management and navigating the permitting process.

Historically, the company has not published its entire biodiversity standard plan, however, it plans to publish this for the first time in the coming months. In terms of next steps, we will follow up with the company after the publication of its group biodiversity standard plan.



- The objective has been achieved
- The engagement is ongoing
- The objective has not been achieved

Vestas Wind

Objective: To encourage Danish wind turbine specialist Vestas Wind Systems to submit net zero targets for SBTi approval (it has an SBTi-approved near term target, however, its net zero commitment was removed, as it had not submitted targets), to ensure it was on track for its near term target, and that it includes forward looking milestones in its public transition plans. We also had an initial discussion on the company's approach to biodiversity.

Action: M&G met with the company's senior sustainability specialist and a member of the investor relations team.

Outcome: Vestas's business is significantly different to when it set targets in 2019, as at that point it did not have offshore operations. With marine fuels now thrown into the mix for its servicing boats, its emissions are going in the wrong direction. This was unanticipated, and will probably result in new targets from 2025. While the company remains committed to aggressive targets, it thinks that complete carbon neutrality by 2030 is now unlikely. In saying that, it is now working with Maersk to develop its approach to sustainable marine fuels, which will likely be methanol in the longer term. The company will be publishing a new roadmap in 2025, when it will consider its net zero targets as well, and was happy to publish forward looking milestones as part of that. The company's emission performance has been disappointing, but we understand the reasoning, and are comfortable that Vestas is taking steps to remedy this, while remaining realistic.

In terms of biodiversity impacts, this is material for wind turbines, particularly on the operational side where risks need to be managed and controlled on sites in order to receive permits. In development terms, Vestas has been working on third party integration of identification systems – including sonar, radar and cameras – to identify birds. This is to allow, among others, smart curtailment during migration, where turbines have to be temporarily shut down. For Vestas the risks are mostly within its value chain, given steel and long-distance travel, and the company is pushing its suppliers to address the impacts. It has identified the hotspots, and is trying to tie this into its decarbonisation work around scope 3.

It is also working on the circularity and end of life treatment of its turbines, particularly on the epoxy side, and last year it started working with Stena Recycling in Sweden to focus on this. Vestas has also started using green steel, albeit currently a small amount based on demand, which it thinks will increasingly be driven up by carbon pricing.

We will carry on our conversation with the company once it publishes its new roadmap in 2025.

Resonac

Objective: To ask Japanese chemical company Resonac, formerly called Showa Denko, to set timelines for publishing its biodiversity risk assessment in line with the roadmap, which was published in its 2023 integrated report, and explain what dependencies and impacts are most material to the group.

Action: M&G met with the company's head of sustainability.

Outcome: The head of sustainability is a new position in Resonac, which sits on the executive committee reporting directly to the chief executive officer. The first step was to set up the governance and write an environmental policy for its own operations, which are based in Japan and China. The main focus is on water intake, usage and discharge. Water usage is a key dependency for its graphite and semi-conductor businesses and the chemical business relies on petro-chemicals as an input. The plants are spread around Japan and the only operation near a biodiversity sensitive area is on the east side of Japan. This site is located near a riverside, where water flows from nearby hills, and is home to endangered species which are being monitored. The biodiversity assessment is expected to be completed and published with metrics and targets in 2026. We will continue our engagement with Resonac ahead of its assessment publication.

Social

Our Social engagements cover a range of topics, with the two key themes for 2024 being diversity and inclusion (D&I) and human rights and modern slavery. This section is split into these two themes with examples of engagements we have undertaken.

Diversity and inclusion

Alongside climate change and nature, social issues remain as one of our top- down engagement priorities. In 2022, we published our expectations on diversity at board level for our investee companies, and wrote to over 1,000 of them explaining those expectations. Since then, there has been a discernible improvement in our focus list of 202 laggards, of which 159 companies have increased their level of female representation. Moreover, 106 of those companies not only improved, but now fully meet our expectations on gender diversity.

During 2024, we engaged with 39 companies on the topic of diversity, with a large majority of those engagements being part of our top-down diversity engagement programme. Engagements within the scope of the programme generally have two main objectives: firstly, to convey our expectations on board gender diversity and subsequently discuss board refreshment and any targets that might be in place to facilitate a more balanced gender distribution. To fully utilise our stewardship tools, we can vote against board elections where we believe insufficient progress has been made. In 2024, we opposed the election of directors at 17 of the identified laggard companies. During the year we also contacted the 188 of our FTSE 250 holdings to inform them of our voting stance on ethnic diversity at board level, which will come into effect in 2025.

Diversity and inclusion engagements

	No. of companies
Total engagements prior to 2024	73
2024 engagements	39
Total engagements so far	112

The objective has been achieved

The engagement is ongoing

The objective has not been achieved

LAM research

Objective: Following on from the letter sent last year outlining our voting policy, the objective was to encourage US-based semiconductor equipment manufacturer LAM Research to improve diversity and inclusion practices throughout the organisation, by increasing board gender diversity in line with our minimum expectations.

Action: We met with the company to make our expectations known.

Outcome: Lam's primary objective in hiring and retaining its workforce is to find and retain the most innovative, productive, high-quality employees to be found globally. Lam strives to develop work teams that are problem solvers, creative, and diversely skilled in their talents and abilities. Accordingly, having employees with diverse talents, experiences, backgrounds, and problem-solving skills is critical to Lam's success, and the company seeks to hire and retain a workforce with such diversity.

Furthermore, once employees have joined the company, Lam utilises various people-management tools and its core values to help every employee have a sense of belonging and inclusion in the teams and projects on which they work. In 2022, board-level gender diversity stood at 40%, but changes in board composition from 2022 to 2024 resulted in a decrease to 27%. Also of note is that as of 2024, 45% of the board members self-identified as having a race or ethnicity other than White, which, LAM informs us, is a higher ratio than at many other companies. Workforce demographic data collection includes self-identification, with good response rates achieved. The company has an objective to expand its efforts to hire skilled employees who happen to have disabilities, and to maintain a strong focus on supporting employees' sense of belonging throughout the organisation. Regarding board composition, the company's board is actively considering long-term strategies consistent with the needs of the board.

We are pleased with the progress LAM is making in enhancing all levels of diversity across the workforce and implementing inclusive policies and practices. We will continue to monitor board progress to ensure active increases in gender diversity, and re-engage if necessary.

ConocoPhillips

Objective: To convey our expectations on board gender diversity and to discuss how the company aims to meet said expectations. To explore what actions are taken by the company to increase management level gender diversity and what the obstacles to success are.

Action: M&G met with representatives of the company, including the head of DEI and investor relations.

Outcome: ConocoPhillips is a US multinational corporation engaged in hydrocarbon exploration and production. At the time of engagement, the company did not meet our expectations on board gender diversity with 16.7% of directors being female. We expressed our desire for the company to appoint another female director within the next year. The company explained that the level of representation has decreased from prior years due to one female director retiring and another resigning for personal reasons unrelated to her board service. The company confirmed that it was in the process of board refreshment and was committed to adding another female director, but emphasized it was focused on ensuring it onboarded the right candidate with the needed skills and experience, and was not solely focused on gender. The company pointed out that diversity was one of several considerations taken into account when searching for appropriate candidates. If required, the company will utilise search firms.

On the topic of diversity and inclusion at the enterprise level, Conoco described some of the efforts taken, which included looking at application data to ascertain company and industry perception. A comment was made on the industry change in background for applicants, which is now more diverse in terms of education. It conducted an audit of its talent acquisition process in 2022, which, among other things, looked at whether interview questions were used consistently across applicants. The intention is to conduct similar audits on a regular basis. In the company's view, it has not become more difficult to attract talent despite the increased industry scrutiny.

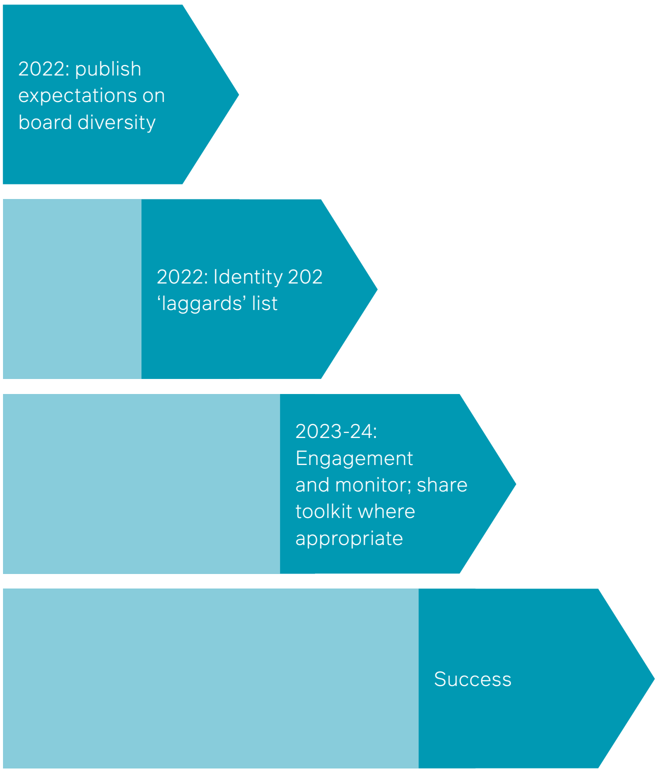
The company subsequently published in its 2024 Proxy Statement its commitment to onboarding at least one new female director by the end of 2024. We were pleased to see in September 2024 the company announced the appointment of a new female director. The company now has 12 directors, three of which are female (25%) and four of which are racially or ethnically diverse (33%). We continue to monitor ConocoPhillips' progress in this regard.

Diversity and inclusion case studies of M&G engagement over time

During the year we also started to close out engagements pertaining to the diversity and inclusion programme, as companies we've engaged with have started to improve gender balance on the board. In total, we closed out 34 engagements, all considered successful.

Set out below are two examples of successful diversity and inclusion engagements we began following the letters we sent out in 2022, that have been initiated and tracked since that time, following the time path set out below.

As part of our engagement process, we use the M&G Diversity and Inclusion Toolkit. This is a guide designed to facilitate effective engagement with companies. It outlines our engagement process, provides an overview of the global market context for diversity and inclusion expectations, and includes key questions to raise with investee companies. This toolkit aims to help investee companies enhance their diversity and inclusion reporting and deepen their understanding of investor interests.



Stellantis

In 2023, we met with Dutch-incorporated global automobile manufacturer Stellantis, to encourage the company to increase female representation on its board. During the engagement, the company explained its plan to refresh the board at the conclusion of the current four-year board mandates, scheduled for 2025. Additionally, the company discussed its target of achieving at least 30% female representation at the senior level by the end of 2025. At the time, the company demonstrated a clear intention to reach our expectations on board diversity in the coming years and had set appropriate targets at senior level. We were pleased to learn that in 2024, after appointing another female director, the company now meets our expectations on board diversity.

Garmin

In 2023 we met with multinational technology group Garmin, to encourage the company to aim to have at least 33% of women on the board and aiming for gender parity by 2027. At the time of the engagement, the company had one female board member, which accounted for 17% of the board. The company explained that given the small board size (six) it would be a challenge to hit the 40% target, and that there was no intention of increasing the board size at this point in time. Board members are selected based on the skill set they can bring, and the company said it was taking measures to ensure that the candidate pool from which it selects is as diverse as possible. It was pleasing to see that Garmin in 2024 announced the appointment of a second female director to the board, taking the number to two, which represents 33%.

Diversity and inclusion – ShareAction

Through ShareAction, M&G continued to participate in a collaborative initiative to address various aspects of ethnic diversity, such as ethnicity pay gap reporting and the potential for committing to the Race at Work Charter. See case study below.

SSP Group

Objective: M&G engaged with the UK food operator SSP as part of a collaborative engagement programme on ethnicity pay gap reporting. The specific objectives were: to understand where the company was on employee ethnicity self-disclosure rates and whether it had decided to become a signatory to the Race at Work Charter; and to encourage the company to run an internal comms campaign to increase its ethnicity self-disclosure rate.

Action: M&G and the coalition met with the group diversity and inclusion manager.

Outcome: SSP has recently initiated the collection of ethnicity data across its UK workforce. In the coming months, it plans to launch communication campaigns to enhance data collection efforts. There is a strong internal desire to commit to the Race at Work Charter once data collection has commenced, and to establish inclusion targets that extend beyond gender. The coalition will meet with the company in 2025 to receive an update on the progress.

Looking forward

The M&G D&I programme has been running for a couple of years with a satisfactory rate of success. Many engagements have closed out successfully as corporate boards are increasingly cognisant of the importance of diverse perspectives. Given this progress, the stewardship team thought it reasonable to reflect other ways to develop social engagements going forward. Since the inception of the programme there have been a number of developments at M&G with respect to technological advancements pertaining to ESG-integration. To better utilise these enhancements, the stewardship team has undertaken work to pivot the D&I programme to a broader one, which incorporates a wider range of aspects related to human capital and labour management. The foundation of the programme will be built on the proprietary ESG scorecard. Engagement targets will be prioritised based on exposure, scoring and M&G's materiality map to ensure that engagements are as impactful and relevant as possible. The legacy D&I programme will be phased out, with no new engagements initiated. The previous cases will continue to be monitored and closed out.

The objective has been achieved
The engagement is ongoing
The objective has not been achieved

Human Rights and Modern Slavery

Human Rights and Modern slavery is considered within our sustainability research, particularly in sectors where risk of involvement is material. To support this, we also endeavour to screen holdings to identify high-risk companies in relation to modern slavery, using internal and external expertise and data such as the Corporate Human Rights Benchmark.

Modern slavery refers to some of the most extreme forms of human exploitation and includes practices or situations such as forced labour, debt bondage, human trafficking, forced marriage and forced prostitution.

Given the global nature of M&G Investments' holdings, managing modern slavery risk systematically across all holdings is a significant undertaking and requires some prioritisation. We know that the risks of modern slavery are higher in certain regions and industries, as well as for some business models and operating contexts.

Regarding human rights, on a bottom-up basis, companies are evaluated using our research and proprietary screens to determine if they are in breach of global norms, eg, UN Global Compact. Any company which is in breach will then be considered for either exclusion, engagement or monitoring.

Over 2024, we engaged with 21 companies across the topics of Human Rights and Modern Slavery, covering issues ranging from human rights disclosures / policy to data privacy and censorship.

OCP

Objective: To encourage Moroccan state-owned miner OCP to improve disclosures on its approach to human rights.

Action: M&G met with the head of ESG compliance and investor relations to make our expectations known.

Outcome: The company confirmed that it takes its responsibility in upholding human rights very seriously. The company disclosed its human rights roadmap in 2018, which included a human rights assessment across all of its sites. Following this, the company established formal commitments and policies, such as its responsible human resources management policy, which is available on its public website. In addition to its policies and procedures, the company proactively assesses the risks in its supply chain, working towards understanding their potential impacts and if any issues are found taking corrective action, including remediation.

The company has multiple grievance channels that are currently operated independently. The sustainability team has recognised the need for more homogeneity and has been tasked with bringing all of the channels together and forming a common process to be able to identify human rights-specific issues versus, say, pay issues, and escalate appropriately. In terms of governance, the executive-level ESG committee, reporting into the board, is responsible for human rights across the business.

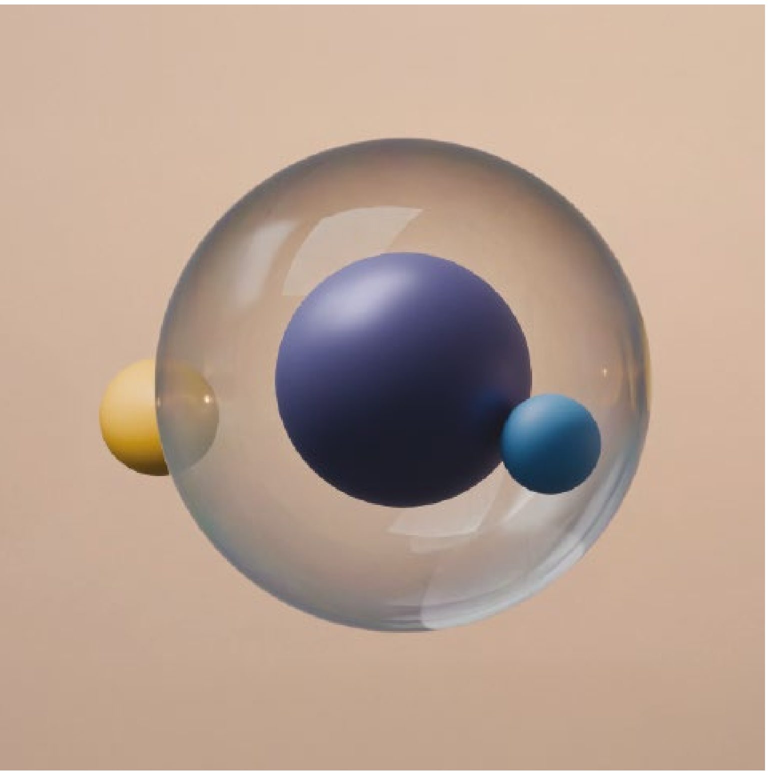
Following a review of public disclosures and having spoken with the company, we are pleased with the quality of the reporting around human rights and the approach taken by OCP Group. Its policies uphold both the International Bill of Human Rights as well as the UN Guiding Principles. We welcome the comprehensive reporting on grievance process, as well as the openness shown during the call to its due diligence challenges and processes.

DSM-Firmenich

Objective: As part of a wider discussion, to ensure that Dutch health, nutrition, and fragrance and flavourings specialist DSM-Firmenich had adequate policies and procedures in place to address child labour in its supply chain. This followed a BBC investigation into child labour use in the Egyptian jasmine trade, which highlighted Firmenich as a customer of one of the suppliers in question. The story was aired earlier this year, with the investigation taking place in 2023.

Action: M&G met with the company's chief executive and a member of its investor relations team.

Outcome: Through our discussion we ascertained that the company has a strong commitment to ethical sourcing and has implemented various policies and procedures to address issues such as child labour in its supply chain.



In 2022 the company initiated a comprehensive audit of its supply chain in Egypt, focusing on suppliers involved in the production of natural ingredients. During this audit, the company uncovered evidence of child labour practices at one of its suppliers. The audit team discovered that children under the age of 18 were working in dangerous conditions, often in violation of local labour laws. Firmenich gave the supplier three months to initiate corrective action, but was not satisfied that this had been effectively undertaken, and subsequently terminated the relationship.

The company then implemented additional corrective measures, requiring its remaining suppliers in Egypt to undergo a thorough assessment of their child labour practices. It provided guidance and support to ensure that these suppliers adhered to international labour standards and implemented effective measures. It also strengthened its existing ethical sourcing policies to enhance the company's ability to identify and address child labour issues in its supply chain. These measures included increased supplier monitoring, verification of labour practices, and the development of a robust complaint mechanism.

All of this took place a year before the focus of the BBC investigation, and was a good demonstration of the company's commitment to ethical sourcing and its ability to identify and address risks within its supply chain.

The objective has been achieved
The engagement is ongoing
The objective has not been achieved

Strategy and governance

We meet with our investee companies on a wide range of strategy and governance topics, as much of what we aim to achieve through our ESG engagement programmes relies on a foundation of good governance practices. This includes meeting with company boards, in particular the chair, intiated by us or the company, either to discuss a particular issue or as part of the company's broader governance process with its shareholders. Many of these meetings don't necessarily lead to engagements as we define them. In addition, some governance engagements are ongoing and/or of a confidential nature and therefore are not reported here.

PureTech – Dividends

Objective: As part of a wider discussion with UK-listed clinical-stage biotherapeutics company PureTech, which included meeting its new chair, for the company to consider the use of special dividends as a way of returning excess capital to shareholders, as a means to help unlock the intrinsic value of the company.

Action: M&G met with the company's chief executive, its chair, its co-founder and president and its chief portfolio officer.

Outcome: In June the company had put out a tender offer for up to $100 million worth of its stock as a means of returning cash to shareholders, with the expectation that this would help support the share price. However, after the tender's completion (which had been oversubscribed) its shares declined, and remained subdued at the time of our meeting. We believe that better visibility of shareholders being rewarded for the company's success – ie, through the payment of a special dividend when cash has been harvested – would be supportive of the company's share price. The company took our suggestion under consideration, although nothing was fully agreed. We will continue to monitor.

Impact engagement programme

In the second half of 2023, M&G's Sustain and Impact team began a new programme of 'Impact Engagement'. Multiple parties, including the Global Impact Investing Network and Impact Frontiers (previously the Impact Management Platform), highlight that engagement is not just an important part of impact investors' toolkit, but a necessary demonstration of investor additionality ie, contributing to the outcome. This also fits with the FCA's new fund labelling regime under the Sustainability Disclosure Requirements (SDR), as strategies labelled as 'Sustainable Impact' are expected to demonstrate their investor additionality, primarily through impact engagement KPIs.

Impact engagements differ from more generic ESG engagements. They focus on supporting or challenging the company to protect or increase its primary positive impact. These engagements can cover a variety of topics, but may involve pushing companies to set more ambitious targets for the impact achieved, supporting it to allocate capital more actively to impactful activities, or encouraging it to report more clearly on its potential positive impact. Impact engagements may also form part of our approach to 'net impact' or 'impact balance'. This usually involves identifying impact risks or actual negative impacts, and working to manage or improve these. In addition, our impact engagements may also focus on linking executive remuneration to impactful outcomes, helping to drive company intentionality. In all cases, impact engagements focus on how investors can support the achievement of the company's core positive impact, rather than on aspects that are peripheral to its business, but can be undertaken in conjunction with ESG engagement. Examples from the year included:

Remuneration alignment with impact outcome

Tomra is a Norwegian recycling and sensor-based sorting specialist. Having met with its chief executive the month before, we had a follow-on meeting with its director of sustainability and strategy to discuss further sustainability and impact issues – this included several requests to the company. In terms of impact, Tomra is very focused on emissions avoided (with a 2030 target to double emissions avoided enabled by Tomra products in use) and we strongly encouraged it to include an emissions avoided metric in executive remuneration. This request, it said, would be taken to the remuneration committee for consideration.

As part of a wider discussion around sustainability, we asked US-listed online marketplace eBay to link the circular-economic impacts it is delivering into executive compensation. We met with the company's chief sustainability officer and, as in previous meetings, the company was receptive to our input and suggestions from an impact perspective. We suggested non-financial KPIs that tie into eBay's own materiality matrix, with key areas including re-commerce and sustainable consumption; cyber security and data privacy; and seller transparency and buyer protections. We also suggested a 'volume of waste avoided' metric to tie directly into the impact thesis for the company. eBay would be publishing new information around remuneration during the year, and asked us to wait until this happened when it could be more forthcoming. We agreed to send through specific recommendations to be presented to the company's head of reward.

Meanwhile, we asked US childcare and education provider Bright Horizons to improve the structure of its executive remuneration, and determine the best metric to quantify the impact it was delivering – which could also be used as an executive remuneration KPI. Its current non-financial metrics are very broad and subjective.

By way of background, we met with Bright Horizons in 2023 to encourage the company to link executive remuneration to the positive impact it was delivering (and also to explain our expectations around climate reporting and target setting, and to discuss the potential of declassifying the board). This year we were pleased to see that the company had published its scope 1, 2 and a degree of 3 in its CDP reporting, while deregulating the board was on the ballot at this year's AGM.

In terms of the current remuneration structure, the company understood our concern, and had heard the same from other investors. This was under discussion within the remuneration committee, and our views will be fed into that process. In terms of a specific impact KPI tied into remuneration, going into further detail of the social impact the company is delivering comes with challenges, but the company assured us it was working on this. Challenges include how to think about family make-ups (dual income families, single parents, same sex couples etc) and the impact they have on these and children. We asked to be kept in the loop with this work, and offered to help give input if appropriate, which the company acknowledged and appreciated.

Improved impact outcome

In light of Georgian financial institution Lion Finance Group's (formerly Bank of Georgia) announced planned acquisition of Armenian bank Ameriabank, we met with both companies at the beginning of 2024 to evaluate the risks and opportunities associated with the deal, and to ensure that Ameriabank's activities would not dilute the materiality of the societal impact that Lion Finance Group in Georgia was already delivering. We also asked for greater transparency on the digital services that are allowing Lion Finance Group to reach the mass market and deliver financial inclusion to the previously underserved or unbanked.

Ameriabank had been focused more on the affluent end of Armenian society, but both companies understood our potential concerns around impact dilution, and the intention, they said, was to widen out its customer base and increase focus on the mass retail market, helping to drive financial inclusion. Ameriabank would be launching a sustainability agenda as a priority, and also has a toolkit of digital offerings which will help it attain greater reach (as has been the case for Lion Finance Group).

Near the end of 2024, in light of the difficult political situation in Georgia, we again met with Lion Finance Group to talk through political risks in both Georgia and Armenia, and reiterated our support for the expanded focus of Ameriabank to the mass market, helping to drive its potential social impact. Management confirmed that Ameriabank's focus had been expanding into the mass market, where it sees a lot of potential to grow into mass retail. It confirmed that the customer base was very similar to Georgia's, but that smaller banks had undertaken mass retail, so Ameriabank would now be competing with them. It was in the process of adding capabilities to Ameriabank's retail operations – as a case in point, the bank had not previously thought about developing products that didn't make a lot of money, but increased customer stickiness, and that with Lion Finance Group's guidance – given its success in this area – it was now doing this. It was also making changes to its IT and customer satisfaction department, to deal with the differing needs of mass retail over a, previously, primarily affluent clientele. All of this will be rolling out over the next three years, with both countries currently on a wave of growth. We will continue to encourage both banks to drive economic inclusivity in their individual markets.

In relation to Georgia more generally, given the apparently deteriorating political situation, with allegations of election manipulation from the controlling Georgian Dream party, we spoke to Lion Finance to get a full picture of the risks involved – including the potential for sanctions and effects on eventual EU membership. The week before we had spoken to a former Georgian ambassador to get an independent view on this situation. Given that Georgia is a frontier market facing complicated geopolitical issues, we believe a heightened level of due diligence is necessary to manage the risks involved.

Improved impact measurability

Brambles is an Australian sustainable logistics business, whose impactful business model supports the circular economy. We met with its chief sustainability officer to talk through the current state of its sustainability initiatives, and to put forward several requests related to impact measurement, remuneration and climate. Requests directly related to impact were:

- To work on clarifying the quantification of emissions avoided and emissions reduced through the use of its products and services, and the degree to which Brambles acts as a carbon sink, to be reported annually in the sustainability report. We emphasised that this should add value behind existing efforts, and show that this results in real-world outcomes and is not just a marketing claim.
- To clarify the actual metrics used to determine remuneration awards, rather than high level non-financial categories.

Brambles takes its role as a promoter of, and practitioner in, the circular economy very seriously, and we have had ongoing discussion with the company over years, from an impact perspective. Last year we suggested more explicitly linking remuneration KPIs to sustainability targets, and for the first time Brambles has now formalised the non-financial short-term incentives for the executive management team, based on 'asset efficiency' and 'customer satisfaction' metrics, alongside a modifier based on six key areas, including timber certification, GHG emissions, and gender diversity in management. Incentives will either be increased or reduced, based on performance against these indicators. The company said it would investigate disclosing the specific metrics used to determine each of these, but that there would be some regional variation.

And in terms of publishing the aforementioned emissions data, the company was quite animated about this, saying its intention is to clearly show this data. From our perspective, this will allow us to have a deeper measurement capability of the real world impacts the company is delivering, and we will continue to encourage measurement and regular publication.

We met with the VP for Sustainability Performance of French energy management company Schneider Electric, to explore how it could drive further carbon savings for its customers, and could potentially develop new KPIs to capture additional elements of the societal impacts it is delivering. Schneider confirmed that it operates consulting services to help its customers connect with renewable energy, while customers using their technology like building management solutions and in-house digital solution can track the energy they consume, and translate saved energy into cost and carbon savings. Both of these areas could be additionally impactful, and we asked Schneider to provide a percentage of customers making use of these services, particularly the energy consultancy services, which it said it would do. We went through potential KPIs, with the company seeing two obvious metrics – impact revenues, where currently north of 80% of revenue is taxonomy aligned, and avoided emissions, which is our current metric. The company also highlighted its 'Access to Energy' business, which supports electrification in parts of Southeast Asia and Africa, however the materiality to revenue is probably not currently sufficient for us to consider it as a metric.

Amerisafe is a monoline specialty provider of workers' compensation insurance focused on small to mid-sized employers in hazardous industries, including construction, trucking, logging and lumber, agriculture, and manufacturing. The company sits within our Better Work and Education impact area due to its role in promoting workplace safety among high-risk businesses.

We met with Amerisafe's chief executive officer and chief financial officer to explore ways to enhance the measurement of the company's societal impact and to address disclosure gaps that have led ESG data providers to assign a low rating. Currently, we evaluate Amerisafe based on the number of policies in force, as this reflects its engagement with policyholders to foster a culture of safety. However, we believe there is an opportunity to improve this metric.

One potential enhancement is incorporating the 'experience modification' (EMOD) which influences workers' compensation premiums based on a company's claims history. Amerisafe has observed positive claims trends among its policyholders, with field visits playing a crucial role in risk mitigation. While the company has extensive anecdotal evidence supporting this impact, it has also noted favorable trends in EMOD reductions over time for long-term customers. We encouraged Amerisafe to consider disclosing the average decline in EMOD based on customer tenure, as this would provide a more quantifiable measure of its impact. The company expressed interest in potentially publishing this data, provided it is not commercially sensitive. Given that the disclosure would be based on aggregated trends over an average period, it may be general enough to share publicly.

Additionally, we reiterated our request for Amerisafe to report the total number of insured lives covered. The company confirmed that this metric is tracked internally and indicated a willingness to consider including it in future disclosures.

As part of a broader meeting with US clinical laboratory operator Quest Diagnostics, we asked the company to consider additional metrics that could be used to measure its societal impact, particularly as relates to affordability and the underserved. We highlighted that we were very interested in the company's approach to increasing access to care and affordability, and the potential measurement of the benefits of these. Our current KPI for Quest is 'number of patients served', but we explained that it would be very helpful if we could further quantify this in terms of underserved patients, particularly if there was a way to quantify how the combination of PFA (its patient financial assistance programme), Q4HE (its Quest for Health Equality programme) and collaborative efforts have improved outcomes for lower income patients. This could include lower income patients reached through these efforts, or even specifically quantifying how access to diagnostic testing had resulted in positive health outcomes for lower income patients. The company currently publishes some numbers in its sustainability reporting, including the number of discounted/donated tests reaching underserved population, details on how it has streamlined and improved its financial assistance programme, and an overview of Q4HE programmes, grants, tests donated, and some specific highlights of programmes and impact. It confirmed that it would be looking to add additional metrics on how it could truly show impact, but that this remains a work in progress. We will continue to support the company as it attempts to better quantify the impact it is delivering.

We met with US testing and diagnostic solutions provider Agilent to discuss its overall sustainability strategy and, as with the examples above, we asked the company to consider additional metrics that could be used to measure its societal impact (the current impact KPI is 'number of labs using Agilent', but we would like a metric that goes deeper). We also suggested that the company considered creating a bioethical operational framework, and convening a bioethics committee, to help ensure its products were not being misused and to help avoid potential reputational issues. Agilent was receptive to our requests. We discussed potential additional metrics, including its suggestion of the percentage of pre-owned equipment being reused, and our suggestion of potentially reporting on the installed product base, which would be much more granular than more general lab use. In relation to the latter, the company asked us to share examples of best practice, which we will in due course. In terms of bioethics governance, the company said it would take this away for consideration, and also asked for best practice examples here. Again, we will send through examples we have come across through our ongoing engagements on this topic.

We met with US design software specialist Autodesk to encourage the company to calculate the CO_2 saved or avoided through the use of its products and services, to allow us to better measure the company's environmental impact. We were very encouraged to learn that Autodesk has taken a lead on Building Information Modelling (BIM) and Whole Life Carbon (WLC) analysis for the built environment, effectively to embed carbon minimisation at the building design phase. Importantly, the company is working in consortium to try to create transparent, consistent standards that can be rolled out at an industry level – if these standards are in place, which will help to decarbonise buildings across their full life cycle, then accurately measuring carbon savings through the design phase will become much more feasible.

By way of background, Autodesk and six architecture, engineering and construction firms collaborated on a proof of concept (PoC). The PoC used the same BIM to do an in-depth embodied carbon assessment. The initiative aimed to explore BIM methods, BIM workflows and bill of material analysis processes to identify alignment and differences in carbon assessment practices. The PoC validated the complexity of digital workflows for embodied carbon assessments, underscoring the need for greater industry transparency and collaboration to streamline the overly complex and non-standardised carbon assessment process. This PoC is the beginning of a deeper exploration to streamline and standardise, and we will continue the conversation with Autodesk as it works through this important programme. This will not be a quick fix, but we think ultimately could have wide positive ramifications for decarbonising the built environment. Autodesk has done a significant amount of work to demonstrate the financial upside to the low carbon transition, and we will≈continue to support them through this.

Improved impact risk management

As a final example, given the potential negative biodiversity impacts of offshore wind – and the negative net impact this could generate – we met with Danish offshore wind specialist Ørsted to ensure the company was advancing its approach to biodiversity – given its nature positive by 2030 target – and that a biodiversity metric was included in executive remuneration. In summary, Ørsted has been working on this issue for the past two and a half years. The company has engaged a biodiversity consultancy, and is leaning against existing frameworks, particularly those from central Europe and the UK, which it sees as the most ambitious. It is working out what are the highest and lowest bars and then figuring out which it will have to meet, and launched a measurement framework in the summer of this year. It is also identifying platforms that can plug and play.

Currently the company is gathering feedback from NGOs, academia and others, with the aim to implement its framework in January 2025, with a first set of metrics by the end of 2025. It currently has a list of potential metrics, including extent and condition of habitat and population density of endangered species, but is currently looking at the feasibility of all of the metrics at its disposal to focus in on those that make sense. Importantly, this is aligned with the Environmental Impact Assessment the company already has to undertake for new projects, and it wants to fully integrate this within its biodiversity framework.

The company ran through a number of tools at its disposal, including underwater AI cameras being developed for fish tracking down to family genus; AI bird cameras, which includes migration routes; and sensors to identify insects/amphibians.

There is also acoustic monitoring, trained to pick up on certain whale species, for shutting down activities of people going out in boats. Other technology includes bubble curtains to insulate the installation of mono piling for offshore turbines, which is a very loud undersea process. If harbour porpoises, for example, are within several kilometres of an unprotected installation, they can go deaf and then die, having lost their communication and tracking abilities. Overall, Ørsted said that such technology is growing exponentially, and it will be making full use of it.

Once the company has its framework and metrics in place, it said it was happy to consider biodiversity in executive remuneration, which is something we will need to revisit. Overall, we were very satisfied that Ørsted was taking biodiversity extremely seriously, and we will follow up after the initial framework and metrics have been published next year.

Impact investing-related activities

It was another active year in impact investing at M&G Investments, with new product development, emerging regulations and shifting policy goals in the UK and Europe, all supporting and driving progress in our impact investing practices.

After a lengthy consultation and development period, the UK regulations on Sustainable Disclosure Requirements and Investment Labels came into force, building on established market views on how to measure and manage impact for UK funds, while setting a benchmark for other international regulations to follow. During the consultation period, M&G had worked closely with numerous peers and clients – as well as industry associations such as the UK Investment Association, the Impact Investing Institute and the Global Impact Investment Network (GIIN) – to represent an impact practitioner voice in these discussions. Our key messages were to support the need for high standards for what constitutes impact, while enabling the inclusion of funds that would be available to a broad range of investors, including retail clients.

After a lengthy process, we were delighted that the flagship impact equity strategy secured approval to adopt the 'Sustainability Impact' label during the first quarter of 2025. One of the key elements of the 'Sustainability Impact' label is an increased focus on stewardship in impact investing as a demonstration of how investors' actions (or 'investor contribution') have a critical role to play in generating positive outcomes for people and planet. The fund's investment desk is working closely with the Sustainability and Stewardship team to further develop its engagement and disclosure practices.

We participated in a number of impact-related conferences and roundtables during the year, to share with peers and to collaborate with other practitioners in the field of impact investing. Foremost among these events was the GIIN's Impact Forum in October, the largest annual global gathering of impact investing practitioners. M&G was a co-sponsor of the event, enabling us to showcase the firm's impact investment capabilities across private assets, public assets and responsAbility – the first time we have demonstrated our combined strengths in impact investing at such a major industry gathering. M&G took part in industry debate on opening members day on the most effective way to scale up impact across capital markets and met with many clients, peers and other experts throughout the course of the event, most showing an encouraging optimism about the future for impact investing.

Earlier in the year, the Catalyst and Equity Impact teams joined the Impact Investing Institute's Advisory Council meeting. The discussion focused on how to create a stronger narrative around impact investing, the aim being to accelerate investment in solutions to urgent societal challenges, while considering the role of impact capital in supporting political and societal policy goals in countries such as the UK. During London Climate Action Week several M&G staff members attended the flagship Reset Connect sustainability conference. We took part in a panel on 'ESG to Impact' which focused on the developing practices of investors as they shift from an 'ESG risk first' mindset towards strategies that target real-world positive impacts from their investments. M&G staff also presented on several other panels/forums on Nature, the energy transition and the implications of SDR labels for advisers. We also joined a panel at the AFME conference in Amsterdam on the role of sustainable finance and impact investing in accelerating the energy transition, through supporting and scaling innovative climate solutions, with more effective impact accounting standards and better pricing of externalities helping to accelerate the transition.

We held our third annual M&G Investments Impact Forum in London in June, with this year's theme being 'The Twin Challenges of Climate and Nature'. M&G speakers focused on how investors can address these critical issues while considering connected themes such as social inclusion, health and resilience. It was a chance to highlight the breadth and scale of our impact investing capabilities across Catalyst and Private Equity, responsAbility, Infracapital, Public Equity, Public Fixed Income and Private Credit. The broad aim was to support clients all along the spectrum of experience, from those earlier in their journey in building their knowledge via insights, to those further on in their journey, with a chance to learn about new and emerging opportunities to inform their clients' allocations to impact. As well as insights from the range of M&G strategies, clients also heard from CEOs of two portfolio companies, Greencore Homes and Reactive Technologies. They discussed the roles of their respective organisations in developing innovative solutions for climate-positive housing and renewable power grids, while also highlighting the value of interaction between investee companies and their investors.

Members of M&G's impact investment teams across public and private assets attended New York Climate Week in September, which also coincided with the UN's Summit of the Future, representing a stock-take on progress towards the SDGs and a call to accelerated action as we edge closer to the Global Goals' 2030 deadline. Much of our focus was on the role of investors in tackling the twin and interconnected crises of climate change and nature loss. An update to the Stockholm Resilience Centre's planetary boundaries framework highlighted that we are pushing close to overshoot in the seventh boundary (out of nine), underscoring the importance of investors' role in both engaging with high-risk sectors and also in identifying and supporting innovative and scalable solutions. We took part in the World Biodiversity Summit which covered a range of topics including the interconnections between climate and nature, an update on the planetary boundaries framework, resilient and nature-positive farming, nature-based solutions, and the critical role of indigenous communities in the stewardship of nature. The summit also represented a step on the path towards the negotiations at COP16 in Cali, Colombia (the 'Biodiversity COP') which members of M&G's Central Sustainability Office attended. We also took part in a roundtable with other asset owners and managers, hosted by the International Foundation for Valuing Impacts (IFVI), to consider the adoption of impact accounting, an approach designed to better reflect the real costs of both positive and negative externalities in company accounts

October then saw the launch of M&G's first dedicated nature/biodiversity solutions investment strategy, managed by the Equity Impact team. The strategy's approach builds on the team's III impact framework as well as being informed by leading independent standards and frameworks in the market, such as TNFD and the Planetary Boundaries framework. Stewardship to support and encourage nature-positive practices will be a central aspect of the fund's mandate.

Elsewhere, we continued the work set up by Impact Frontiers (previously the IMP) on developing clearer standards for impact performance reporting, an important piece of work to support the consistency needed to ensure the growth of impact investing across asset classes. Developing greater commonality among impact investing teams at M&G is an ongoing project, building on existing connections around market standards such as the '5 Dimensions of Impact', the GIIN's Impact principles and the IRIS impact metrics. Linked to this, the Equity Impact team continued to enhance its 'III' impact research framework, to reflect the requirements of regulatory developments and to align with global standards by more actively building the '5 Dimensions' into the team's processes. During the year, the team continued deepening its bench of this impact research across different impact verticals. The research covered companies across both social and environmental impact areas and towards both ends of the market cap spectrum. Finally, M&G have signed up BlueMark to provide independent assurance of our impact framework/processes in Listed Equities, following the lead of the Catalyst team in Private Assets.

We continue to engage both existing and prospective clients on our impact investment strategies across both public and private markets. Demand for SDG-aligned and positive impact portfolios remains robust with some encouraging dialogues in progress. Much of the discussion with existing clients centres on our progress with the above-mentioned Sustainability labels, but also around issues such as risk management and benchmarking, impact measurement and impact accounting, our approach to engaging with portfolio companies on biodiversity loss, and emerging issues such as the governance and oversight of Ethical AI practices. In what continues to be a challenging environment for both sustainable and impact investing, we are encouraged by the persistent levels of client interest in impact investing, which we shall continue to ensure we have the funds, skills and capabilities to meet.

Private engagements

S&S recorded 19 engagements with eight private companies, each addressing multiple objectives such as climate action, diversity and inclusion, biodiversity, and cybersecurity. Our observations revealed that while these companies were actively pursuing significant ESG (Environmental, Social, and Governance) initiatives internally, they were not publicly reporting their efforts, given the less stringent reporting requirements compared to publicly-listed companies. In every instance, we communicated the importance of transparently disclosing their ESG activities to the public.

Set out below are case studies for (i) LRQA across climate, social and governance; and (ii) Clarios on climate.

LRQA

Climate

Regarding climate engagement, M&G engaged with global assurance provider LRQA regarding the company's actions on climate disclosures and the development of its decarbonisation strategy. We met with LRQA's head of sustainability and global sustainability partner to understand the work underway and encourage continued progress in this area. As a global assurance provider, LRQA shared M&G's position on climate transparency and action. Pursuant to this, the company has partnered with a climate solutions platform to measure and disclose its scope 1, 2 and 3 carbon emissions. LRQA has published its commitment to achieve net zero emissions and is developing its decarbonisation strategy. LRQA has made significant progress in enhancing its climate disclosures and sustainability strategy. The company published its first Sustainability Progress Report in 2024 communicating key ESG metrics including its GHG emissions, as well as social and governance indicators. LRQA also carried out a double materiality assessment in preparation for CSRD reporting, identifying climate change as a material topic. M&G welcomed these developments and encouraged LRQA to continue strengthening its climate strategy. In particular, we supported its efforts to enhance transparency and look forward to seeing these developments unfold.

Social

From a social perspective, we met with LRQA to encourage the company to publish diversity and inclusion disclosures. We met with LRQA's head of sustainability and global sustainability partner on current data collection and plans for disclosure. LRQA has begun collecting and reporting segmented data on diversity metrics from across the business to support its sustainability commitments to equity and inclusion. LRQA first published its performance in this area in the 2023 Sustainability Progress Report, including metrics on women in the company, management, executive management and board. LRQA publishes a UK gender pay gap report, and is aligning to evolving legislation in other countries where it operates to ensure continued compliance. M&G supports these efforts and encouraged continued transparency in diversity and inclusion reporting and target-setting, and looks forward to monitoring and supporting LRQA's progress in this space.

Governance

In terms of cybersecurity, M&G engaged with LRQA to align on effective cybersecurity risk management and mitigation, and to discuss the value of ISO 27001 accreditation. LRQA recognised cybersecurity as one of its key ESG topics. As an award-winning purveyor of cybersecurity solutions, LRQA has prioritised cybersecurity as a critical area and has achieved ISO27001 accreditation, aligning its internal practices with the same high standards it provides to clients. This certification reinforces LRQA's commitment to data security and risk management. M&G recognises this as an important milestone and will continue to follow LRQA's ongoing efforts to be at the forefront of cybersecurity resilience.

Clarios

Climate

In addition, we met with battery manufacturer Clarios to request that the company publishes a net zero 2050 target for scope 1, 2 and 3 emissions, short and medium-term reduction targets. We wanted the company to disclose its overall strategy on how to achieve these targets with required capex by 2025 and submit these to CDP. Further information on this engagement can be found in the Leveraged Finance section on page 50.

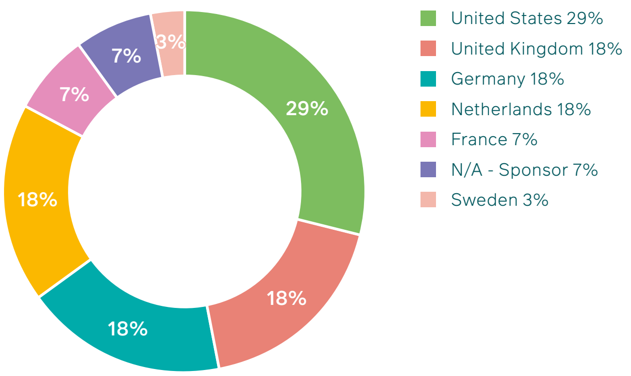
Leveraged Finance Strategy

The Leveraged Finance team believes a robust engagement programme represents a meaningful way to help manage ESG risks. This is true of the assets in which the Leveraged Loan team invests; given their asymmetric return profile, coupled with our long-term buy and hold approach, an effective stewardship policy is needed to protect value over time. The team conducts engagements with both borrowers and sponsors to attest to governance models and environmental and social operating guidelines, and to probe on key issues such as climate, diversity and inclusion, cyber-security and lobbying for greater disclosure. With climate for example, this follows our commitment to NZAMi.

This activity is undertaken jointly by fund managers and analysts, and in consultation with M&G Investments' S&S team. Engagements are recorded in a tracking system to enable holistic views of themes and topics that are material within certain sectors, and across multiple asset classes. The benefit of this is that we can bring M&G Investments' full influence to bear when investing across the capital structure of the same issuer.

In 2024, the Leveraged Finance team conducted 28 engagements across 13 issuers and one sponsor, covering approximately 10% of the companies held across the entire strategy. Geographically, engagements in 2024 were based across a number of regions, reflecting the diversified nature of our portfolios. One point to highlight is the focus on companies based in the US, relative to our typical allocation to region. This reflects the team's focus on improving the disclosure of companies which are subject to weaker sustainability reporting standards.

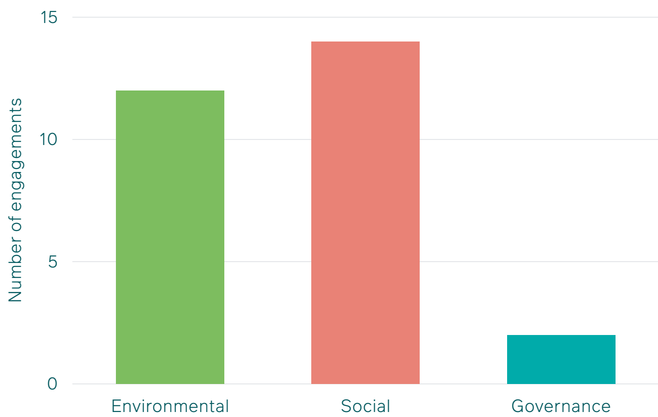
Engagements by region



Source: M&G.

Engagements were split fairly evenly between Environmental and Social pillars. This reflects M&G's broader, top-down stewardship priorities of diversity and inclusion and climate, which we see as two key ESG risks affecting our investee companies today.

Engagements by topic



Source: M&G.

Given our commitment to NZAMi, within the Leveraged Finance team, this priority is reflected in the number of environmental engagements undertaken with companies in emission-heavy industries including food, autos and chemicals. Heavily environmentally regulated, and with the EU Emissions Trading Scheme (ETS) due to expand and become more stringent for some sectors in 2025, any unmanaged environmental risks could soon become financially material. Social engagements were broadly split across industry, with the majority being in the defensive Support-Services sector where we typically see overweights within our portfolios. Companies in these sectors rely heavily on brand and public trust and employ thousands of people, and therefore any unmanaged social risks could potentially cause both reputational as well as financial damage.

Set out below are examples of engagements undertaken by the Leveraged Finance team.

Zayo – Emissions performance, cyber security and D&I

Objective: 1: To challenge telecommunications provider Zayo in the recent increase in the company's scope 1 and 2 carbon emissions and ask them to share its pathway for achieving SBTi targets. 2: To request an increase in spending on the company's budget allocated to cyber security. 3: To assess current diversity and inclusion metrics against targets whilst requesting Zayo to disclose and publish a pay gap report.

Action: We met with the sustainability director and a member of the investor relations team to make our expectations known.

Outcome: The 2021-22 increase was explained due to an acquisition. For Scope 1, the company has completed auditing its 2023 data, noting a drop in 2022 emissions due to improved data availability. A consultation with the company's sponsor identified areas where the company can control or influence emissions. For Scope 2, the focus remains on electricity across 49,000 global sites, with an increase expected as the company expands. Zayo informed us that it has purchased 100% renewable electricity for scope 2. In terms of fleet expansion, the company plans on replacing less fuel-efficient vehicles whilst considering return on investment, and are focusing on hybrids due to logistical challenges in sourcing EVs. Zayo is also beginning to implement green solutions for hotels and airlines for employees who travel, and targeting purchased goods and services in order to engage with external stakeholders. Regarding the actions Zayo intends to take for its net zero target, the company has allocated significant opex, with detailed work on technical sites and funding focusing on 'easy wins'. Zayo does not use carbon offsets for scope 1 and 2 but is allowed to for scope 3.

With regards to cybersecurity, Zayo continues to increase its cybersecurity investment year over year, aligning with evolving risk landscapes and industry best practices. The company's focus is on minimizing risk, ensuring compliance, and enhancing resilience across its infrastructure. While it does not store customer data, Zayo takes a proactive approach to securing employee data and protecting its network and services from emerging threats.

Regarding diversity and inclusion, Zayo has met its objective of over 31% representation, already reaching gender and ethnic diversity of just over 30%. The company does not plan on setting new objectives but has a working group addressing diversity and inclusion and informed us that it is on par with industry standards, neither leading nor lagging. Zayo plans to include social aspects in its sustainability report and has created an equity pay gap report, which it has not disclosed externally. We requested that Zayo publish this report and the company shared that it will take this back to its steering committee to discuss the possibility of disclosure, although this will remain a work in progress. We will continue to monitor this and expect to follow the progress of Zayo's diversity and inclusion reports in the near future.

Clarios – Decarbonisation, safe working practices and diversity and inclusion

Objective: 1: Request that battery manufacturer Clarios publish a net zero 2050 target for scope 1, 2 and 3 emissions, short and medium-term reduction targets, and an overall strategy on how to achieve these targets with required capex by 2025 and submit these to CDP. 2: Request Clarios to disclose the measures/plans that are being put in place to mitigate against the company's increase in lost time incident rate (LTIR) and total recordable incident rate (TRIR). 3: To set our expectations on diversity and inclusion targets; we expect small companies to have 25% of the company's Board to be female with a plan to get to equality by 2027.

Action: M&G met with the chief sustainability officer to make our expectations known.

Outcome: Clarios has disclosed its scope 1 and 2 emissions in its 2023 Sustainability Report and has submitted reduction targets privately to CDP: 25% down by 2030 for scope 1 and 2; 46% by 2035. Clarios has also publicly committed to have its targets verified to be Paris aligned by SBTi in 2025, but this will depend on the implementation of CSRD. Even though this is not the same as a net zero target for 2050, it demonstrates that the company is on the right path for Paris alignment. Clarios is also working towards its climate reporting being TCFD compliant. Regarding scope 3 emissions, Clarios has a significant footprint due to the circular nature of its business in recycling. This circular dynamic does not have a defined methodology in approaching scope 3 emissions.

Clarios is focused more on SPI (Serious Potential Incidents) instead of TRIR as harm can be identified, and immediate action to identify and remediate the causes can occur. Clarios notes that TRIR indirectly incentivises and deters reporting of incidents in aims to meet targets, which can be at the detriment of the workforce. Clarios is currently within a third of the national average across all sectors, and the company has been able to maintain below one, which is within commitments Clarios have made.

Clarios does not have a target set for the percentage of women on its board or leadership team. The company addressed the decline of women on the board since the last engagement but highlighted that the company's targets are currently ensuring that all leadership employees are trained in diversity and a focus on hiring locally from within the region it operates to build a pipeline for diverse talent. Clarios is also addressing diversity through building its ERGs globally, as well as building groups focused on women in STEM in colleges and universities. There remain no targets in terms of board percentage of women agreed upon; however, Clarios communicated its intention to build a pipeline. M&G will follow up in due course to monitor and assess progress on the above three objectives including SBTis.

Infracapital

Infracapital, the private infrastructure equity arm of M&G Investments, has raised and managed over €9bn investing in, building and managing European infrastructure in the mid-market. Infracapital seek controlling or significant minority stakes in its investee companies so that it can deliver an active asset management approach. This supports Infracapital's ability to manage ESG issues and risks effectively and improve ESG standards across its investee companies to ultimately enhance value. As a long-term investor providing essential infrastructure services to society, we recognise the long-term value that can be achieved through sustainable growth, and the distinct opportunity we have to make economic growth more sustainable and inclusive. As such, we consider responsible investing across all of our investment activities, seeing ESG as a value-enhancing lever in its own right. As part of our investment strategy, the team takes an active asset management approach to ensure our investments are adaptable and resilient to the changing world, in addition to having the potential to deliver stronger-risk adjusted returns and environmental and social outcomes.

The Infracapital Responsible Investment Committee oversees the implementation of our ESG commitments. Representative managing director members of the Responsible Investment Committee sit on the Investment Committee, ensuring that ESG considerations are aligned in the investment decision-making process. In addition to the committee, the Infracapital team receives monthly training in all matters related to investment activities which are designed to improve the knowledge and experience of the team. Often these will relate to specific ESG factors, such as directors duties, health and safety, net zero and biodiversity. We also run ESG-focused workshops, bringing together key executives from across our portfolio companies to share best practice, leverage learnings and ensure prioritisation of ESG-related matters.

We further recognise the importance of ESG factors across our investor community and work to support the delivery of their ESG objectives. We commit to being transparent to our investors on our ESG performance, and integrate ESG reporting into our monthly fund updates, in addition to reporting annually via a dedicated ESG report. This includes KPIs on an asset-by-asset basis, alignment with the Sustainable Finance Disclosure Regulation, where appropriate, and the Taskforce for Climate related financial disclosures (TCFD).

Please note, Infracapital's portfolio range is not suitable for retail customers.

Infracapital investee companies: case studies

Inland Terminals Group

Inland Terminals Group ('ITG'), an Infracapital portfolio company, is the largest inland terminal operator and logistics solutions provider in the Benelux. The business comprises of an established network of sixteen strategically located inland terminals in Europe. It operates c.50 barges servicing the key trading corridors in the Netherlands and Belgium with the capacity to handle c.1.5+ million containers from a roster of diversified customers including Nike, Heineken, IKEA and Toyota.

Barging in itself supports the modal shift of moving container transport from trucking to barge, delivering cost and carbon savings of c.75% vs. trucking. The company strives to enhance its sustainability profile further, with a mission to deliver logistics solutions that minimize climate impact in an affordable, achievable, and responsible manner. ITG has ambitions to achieve net zero carbon emissions across all operations by 2040 while enhancing operational efficiency, driving innovation, and fostering collaboration with our stakeholders. By reducing CO_2 emissions, optimising energy efficiency, and promoting renewable energy, ITG supports the transition to a low-carbon economy and helps its customers achieve their sustainability goals.

As a leader in sustainability, ITG is continually looking for solutions to make its operations more energy efficient through its 'Lean & Green' programme, in place since 2008, exploring process change on barge, truck and terminal to optimise energy usage. To that end, the business has made some pioneering achievements:

- In 2023, the commissioning of the first 100% hydrogen-powered barge that is operating on the Albert Canal (an initiative with Nike). The hydrogen barge removes 1500 tonnes of CO_2 from ITG's emissions annually.
- In 2023, first fully electric barge operating on the Den Bosch corridor (an initiative with Heineken) and plans in motion for four more. It is estimated that one electric barge will reduce approximately 715 tons of CO_2 and 13 tons of NOx emissions annually.
- First 100% electric truck at Terminal Meerhout and the car policy for company cars now requires them to be 100% electric.
- All Belgian locations are equipped with Solar panels to supply green energy to the terminals.

In 2024, ITG has formalised its sustainability strategy and is looking at ways to decarbonise beyond energy efficiency by moving away from diesel to renewable energy. The business recognises there is more than one energy transition solution as energy transition technology is rapidly developing and is exploring several techniques, such as bio-fuel, electrification, hydrogen electric and flow-batteries, which would limit climate impact enabling the business to work towards its net zero ambitions.

In October 2024, ITG received the Asset Impact Award at the IJ Global ESG Awards in recognition of the environmental initiatives in place and associated outcomes. .

Project Marble

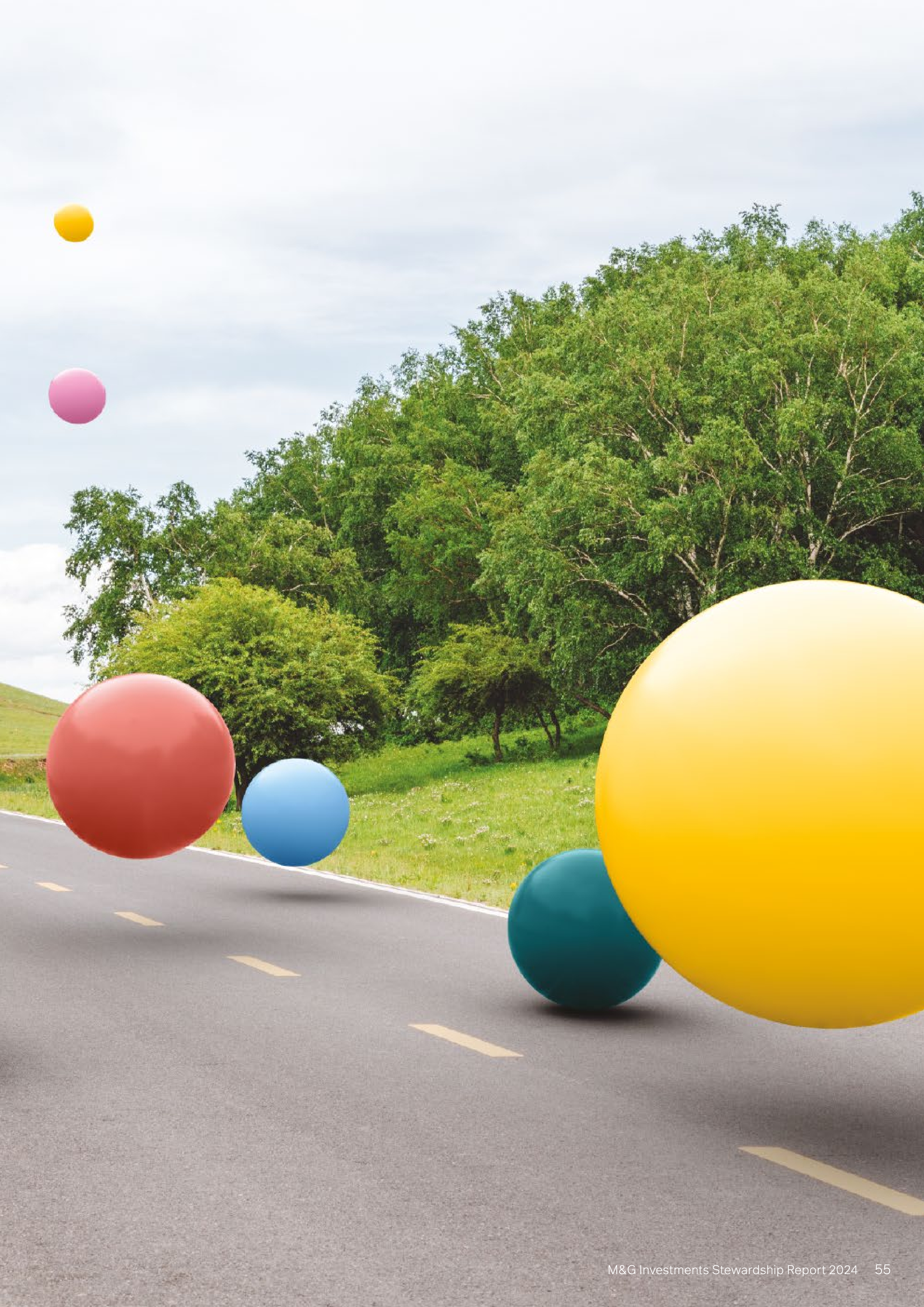
In 2023, Infracapital entered Germany's rolling stock market with Project Marble to finance new sustainable rolling stock. Through a partnership with Rock Rail, an independent developer, owner and asset manager of rolling stock and other rail infrastructure, the platform will support the decarbonisation of transport in Germany.

In May 2023, the platform financed a new, fully electric fleet comprising 18 four-car Siemens Mireo trains, in the Leipzig network – one of the fastest growing regions in Germany. The new trains will provide a step-change in passenger experience, with optimised train layout, increased capacity per train (c.590 passengers per train) and a higher operating frequency compared to existing rolling stock operating in the Central German region. The new fleet will also be lighter weight and more energy efficient.

In 2024, Infracapital completed its second investment in the German rolling stock market by investing in a 41-strong fleet of new electric trains destined for Leipzig. Infracapital's investment will deliver a state of the art, energy efficient fleet of Siemen's Mireo trains, which will increase the capacity, reliability and comfort of Leipzig's public transport system, whilst reducing its environmental impact.

Electrified rolling stock is a key part of Germany's plan to decarbonise its transport sector and achieve its climate goals. According to the Ministry of Transport and Digital Infrastructure, electrified rail transport can save up to 80% of CO_2 emissions in comparison to diesel-powered trains, offering higher performance, lower operating costs and less noise pollution than conventional trains. Germany's liberalised rolling stock market sits at an exciting crossroad as the country seeks to double passenger rail numbers by 2030. We see a strong pipeline in the years ahead as government agendas in the UK and Europe are increasingly focused on delivering improved and cleaner public transport systems for a growing passenger base.

In October 2024, Infracapital and Rock Rail were awarded ESG Transaction of the Year in the Transport sector for Project Marble.



M&G Investments Real Estate

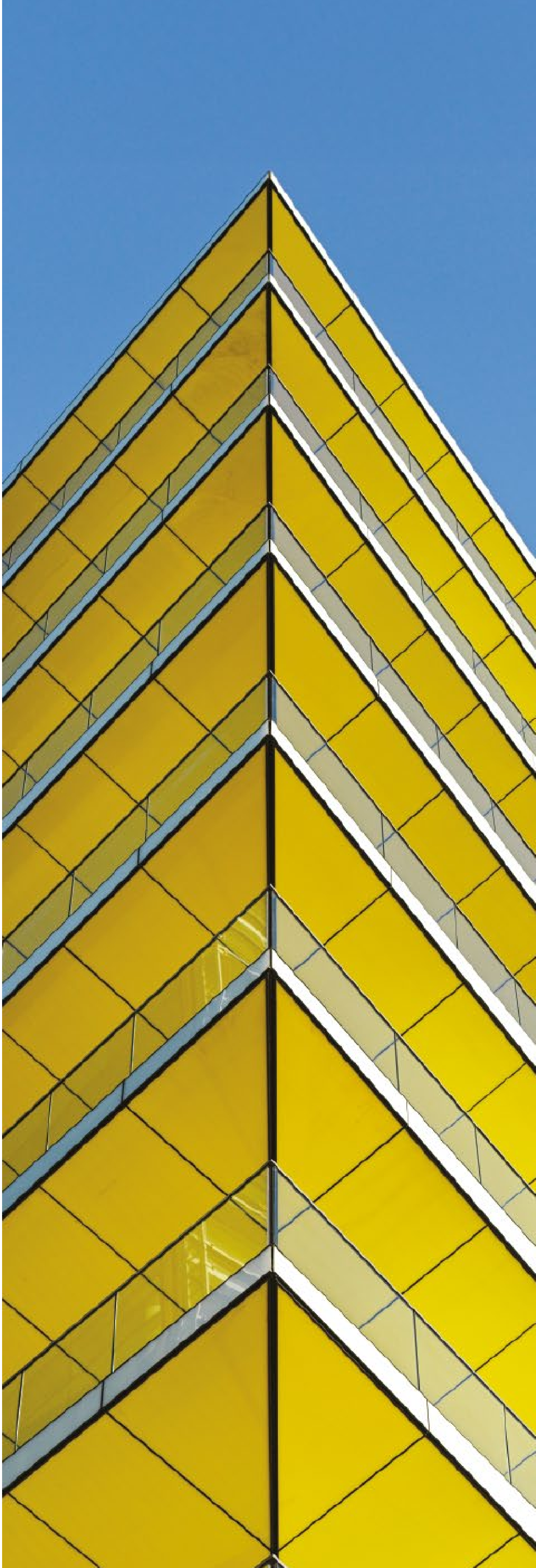
We recognise that as one of the world's largest real estate fund managers, our business activities have wide-ranging social, environmental and economic impacts.

We take a long-term approach to investing in property. Responsible investing is a key aspect of this and we aspire to create and manage exceptional places that enrich the lives of people and communities to deliver long-term value for our investors, society and the environment.

Environmental and social issues are already influencing real estate market fundamentals including obsolescence, rate of depreciation, voids, operational costs and liquidity. By being at the forefront of identifying and influencing the drivers of change, and shaping our investment strategies accordingly, we aim to continue delivering strong returns to our investors in the long term and support creation of positive environmental and social outcomes.

Full details of our approach to ESG governance and integration into the real estate investment process is detailed in M&G Investments' Real Estate ESG Investment Policy, which is published on our **website** and reviewed annually. This policy sets out how we consider ESG within our investment processes and how we will implement our ESG strategy.

Please note, not all of M&G's real estate offerings are suitable for retail clients. Please visit M&G Investments' consumer website for further details.



Net zero and climate resilience

The impact of climate change on the built environment is becoming increasingly apparent, and this will continue unless substantial action is taken to cut emissions. Understanding and managing physical and transition climate risks is becoming increasingly important. Building these considerations into our strategies is key to protecting the value of our clients' assets.

Further to M&G plc commitments to focus and accelerate efforts to address climate change, M&G Real Estate set a target in late 2019 to achieve net zero carbon emissions by 2050 across our global real estate portfolio, as one of the founding signatories of the Better Buildings Partnership (BBP) Climate Change Commitment.

In 2021 we published our net zero carbon pathway, which outlines the actions to reach net zero across our real estate operations, refurbishments and acquisitions. In the past year, significant steps have been taken to inform our delivery plans with the completion of further asset-level net zero carbon audits, enabling integration of decarbonisation costs within asset plans.

Considering that the vast majority of our carbon emissions are linked to the energy consumed by our tenants, measuring and making progress towards our energy and carbon targets is dependent on acquiring high-quality energy data across our portfolios. For this reason, in the last year, we continued to deploy solutions to collect occupier energy data automatically across our largest portfolios. We also continue to explore opportunities to deploy on-site renewable energy systems in cooperation with tenants.

As well as driving forward with the decarbonisation of our buildings, we are also putting steps in place to actively mitigate climate-related risk. For example, all assets have been recently assessed for their physical climate risk exposure, looking ahead to the 2100 timeframe under the RCP 8.5 scenario. We also produce TCFD-aligned disclosure for our real estate business and funds.

Acquisition

Governance of ESG-related risks is embedded from the earliest stage of our investment lifecycle. As part of the acquisition due diligence process, we assess current performance and improvement opportunities through our ESG due diligence requirements. This includes net zero audits, which identify any technical barriers to net zero and enable the financial cost to transition assets to be underwritten and managed.

Developments

M&G Real Estate's Sustainable Development Standard outlines how sustainability is integrated throughout the design and construction process in the UK and Europe. It prescribes minimum standards and aspirational targets for a range of ESG issues, including net zero carbon and physical climate related-risk in the development of residential and commercial assets, as well as refurbishment to existing.

Portfolio management

Once we acquire an asset, we put in place a Sustainability Asset Plan to drive further asset-level improvements. An important part of this is engaging with our customers to work together to improve the performance of the building. As such we continue to introduce 'green lease' requirements within leases to facilitate greater collaboration and sharing of data.

Case study:

Sustainable workspaces

Brooklands - is a new sustainable 67,000 sq ft business campus nestled in the heart of Central Cambridge. It is a prime example of how M&G Real Estate is continuing to invest, reposition, and develop high quality, ESG-led office assets. As a future facing campus in the heart of one of the UK's greenest cities, sustainability was the driving force behind the plans for Brooklands. Located within a cluster of tech and pharmaceutical organisations including Apple, AstraZeneca, Microsoft and Amazon, Brooklands is on course to be Cambridge's first net zero carbon office development, with BREEAM Excellent and EPC A+ ratings being targeted. The buildings are designed for net zero carbon, fossil free operation, in line with many occupiers' corporate objectives.

Case study:

Low carbon living

Following its launch in January 2023, M&G's European Living Property Fund has purchased a second asset in Eglinton Place, Dublin for €99.5m, adding to its €75m maiden acquisition in Finland.

Eglinton Place provides 148 high-quality Build to Rent homes – a mix of one-, two- and three-bedroom apartments. Amenities include a gym, communal lounges, balconies, terraces, rooftop gardens, 208 bicycle spaces and 1,400 sqm of external amenity space.

Fossil-fuel free, with energy sourced from a combination of a district heating system and solar roof panels, the scheme will also include hot water heat pumps, energy efficient electric radiators, green roofs and electric vehicle charging.

Case study:

Rooftop renewables

In 2024, M&G's Asia Property (MAP) Fund entered into a lease of rooftop space at Higashi Ogishima Logistics Center, for the installation of rooftop photovoltaic panels generating renewable electricity. Under the terms of the deal the fund entered into power purchase agreements (PPA's) to procure the renewable energy generated for use on site, and also at two other fund-owned assets in greater Tokyo. This novel arrangement allowed for the full renewable energy capacity of the rooftop space to be exploited and secured the benefits of that renewable power for the fund's portfolio at fixed prices while also generating revenue from the lease of the rooftop space.

In this project, a total of 1900 solar panels with a total capacity of 0.712 MWp (manufactured by leading global manufacturer DMEGC), were installed and are operated by Ricoh, a leading Japanese international electronics and engineering group.

Case study:

Closing the loop in construction

Seeking to repurpose and recycle, M&G approached Saint-Gobain Glass with a keen interest in participating in the Glass Forever Programme for the historic Waterhouse building in Central London. The site demolition team meticulously trimmed the laminated glass to fit one-tonne bags provided by Saint-Gobain Glass, optimising the load for shipment, and becoming the first site nationwide to successfully collect and recycle laminated glass under the Glass Forever Programme. Over 53 tonnes of glass was recovered and remanufactured, saving just under 38 tonnes of CO_2 emissions. By contributing to closed- loop systems, initiatives like these underscore M&G's commitment to resource efficiency and waste reduction. Recently refurbished to a high standard, it has achieved the highest LEED Platinum score in its class in Europe and the second highest in the world in the same category.

Voting

Introduction

The M&G Investments Voting Policy is published on our **website** and is reviewed annually in consultation with our investment teams.

Voting during 2024 reflected M&G's Voting Policy that had a significant update during 2023, which set out our expectations for climate and biodiversity disclosures and explained our approach to shareholder resolutions to reflect the increasing number of resolutions relating to these topics.

Our key expectations include:

- Climate: we expect all companies to disclose in line with TCFD and for our largest emitters to set NZ2050 targets along with near and long term emission reduction targets, a decarbonisation strategy with a clear capital expenditure plan and details of a 'just transition';
- Biodiversity: we encourage all companies to minimise their negative impact on nature and those with a high negative impact to develop an action plan in line with best practice; and
- Shareholder resolutions: we will look at each on a case by case, typically supporting resolutions requesting better disclosure but are less supportive of resolutions requiring prescriptive measures. The voting policy lists a number of topics where we are typically supportive.

Voting procedures

Our starting point as an active fund manager is to support the long-term value creation of our investee companies. Alongside pursuing an active investment policy and maintaining a constructive dialogue with company management, we see voting on resolutions at general meetings as a key element of stewardship.

There will be occasions when we consider voting against management proposed resolutions or support shareholder resolutions which are not recommended by the board. Voting decisions are always taken in the best interest of clients.

We use the ISS STOXX voting platform to vote and implement M&G's voting policy through a custom voting service. As shareholder meetings arise, the custom voting service refers resolutions that contravene our voting policy. We also use research from ISS and the Investment Association's Institutional Voting Information Service (for UK companies) to help make voting decisions.

Before deciding our vote on a resolution that has been referred by the custom voting service, we may discuss issues within the Stewardship & Sustainability team or, for more contentious issues, involve the relevant fund managers, with fund managers making the voting decision in consultation with the Stewardship team and Research Analysts. Where we have engaged with a company on a relevant topic, this will also be taken into account.

When appropriate, we will inform the companies in advance of a meeting if we are voting against the board's recommendation. Typically, this communication will be in respect of UK companies; and most often on the subject of remuneration where there has been dialogue with the company.

To see our voting history, updated quarterly, visit our **website**.

In 2024, we voted at 1,684 company general meetings, comprising 330 UK meetings and 1,354 international meetings . Below we highlight some of our voting decisions taken during the year. For 661 meetings, at least one management voting recommendation was not supported. Overall we voted 97.11% of eligible meetings.

Meetings where at least one management recommendation was not supported

Source: M&G.

Votes cast as 'against' 'abstain' or 'withhold' by category and region

	UK	Europe	North America	Japan	Asia Pacific	Rest of world
Board-related	53%	29%	38%	81%	34%	22%
Remuneration	18%	34%	9%	1%	16%	7%
Capital-related	6%	17%	1%	1%	16%	0%
Governance and audit	8%	18%	29%	1%	24%	69%
Strategic transactions and takeover-related	14%	1%	1%	0%	6%	1%
Environmental and social	2%	1%	0%	0%	0%	0%
Other	0%	1%	0%	0%	1%	1%
Shareholder: governance	0%	0%	9%	12%	3%	0%
Shareholder: environmental/social	0%	0%	13%	3%	0%	0%
	100%	100%	100%	100%	100%	100%

Source: M&G.

[2] Note: bondholder meetings, 'do not vote' instructions and court meetings have been removed from these statistics

United Kingdom

Directors

With the merger of alternative investment manager Pollen Street Group and investment trust Honeycomb, we considered that for the former, the appointment of a new chair would be appropriate; and we signalled this to the company together with our vote decision to abstain on the current chair's re-election. At the AGM, the company announced it would be seeking changes in the chair and senior independent director positions. At industrial threads Coats Group's AGM, there was concern over the board's decision to appoint the chair for a further three years, which would take his tenure to well over the nine years we would typically expect a director to serve in the UK. Unusually for M&G, our funds didn't vote the same way on the chair's re-election, with one fund opposing and the others voting in favour. However, all our funds were in agreement when we considered the changes to the board at house builder Vistry Group including the departure of the chair. The chief executive assumed the executive chair position and there was concern over the combination of roles, particularly in light of the other changes on the board. Despite reservations, we decided to vote in favour of the executive chair, having met with him through the Investor Forum.

Independence

Soft drink producer Coca-Cola Europacific Partners has two major shareholders who are represented on the board by a number of nominee directors. As in previous years, we decided to oppose two of these nominee directors given our desire for the board and the committees to be more independent. This is particularly the case with board audit committees which in our view should be wholly independent. Accordingly, we opposed the re-election of a director at bathroom retailer Victorian Plumbing as a result of these concerns. Last year we decided to abstain on the re-election of a director at oil company Tullow Oil over membership of board committees while not meeting our criteria for independence. This year, as no changes had been made, we opposed the director's re-election. Global pharmaceutical company AstraZeneca's board includes a non-executive director who has been on the board for more than 25 years. We decided to oppose his re-election due to his extended tenure. Consideration was given to the re-election of a non-independent director of Jet2, the airline company. We had previously not been supportive due to a business relationship and membership of the audit committee. However, this year we decided to support the re-election resolution as the director is no longer a member of the audit committee and due to recognition by the board of his non-independent status. As last year, we opposed the election of a non-executive director at pub operator JD Wetherspoon due to concerns regarding the independence of the board. A significant proportion of the company's shareholders did the same.

Diversity is a continuing area of focus for us. When board diversity doesn't meet expectations, we look to oppose the chair of the nomination committee or the board, though often the positions are held by the same individual. Across the year, in the UK six companies received negative votes from us over board diversity: investment management company Tatton Asset Management, investment manager Foresight Group Holdings, miner Hummingbird Resources, software company Alfa Financial Software Holdings, technology holding company TruFin, and financial solutions provider Alpha Group International.

Takeovers Mergers

2024 saw significant takeover activity. We supported resolutions on the takeovers of consultancy Kin + Carta, LondonMetric Property, house builder Redrow, real estate investment trust Tritax Big Box REIT, residential property developer Barratt Developments, packaging company DS Smith, drinks company Britvic and events group Ascential.

We opposed the cybersecurity company Darktrace takeover vote and the abrdn Property Income Trust merger, as we didn't believe they were in shareholders' interests. Similarly, at the special shareholder's meeting of building products manufacturer Tyman where shareholders considered a takeover approach from buildings materials manufacturer Quanex Building Products Corporation, our decision was to oppose the offer due to concerns that the proposal undervalued the company and its prospects. In the event, the resolution was passed by shareholders. The takeover votes for retail investment platform Hargreaves Lansdown and network provider Spirent Communications were slightly unusual in that funds voted differently. Georgian banking and services company Bank of Georgia Group (now Lion Finance Group) shareholders, including M&G, supported the acquisition of Armenian bank Ameriabank.

Biotech company e-Therapeutics sought shareholders' approval to delist, which we supported, due to the issues with finding interested investors. The board of solar energy investor NextEnergy Solar Fund proposed the required discontinuation vote with the recommendation to oppose, which we duly did.

Capital

One resolution, relating to capital management, failed to pass. Gold miner Hummingbird Resources asked shareholders to approve share issuance that exceeded our guidelines. However, we decided to support on this occasion.

Remuneration

Remuneration was a concern at a number of investee companies including investment platform provider Integrafin Holdings, sustainable investment manager Impax Asset Management, gym chain The Gym Group, and biotech company PureTech Health. Issues ranged from quantum to disclosure and structure.

Speedy Hire, the equipment hire business, sought shareholder approval to change the remuneration policy to allow for the bringing forward of a future incentive grant. In our view the change wasn't justified, and we opposed the resolution. The proposal passed, but almost 20% of shareholders opposed.

Alphawave IP Group, a rapidly growing technology company, looked to increase the number of incentives available to executives and employees. Whilst the amounts breached our usual guidelines, the company's circumstances, including a significant growth in the number of employees, needed to be considered. Although we were sympathetic with regards to the employee population, we were less well disposed towards enlarged executive incentives. Unfortunately, all the incentives were bundled into a single resolution and so we abstained.

Climate

Shell, the oil and gas company, put forward a resolution to vote on its transition plan.

While it is recognised that Shell is a leader in its peer group and a key player in the energy transition, our assessment of Shell's 2024 climate transition plan concluded that Shell is not aligned to 1.5 degrees, which is a requirement of our voting policy. As a result we voted against this resolution (also see page 146).

According to climate experts such as IIGCC's CA100+ and the Transition Pathway Initiative (TPI) the new 15-20% by 2030 reduction target in net carbon intensity (it was previously 20%) that Shell is now targeting is not enough to be considered as 1.5 degree aligned. Also, we do not feel that Shell has provided sufficient evidence that it will meet this target. In addition, we note that Shell has not met our engagement request on setting an absolute scope 3 target for gas (although we note that they have set an absolute scope 3 target for oil) and we view the retirement of their 2035 target as a negative step. As a result, M&G decided that a vote against Shell's climate transition plan was warranted to signal to management that, while we are supportive of the progress made to date, more needs to be done to ensure alignment with 1.5 degrees.

Oil and gas company BP did not have a say on climate vote this year and no shareholder resolutions were filed.

Europe

Directors

As well as board director re-election resolutions, European companies often have specific resolutions for approving directors' committee membership. Concerns over both board and committee independence lead us to oppose re-election resolutions at a number of companies including banking and insurance company KBC Group, parcel locker service company InPost, aerospace parts manufacturer Montana Aerospace, industrial equipment business Alfa Laval, advertising and PR company Publicis Groupe, insurance company Zurich Insurance Group, airport operator Flughafen Zuerich, logistics and shipping company Kuehne + Nagel International, elevator manufacturer Kone Oyj, pharmaceuticals company Novartis, security services provider Securitas and telecom company Telefonica.

A number of governance concerns at luxury goods business Compagnie Financiere Richemont included the re-appointment of the company's former finance chief to the board and to the board's audit committee. Our concerns over conflicts of interest led to us opposing the election. We also opposed a non-independent director who sat on the remuneration committee, and the auditors due to their long-term tenure.

As in previous years, we abstained on the re-election of two directors at jewellery retailer Pandora due to concern over performance in their roles.

Renewable fuels company Neste, Kuehne + Nagel International and Montana Aerospace were subject to negative voting over low levels on diversity on the boards.

Remuneration

At a number of companies we voted against remuneration related resolutions across a range of issues including severance arrangements, unjustified rewards, insufficient disclosure, and pay structures and amounts. Companies where we decided not to support remuneration resolutions included oil tanker shipping company Frontline, steel pipes manufacturer Tenaris, Kone Oyj, media and entertainer Vivendi, logistics provider ID Logistics Group, auto companies Volkswagen and Stellantis, infrastructure and renewables company Corporacion Acciona, renewable energy provider Energias Renovables, biotech company Genmab and pharmaceutical company Galapagos.
We also voted against the remuneration of semiconductor equipment manufacturer BE Semiconductor Industries, due to concern with a discretionary award to the chief executive, and its notable that some 66% of shareholders also opposed. Other companies experiencing significant dissenting votes around remuneration included event management and ticketing company CTS Eventim and eye care company Alcon. At energy producer S.P.E.E.H. Hidroelectrica we opposed the approval of the variable remuneration component for supervisory board members, as there was a possibility to pay non-executive directors in variable remuneration. In addition to opposing the remuneration and remuneration policy resolutions at consumer internet group Prosus, we also opposed the re-election of the remuneration committee chair. Our concerns at the internet business included, quantum, structure and exit arrangements. The proposed one-off moonshot award for the chief executive in particular was unjustified in our view.

Capital

During the year we opposed three resolutions proposed by the management at shipping company Frontline, specifically those pertaining to the issuance of equity and debentures, due to potential excessive issuance without pre-emption rights. Logistics provider ID Logistics Group, energy infrastructure provider Friedrich Vorwerk Group, real estate developer Unibail-Rodamco-Westfield, real estate investment trust MONTEA, distiller Remy Cointreau, student housing provider Xior Student Housing, insurance company Tryg and financial services provider UBS Group also sought shareholder approval to issue shares without pre-emption rights that exceeded our 10% guideline, and we decided to oppose the resolutions.

We voted against the repurchase of shares at biopharmaceutical equipment provider Sartorius Stedim Biotech as there was concern that the share repurchase programme could be used during a takeover period.

Shareholder rights

Diagnostic solutions provider DiaSorin called a special shareholder meeting at which it sought to amend its articles using COVID-era provisions to the effect that shareholders would not be able to participate effectively in shareholder meetings. We felt that such a reduction in shareholder rights was unacceptable and our votes counted among the 27% that opposed the proposed changes.

We have long had reservations with regard to loyalty shares and share classes providing enhanced voting power. Construction materials manufacturer Buzzi sought to change its articles so that shareholders with shares held for two years receive two votes per share and we opposed the resolution. Buzzi was also among a number of companies that proposed to allow for virtual-only shareholder meetings. Other companies included electricity provider VERBUND, stainless steel manufacturer Outokumpu, energy solutions provider Alfen, laboratory instruments manufacturer Tecan Group, financial services provider Erste Group Bank and oil and gas company OMV. We opposed all these proposals. Our position is that companies should not enshrine this in their constitutions, but should seek annual authority from shareholders.

Shareholder resolutions

In Europe, we supported a shareholder resolution at logistics and transportation company DSV to 'Report on Efforts and Risks Related to Human and Labor Rights'as we believe enhanced reporting would be beneficial to shareholders. The board recommended support for the proposal.

Shareholders in food and beverage leader Nestlé proposed a resolution that would require the company to produce a report on non-financial matters and disclosing specific KPIs. We voted against as we felt the resolution was too prescriptive.

Turning to climate, infrastructure and services provider Ferrovial and real estate investment company Gecina both put forward resolutions that we supported. However we decided to oppose the climate transition plan resolution at energy major TotalEnergies. While we consider the company to be best-in-class within the industry with respect to climate, with long-term targets alongside the net zero commitment by 2050 being more concrete than some of its peers, our view is that the reduction should be more ambitious.

ShareAction filed a shareholder resolution at Yara, the Norwegian ammonia and fertiliser company, asking the company to commit to publishing science-based targets to reduce its scope 3 emissions over the short, medium, and long term, in line with the ambition to limit global temperature rise to 1.5°C. Yara does not have an upstream scope 3 target but it does have a downstream target of a 11.1% reduction by 2030, which covers 71% of scope 3. M&G is collectively engaging with Yara through NZEI and in our last meeting with the company in 2023 our understanding was that the company would publish an updated transition plan in 2024 with scope 3 targets, once the methodology from SBTi was finalised. In light of this, we did not consider the ShareAction request through a resolution to be additive to what we were already expecting from the company and voted against.

North America

Takeovers

We supported the acquisition of hydrocarbon exploration company Pioneer Natural Resources by oil and gas major Exxon Mobil and the merger of equals between real estate investment trusts Physicians Realty Trust and Healthpeak Properties. We did, however, oppose the advisory votes on golden parachutes, as we were concerned by the change-in-control provisions and the possibility for accelerated vesting.

We supported the acquisition of energy producer Southwestern Energy Company by Chesapeake Energy Corporation and the acquisition of engineering software company Ansys by design automation company Synopsys. With the vote at global energy company Hess on its acquisition by Chevron, we abstained in light of Exxon's legal claim of right of first refusal on Hess's assets in Guyana.

We supported a resolution pertaining to the merger at food and beverage company Kellanova as we believed the proposal is in shareholders' best interests.

Board

A proxy contest was initiated at communications infrastructure provider Crown Castle with dissidents alleging that the board lacks relevant skills, which has led to a number of poor decisions. We elected to support the board as the dissidents did not provide sufficient rationale for a change in leadership in light of recent appointees to the board and a new chief executive. Medical technology company Masimo was also targeted by a dissident shareholder who sought to remove two directors and replace them with two nominees. We decided to support the nominee directors who, in the event, were voted onto the board by shareholders.

Concerns relating to board independence, shareholders' rights, and gender diversity were reflected in our opposing the election of directors at certain US companies. We decided to oppose the re-election of apparel and footwear company VF's chair due to concerns over independence on the board and over gender diversity.

Similar concerns led us to withhold our support at technology solutions provider Trimble and data storage solutions Western Digital Corporation. The long tenured chair of digital security provider Gen Digital sits on the audit committee which, in our view, should be entirely independent; and given this concern we decided to oppose the director's election. Lack of female representation on the board was the particular concern at industrial gases company Linde, payroll services provider Paychex, data storage solutions Seagate Technology, data storage solutions company Lam Research, process control equipment company KLA Corp, and electronics manufacturing services Fabrinet; leading us to oppose the respective nomination committee chairs. Following an engagement with natural gas distributor Atmos Energy, we concluded that the current company progress on board diversity was insufficient, which we escalated by voting against the chair of the nomination committee. However, we felt it appropriate to be supportive at steel producer Steel Dynamics, with whom we also engaged with on board diversity, and has subsequently appointed another female director to the board.

Remuneration

One of the most high profile meetings held was undoubtably electric vehicle manufacturer Tesla. Following a Delaware court ruling which nullified chief executive Elon Musk's controversial pay package due to concerns that shareholders were not sufficiently informed, Tesla put the package for re-approval at the 2024 AGM. We voted against over concerns that the quantum, estimated at an unprecedented $48 billion, was excessive. We also opposed the proposed change of state of incorporation from Delaware to Texas, as we felt it lacked sufficient justification. We opposed a number of other pay resolutions at companies, including enterprise software company Open Text, food manufacturer Conagra Brands, semiconductor solutions company Broadcom Inc., diversified technology company 3M Company, investment management company BlackRock, e-commerce platform Etsy, Inc. and data management solutions NetApp, over various concerns ranging from quantum and structure to disclosure and use of discretion.

Shareholder proposals

The North American shareholder AGM continues to attract attention from activist investors. This years' proxy season saw a marked increase in resolutions related to artificial intelligence and health and safety, while submissions on drug access, human rights and healthcare equality have decreased. Building on last year, anti-ESG proposals have continued to increase, albeit receiving very low levels of support.

Tech companies

The advent of recent widespread adoption of language learning models by the general public has increased scrutiny of AI-governance from investors. The big tech companies, who in the past year have been embroiled in various controversies related to data governance and AI, have become a focus of shareholder activism. At tech companies Meta Platforms and Alphabet, shareholders requested a report on how the companies manage risks related to disinformation and misinformation disseminated from artificial intelligence. Due to the increasing regulatory and reputational risks associated with the use of generative AI we supported the proposals, as increased transparency on company practices would help shareholders assess how the company manages related risks. Tech company Apple also faced a shareholder resolution asking for a report on the company's use of AI. Again, we decided to support as, in our view, additional disclosures could help shareholders understand how the company manages related risks. Similarly, AI and copyright issues were at the heart of a conflict in Hollywood which sparked a 118 day long strike in 2023 by the Screen Actors Guild. Against this background, we supported proposals at entertainment companies Netflix and Warner Bros, requesting enhanced disclosures around the use of AI and related ethical guidelines.

Another subject that has garnered significant media attention is online child safety. Meta has faced lawsuits in several states and fines from the EU for breaches related to data collection from minors. To address this issue, shareholders requested that Meta report on quantitative metrics to assess whether the company has improved its performance in relation to child safety impact and harm reduction. Given the recent negative publicity surrounding this issue and the importance of preventing harm to children, we supported this initiative. Software and technology company Microsoft faced a number of shareholder resolutions that the board opposed. We decided to support the resolutions on human rights and AI accountability as, in our view, greater disclosure in these areas is appropriate. We opposed the other shareholder resolutions which concerned AI risks, Bitcoin and weapons development.

Employees

Following years of controversy around labour rights at online retailer Amazon, we supported a proposal requesting a third-party assessment on the company's commitment to freedom of association and collective bargaining. At the same meeting we also supported a third-party audit on working conditions at the company. For similar reasons we supported a resolution asking for an assessment of workplace safety at retailer Walmart.

We have continued to support shareholder resolutions on gender pay gap reporting, both for the unadjusted gap and the adjusted gap, as it could help companies identify bottlenecks to the advancement of pay equity between genders. Gender pay gap reporting has become a common feature of the proxy season in recent times, and during the year was an issue for shareholders to consider at semiconductor equipment company Applied Materials, Nike, Apple, consumer goods company Proctor & Gamble, food manufacturer Kellanova, shipping company UPS and beverage producer Pepsi among others.

At food products manufacturer Campbell Soup Company, we opposed a shareholder resolution requesting the publication of results from an independent audit assessing the effectiveness of the company's diversity, equity, and inclusion efforts, as the company's current efforts in these areas appear satisfactory.

Human rights

At American banks JP Morgan and Wells Fargo we supported resolutions asking the company to report on the effectiveness of the companies' policies related to human rights-standards for indigenous peoples. The banks were targeted for financing projects which have been criticised for lacking due consideration of the needs and rights of local communities.

At confectioner and food company Mondelez International we supported a shareholder proposal requesting a third-party report on the effectiveness of the company's human rights policy. The company has been criticised for operating in Russia following the invasion of Ukraine and the report could help shareholders better understand how the company's human rights policy is being applied and how related risks are managed.

Global sportswear leader Nike shareholders were asked to consider a resolution calling for a report on supply chain management and human rights commitments; and another resolution on operating risks in certain countries. We were supportive of both resolutions.

Climate

We have been supportive of resolutions asking companies for enhanced disclosure around decarbonisation, transition plans and emissions target setting. However, we have been wary of supporting resolutions we consider to be overly prescriptive, too narrowly focused or otherwise potentially harmful to shareholders. While we encourage the adoption of net zero strategies with robust interim targets, we do not wish to unduly restrict our investee companies' ability to realise their strategic objectives. To encourage more ambitious transition plans, we supported shareholder proposals at healthcare company Quest Diagnostics and utility company Southern Company, asking for the adoption of Paris-aligned targets. At Quest Diagnostics, the proposal received considerable support with almost 42% voting in favour. We have also supported proposals calling for enhanced disclosures on climate lobbying, as it could help shareholders assess whether lobbying activities are aligned with public company statements. Nike faced a shareholder resolution for a report on its sustainability targets which we believed to be in shareholders' interests.

Anti-ESG

The trend of anti-ESG proposals being filed has continued into 2024 with diversity and inclusion being particularly targeted. We voted against a number of such proposals, including a report questioning the fiduciary relevance of decarbonising company operations filed at membership retailer Costco, and a report on how greenhouse gas reduction policies impact revenues at agricultural equipment manufacturer Deere & Company.

Governance

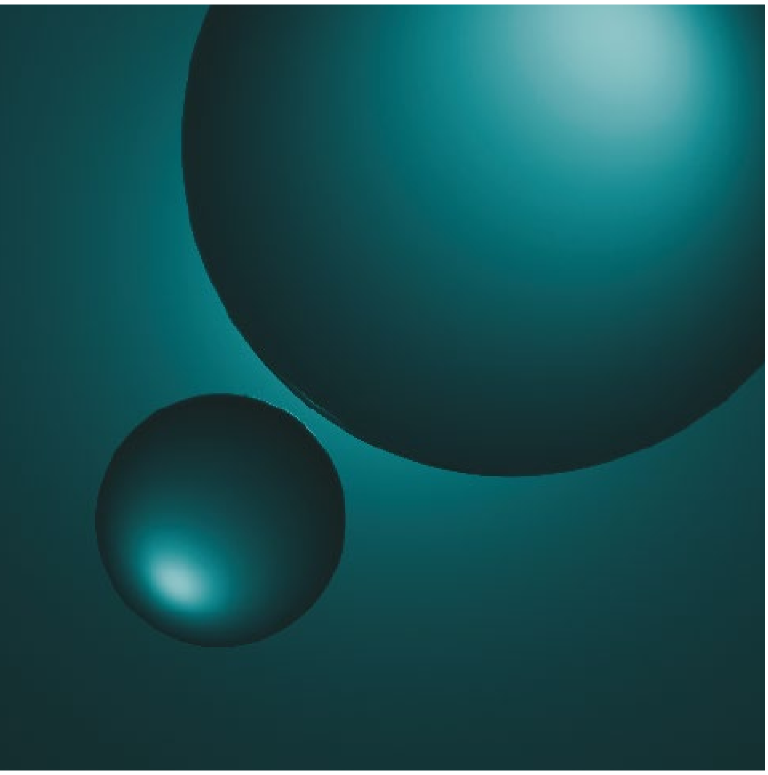
Governance proposals continue to be the most successful type of resolutions being filed at US AGMs in terms of shareholder support. We consistently support the declassification of boards, the separation of the roles of chair and chief executive, proxy access, and the right for shareholders to call a special meeting. This year saw more proposals asking for enhancements in clawback provisions and calling for advisory votes on severance packages exceeding a certain threshold. We have opposed proposals requesting written consent, as we believe convening a general meeting is better for shareholder democracy and transparency.

At the time of the AGM, shareholders in design software company Autodesk lacked the right to call a shareholder meeting. During the AGM in July, two resolutions – one proposed by the board and one by a shareholder – sought to grant this right, albeit with differing shareholding requirement thresholds. We voted in favour of the shareholder proposal, which requested a lower threshold of 15%. Ultimately, both resolutions were passed. We supported a resolution at data cloud services company Snowflake to declassify the board, and thereby increase directors' accountability. The resolution was carried despite the board's opposition. A shareholder resolution at pharmacy retailer Walgreens Boots Alliance, requesting that the board chair should be an independent director, was also supported.

To protect shareholders from excessive severance pay, we voted in favour of shareholder resolutions requesting change-in-control provisions to be put to an advisory shareholder vote at computer data storage producer Micron Technology, payment services provider Visa and agricultural equipment manufacturer Deere & Company.

Other

Following the withdrawal of one shareholder resolution at restaurant operator Darden Restaurants' AGM, shareholders had three to consider, one each on animal welfare, drug use and greenhouse gas emissions. Although all were opposed by the board, we were supportive. Two shareholder resolutions, one on agricultural practices and one on plastic use, which didn't pass were considered by food manufacturer General Mills' shareholders. We supported both.



Asia Pacific

India

In India, our voting decisions emphasized robust corporate governance and shareholder interests. We opposed the election of non-executive directors at automotive manufacturer Bajaj Auto and retail chain Trent due to concerns over excessive directorships, and for similar reasons, we opposed the chair of IT services provider Tata Consultancy Services. We believe in maintaining an appropriate balance between independent and non-independent directors on the board. Consequently, we opposed the election of non-executive directors at port management company Adani Ports, automotive manufacturer Mahindra & Mahindra, real estate developer DLF Ltd, consumer goods manufacturer Godrej Consumer Products, and airline operator InterGlobe Aviation. At aluminium manufacturer Hindalco Industries and automotive manufacturer Maruti Suzuki, we opposed the election of directors due to concerns regarding their extended tenure. We also opposed the board chair at electricity transmission company Power Grid due to concerns over low gender diversity on the board.

We took a firm stance on remuneration practices, opposing the remuneration of key managerial personnel at Hindalco, pharmaceuticals company Cipla, IT services provider Wipro, DLF, Trent, conglomerate Adani Enterprise, cable manufacturer Polycab, commercial vehicles manufacturer Ashok Leyland, and asset manager HDFC Asset Management due to concerns around excessive quantum without justification, non-disclosure of performance targets, metrics, vesting conditions, and one-time bonuses. At automotive manufacturer Tata Motors, IT services provider HCL Technologies, travel services provider TBO Tek, consumer goods company Godrej Consumer Products, and healthcare provider Apollo, we opposed employee share/options plans due to insufficient disclosure, mainly non-disclosure of performance and vesting conditions. We voted abstain at pharmaceuticals company Emcure Pharmaceuticals on proposals to approve amendment and ratification of employee stock option schemes on concerns over insufficient disclosure.

We supported the amalgamation and delisting of securities at steel manufacturer Tata Steel and financial services provider ICICI Bank respectively, as these mergers were considered beneficial for shareholders. Additionally, we opposed the proposed amendment of the articles of association at e-commerce solutions provider Unicommerce eSolutions due to disproportionate director appointment rights for promoters and financial investors.

Hong Kong and China

Corporate governance concerns were significant enough at packaging solutions provider Greatview Aseptic Packaging for shareholders to lodge resolutions to elect nominee directors, which we supported. Additionally, we voted against the chair of the board due to concerns regarding performance in the role. We also opposed a resolution to issue shares, as the potential discounted price was not in the best interest of shareholders in our view.

Gender diversity has been a major concern at Hong Kong listed companies and we voted against the election of the nomination committee chairs at brewery China Resources Beer, mining company MMG, and gas utility provider The Hong Kong and China Gas Company. Additionally, we opposed the election of the board chair at engine manufacturer Weichai Power and financial services provider Far East Horizon Limited.

At infrastructure investments CK Infrastructure, MMG, The Hong Kong and China Gas Company, investment management company First Pacific Company, and engineering services provider SINOPEC Engineering, we voted against the election of non-independent directors, as the majority of the board comprised non-independent directors, leading to serious concerns over board independence.

Employee incentive schemes at Far East Horizon, consumer electronics Xiaomi Corp, and health tech company Alibaba Health Information Technology were opposed due to inadequate performance criteria and vesting periods. At biopharmaceutical company Hutchmed (China), we opposed accepting financial statements and statutory reports, as well as the election of the remuneration committee chair, due to the lack of a separate vote on remuneration and insufficient remuneration disclosures.

Concerns over inaction to understand, assess, and mitigate risks related to climate change at cement producer Anhui Conch Cement Company, a CA100+ listed company, led us to abstain from approving the report of the board of directors. At investment management company First Pacific Company, we opposed an issue related to an acquisition due to insufficient rationale and the absence of specified returns.

Australia

Energy company Woodside Energy Group lacks tangible plans to reduce scope 3 emissions and continues to focus on oil and gas production. As one of the largest greenhouse gas emitters identified by CA100+ and included in our Hot 100 list, we voted against the management's climate transition action plan and 2023 progress report.

We opposed the election of the remuneration committee chair at iron ore producer Champion Iron due to ongoing problematic pay practices. During the proxy season, we also opposed the remuneration report and issuance of performance rights at property group Goodman Group due to excessive quantum, the remuneration report at biotech company Mesoblast due to inconsistencies with market practices and the issuance of additional performance rights to the CEO at lithium producer Pilbara Minerals due to retrospective adjustments to long-term incentive awards.

Uranium development company Bannerman Energy failed to pass a resolution to amend the company's constitution, which included a provision for virtual-only shareholder meetings. 69% of shareholders, including M&G, did not support the amendments.

Several companies faced shareholder proposals on climate and environmental issues. At energy infrastructure provider APA Group, we voted against a proposal for reporting on planned capital expenditure to meet climate commitments, finding it too speculative and burdensome. Supermarket chain Coles Group faced two proposals, both of which we opposed. One on nature-related disclosure due to government scrutiny and efforts to reduce salmon sourcing. The other on farmed salmon sourcing. At banking groups National Australia Bank and ANZ Group, proposals to approve transition plan assessments were opposed, as both have clear, established pathways. Mining company BHP Group received support for its climate transition action plan as it was meeting our expectations.

Thailand, Philippines and Singapore

In Thailand, we voted against the election of non-independent directors at banking service provider Kasikornbank due to concerns over board independence. In the Philippines, we opposed the chair of the nomination committee at GT Capital due to low levels of gender diversity on the board. In Singapore, we opposed the issuance of equity or equity-linked securities at Yangzijiang Shipbuilding due to excessive issuance and lack of pre-emption rights, and we opposed the election of three non-executive directors at NetLink NBN Trust due to the company's poor performance.

Japan

Board

In Japan, we opposed the election of directors at advertising agency Dentsu Group, industrial machinery producer Sumitomo Heavy Industries, motorcycles manufacturer Yamaha Motor, personal care producer Kao Corp, and pharmaceuticals company Otsuka Holdings, as there were concerns over independence due to cross-shareholdings. At IT solutions provider TRYT, we opposed the resolution on income allocation, as we had concerns over levels of transparency.

Airline company Skymark Airlines is unusual in that the board doesn't include any female directors and particularly disappointing that this is despite a number of recent new appointments to the board. Consequently, we decided to oppose the chair. Diversity was also an issue at office equipment company Brother Industries, high-speed rail Central Japan Railway and printing company Dai Nippon Printing and in each case, because Japanese company boards typically don't establish nomination committees, we opposed the board chair.

Shareholder proposals

Credit card issuer Credit Saison, a payment services company, faced eleven shareholder resolutions, all of which were based on the controversy of fraudulent loans at Suruga Bank. In the main, our view was that the resolutions were not justified, although we did support the resolution on remuneration disclosure.

Another company to see multiple shareholder resolutions on the agenda was food producer Toyo Suisan Kaisha where capital management was the subject for each. We voted in favour of three of the four resolutions, declining to support the resolution on directors' remuneration.

Dai Nippon Printing was also subject to a shareholder proposal to appoint an independent director, which we decided to support in the interests of greater board independence, despite the board's recommendation to oppose.

A shareholder in railway operator Keisei Electric Railway proposed a resolution that would have required the board to reduce its stake in a property asset with the aim of improving capital efficiency and allowing the asset to be shown at true value in the accounts. After engaging with the company we decided to support the proposal and also to vote against the chair in concern over capital allocation.

Both banking groups Sumitomo Mitsui Financial Group and Mitsubishi UFJ Financial Group had the same two resolutions proposed by a shareholder. The first related to how climate knowledge is factored into the nomination process. The second required action on the companies' assessment of clients' climate transition plans. We voted in favour of the first, which we considered would be useful information, and against the second which we considered to be unjustified. Automotive manufacturer Toyota Motor also faced a climate-related resolution that would have required it to report on climate lobbying. We considered enshrining this in the company's articles would be inappropriate and opposed.

Rest of world

Board

At Mexican automotive parts manufacturing company Nemak we opposed the bundled resolution to elect directors and approve their remuneration, as there was concern over a lack of accountability. Similarly, we had reservations over board independence at Mexico's Fibra Uno Administracion leading us to oppose board resolutions. Board independence was also a concern at South African companies Resilient REIT and Absa Group, leading us to reject resolutions.

We supported a partial spinoff at multinational conglomerate Alfa SAB as we believed it was in the best interests of shareholders.

Brazilian telecommunication services company TIM proposed an executive long-term incentive plan that in our view lacked transparency in terms of administration of the plan and disclosures relating to performance metrics. As such we declined to vote in favour. Another Brazilian company, 3R Petroleum Oleo e Gas, held two shareholder meetings during the second quarter. At the AGM in April, we opposed the remuneration report due to inadequate disclosure. At the EGM in June, we opposed the bundled resolutions to elect the directors in light of the board not including any female directors; and the remuneration related resolution due to concerns over structure and disclosure. We supported the resolution concerning the various merger activities. Infrastructure company CCR didn't meet our expectations in terms of independence and remuneration disclosure and we decided to vote against a number of resolutions.

UK Remuneration

During the year we received consultations on 44 new proposals from remuneration chairs, with subsequent follow-up letters and emails. The majority of these proposals related to full policy reviews, however there were a significant minority that related to specific elements of remuneration, for example salary changes for the executives. We had a total of 16 remuneration-specific meetings during the year in direct response to these proposals. Of note, we are members of the Investment Association's (IA) Remuneration and Share Schemes committee, where specific concerns are discussed.

You can find our Remuneration Guidelines for UK Investee Companies on our **website**.

Principles of Remuneration

During 2024, M&G contributed alongside other members of the IA's Remuneration and Share Schemes committee to the IA's new Principles of Remuneration. Published in October, the new Principles and associated guidelines were developed to simplify the previous Principles, reflecting evolving practices in the market and the expectations of investors, and ensure they support a competitive remuneration environment.

The updated Principles have three overarching principles, ensuring remuneration policies:

- Promote long-term value creation through the delivery of the company's strategy;
- Support individual and company performance within the context of sustainable long-term financial health of the business and sound risk management; and
- Seek to deliver remuneration levels clearly linked to company performance

The Principles are exactly that – principles and not rules. They encourage companies to engage with their major shareholders to explain why their approach to remuneration is the right one.

UK competitiveness

A theme which has been running for a number of years now is that of UK remuneration in the context of a wider global comparison. This does not go solely to the level of total compensation, although that plays a part, but also to the structure of the remuneration policy. This has been reflected in a number of new policies for global companies or companies whose majority of operations and/or executives are based overseas, particularly in the US. While not exclusively, this has manifested in increased use of hybrid plans, something we highlighted in last year's report.

We maintain an open mind when it comes to reviewing new proposals on remuneration and judge each situation on a case-by-case basis, encouraging remuneration committees to engage and provide the justification for why they have chosen the structure that they have.

During the year we voted against both remuneration policies, for example PureTech Health plc where we had concerns over the new structure for both executive and non-executive board members; and also the remuneration report, for example Hutchmed (China) where we felt there was insufficient disclosure regarding executive remuneration.

Other engagement activities

We continue to remain committed to working collectively with investors, both in the UK and globally, where it is in the interests of our clients to do so, and we are supportive of collaborative engagements organised by representative bodies including the Investor Forum, Climate Action 100+ and Nature Action 100. Members of the Stewardship & Sustainability team participate and contribute to a variety of external committees related to shareholder issues, while also taking part in conferences, conventions and roundtables, among others. It is in the interest of our clients and society as a whole to have well-functioning financial markets. It is also important for us to engage with regulators, government officials and other important stakeholders to ensure the best outcomes for clients.

We are members of the Investment Association (IA) and sit on a number of their committees, including the Board; Investment Committee; Sustainability and Responsible Investment Committee; Stewardship Committee; Corporate Reporting and Audit Group; and Remuneration and Share Scheme Committee.

We were co-chairs of the International Corporate Governance Network (ICGN) Natural Capital Committee. Under its new leadership, ICGN has reorganised its committee structure and has disbanded the natural capital committee with M&G's support. As a result M&G joined the Global Policy Committee.

We are also members of the Institutional Investor Group on Climate Change (IIGCC), where we participate in the Corporate Programme Advisory Group and the Real Economy working group.

In addition, we have inputted into various responses and attended a number of roundtables relating to UK-focused consultations, such as the changes to the UK Public Offers and Admission to Trading Regulations (POATRs), which is replacing the UK Prospectus Regulation and changes to the FRC's Stewardship Code.

Set out below is a summary of these activities, which have been split between those focused at a market level and those at a company level.

Market

Investment Association (IA)

IA Stewardship Committee

The IA Stewardship Committee engaged in extensive discussions about its role and strategy. Key strategy points included setting clear expectations, addressing the disconnect between investment and stewardship teams, and simplifying burdensome reporting requirements. The committee placed great emphasis on the importance of making stewardship reports more decision-useful for clients and suggested directly engaging with them to understand their needs better. Updates to remuneration principles and the IA's share capital management guidelines in light of the FCA's proposed changes to listing rules were also discussed. Interim changes to the FRC's Stewardship Code aimed at simplifying reporting received general support, though concerns about the potential downgrading of collaboration and escalation were noted. Other topics included the Pension Regulator's review of ESG compliance by pension scheme trustees, the new FCA Listing Rules, governance of share buybacks, and oversight of investee companies regarding AI. The FCA appears to be trying to codify and quantify stewardship through new regulation such as SDR, and at the same time the FRC, through its consultation on the Stewardship Code, appears to be making stewardship less prescriptive, more higher level and nuanced. The committee seems to be broadly supportive of the proposed changes to stewardship reporting; most concerns are regarding the definition of stewardship.

IA Remuneration and Shares Committee

The IA Remuneration and Shares Committee focused on revising its Principles of Remuneration, the focus has been on trying to simplify the drafting by removing duplication or where points are covered by other legislation or guidance eg, the Corporate Governance Code. There has also been an effort to strike a more collaborative tone and achieve a balance between flexibility and appropriate guard rails. However, there is unlikely to be many material changes to the expectations of what 'good' remuneration looks like. One such example is removing the 5% limit within the overall 10% dilution limits. A general discussion on recent remuneration policy consultations continued, one of the key points were differences in approach to consultation, disclosure and justification for the changes. Feedback on the updated Principles was broadly positive from companies, advisers, and the media, with a specific discussion on share buybacks and the treatment of shares held for treasury. The committee noted that rationales for new policies have been lacking and identified this as an area for improvement in future consultations.

Institutional Investor Group on Climate Change (IIGCC)

Corporate Programme Advisory Group

The IIGCC provided a brief overview of the objectives and forward-looking plans for the three stewardship research working groups: bondholder stewardship, proxy voting, and asset owner stewardship. The IIGCC gave an update on the Bank's Working Group 2023 activities and 2024 plans, focusing on research, analysis, and engagement, with a strategy to include regulators and more Asset Owners. The group discussed expanding the Net Zero Engagement Initiative to cover more companies, de-prioritising existing ones, and clarifying the role of participating investors compared to other initiatives.

Chemicals Working Group

The IIGCC's Chemicals Working Group hosted its first cross-initiative working group call, welcoming members from CA100+, NZEI, and NA100 chemicals investors. The focus of the meeting was on the nature impacts of chemicals, with presentations from organisations including Change Chemistry and ChemSec.

Change Chemistry addressed the significant challenges and opportunities within the chemical industry, particularly focusing on PFAS (Per- and Polyfluoroalkyl Substances) and the environmental justice issues they present. Key points included: Challenges: Regulatory frameworks, chemical transparency, and market awareness are major hurdles. Transitioning to alternative investments is costly, and incumbent chemicals are deeply entrenched due to their efficiency.

- Economic Impact: PFAS-related damages and liabilities are substantial. The industry represents trillions of dollars in investment, and transitioning to safer alternatives is expensive.
- Growth and Innovation: There is a clear growth area in green chemistry, with companies like Unilever showing significant value creation. However, externalities are not integrated into current economic models, and market-driven work is crucial due to the lack of regulatory push.
- Education and Awareness: Emphasised the importance of understanding the chemical industry and economic externalities. The need for accurate risk pricing and the development of tools to scale hazard data was highlighted.

ChemSec focused on its ChemScore initiative, which ranks the 50 largest chemical producers based on their development of safe alternatives and transparency. The ChemScore initiative ranks companies and encourages the reduction of financial exposure through increased transparency, publishing time-bound phase-out plans for persistent chemicals, and developing safer solutions. ChemSec, with its investor working groups, engages with companies intensively to promote the adoption of safer chemicals and better practices. ChemSec iterated the importance of understanding and mitigating adverse impacts on biodiversity.

The meeting highlighted the need for continued education, innovation, and active engagement to drive sustainability in the chemical industry, ensuring long-term economic and environmental benefits.

European Policy Working Group

Through our participation in the European Policy Working Group (EUWG) convened by the IIGCC, we advocate on material topics for investors including sustainable finance regulation, creating incentive structures to direct more capital towards the transition and sectoral policies to support delivery of climate targets.

For example, following discussions through the EUWG during 2024, the EUWG convened in Brussels in January this year to represent investor perspectives on key policy priorities to newly appointed Commissioners and other senior officials to support shaping of the incoming 'Omnibus Package' of reforms to sustainable finance regulations. Updates and items raised include progress on the European Green Deal and the Clean Industrial Deal and legislative sector targets (eg, automotive); increasing capital flows to adaptation and resilience finance and strategies to remain competitive along the decarbonisation journey. In particular, M&G was able to contribute on lessons learned from the use of the IIGCC Net Zero Investment Framework ('NZIF') as a tool to support investors to assess how portfolios are positioned to achieve net zero including the credibility of transition plans.

30% Club

30% club provided an update on the Race Equity Engagement Working Group, which M&G participates in – this group is engaging with the FTSE250 companies that are currently not meeting the Parker Review. Within the collaborative engagement, 23 companies are compliant as of December 2023, 11 commitments have been received and there are 16 laggards. 70% of the FTSE250 has achieved the Parker Review Target. We are also members of the Fix the Exec Working Group. This group previously identified data as a challenge, given no readily available data on executive-level diversity. However, following regulatory changes (FCA listing diversity disclosure rules), the working group was in the process of trying to gather this data manually in 2024. Parallel to this, engagement with data providers is seen as crucial. The focus of the wider 30% Club group has moved to beyond the board and beyond gender, focusing on top executive level. An external speaker from WBA explained the key findings were that performance on gender equality is dismal. In most companies, women are underrepresented, and their concerns are unheard. M&G will continue to work closely with the group and participate in the working groups.

Knowledge and Research Initiatives

The UK Investor Group as part of the 30% Club continues to prioritise enhancing knowledge and research capabilities. The group invited several guest speakers to provide insights on gender diversity and corporate governance. There has been stronger emphasis placed on the research element, aiming to gather comprehensive data and perspectives from multiple stakeholders on voting practices. This initiative will help the group better understand the landscape and drive informed decision-making.

Engagement Efforts

Engagement focus has evolved beyond board representation to include key power roles attributed to women. The Fix the Exec working group has been diligently working to gather data on companies' executive levels. The primary goal remains to target FTSE 100 companies with less than 50% women on their boards and no ethnically diverse board members. Engagement letters are being sent by working group leads and co-chairs, with company meetings kept targeted and meaningful.

Global Action and Collaboration

The global engagement group concluded its activities this year due to alignment concerns with the UK 30% Club's terms of reference. However, there is significant interest from other investor group chairs globally to establish a new global engagement group. This group would bring together participants from various global chapters to collaborate on engaging with key laggards in different markets. This initiative will be particularly beneficial for smaller chapters like Ireland and France.

CDP

M&G attended a 'Nature for Corporate and Financial Resilience' webinar which focused on how CDP is looking to align its data with the 14 TNFD framework recommendations. In terms of the adoption timeline for nature-related disclosures, TNFD launched in September 2023, EU SFDR reporting on whether investments pose a risk to nature and biodiversity was required in 2023, and Finance for Biodiversity Pledges to engage with companies and integrate biodiversity into ESG policy was required in 2023. The data landscape and solutions continue to be a complex space, but generally we are now seeing mainstreaming of nature into investment decision making.

It is important for investors to consider the following questions: for biodiversity impact – how much am I impacting biodiversity through my portfolio? For nature risk – how much am I exposed to nature-related risks and how are they being managed? For bio-footprint – how do the activities that I am financing contribute to species loss and what risks can be identified? For biodiversity value at risk – what is the impact of future nature and biodiversity scenarios on the financial performance of my company or portfolio?

Key takeaways from the webinar included: TNFD and SBTN are strengthening the enabling of environmental for nature-related data collection from corporates. Tools are advancing using state of nature data and will only improve as more reported data becomes available, and investors can engage with companies to encourage increased disclosure. CDP is making integrated climate and nature reporting operational, in line with standards and frameworks.

ICGN

Global Stewardship Forum

The ICGN global stewardship forum gathers asset managers, asset owners and other industry experts to discuss trends and best practices on topics related to investor stewardship.

M&G attended the Forum's first day which in its first half covered AGM practices and its implications for shareholder rights. Some of the panellists raised points around the importance of geography for attendance rates and access to AGMs and how body language can be an important insight into who is most influential on the board. Others flagged costs and technical limitations of hosting hybrid meetings. The panel comprised of representatives from OECD's capital markets division, Sodali & Co and Etica Sgr.

The second half of the conference was centred around how to assess the credibility of climate commitments. Panellists highlighted the difficulty of assessing climate transition plans that shareholders put up for a vote, including what potential implications and interpretations the vote has. The importance of including scope 3 into the assessment was also emphasised. The panel comprised of representatives from Brunel Pension Partnership, Nuveen and Glass Lewis.

Natural Capital Committee

The committee met to review ICGN's latest draft of the new viewpoint and agreed on three case studies: deforestation, water and an example of best practice - potentially AstraZeneca.

ICGN under its new leadership has reorganised its committee structure and has disbanded the natural capital committee with M&G's support. The four areas that ICGN are going to focus on are: 1) Strong and effective boards, 2) Protecting shareholder rights, 3) Reliable reporting and 4) Best practices in investor stewardship. M&G has joined the Global Policy Committee.

Governance Fundamentals

The ICGN ran a session on government fundamentals facilitated by the head of stewardship and sustainable investment strategy at Redington and a senior advisor to the Investor Forum. The first session of the governance fundamentals course focused on the nomination committee, with the discussion centred on the agency problem and the necessity of structured governance as companies grow. The complexity of corporate operations demands robust oversight and controls to prevent agents and intermediaries from prioritising their own interests over those of the company. This misalignment historically led to the creation of the Corporate Governance Code, which aims to promote the long-term best interests of the company by creating value within the business, rather than merely boosting share prices. Directors are tasked with promoting the company's success while considering the interests of both shareholders and stakeholders, including employees, suppliers, and customers. The typical board agenda encompasses financials, strategy, and governance. Board independence is crucial and can be compromised if a member holds an executive role, is a former executive without a sufficient gap, or provides contractual or professional services to the company.

London Conference

ICGN held its annual conference in London in July, which was introduced by the new ICGN Secretariat chief executive. The three-day conference ran a series of panel discussions covering a range of governance topics. A major topic was AI, where there was the launch of the draft Coffee House Consensus, a short document developed by global investors to assist in the responsible development of AI, and a panel discussion on some of the key areas investors should look at when speaking to companies on this topic.

Green Finance Institute/TNFD

M&G met with the UK market engagement lead for the Green Finance Institute (GFI), which houses TNFD. On TNFD, GFI encourage companies to start disclosing and there are no set guidelines for reporting. However companies should set their own pathway for the next three years.

UK Endorsement Board Advisory Group

The agenda for the UKEB Advisory Group meeting included a discussion on the Business Combinations Draft Comment Letter which seemed overly complicated, the Exposure Draft to amend IFRS 19, Intangibles, on which we agreed impairment tests should only be for material acquisitions, scoping for a goodwill project and a discussion on accounting for Power Purchase Agreements.

Department of Energy Security and Net Zero

M&G plc responded to the Transition Finance Market Review (TFMR) Call for Evidence, which was an independent market-led review commissioned by the HM Treasury in the UK and the Department for Energy Security and Net Zero, and hosted by the City of London Corporation. In our response we highlighted the importance to create the right incentives and investment opportunities in the real economy for transition plans and other frameworks to be impactful, as well as that transition finance focus should be placed on the decarbonisation of high emitting or hard to abate sectors. Transition finance must not support financial products and services which are not truly aligned with the net zero transition timeline, or have real-world impact.

All Party Parliamentary Corporate Governance Group

We heard from three speakers at the annual lunch: the chair of Spire Healthcare and ex chief executive officer of Kingfisher; a capital markets lawyer and member of CMIT; and a member of the House of Lords who sits on the Financial Services Regulation Committee. Key points raised by the speakers were: London has a good ecosystem and is geographically in a good time zone; valuation is an issue – there is too much capital invested in gilts relative to equities, and there are redemptions in UK equity funds so companies feel vulnerable to incoming M&A; remuneration is not an issue; the FCA needs to think how London, as a strategic asset, can work; we all need a positive mindset; the new corporate governance code has come out too soon – we need to think through new regulation; and finally we need help with ideas such as ISAs and stamp duty.

Financial Conduct Authority

We have been active in responding to the recent FCA consultations on the Listing Rules (2023) and last year the consultation on the Public Offers and Admission to Trading Regulations (POATRs). These responses have typically been through organisations that we are a member of rather than direct. As part of the consultation process, we have joined a smaller working group of market participants undertaking a deeper dive on particular areas of the POATRs, which has been running towards the end of 2024 and into 2025.

Financial Reporting Council

During 2024 the FRC embarked on a consultation process for its stewardship code, which was last updated in 2020. The consultation process began with a number of meetings and roundtables with interested participants, of which M&G attended a number. This first stage of consultation was designed to gather input which could shape and focus on key priorities for the formal consultation, which was launched in November 2024.

We submitted our own response to the consultation, as well as contribute to responses from member organisations such as the Investment Association. We were broadly supportive of the changes the FRC is looking to implement.

NC3Rs

The NC3Rs was established by the UK government in 2004 to accelerate advances in replacing, reducing and refining the use of animals in research and testing (commonly referred to as the 3Rs). It works with the scientific community to replace the use of animals through the development of new approaches and technologies. Where the use of animals is unavoidable, it works to reduce the number of animals used in each experiment and to minimise any pain, suffering or distress that the animals may experience. The latter is referred to as refinement and it applies not only to the scientific procedures that are conducted on animals but also how they are bred, transported, housed and cared for.

We met with the organisation's director of science and technology and its head of innovation to gain a deeper understanding of the work it is undertaking, including how 3R practices have evolved since 2004, and how it has helped in that advancement. At a high level, the organisation funds 3Rs research; supports innovation through 'CRACK IT' challenges funding competitions; trains early career researchers; undertakes its own research projects; provides peer review and advice services; and provides comprehensive information and tools to put the 3Rs into practice.

While different countries are at different stages in their approach to the 3Rs, generally new medicines without animal testing are very much the minority at this point, with regulators remaining rightly conservative. However, as the evidence base increases - for example through safe harbour testing, where both animal and non-animal tests are conducted simultaneously - the expectation is that we are steadily moving away from this. And this is not purely an ethical consideration. We have shifted from ethics to understanding that there is a huge scientific need to have models more predictive of humans, rather than animals, which also lead to faster timelines and reduced attrition.

SDR

We have participated in numerous industry discussions with the IA, UK Sustainable Investment and Finance Association and The Investing and Saving Alliance and participated in various conferences, as well as interacting directly with the FCA regarding the new Sustainability Disclosure Requirements (SDR) and investment labels. This participation took place during the discussion and consultation phase, including responding to the consultation paper, and we have then had an ongoing role in working with peers in the industry, trade associations and the regulator to help move the regulation forward into successful implementation. We have also supported distributors and other intermediaries in their understanding of the new regulatory regime.

Capital Markets Industry Taskforce (CMIT) Conference

The annual Capital Markets Industry Taskforce (CMIT) conference was held on 6 September. CMIT was established in 2022 with the aim to bring about capital markets reform in the UK to help companies start, grow, scale and stay. There were a number of speakers at the conference including the ex L&G chief executive who launched his Capital Markets of Tomorrow report; Emma Reynolds, the joint Treasury/DWP minister and Chris Kinder, the new head of the Investor Forum launching the new Investor & Issuer Forum. Some of the highlights to come out:

FCA, having launched the new Listing Rules, are continuing to look at the regulatory setup and working with government to help with the growth agenda. Current consultation out on the prospectus rules.

FRC undertaking a pre-consultation ahead of launching a formal consultation on the Stewardship Code. Looking at the purpose and definition of stewardship; where they can simplify it; reframe comply or explain to encourage companies to use this and make their case; retain a principles-based approach.

Investor & Issuer Forum: a coming together of investors and issuers to raise, discuss and solve overarching issues across the market.

UK pension schemes: invest a small proportion of their assets in the UK compared to many other domestic pension schemes and looking at ways to try and change this. A focus on value rather than simply cost; pension scheme consolidation. A significant increase in UK pension allocation to UK assets would still leave them well within historic norms.

ISS

The agenda of this year's ISS stewardship briefing included sessions on board accountability, recent proxy voting research trends, custom research policy options and how to embed ESG and stewardship within index investing.

The proxy season review captured the evolving landscape of corporate governance with the ISS regional research leads discussing remuneration trends, board diversity, say-on-climate votes, regulatory changes, voting rights and shareholder resolutions.

Key take-ways

UK	Europe	US
The IA is revising remuneration principles.	Executive pay highly contested, 'mega awards' at Prosus and Universal Music Group.	E&S-related proposals continue to increase but investor support is going down, driven largely by more 'anti-ESG' resolutions.
FRC stewardship code to undergo changes to ease reporting burdens.	Spain mandates 40% gender diversity by 2040.	Officer exculpation continues to be widely adopted.
Hybrid schemes being introduced for the first time.	New capital markets law in Italy affecting board renewals, meeting participation and voting structures.	Activist win rates have gone down.
Continued integration of E&S targets to STIs and LTIs in the FTSE 100.	ESMA continues to review the SRD and calls for European-wide Stewardship Code.	Nasdaq is tightening rules on 'Zombie SPACs'.

FAIRR

The Investor Action on AMR Initiative, co-signed by M&G and other institutional investors, has issued an open statement expressing significant concerns about antimicrobial resistance (AMR) as a systemic risk to investment portfolios, economic stability, and broader society. AMR, driven by the overuse and misuse of antimicrobials in humans, animals, and agriculture, poses a global threat comparable to climate change. The statement emphasises the urgent need for a 'One Health' approach involving all stakeholders, including governments, policymakers, intergovernmental organizations, academia, investors, and companies, to address the underlying drivers of AMR.

The investor community calls for renewed global efforts, coordinated action, and reaffirmed commitments to combat AMR. The statement highlights the potential economic costs associated with AMR, which could reach $100 trillion and lead to a 3.8% decrease in global GDP by 2050. Without effective antimicrobials, the foundation of modern medicine is at risk, with ten million people expected to die annually by 2050 due to AMR.

The statement outlines seven essential actions for policymakers: establishing an independent scientific panel on AMR, developing an international framework with science-based targets, reducing antibiotic use in agriculture, setting limits for antibiotic residues in wastewater, supporting a globally integrated AMR surveillance system, promoting research and development for new antimicrobials, and ensuring equitable global access to antimicrobials. These measures aim to mitigate the systemic risk posed by AMR, protect public health, and ensure long-term economic stability and value generation.

Company

Investor Forum

We are active members of the Investor Forum, a collective engagement association. The forum runs a number of engagements and organises company meetings for its members, and also arranges regular forums for educational purposes.

During this period, we participated in several company-led meetings organised by the Investor Forum:

- Vistry: We joined a call with the chief executive of Vistry, who was set to be appointed executive chair post the company's AGM. This call allowed the chief executive to explain the rationale for his appointment and provided an opportunity for questions.
- Pennon: We engaged in a call with the chair and chief executive of Pennon, covering various company and sector-related issues, including the company's decision to reduce its dividend following a fine.
- Severn Trent: As part of the IF's Water Working Group, we joined a call discussing the latest draft determination from Ofwat. We had participated in the company's equity raise earlier in the year.
- Burberry: We participated in a call with the chair of Burberry, following a period of poor trading performance, a change in chief executive, and the suspension of the company's dividend.
- Hargreaves Lansdown: We joined an engagement with Hargreaves Lansdown, which was subject to a takeover offer. We, along with a number of other investors, wanted to convey a number of messages to the chair of Hargreaves Lansdown ahead of any decision to recommend the offer. We had concerns over the value of the takeover, the structure, and what alternative options the board had considered beyond the takeover. We had also met with the chair bilaterally to reinforce this messaging.

Leadership Changes and New Initiatives

A new chief executive took over in September 2024. He was formerly a UK equity fund manager at Columbia Threadneedle, and met with us and other IF team members to discuss ways to enhance the Forum's effectiveness.

Additionally, the Investor & Issuer Forum (I&IF) was launched to bring together issuers and investors to address and resolve issues benefiting the UK capital markets.

Roundtables and Forums

We attended a roundtable with the Financial Reporting Council (FRC) and its new chief executive. The FRC had been conducting meetings to discuss the Stewardship Code and gather feedback ahead of a consultation it subsequently launched. The FRC aims to ensure the UK remains an attractive place for business, maintaining public trust in reporting, governance, and stewardship.

The Investor Forum hosted several Four O'clock Forums:

- Measurement, reporting and verification of Science Based Targets: a discussion led by EY. A few observations: (1) shift away from aspirational targets to pragmatic delivery of targets (2) market forces and interplay between companies and investors can oscillate focus; (3) bridging the gap between publicly available but backward looking data and the forward looking plan; and (4) SBT – early adopters seeing it as a badge rather than something to actually achieve; later movers have a better handle on and plan to deliver the transition.
- AI, Corporate Governance and Reporting: a discussion led by Falcon Windsor. A piece of research on the use of AI, Large Language Models, and corporate reporting. Key takeaways: not realistic to prevent people from using AI; publicly available LLMs should not be used for confidential information; LLMs should not be used to create certain elements of reporting eg, opinions; and anything that is created should be checked by humans
- Reducing emissions from natural gas flaring and venting: a discussion led by Energy CC. Despite climate pledges, international agencies that track flaring and methane emissions from the energy sector report little or no progress. The International Energy Agency finds that the energy sector is the most effective target for reducing methane emissions. Yet it reports that methane emissions from the energy sector rose in 2023 for the third year in a row, to almost record highs. The World Bank Global Gas Flaring Reduction initiative finds no global reduction in natural gas flaring since 2011 and a net increase in 2021. In 2022, it reported that global gas flaring volumes fell by around 3%. Energy CC has previously prepared reports on the super-emitters in Nigeria and argue that routine flaring continues and is offering to update its reports if asset managers are interested. Flaring is not just a global warming problem but also can be toxic at the local level.
- Audit Reports - Unlocking Insights: a discussion led by KPMG. KPMG highlighting what you can usefully determine from audit reports. Audit reports are addressed to shareholders and contain important information and responses to key areas of risk. Ten years ago they were fairly boiler plate but now richer in detail. They reflect what was important to the auditor to sign off the accounts – what estimates and judgements used; how auditors have challenged these; and insight into systems and controls.

PRI Spring Initiative

The PRI has launched a new collaborative investor engagement programme to halt and reverse biodiversity loss. The focus areas are deforestation and land degradation, systemic policy alignment and responsible political engagement. The first batch of 40 names are spread between Europe, Asia, the US and Africa in food, agriculture automotive, mining and chemical sectors that exert influence on deforestation and land degradation. M&G has signed up to a working group for Chinese vehicle manufacturer BYD.

Nature Action 100

NA100 ran a peer-to-peer learning session on the critical role of clean energy in driving demand for critical minerals and the implications for extractive industries amid the energy transition. The session highlighted that the shift towards critical metals necessitates a materials transition, which, if not managed properly, could create bottlenecks and threaten the energy transition. The discussion underscored the importance of biodiversity and social considerations at the company level, exemplified by the Cobre mine in Panama, where local protests against environmental impacts led to significant financial repercussions, demonstrating the increasing influence of local communities on mining operations and the necessity for miners to adopt standards like IRMA to mitigate risks. The speaker argued that climate and biodiversity issues are interconnected and should be integrated into companies' climate transition plans, with a pragmatic approach to disclosure expectations.

CA100+ PRI Global Group

M&G attended the CA100+ PRI Global Group Webinar. Key statistics were presented, showing that 80% of companies have set ambitious emissions targets. However, progress is slower in areas like detailed decarbonisation strategies, emissions reductions quantification, policy engagement, and just transition planning. During the webinar, the Transition Pathway Initiative (TPI) introduced Indicator 11, focusing on historical Green House Gas emissions reductions, with CA100+ companies generally scoring higher than PRI global group companies.

ShareAction

M&G co-signed the Ethnicity Pay Gap reporting investor letters, sent by ShareAction to a number of UK companies on behalf of the Good Work Coalition. The letters acknowledged the good work the companies are doing in terms of increasing ethnic minority representation on their boards and encouraged the investee companies to voluntarily disclose ethnicity pay gap reporting going forwards.

The letters were sent to companies ahead of each AGM, reiterating the view of Share Action's Good Work Coalition on Ethnicity Pay Gap reporting and requesting a meeting to discuss the topic.

Following from that, M&G joined three collaborative engagements to explore various issues pertaining to ethnic diversity, including aforementioned ethnicity pay gap reporting and the feasibility for signing up to the race at work charter.

ShareAction hosted a webinar for Carbon Tracker to present its views on climate accounting and audit assessment metrics for two chemical companies; Air Liquide and BASF.

BASF is the company of most interest to M&G as we are CA100+ co-leads. BASF has not identified any significant items where climate will have a material impact and, in Carbon Tracker's view, the financial statements are not aligned with net zero. Deloitte has highlighted the value of goodwill and the value of BASF's non-core oil and gas business (Wintershall Dea) which it is in the process of selling to Harbour Energy as the two key audit matters, but has not commented on any climate impact. Carbon Tracker suggests that shareholders should ask the BASF board and audit committee whether climate-related risks are included in risk controls and risk management systems, and does the committee discuss the impacts of climate with the business heads.

M&G attended a webinar hosted by ShareAction, focussing on the latest climate science. It was highlighted that the most hopeful scenario given current pledges is a 1.9°C warming. In light of this, financial institutions were urged to set ambitious targets despite the risk of missing them, as every temperature limit matters.

Corporate finance

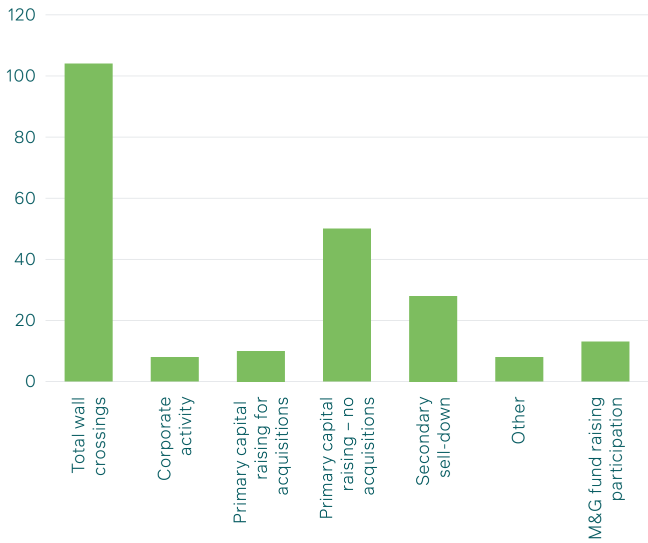
As part of our role as long-term investors, we play an important part in providing capital through the equity markets for the benefit of our investee companies and, therefore, our investors.

We are involved with companies at all stages of their evolution in the public markets, from the initial public offering (IPO), through periods of capital raising and expansion, to those companies being sold. In this way, we can provide equity capital to our investee companies to help fund their growth phases, and then recycle that capital back again into the market when we receive the proceeds for companies that are sold, often at a significant premium to the market price.

In order to effect these processes, we are prepared to be made 'insiders' and receive price-sensitive information by investee companies for short periods of time ahead of the information being made public. Typically, this is in relation to a transaction such as an equity capital fund raising, a takeover offer or some other significant event, for example a management change, where it is useful for the company and its advisers to try to seek support from major shareholders – whether to finance a transaction or get feedback ahead of a management change.

The Corporate Finance and Stewardship team acts as the primary contact point for the flow of this type of information into the equity investment team. The process of receiving price-sensitive information is known as 'wall crossing'. For the year in full, we were wall-crossed in respect of 104 companies in relation to proposed transactions or other significant events prior to them being made public. Of these, 60 were related to equity capital fund raising with 10 of those specifically funding acquisitions. There were 28 related to secondary placings. We participated in 12 of the primary issues and one of the secondary placings.

2024 wall crossings



Mergers and acquisitions (M&A) and fund-raising case studies

E-therapeutics

E-therapeutics, a UK company integrating computational power and biological data to discover life-transforming RNAi medicines, conditionally raised £28.9m by way of a subscription and cancelled its listing on AIM. M&G, a major shareholder, supported the fundraise by subscribing for £19.65m and voted in favour of the cancellation. M&G has been a shareholder since 2021, supporting a fundraise at that time and subsequently in 2022.

Wincanton

Wincanton, a UK logistics business, was the subject of a two-way takeover battle. The company was subject to an initial takeover offer from Ceva Logistics UK, a subsidiary of CMA CGM S.A., at 450 pence per share, a premium of 52%. This was increased to 480 pence per share when it was announced by Wincanton that it had received an approach from GXO Logistics, Inc. Subsequently, Wincanton received a rival bid from GXO at 605 pence per share. Following this offer, Ceva announced it would not increase its offer further, with GXO going on to complete the takeover.

abrdn Property Income Trust (API)

API, the UK real estate trust, received an all share merger offer from Custodian Property Income REIT. In addition, API also received an indicative proposal from Urban Logistics which would have involved Urban Logistics acquiring a portfolio of properties from API, leaving API to manage a wind down of the remaining assets. Despite the proposal from Custodian being recommended by the board of API, the merger was voted down by API shareholders, including M&G, in the belief a managed wind down of all of API's assets would deliver better value.

Anglo American

Anglo American, the UK-listed miner, was subject to multiple takeover approaches from fellow miner BHP. BHP was proposing an all-share offer for Anglo, which would have involved inter-conditional demergers by Anglo to its shareholders of two businesses. Anglo rejected each proposal. M&G holds shares in both Anglo and BHP. We met with the chief executive of BHP, who outlined his rationale for the transaction. Ultimately BHP decided not to pursue the transaction further, while Anglo announced a number of proposals of its own to optimise its portfolio of assets.

Hargreaves Lansdown

Hargreaves Lansdown, the UK's largest digital wealth management service, was subject to an approach from a consortium comprising private equity investors CVC, Nordic Capital and the Abu Dhabi Investment Authority. Following a number of rejections, the board of Hargreaves Lansdown, prior to ultimately recommending the offer, confirmed it was willing to recommend the proposal made by the consortium of 1,140p per share in cash (inclusive of a 30p final dividend), should it be made. As part of the offer, the consortium was offering up to 35% rollover to shareholders in the bidding vehicle. We had concerns over the price being offered and we also had concerns regarding the rollover, which appeared to be targeted at allowing certain shareholders to participate in the private vehicle, but was harder for others, like M&G, to follow suit, and how this interplays with the cash price being offered

We expressed our concerns to the chair of Hargreaves Lansdown and also raised our concerns with the Investor Forum concerning the structure of the offer and other matters. The formal recommended offer for Hargreaves Lansdown was eventually made on the terms set out above and the disclosure made alongside the recommended offer did not address the concerns raised. The transaction was approved by shareholders and has now completed.

Rosebank Industries

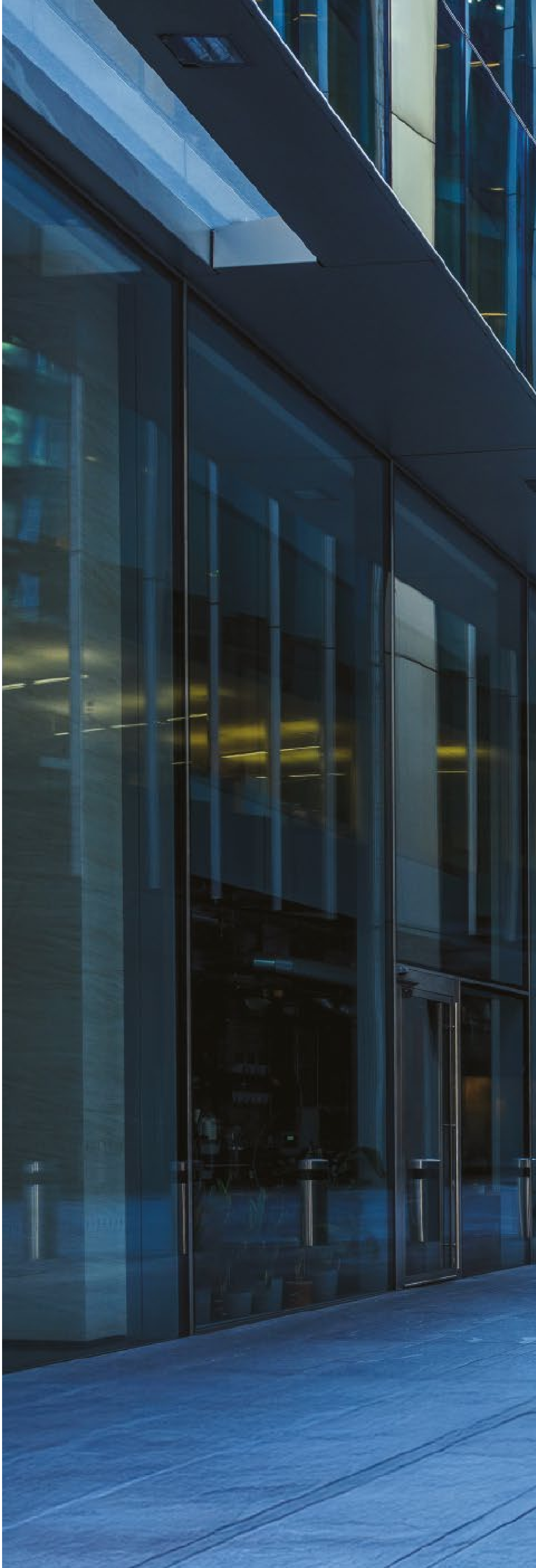
Rosebank Industries is a UK cash shell that listed in London on the AIM market. The purpose of Rosebank is to acquire underperforming industrial manufacturing businesses in the UK, Europe and the US, to turn them around, and then exit them. It has been set up by former members of the Melrose Industries management team, who undertook a similar approach when they established Melrose as a cash shell in 2003 and left last year, leaving Melrose Industries and the demerged Dowlais. As part of the first stage, Rosebank raised £50m from investors who they are looking to scale up their support to help fund the first transaction, once identified. M&G participated in the fundraise.

4basebio

4basebio is a UK-listed manufacturer of proprietary, synthetic DNA and mRNA products, which can be used in cell and gene therapies and vaccines. The Crossover team had been undertaking due diligence into this area, and on the back of that had met with the company. The company subsequently approached us as part of a funding round. M&G's crossover strategy, alongside Patient Square Capital (a US healthcare investment firm) who they introduced to the deal, invested a combined £40m into the business. In addition, a further £29.4m was acquired through the purchase of shares from certain existing shareholders. As a result, M&G's crossover strategy and Patient Square Capital now own a combined 29.9% of the company with board representation.

Ree Automotive

Ree Automotive is a leader in fleet vehicle electrification and is listed on NASDAQ. M&G is a significant long-term shareholder in Ree and led a new investment round of $45.35m by investing a further $20m. The funding will be used to provide working capital as the company looks to commercialise its technology. Alongside M&G's investment was a $15m strategic investment from Motherson Group. Motherson, listed in India, is a major supplier to the automotive industry and will be assisting Ree in the commercialisation of its technology through its manufacturing and supply chain expertise. M&G is a shareholder in Motherson and provided an introduction to Ree.



The Stewardship and Sustainability team

Our Stewardship and Sustainability (S&S) team acts as a dedicated central sustainability resource for the whole of M&G Investments, working collaboratively with investors across our wholesale and institutional business.

The Corporate Finance and Stewardship (CF&S) team coordinates our stewardship activities, engaging with companies on a number of issues from corporate governance to environmental sustainability, alongside the investment teams. Closely linked to this engagement work, the team undertakes our voting responsibilities at shareholder meetings, which we see as one of our central responsibilities as long-term shareholders. The team votes in line with our Voting Policy, which has evolved to reflect our increased engagement focus on both climate and diversity.

The CF&S team is responsible for coordinating our participation in various external initiatives and investor collaborations, including the UK's Investment Association, the Investor Forum and the Institutional Investors Group on Climate Change, among others.

The S&S team also maintains our relationships with responsible investment-oriented organisations, including the UN-backed Principles for Responsible Investment (UNPRI) and the Global Impact Investing Network (GIIN).

The S&S team does not force action onto managers, but rather collaborates both directly and via our analysts to equip managers to make better-informed decisions, knowing the key ESG risks that could impact their portfolios, as well as where these risks may be concentrated within certain issuers or holdings. By working in conjunction with the credit and equity analysts on ESG, the S&S team is able to ensure that ESG risks and opportunities are considered throughout the full investment process, as well as in the monitoring of companies.

The team is structured into Sustainable Investment Frameworks, Sustainable Investment Research, Sustainable Quant & Systems, Climate Investment & Net Zero, Corporate Finance & Stewardship and Impact Strategy/Equity Impact to help further embed sustainability considerations in the investment process.

At the end of 2024 there were 32 full-time members of the S&S team.

Head of Sustainability: Michael van der Meer

Sustainable Investment Frameworks (SIF)

Nina Reid
Caitlin Joss
Alison Brooks

Climate Investment and Net Zero (CINZ)

Oliver Grayer
Callum Deans
Selin Millward

Head Impact Strategist / Equity Impact Lead

Ben Constable Maxwell

Corporate Finance and Stewardship (CF&S)

Rupert Krefting
Laura O'Shea
Daniel Adams
Chris Andrews
Lee Kinsville
Victor Winberg
Vineethchandran Nair
Aminat Onileere

Sustainable Quant and Systems (SQS)

John Vercoe
Peter Babkevich*
Giorgis Hadzilacos
Matt Johnston
Max Stocker
Will Epps
Hamish Duthie

Sustainable Investment Research (SIR)

Angela Saxby
Francesco Mazzeo
Tim Oehmigen
Nishita Karad
James Smyth
Kush Patel
Matteo Novelli
Peter Babkevich*
Fuyao Wang, CFA
Sophie Rumble

*Peter Babkevich has dual responsibilities as a member of both the SIR and SQS teams.

Examples of policy maker engagements and other initiatives

Appendix 1: Company engagement by topic

Recorded engagements in 2024

Company	Country	Sector	ESG pillar	Outcome*
A2A	ITA	Utilities	Environment	
Adani Electricity	IND	Utilities	Environment	
Advania	SWE	IT	Environment	
AIB Group	IRL	Financials	Environment	
Air Liquide Finance	FRA	Materials	Environment	
Ally Financial	USA	Financials	Environment	
Amadeus	ESP	Consumer Discretionary	Environment	
American Express	USA	Financials	Environment	
Andritz	AUT	Industrials	Environment	
Anglo American	GBR	Materials	Environment	
ArcelorMittal	LUX	Materials	Environment	
Autodesk	USA	IT	Environment	
Balfour Beatty	GBR	Industrials	Environment	
Ball Corp	USA	Materials	Environment	
Barry Callebaut	CHE	Consumer Staples	Environment	
BASF	DEU	Materials	Environment	
Becton Dickinson	USA	Health Care	Environment	
Belimo	CHE	Industrials	Environment	
BHP Billiton	AUS	Materials	Environment	
Bollegraaf Group	NLD	Industrials	Environment	
BoNY Mellon	USA	Financials	Environment	
BP	GBR	Energy	Environment	
Brambles	AUS	Industrials	Environment	
Bright Horizons	USA	Consumer Discretionary	Environment	
Burford Capital	GBR	Financials	Environment	
Capital One	USA	Financials	Environment	
Centrais Eletricas Brasileiras	BRA	Utilities	Environment	
Ceva Sante	FRA	Health Care	Environment	
China State Construction	HKG	Industrials	Environment	
Cinven	GBR	Financials	Environment	
CK Hutchison	HKG	Industrials	Environment	
Clarios	USA	Consumer Discretionary	Environment	
Clarkson	GBR	Industrials	Environment	
Cranswick	GBR	Consumer Staples	Environment	
CTS Eventim	DEU	Communication Services	Environment	

🟩 The objective has been achieved
🟨 The engagement is ongoing
🟥 The objective has not been achieved

Company	Country	Sector	ESG pillar	Outcome*
Diageo	GBR	Consumer Staples	Environment	🟨
Discoverie Group	GBR	Industrials	Environment	🟩
Ebay	USA	Consumer Discretionary	Environment	🟨
Ecolab	USA	Materials	Environment	🟨
Firstenergy	USA	Utilities	Environment	🟨 🟨
Fresenius Medical Care	DEU	Health Care	Environment	🟩
Genuit	GBR	Industrials	Environment	🟨
GPSC Holding	THA	Utilities	Environment	🟨
Haleon	GBR	Consumer Staples	Environment	🟨
Hannover Rueck	DEU	Financials	Environment	🟨
Harmony Gold	ZAF	Materials	Environment	🟨
Helios Towers	GBR	Communication Services	Environment	🟨
Hindalco Industries	IND	Materials	Environment	🟨
Hiscox	BMU	Financials	Environment	🟨
Holcim	CHE	Materials	Environment	🟨 🟨
Iberdrola	ESP	Utilities	Environment	🟨 🟨
Indofood	IDN	Consumer Staples	Environment	🟨
Johnson Matthey	GBR	Materials	Environment	🟨
JSW Steel	IND	Materials	Environment	🟩
KBC Bank	BEL	Financials	Environment	🟨
Kinder Morgan	USA	Energy	Environment	🟨 🟨
Kuehne & Nagel	CHE	Industrials	Environment	🟨
Legrand	FRA	Industrials	Environment	🟨
Lion Finance	GEO	Financials	Environment	🟨
LRQA	GBR	Industrials	Environment	🟨
Lundin Mining	CAN	Materials	Environment	🟨
Manhattan Associates	USA	IT	Environment	🟨
Methanex	CAN	Materials	Environment	🟨 🟨
Metso	FIN	Industrials	Environment	🟩
MHI Holdings	JPN	Industrials	Environment	🟨
Microsoft	USA	IT	Environment	🟨
Nexa Resources	LUX	Materials	Environment	🟨
Nouryon Finance	NLD	Materials	Environment	🟨
Novo Nordisk	DNK	Health Care	Environment	🟨 🟩
ON Semiconductor	USA	IT	Environment	🟨

🟩 The objective has been achieved
🟨 The engagement is ongoing
🟥 The objective has not been achieved

Company	Country	Sector	ESG pillar	Outcome*
Ørsted	DNK	Utilities	Environment	🟩
Pacific Basin Shipping	HKG	Industrials	Environment	🟨🟨
Pandora	DNK	Consumer Discretionary	Environment	🟩
PTT Global Company	THA	Materials	Environment	🟨
PTT Public Company	THA	Energy	Environment	🟨
RELX	GBR	Industrials	Environment	🟨
Resonac Holdings	JPN	Materials	Environment	🟨
Rio Tinto	GBR	Materials	Environment	🟨🟨🟨🟨🟨
S&P Global	USA	Financials	Environment	🟨
SAP	DEU	IT	Environment	🟨
Sappi	ZAF	Materials	Environment	🟨
Sasol	ZAF	Materials	Environment	🟨
Savills	GBR	Real Estate	Environment	🟨
Schneider Electric	FRA	Industrials	Environment	🟩
Scout24	DEU	Communication Services	Environment	🟨
Sembcorp Industries	SGP	Utilities	Environment	🟨
Shell	NLD	Energy	Environment	🟥
Siemens	DEU	Industrials	Environment	🟨🟨🟨
Societe Bic	FRA	Industrials	Environment	🟨
Solaredge Technologies	ISR	IT	Environment	🟨
Tata Steel	IND	Materials	Environment	🟨🟨
Tesco	GBR	Consumer Staples	Environment	🟨🟨
Thai Oil	THA	Energy	Environment	🟨
Toi Toi & Dixi	DEU	Industrials	Environment	🟨
Tokio Marine	JPN	Financials	Environment	🟨🟨
Toray Industries	JPN	Materials	Environment	🟨🟨
Tullow Oil	GBR	Energy	Environment	🟨🟨🟨
Unilever	GBR	Consumer Staples	Environment	🟩
Unite Group	GBR	Real Estate	Environment	🟨
Univar	USA	Materials	Environment	🟨
Universal Music Group	NLD	Communication Services	Environment	🟨
Upfield	NLD	Consumer Staples	Environment	🟨🟨
UPM-Kymmene	FIN	Materials	Environment	🟨🟨🟨
Vestas Wind	DNK	Industrials	Environment	🟨
VF Corp	USA	Consumer Discretionary	Environment	🟨

Company	Country	Sector	ESG pillar	Outcome*
Visa	USA	Financials	Environment	🟩
WE Soda	GBR	Materials	Environment	🟨
WH Smith	GBR	Consumer Discretionary	Environment	🟨 🟨
Yara International	NOR	Materials	Environment	🟨
Zayo	USA	Communication Services	Environment	🟨
Abrdn	GBR	Financials	Governance	🟨
Alfa	MEX	Industrials	Governance	🟩
Amcor	AUS	Materials	Governance	🟨
Andritz	AUT	Industrials	Governance	🟨
Autohome	CHN	Communication Services	Governance	🟩
Baidu	CYM	Communication Services	Governance	🟩
Balfour Beatty	GBR	Industrials	Governance	🟩 🟨 🟩
Bright Horizons	USA	Consumer Discretionary	Governance	🟨
Capita	GBR	Industrials	Governance	🟨 🟨
Cenovus Energy	CAN	Energy	Governance	🟩
Centrais Eletricas Brasileiras	BRA	Utilities	Governance	🟨
China Communications Services	CHN	Industrials	Governance	🟨
China Tower	CHN	Communication Services	Governance	🟨
Close Brothers	GBR	Financials	Governance	🟨
Coats	GBR	Consumer Discretionary	Governance	🟨
Cosco Shipping	HKG	Industrials	Governance	🟨
Darktrace	GBR	IT	Governance	🟨
Direct Line Insurance	GBR	Financials	Governance	🟩
Discoverie Group	GBR	Industrials	Governance	🟩 🟨
Diversified Energy	USA	Energy	Governance	🟨
Efficio	GBR	Industrials	Governance	🟨
Fevertree	GBR	Consumer Staples	Governance	🟩
Fresenius Medical Care	DEU	Health Care	Governance	🟨
Greatview Aseptic	CHN	Materials	Governance	🟨 🟥
Hargreaves Lansdown	GBR	Financials	Governance	🟨
HSBC	GBR	Financials	Governance	🟨
Indofood	IDN	Consumer Staples	Governance	🟨
IntegraFin	GBR	Financials	Governance	🟨 🟨 🟨
IQE	GBR	IT	Governance	🟨
Kenmare Resources	IRL	Materials	Governance	🟨 🟨 🟩

🟩 The objective has been achieved
🟨 The engagement is ongoing
🟥 The objective has not been achieved

Company	Country	Sector	ESG pillar	Outcome*
Lion Finance	GEO	Financials	Governance	🟨
Mediatek	TWN	IT	Governance	🟩
Mitsubishi Estate	JPN	Real Estate	Governance	🟨
Mitsui Fudosan	JPN	Real Estate	Governance	🟨
NetLink Nbn	SGP	Communication Services	Governance	🟨
Orix Corp	JPN	Financials	Governance	🟨
Oxford Biomedica	GBR	Health Care	Governance	🟨 🟩
Oxford Nanopore Technologies	GBR	Health Care	Governance	🟨 🟨
Pacific Basin Shipping	HKG	Industrials	Governance	🟨
Pennon Group	GBR	Utilities	Governance	🟨
Phoenix Group	CYM	Financials	Governance	🟩
Puretech Health	USA	Health Care	Governance	🟨 🟨
REA Holdings	GBR	Consumer Staples	Governance	🟨 🟨
Reach	GBR	Communication Services	Governance	🟩
Samsung Life Insurance	KOR	Financials	Governance	🟨
Seibu Giken	JPN	Industrials	Governance	🟨
Seven & I Holdings	JPN	Consumer Staples	Governance	🟩
Shin-Etsu Chemical	JPN	Materials	Governance	🟩
Singapore Telecommunications	SGP	Communication Services	Governance	🟨
State Bank of India	IND	Financials	Governance	🟥
Suzuki Motor Corp	JPN	Consumer Discretionary	Governance	🟩
Synthomer	GBR	Materials	Governance	🟨
T&D Holdings	JPN	Financials	Governance	🟩
TBS Holdings	JPN	Communication Services	Governance	🟩
Teck Resources	CAN	Materials	Governance	🟨
Tencent	CHN	Communication Services	Governance	🟨
Tokio Marine	JPN	Financials	Governance	🟩
TOMRA Systems	NOR	Industrials	Governance	🟨
Toray Industries	JPN	Materials	Governance	🟥
TravelSky Technology	CHN	Consumer Discretionary	Governance	🟥
Tullow Oil	GBR	Energy	Governance	🟨
Victrex	GBR	Materials	Governance	🟨
Videndum	GBR	Consumer Discretionary	Governance	🟥
WH Smith	GBR	Consumer Discretionary	Governance	🟨
Whitbread	GBR	Consumer Discretionary	Governance	🟨

Company	Country	Sector	ESG pillar	Outcome*
Yangzijiang Shipbuilding	CHN	Industrials	Governance	
Yuanta Financial	TWN	Financials	Governance	
Zayo	USA	Communication Services	Governance	
Accenture	IRL	IT	Social	
Adler Group	LUX	Real Estate	Social	
Agilent Technologies	USA	Health Care	Social	
Alfa	MEX	Industrials	Social	
AMERISAFE	USA	Financials	Social	
ArcelorMittal	LUX	Materials	Social	
AT&T	USA	Communication Services	Social	
Ball Corp	USA	Materials	Social	
Brunswick	USA	Consumer Discretionary	Social	
Cargill	USA	Consumer Staples	Social	
Caterpillar	USA	Industrials	Social	
Centrais Eletricas Brasileiras	BRA	Utilities	Social	
Ceva Sante	FRA	Health Care	Social	
Cinven	GBR	Financials	Social	
Clarios	USA	Consumer Discretionary	Social	
CME Group	USA	Financials	Social	
Comcast	USA	Communication Services	Social	
ConocoPhillips	USA	Energy	Social	
Constellation Energy	USA	Utilities	Social	
Cranswick	GBR	Consumer Staples	Social	
CSX Corp	USA	Industrials	Social	
DSM-Firmenich	CHE	Materials	Social	
DXC Technology	USA	IT	Social	
Experian	IRL	Industrials	Social	
Fevertree	GBR	Consumer Staples	Social	
Frontline	CYP	Industrials	Social	
Greatview Aseptic	CHN	Materials	Social	
GT Capital	PHL	Industrials	Social	
H World	CHN	Consumer Discretionary	Social	
Helios Towers	GBR	Communication Services	Social	
Hypoport	DEU	Financials	Social	
Hyundai Motor	KOR	Consumer Discretionary	Social	

🟩 The objective has been achieved
🟨 The engagement is ongoing
🟥 The objective has not been achieved

Company	Country	Sector	ESG pillar	Outcome*
Indofood	IDN	Consumer Staples	Social	🟨
Johnson Controls	IRL	Industrials	Social	🟨
Jupiter	GBR	Financials	Social	🟩
KLA Corp	USA	IT	Social	🟨
Kunlun Energy	HKG	Utilities	Social	🟨
Lam Research	USA	IT	Social	🟨
Lion Finance	GEO	Financials	Social	🟨 🟩
London Stock Exchange Group	GBR	Financials	Social	🟩
Loungers	GBR	Consumer Discretionary	Social	🟨 🟩
LRQA	GBR	Industrials	Social	🟨 🟨
LVMH	FRA	Consumer Discretionary	Social	🟨
M&T Bank	USA	Financials	Social	🟨
Mahindra And Mahindra	IND	Consumer Discretionary	Social	🟨
Martin Marietta	USA	Materials	Social	🟨 🟩
Microsoft	USA	IT	Social	🟨 🟨
Midwich	GBR	IT	Social	🟩
Molson Coors	USA	Consumer Staples	Social	🟨
Monde Nissin	PHL	Consumer Staples	Social	🟨
Nextera Energy	USA	Utilities	Social	🟨
Norcros	GBR	Industrials	Social	🟩
OCP	MAR	Materials	Social	🟩
Oshkosh	USA	Industrials	Social	🟨
Oxford Nanopore Technologies	GBR	Health Care	Social	🟨 🟩
Pets At Home	GBR	Consumer Discretionary	Social	🟩
Pool Corp	USA	Consumer Discretionary	Social	🟨
Progyny	USA	Health Care	Social	🟩
Quest Diagnostics	USA	Health Care	Social	🟨
Renesas Electronics	JPN	IT	Social	🟨
Republic Services	USA	Industrials	Social	🟨
Savills	GBR	Real Estate	Social	🟨
Siemens	DEU	Industrials	Social	🟩
SK hynix	KOR	IT	Social	🟨
Solaredge Technologies	ISR	IT	Social	🟩
Southwest Airlines	USA	Industrials	Social	🟨
Tatton Asset Management	GBR	Financials	Social	🟨

Company	Country	Sector	ESG pillar	Outcome*
Tencent	CHN	Communication Services	Social	
Tesco	GBR	Consumer Staples	Social	
Toi Toi & Dixi	DEU	Industrials	Social	
Tokyo Electron	JPN	IT	Social	
Univar	USA	Materials	Social	
Universal Music Group	NLD	Communication Services	Social	
Upfield	NLD	Consumer Staples	Social	
Veonet	DEU	Health Care	Social	
Virgin Media	GBR	Communication Services	Social	
Vishay Intertechnology	USA	IT	Social	
Walmart	USA	Consumer Staples	Social	
Weir Group	GBR	Industrials	Social	
WH Smith	GBR	Consumer Discretionary	Social	
Wilmington	GBR	Industrials	Social	
Zayo	USA	Communication services	Social	

*Where there is more than one outcome showing this reflects multiple company engagements.

Appendix 2: M&G Investments and the UK Stewardship Code 2020

2024 submission

Contents

Introduction 104

Principle 1:
investment beliefs, strategy and culture 106

Principle 2:
governance, resources and incentives 112

Principle 3:
conflicts of interest 120

Principle 4:
market-wide and systemic risks 124

Principle 5:
review, assurance and assessment 129

Principle 6:
clients and beneficiaries 133

Principle 7:
stewardship and investment integration 135

Principle 8:
service providers 138

Principle 9:
engagement 140

Principle 10:
collaborative engagement 143

Principle 11:
escalation 144

Principle 12:
exercising rights and responsibilities 147

Glossary 150

Introduction

UK Stewardship Code 2020

The UK Stewardship Code 2020 sets high stewardship standards for both asset owners and asset managers. The Code comprises a set of 'apply and explain' principles, but does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

The 2020 code reflects the fact that the investment market has changed considerably since the publication of the first UK Stewardship Code in 2010, with significant growth in assets other than listed equity, including fixed income, real estate and infrastructure. These investments have different terms, investment periods, rights and responsibilities, and signatories to the 2020 Code need to consider how to exercise stewardship effectively, and report accordingly, across asset classes.

Of note, environmental, particularly climate change, and increasingly biodiversity, and social factors, in addition to governance, have become material issues for investors to consider when making investment decisions and undertaking stewardship.

About M&G plc

M&G plc is a leading international savings and investments business, managing money for more than 4.5 million retail clients and more than 900 institutional clients across 39 offices and six continents. As of 31 December 2024, we had £345.9 billion of assets under management and administration. With a heritage dating back more than 170 years, M&G plc has a long history of innovation in savings and investments, combining asset management and insurance expertise to offer a wide range of solutions. Our purpose is to give everyone real confidence to put their money to work. We are an internationally recognised active asset manager and an established life business, with a well capitalised With-Profits Fund. We use our strong investment capabilities to help our customers and clients invest for the long term.

The relationship between the asset owner and the asset manager

For the purposes of stewardship, M&G plc can be thought of as comprising two businesses within the same group, the asset owner and the asset manager. The asset owner is the Prudential Assurance Company, while the asset manager corresponds to M&G Group Limited's investment and asset management businesses and activities (herein referred to as 'M&G Investments')[2].

The asset owner and the asset manager function independently, but are aligned to a common business purpose, values and commitments, and operate under a group governance framework, all defined at the level of M&G plc.

The asset owner's main responsibilities include the sale of savings and investment products and has a direct relationship with the policyholder. The asset owner also leads on designing, sourcing and distributing financial products to a number of different types of clients, including retail clients, institutional investors such as pension schemes, and investment platforms. These products include with-profits policies, annuities, and unit-linked funds. The investment strategies for these products vary since each strategy has been tailored to the needs of each product. They may include multiple asset classes and regions/geographies spread across a number of mandates or investment vehicles.

The asset owner is also responsible for appointing skilled asset managers in order to manage diversified investment portfolios, which suit the client's needs, for an appropriate fee. The asset owner can, and does, appoint asset managers that are external to the M&G plc group. The asset owner aims to appoint asset managers that have expertise in generating sustainable risk-adjusted returns, net of fees, over the long-term, for a particular asset class or investment strategy.

M&G Investments, the internal manager, in turn can and does, manage assets for third-party clients that are not the asset owner. Indeed, while the asset owner is an anchor investor in many of the internal asset manager's investment strategies, it does not make use of every investment strategy that it offers.

[2] Excludes responsAbility Investments AG and M&G Investments South Africa, unless otherwise stated.

The relationship between the internal asset manager and the internal asset owner is carefully managed to ensure that clients receive the best possible outcome. The asset owner endeavours to treat the internal asset manager as it would an external manager. Where the internal asset manager has been appointed to manage a portfolio, it has met the same criteria and reached the same standards as any external asset manager. There are processes in place to effectively manage any conflict of interest that may arise.

As both asset manager and asset owner, we report our stewardship activities in line with the 2020 Code. In relation to M&G Investments as asset manager, we are doing this in two ways:

- In the main body of this report, which highlights key activities as an asset manager from the previous year across Equities, Fixed Income, Real Estate and Infrastructure; and
- In this appendix, reviewed annually, that provides an overview of our stewardship approach at the asset manager level, and specifically outlines how we adhere to the Code. This is also framed against M&G plc at a corporate level.

2020 principles for asset owners and asset managers	
Purpose and governance	
1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
2	Signatories' governance, resources and incentives support stewardship.
3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.
Investment approach	
6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
8	Signatories monitor and hold to account managers and/or service providers.
Engagement	
9	Signatories engage with issuers to maintain or enhance the value of assets.
10	Signatories, where necessary, participate in collaborative engagement to influence issuers.
11	Signatories, where necessary, escalate stewardship activities to influence issuers.
Exercising rights and responsibilities	
12	Signatories actively exercise their rights and responsibilities.

Principle 1:

‘Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society’

M&G plc

Purpose

M&G plc’s purpose is to give everyone real confidence to put their money to work. We are an internationally recognised active asset manager and an established life business, with a well-capitalised With-Profits Fund. We use our strong investment capabilities to help our customers and clients invest for the long term, including solutions that support the transition to a more sustainable economy.

Culture and values

Our values guide what we do, the decisions we make and the way we respond to opportunities and challenges. By bringing our values to life through our behaviours, we are delivering progress on our strategy, and achieving our purpose. Our culture is the values, behaviours, beliefs and attitudes that the organisation shares, defining how people collaborate and work together, and what is expected from everyone day-to-day. Above all we:

- Act with care – treating clients and colleagues with the same level of respect we would expect for ourselves. We also invest with care, making choices for the long-term
- Act with integrity – empowering colleagues to do the right thing, to honour their commitments to others and act with conviction. The business is built on trust and it does not take that lightly.

ESG, sustainability and stewardship priorities

M&G plc believes that a well governed business, run in a sustainable way, delivers stronger, more resilient investment returns in the long-term for clients and shareholders, and better outcomes for society.

In 2024, we undertook a Group-level review of our sustainability strategy to ensure we are focused on areas that are important to M&G and where we can have positive real-world impact, resulting in the development of a new sustainability framework. We have grouped our activities under two themes – ‘Resilient planet’ and ‘Resilient societies’ - which include the work we do on climate, communities and people, with the addition of nature given its growing importance for our clients and broader society.

The resilient planet theme is supported by two pillars – ‘Financing the climate transition’ and ’Developing our approach to nature’. Our work on financing the climate transition seeks to address the risks presented by climate change alongside capturing new opportunities to meet client needs. In 2025, we will use an updated Group Climate Action Framework and focus on the alignment of our portfolios with the transition to a low-carbon economy, including engagement where more progress is required. We also recognise the importance of addressing nature loss through the investments we own and manage, as well as measuring and reducing our operational impact. We are working to better understand our investment exposure to nature-related impacts, dependencies, risks and opportunities, and will share more detail on our approach in due course.

The resilient societies theme also comprises two pillars – ‘Promoting financial confidence’ and ‘Building communities’, both of which build on the work we already do as part of our investment and corporate activities. Improved financial confidence supports people to access finance and make better decisions – something we believe we can influence by helping close the investment and advice gap, as well as investing in financial inclusion initiatives. Building communities includes targeted social infrastructure investments such as affordable housing and our community investment programme. We recognise we are in the early stages of tackling these issues, but believe we have an important role to play.

Strategy

Our purpose is to give everyone real confidence to put their money to work and the three pillars of our strategy are centred on ensuring we meet this clear purpose.

The strength of our business model is helping us to deliver our strategy. By combining our deep understanding of customer and client needs, compelling products and services, investment capabilities and expertise, and our growing international footprint, we are continuing to transform M&G. As we transform we are targeting good operational and financial performance, and attractive financial outcomes for our customers and clients, as well as superior returns for our shareholders.

We take a long-term approach to growth and value creation. This incorporates how we address environmental and social challenges through the investments we manage on behalf of our clients, as well as how we run our business operations. Over 2024 we have reviewed our sustainability strategy, drawing on the strengths of our business model and broad investment capabilities. The updated approach focuses on areas that are material to us and where we can make a positive contribution.

Our strategic pillars

Maintain our financial strength
Ensuring our clients can depend on us, while rewarding shareholders.

Simplify our business
Becoming more nimble and efficient in how we work to best serve our customers.

Deliver profitable growth
Building on our strengths to better anticipate and address our clients' needs.

Business model

We are an internationally recognised active asset manager with market-leading expertise in private assets, public fixed income, and multi-asset solutions, alongside our expanding range of sustainability-driven thematic equity products.

We are an established Life business with a strongly capitalised With-Profits Fund. We are well-positioned to understand and meet the needs of customers and advisors. We have a long-standing track record of successfully managing a scaled balance sheet to provide security to our customers.

Our strong investment capabilities underpin all that we do.

Understanding our clients

M&G plc interacts with our clients in a number of ways. To understand the needs of our institutional clients, which represent both pooled and segregated mandates, our client teams maintain ongoing relationships to understand their needs, offer solutions and provide regular feedback through reporting. Our sales teams regularly arrange roundtable discussions and interactive seminars with the advisory community, which allow us to understand their requirements and for them to understand the solutions we can provide to meet those requirements. Our Client Insights team is also tasked with understanding the needs of clients across the spectrum.

In order to better understand our retail clients, M&G plc uses the research platform 'MyView'. This includes a number of panels, dedicated to the asset manager's clients, as well as clients of the asset owner side of the business. This provides a ready group of clients and advisers who have elected to take part in research, providing access to their views and feedback, and allowing us to be flexible in our research. MyView includes monthly engagement activities, such as polls and forums, as well as the capacity to host communities for larger projects, meaning there are always new insights being generated. These insights are shared with relevant business areas to improve company performance in line with our clients' needs.

M&G Investments

Investment philosophy

Our active management approach aims to deliver outperformance regardless of market conditions. We believe that this is underpinned by fundamental analysis and our fund managers' ability to act with conviction.

At M&G Investments, our portfolios are managed within a robust framework of construction and risk management, helping us to achieve the right balance between risk and return.

Over many years we have developed a strong investment culture, and are considered a trusted partner by delivering investment strategies that are client centric. Trusted relationships are the cornerstone of our valuation-based, long-term investment approach, which we achieve through our expertise and innovative investment thinking.

All of our funds have separate Investment Mandate Agreements, which clearly set out for our clients the investment strategy and fees of the funds in which they invest. Increasingly, we are creating new products to provide solutions that meet the evolving needs of our clients. This includes launching new strategies that provide, for example, sustainable investments, impact investments and climate solutions.

Equities

Our Equities team has a conviction-led and long- term approach to investing. The team is driven by a fundamental belief that we can generate performance through active, unconstrained management. We believe that the stock market is often mispriced and that its tendency to be swayed by short-term noise creates opportunities for long-term investors. Experience tells us that company fundamentals drive share prices over the long run, not the vagaries of economic cycles or the fickleness of market sentiment. We aim to vote on all resolutions at general meetings.

Fixed income

Our investment philosophy is based on our belief that markets are routinely driven away from fair value by such factors as greed, panic, investing restrictions and forced selling. As a result, a patient investor with a good understanding of fundamental value can take advantage of these situations to acquire assets when they are attractively valued, and avoid those that appear expensive. We believe that assets tend to move toward fair value over the medium term, as the impact of short-term technical factors recedes. The heart of our investment approach is our ability to assess, in real depth, the fundamental creditworthiness of issuers.

Multi-asset

Our investment approach seeks to identify 'episodes', or periods of time during which, in the opinion of the fund managers, assets become under- or over-priced as a result of investors reacting emotionally to events rather than considering normal fundamental investment principles, such as inflation or interest rates. These episodes could be short-lived or last several years.

Real Estate

M&G Real Estate is a specialist investor in all major real estate sectors across the globe. We focus on generating long-term, income-driven returns through active management and offer institutional investors exposure to real estate through both pooled vehicles and segregated mandates, as well as providing real estate investment access to retail clients.

Private Infrastructure

Infracapital, the private infrastructure equity arm of M&G Investments, is a long-term investor providing essential infrastructure services to society, with many stakeholders. As part of Infracapital's investment strategy, the team takes an active role in all investments to ensure they are adaptable and resilient to the changing world. As a result, we believe this drives value for investors and aids environmental and social cohesion for the communities in which we operate.

Approach

We are, first and foremost, stewards of our clients' assets, and we take seriously the responsibilities that come with this role. With that in mind, our company framework – the principles, values and behaviours that underpin everything we do – are designed around a clear goal: to give everyone real confidence to put their money to work.

At a time when the typical holding period of an investment can be measured in months rather than years for some investors, our approach is different, and we are willing to support good companies throughout their business and market cycles. This long-term approach means that there is a wide spectrum of both financial and non-financial factors that we need to understand when considering the long-term prospects for a business.

This includes traditional governance issues, like remuneration and board composition, as well as environmental factors, in particular climate change and natural capital, and social factors, including modern slavery, stakeholder engagement and diversity and inclusion.

Environmental matters and social issues are often important aspects of assessing an investment, and our subsequent stewardship activities; our approach is to integrate environmental, social and governance (ESG) factors into our investment decision-making process. Investment teams share an acute awareness of their duties as stewards of our clients' assets, and this perspective informs all of our investment decisions.

We endeavour to extend the principles outlined in this document to both our UK and overseas investments as widely as possible, taking into consideration relevant local differences, including regulations and legal frameworks, company structures and market practice.

Process

We seek to add value for our clients by pursuing an active investment policy, through portfolio management decisions, by maintaining a constructive dialogue with company management and by voting on resolutions at general meetings. Decisions on initial investment, ongoing ownership and, ultimately, divestment are made on an informed basis and following extensive research, which continues throughout the period in which we are invested. Meetings with companies occur on a regular basis, enabling us to monitor company developments over time and assess progress against objectives.

Monitoring

Stewardship activities, including monitoring and engaging with investee companies, as well as voting at shareholder meetings and reporting to clients, are undertaken by the investment teams, analysts and members of our Stewardship & Sustainability team on an integrated basis. To ensure an integrated approach, regular investment meetings are held with investee companies (and meetings with potential investee companies), with representation from each team where relevant. More information on our processes can be found in the principles below.

Our policies are formally reviewed annually to ensure they are still effective and applicable. When assessing how effective our stewardship activities in aggregate have been, a number of factors can affect the outcome and make measurement difficult. There may be influence from many stakeholders, we may be a relatively small holder of a security, or an engagement may be collective, for example. Likewise, some engagements may take years to resolve, making a short-term account of their effectiveness problematic. However, we attempt to track our successes and failures on a best endeavours basis, and report on these outcomes. The main body of this report provides examples of our engagement and voting activities from the previous year, including the relevant outcomes from those activities.

Over the previous year, we believe that our overall stewardship activities have been effective in serving the long-term interests of our clients and beneficiaries. Please refer to the main body of this report for specific examples, including the ESG engagements section from page 14 and the Voting section from page 59.

Value assessment

Our purpose is to give everyone real confidence to put their money to work.

The annual assessment of the value provided to investors in each of our UK-based funds is designed to help clients understand whether our charges are justified in the context of the overall service we deliver.

Our regulator, the Financial Conduct Authority (FCA), has published rules and guidance to improve the quality of the information available to consumers about the funds they invest in.

As part of its duty to act in the best interests of investors, the board of M&G Securities Limited (MGSL), publishes an annual assessment of the value provided to our clients.

The Board of MGSL objectively evaluates the value delivered to our clients, according to seven criteria set out by the FCA. These are:

Quality of services

They consider the quality of each service delivered to investors. Key services include not only those directly supporting investors, but also those vital to the good running of our funds.

Investment performance

They measure investment performance against all the stated objectives of a fund, and against its comparator, to evaluate whether value has been delivered over an appropriate time period.

Costs of the Authorised Fund Manager (AFM)

They assess the overall costs of the AFM, in relation to the overall charges paid by clients, for the full range of our UK-based funds.

Economies of scale

They assess the extent to which any savings arising from the scale of a fund are reflected in value for clients.

Comparable market rates

They compare the charges for each of our funds to those of competitors in the same sector, to find whether relative value is being offered to investors.

Comparable internal services

They compare the charges for each of our funds to those of similar funds and mandates that we manage, to find whether relative value is being offered to investors.

Share classes

They analyse who invests in the share classes of each fund, and evaluate whether clients are in the most appropriate share class.

The Board awards an overall value rating to each share class of all of our UK-based funds. Their conclusions for each share class, and according to each of the seven value criteria, are presented on a five-point scale, ranging from 'outstanding' to 'unsatisfactory'.

Current, and previous, value assessment reports are available on our **website**.

Principle 2

'Signatories governance, resources and incentives support stewardship'

M&G plc

Governance structure

M&G plc's governance structure is designed to support delivery of our strategy. The Board has responsibility for the oversight, governance, direction, long-term sustainability and success of the business and affairs of M&G, and is responsible to shareholders for creating and delivering sustainable shareholder value.

The Board is specifically responsible for a range of matters, which include:

- approving the Group's strategic aims and objectives
- setting our purpose, standards, and culture
- approving the annual Group financial budgets
- approval of effective risk management and internal control processes
- taking strategic decisions
- the approval of specific matters

The matters that require Board approval are contained in a Schedule of Matters Reserved for the Board. In discharging its responsibilities, the Board is supported by management and ensures a clear division of responsibilities between the chair, the group chief executive officer, the senior independent director and the non-executive directors.

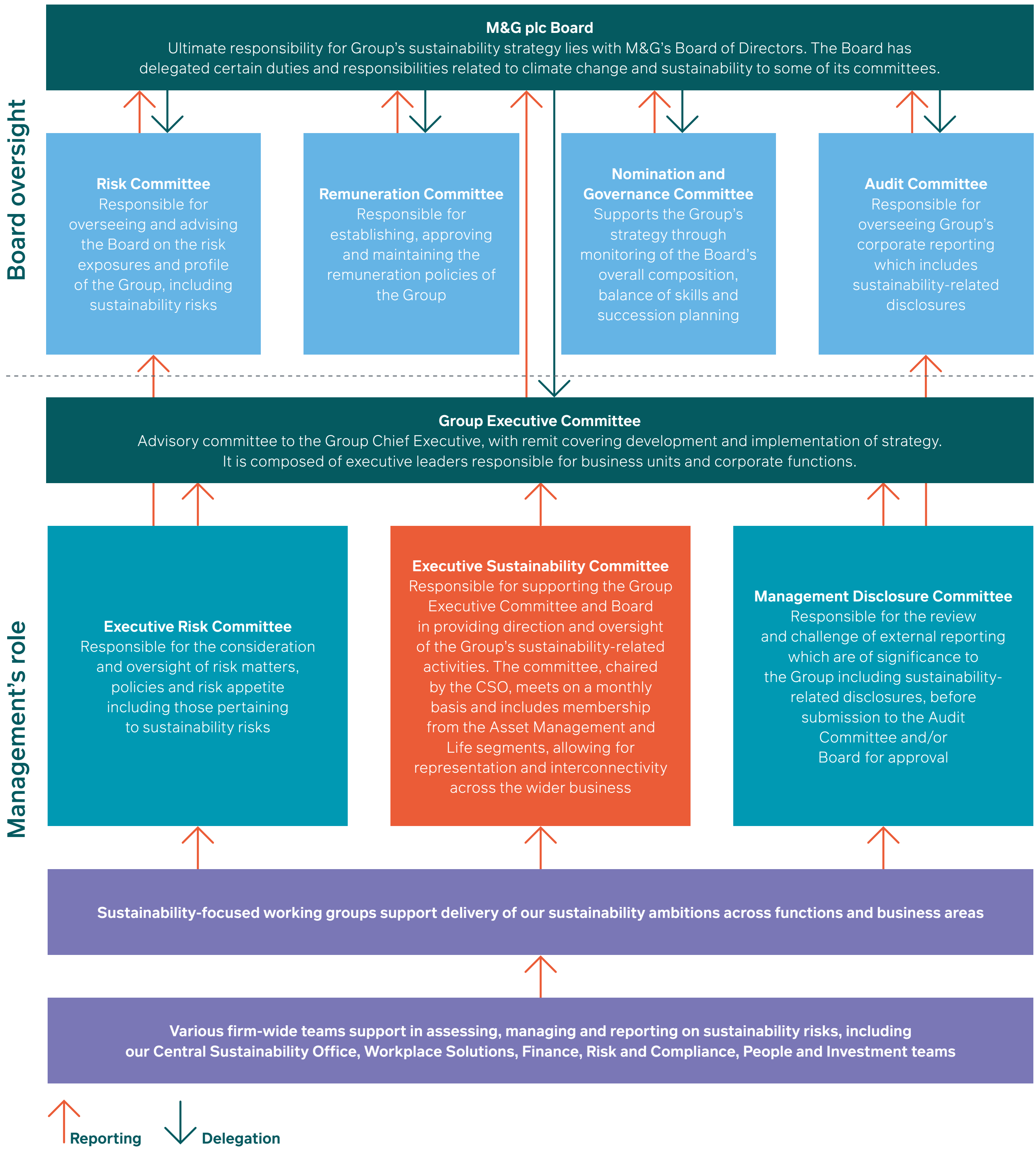
The Board delegates specific responsibilities to Board Committees, which operate within clearly defined terms of reference approved by the Board. In compliance with the Code, the Board has established an Audit Committee, a Nomination and Governance Committee and a Remuneration Committee. We have also established a separate Risk Committee. The Terms of Reference for each Board Committee are reviewed and approved annually by the Board and are available to view on our website.

Sustainability governance

Our chief financial officer (CFO) acts as executive sponsor for sustainability across the Group. Our chief sustainability officer (CSO) supports the CFO by leading on sustainability strategy, policy, commitments and governance. The CSO also chairs the Executive Sustainability Committee, where updates on the strategy and other related topics are presented, as well as receiving updates on sustainability activity from the business units.

Consideration of sustainability within our investment activity is managed at the executive management level in our Asset Management and Life segments. This comprises oversight of investment strategy, adherence to responsible investment policies and norms, progress against sustainability-related investment objectives, and climate strategy. Regulated entity boards and committees have accountability and oversight of sustainability for the investments and products within their remit (including the With-Profits Committee).

The diagram below presents a summary of the Group governance structure as it relates to sustainability. All terms of reference for our Board-level governance committees are available on our website.



Risk management

Sustainability and ESG has been identified as a principal risk to M&G. These factors have the potential to impact our business, including from a financial, operational, strategic and reputational perspective.

Our ESG Risk Policy sets out the key requirements for the management of ESG Risk on an ongoing basis, supporting the delivery of M&G plc's strategic plans and objectives. The key requirements of the policy relate to the identification, measurement, management, monitoring and reporting of ESG risk.

Our ESG risk governance is based on a 'three lines of defence' model, consistent with the wider Group risk management approach. The first line is responsible for the identification and management of risk on a day-to-day basis. The second line Risk and Compliance functions provide risk advice, oversight and challenge. And the third line provides independent assurance over the design and effectiveness of internal controls, including in relation to sustainability-related policies and processes.

Training

In line with our sustainability ambitions and principles, it is key that all staff have an understanding and appreciation of what sustainability means for the company, and that everyone is encouraged and supported to keep abreast of developments in stewardship, ESG and ESG investing, as well as having a wider understanding of sustainability subjects.

M&G's Sustainability Hub provides a centralised resource for all colleagues on our intranet for sustainability information, including our strategy, communications framework, operational activities, and key priorities such as diversity and inclusion. The site, which is maintained by our Central Sustainability Office, also includes links to educational resources, such as the e-learning platform 'Sustainability Unlocked' and the United Nations Global Compact (UNGC) Academy, which all staff are able to access through M&G plc's UNGC membership.

Within M&G Investments, the Sustainability Academy has been launched. The Academy provides a number of online courses about sustainability-related themes and developments. These courses have been developed by the S&S team and external training partners, where appropriate.

We also actively sponsor professional qualifications for employees, such as the CFA accreditation and the CFA Institute's Certificate in ESG Investing, and external personal development courses such as the University of Edinburgh Climate Change Risk in Finance course.

Anti-Greenwashing Mandatory Training

In 2024, M&G continued mandatory training on anti-greenwashing. The training was designed to promote transparency, ensure compliance with regulatory standards, and uphold our commitment to accurately represent sustainability features in our products. It was provided in three modules covering:

- Governance and risk framework, demonstrating how the management of anti-greenwashing risks integrates into M&G's broader risk management framework.
- Communications and disclosures, outlining the types of communications, disclosures and statements from which greenwashing risks could arise, including guiding principles and regulatory expectations around communications.
- Product design and investment processes, detailing the regulatory landscape surrounding product classification and labelling, highlighting its importance to M&G.

Incentives

Our Executive Directors' reward structure is linked to core performance management scorecards, which include sustainability-related metrics.

Our executive LTIP arrangements (the M&G Performance Share Plan) for 2024-2026 has an overall weighting to sustainability-related targets set at 25%, evenly divided between our operational emissions reductions, our gender diversity target, and ethnicity diversity target. This allocation has been set to 15% for the LTIP covering the 2025-2027 target period, reflecting the gender and ethnicity targets only. While the emissions-based measure will remain a part of the long-term executive remuneration plans until 2026, it has not been included for 2025-2027 period on the basis that good progress has been made on operational emissions, and that investment-related measures for future awards will be carefully considered during 2025, following the update to our sustainability strategy.

Objectives and remuneration structures are reviewed annually by the Remuneration Committee, including any sustainability-related targets.

M&G Investments

Governance

The asset manager of the M&G plc group is called M&G Investment Management Limited and is known as M&G Investments. M&G Investments is a separate legal entity, has its own board and is regulated by the FCA. The investment management business is governed by M&G Group Limited (MGG), one of the two main subsidiaries of M&G plc. The business is overseen by the MGG board, whose responsibilities include approving and overseeing the implementation of the strategy for the Asset Management business, as well as ensuring high standards of governance are maintained.

The MGG Board is chaired by Massimo Tosato (who is also a member of the M&G plc Board), four non-executive directors and two executive directors (including the chief executive officer of M&G Investments).

The three chief investment officers (CIO) of our investment teams (equities, multi-asset and sustainability; fixed income; and private markets) and heads of product and distribution and cash and currency, inter alia report into the chief executive officer of M&G Investments, who reports into the chief executive of M&G plc.

The head of sustainability reports to the CIO of Equities, Multi-asset and Sustainability, and the Stewardship & Sustainability team reports to the head of sustainability.

While the overall Stewardship & Sustainability team is responsible for the asset manager, one member sits across both the asset manager and asset owner.

The Stewardship & Sustainability team further builds our capability in sustainable research, climate and the use of data and quantitative tools in our ESG integration. It also leverages M&G plc's scale and influence as a global asset manager and asset owner to engage with investee companies to encourage transition to sustainable business models. This includes a climate engagement programme, focused on companies with high carbon exposure, and programmes on natural capital and social. The team is widely integrated across all of our other research and investment teams, indicative of the importance of sustainability to the group across all of its businesses.

The Stewardship & Sustainability team supports and works closely with the equity, multi-asset and fixed income teams on a day-to-day basis, attending relevant meetings with the investment teams and their investee companies. In this way, engagement with companies and voting is fully integrated into the investment process. Ultimately, all investment and voting decisions will be made by the investment teams in consultation with the Stewardship team and the Research Analysts. In addition, the team also supports certain private asset engagements.

Ultimate responsibility for sustainability across all of MGG activities lies with the MGG Executive Committee. The MGG Executive Committee delegates responsibility for sustainability to the following sub-committees.

Sustainable Investing Standards Committee

The Sustainability Steering Committee has delegated responsibility from the MGG Executive Committee to define and drive the sustainability strategy and implementation across the business. The Committee is chaired by the CIO of equities, multi-asset and sustainability. The committee consists of senior representatives from across the business including the MGG CEO, the heads of investment desks, head of distribution and product, chief operating officer, chief risk officer, and the head of sustainability. Key topics overseen by this committee includes: sustainability strategy, commitments and delivery of these, sustainability change programmes, and product pipeline.

Sustainable Investing Standards Committee

The Sustainable Investing Standards Committee ('SISCo'), is a sub-committee of the Sustainability Steering Committee and was established to maintain standards in Sustainable Investing through the oversight of day-to-day investment matters pertaining to the application of sustainability regulations, frameworks, policies and restrictions. The SISCo is chaired by the Head of Sustainability, and has representatives from the stewardship and sustainability team, public and private investment desks, product, operations, compliance and risk.

The SISCo delegates a number of decisions to sub-committees with a specialised focus:

- The Global Norms Committee which has delegated authority on behalf of M&G Investments to consider if companies are in violation of Global Norms and should be excluded, monitored or engaged with.
- The Impact, SDG and Solutions Committee (ISSC) which has delegated authority to provide independent oversight of M&G's Impact, SDG and Sustainability Solution Provider lists, utilised by products holding public securities.
- The Climate Committee which has delegated authority to decide outcomes to appeals relating to the M&G Thermal Coal Investment Policy.

Policies

The ESG Integration and Sustainable Investment Policy sets out our overall approach to sustainable investing. It provides a summary of the framework by which M&G Investments:

- Integrates financially material Environmental, Social and Governance (ESG) factors into the investment process;
- Approaches sustainable investing for those products integrating sustainability considerations within their investment process.

The Policy also explains our governance structure for overseeing and delivering these activities that we undertake on behalf of our clients.

Processes

Our processes across the business are designed to support our clients in the most effective way; this applies to our stewardship processes. For us, the Stewardship & Sustainability team has regular meetings with fund managers to monitor and identify potential issues within their portfolios and provide support, for example by undertaking an engagement in relation to the issue.

We prefer the use of proprietary ESG research in the investment decision-making process, and have developed a number of tools and processes to assist these processes. A selection of these is included below:

- Centrali: a third-party system, acting as a platform to host our proprietary tools to provide ease of access to the full range of internally developed ESG-related tools.
- ESG Scorecard (E-Valuate): proprietary, issuer-level ESG research framework, acknowledging the qualitative nature of many ESG considerations. Allows analysts to express their views in primarily qualitative terms, within the context of a structured and disciplined framework.
- E-Luminate: proprietary, multi-sector and multi-issuer level ESG research tool to enable comparison between issuer level ESG Scorecards which considers our own internal ESG Scorecard and external ESG vendor assessments.
- Portfolio Analysis Tool: a Tibco Spotfire tool providing targeted analysis for investment teams on the overall sustainability characteristics of a portfolio, with deep dives into climate and net zero. Outputs include, but are not limited to, SFDR PAIs and KSIs, ESG metrics (both internal and external), business involvement results, and M&G's Net Zero Investment Frameworks. .
- Engagements App and Dashboard: records Engagements (as defined by the PRI) conducted by the Stewardship & Sustainability team and the investment teams across asset classes. The tool records both private and public engagements to help ensure we can consistently and accurately report our engagement activities to clients.
- ESG Securitisation Scorecard: follows the approach of the Corporate ESG Scorecard in taking a qualitative approach to ESG considerations, and assesses securitised products in the context of Transactions, Assets and Counterparties (TAC).
- Aladdin Climate: an externally provided platform within the Aladdin system, with bespoke climate modelling to enable forward looking scenario analysis including implied temperature rise (ITR), and physical and transition risk at issuer and portfolio levels.
- ESG IQ: a core ESG screening engine with a web-based user interface, the primary function of which is to compliment Aladdin pre/post trade ESG workflows by providing what-if/idea generation capabilities.
- UN Global Compact: a PowerBI dashboard providing users with information on company exclusions and engagements based on M&G's Global Norms policy. This allows users to screen issuer and parent issuers for UNGC compliance, and view M&G Investments' UNGC monitoring list.
- Alternatives ESG Questionnaire: a tool providing insights on underlying managers' ESG credentials by scoring responses to the M&G Investments Alternatives ESG Questionnaire. The tool calculates scores across the following five categories: investment process, intention and philosophy, governance, climate disclosure and social.
- External data our analysts and investment teams also make use of external ESG content for a range of purposes. We have portal and data access with a number of ESG vendors, including MSCI, Bloomberg, ISS, Sustainalytics, Net Purpose and other specialist advisers. In addition, we obtain ESG data through authorised aggregators or channels, including Bloomberg, Factset, Refinitiv and Aladdin.

Our ESG Data Strategy records preferred vendors for particular coverage and subject matter requirements. The use of these vendors seeks to meet the following requirements:

- Data quality and accuracy – whether the vendor's products deliver accurate, actionable information in the context of the envisaged use case
- Breadth of coverage for particular asset classes

Resources

We believe effective stewardship is part of our duty to our clients and improves the long-term returns of our investments. As such, it is ultimately the responsibility of our investment teams, supported by the Stewardship & Sustainability team, to ensure effective stewardship is undertaken.

Investment teams*

Equities: The equities investment team comprises 34 fund managers and 45 analysts, which includes 10 sector analysts.

Fixed Income: The fixed income team comprises 44 fund managers and 33 analysts.

Multi-asset: The multi-asset team comprises 19 fund managers and eight analysts.

Real estate: The real estate team comprises 16 fund managers and 43 analysts.

Infracapital: The Infracapital team comprises 12 fund managers and 24 analysts.

Other Private Markets: 27 fund managers and 89 analysts.

*Analyst numbers include dedicated sustainability analysts.

Stewardship & Sustainability team

At the end of 2024 there were 32 full-time members of the Stewardship & Sustainability team.

The team is now structured into Sustainable Investment Frameworks, Sustainable Investment Research, Sustainable Quant and Systems, Climate Investment and Net Zero, Corporate Finance and Stewardship, and Impact Strategy/Equity Impact to help further embed sustainability considerations in the investment process.

Corporate governance is a key underpinning factor in our investment decisions, as are environmental and social factors where material to risk or return. Our Stewardship & Sustainability team is integrated into the investment teams to support and co-ordinate stewardship activities. Third-party research providers are also used as a resource for ESG data. Further information on how we utilise these can be found in Principle 8.

The Stewardship & Sustainability team is focused on company engagement, voting activities, sustainability research, climate, data and quantitative tools. Members of the team will discuss issues with the investment teams on an ongoing basis, and will routinely attend company meetings hosted by the investment teams, as well as initiating meetings with companies on specific areas of engagement (which will normally also be attended by the investment teams).

For further details of the Stewardship & Sustainability team, see the main body of this report on page 92.

Performance management or reward programmes

Compensation decisions are based on a holistic appraisal process with appropriate objectives set according to role and which form part of their annual appraisal.

All investment professionals have a clear ESG Integration objective, requiring them to consider non- financial factors within the context of research output, idea generation and investment decision-making.

Outcome

Overall, the combination of sustainability governance, together with the current experience and diversity of teams ensures sufficient oversight and subject matter expertise of stewardship and sustainability activities. This is further supported by ongoing company-wide training (see also the Training section on page 114) and incentive programmes, input from industry-recognised third-party service providers, and streamlined processes for the management of our ESG strategy. We aim to look for ways to improve our delivery of stewardship, such as periodically reviewing the terms of reference of the relevant governance forums and attending events to improve understanding and to enable effective responsibility and oversight.

Principle 3:

'Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first'

M&G plc

M&G plc is committed to managing conflicts of interest in order to protect its clients and employees. This is in line with its fiduciary duty as a financial services firm to act in the best interests of its clients and beneficiaries.

A conflict of interest is defined as 'a situation, decision, or arrangement where competing obligations or motivations may damage the interests of a client'.

We recognise the importance of having appropriate controls and systems in place to effectively identify and manage potential and actual conflicts of interest.

Management of conflicts of interest

M&G takes reasonable steps to prevent conflicts of interest arising, to protect the interests of all M&G plc's customers, clients and end investors. The business manages this risk effectively by providing all staff and colleagues with sufficient training to ensure awareness and an understanding of how conflicts could arise and to enable staff to identify, report and adequately manage such conflicts.

The Policy Governance Framework (PGF) is a core component to the overall system of risk management and internal control. In addition, the expectations for managing conflicts of interest are denoted within M&G plc Code of Conduct.

The M&G plc Conflicts of Interest Policy is applied to all aspects of the business and is implemented by all areas across the business at a group and material subsidiary level (asset manager and asset owner). The Policy sets out the group-wide approach and requirements of how conflicts should be escalated, recorded and managed and to ensure compliance with regulatory requirements. Under the Policy, if any employee has the knowledge of a potential or actual breach of the Policy, the employee must report the breach

A number of additional resources are made available to all employees to familiarise themselves with their personal responsibility for managing risks and internal controls. A network of Conflict Representatives is established from every business function to provide a first point of contact for any employee who wishes to report and escalate an identified conflict of interest. In support of this, the Conflicts of Interest Intranet Site allows employees to find details of the Conflicts Representative where a range of material and useful information is also available.

The M&G plc Conflicts of Interest Policy is reviewed at least annually or where there is a material update that requires addressing, which ensures this remains effective for the ongoing management of conflicts of interest. Relevant governance committees review and approve any changes made to the policy and all business areas are expected to comply with the policy. In particular, each M&G plc executive member is specifically accountable for ensuring that all areas under their remit appropriately adhere to the policy requirements.

M&G Investments

The M&G Investments conflicts of interest disclosure statement can be found on our website.

A conflict of interest may arise where competing obligations or motivations may damage the interests of clients.

In identifying the conflicts of interest that may arise when providing services to clients, we will consider the following:

- A client is disadvantaged or makes a loss when simultaneously an employee makes a personal gain or other advantage (individual versus client conflict)
- A client is disadvantaged or makes a loss when simultaneously we are then advantaged or make a gain (firm versus client conflict)
- A client makes a gain or avoids a loss when simultaneously another client thereby makes a loss or is disadvantaged (client versus client conflict)
- An M&G plc entity and its clients benefits at the expense of another group entity and its respective clients (intra-group conflict)

We are required to maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to prevent conflicts of interest from adversely affecting the interests of clients.

We have a strong culture of managing conflicts of interests, supported by a wide range of processes and policies. All staff are provided with training to ensure awareness and understanding of how conflicts could arise and to enable staff to identify, report and adequately manage such conflicts.

Steps taken to manage actual and potential conflicts can include, but are not limited to, the following:

- Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients
- The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict
- The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities
- Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest
- Reporting lines which limit or prevent any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities
- As required by our Personal Conflicts Standard, all employees are required to identify and disclose any personal associations that may give rise to an actual or perceived conflict of interest
- Internal guidance and training on how to identify, prevent and/or manage potential and actual conflicts of interest
- Processes to ensure that issues identified are referred to and considered at the appropriate level within the company

Conflicts that arise from personal activities of employees (for example, outside appointments, involvement in public affairs, personal political donations and personal investments) are also closely monitored and managed.

On occasion, we may encounter conflicts of interest related to our stewardship activities. It is incumbent on all investment professionals and members of the Stewardship & Sustainability team to identify and manage such conflicts, in line with the wider M&G plc Conflicts of Interest Policy. In all such instances, our objective is to ensure that these conflicts are identified and managed appropriately, to ensure our clients' best interests are served.

Examples of conflicts that may arise in relation to stewardship activities are provided below. The potential conflicts arise both in the way the investee company monitoring and engagement is managed, and in relation to voting activities where we are voting on resolutions.

Overall responsibility for the oversight of our conflicts of interest framework resides with the M&G Investments Conflicts of Interest Committee, a sub-committee of the Board of M&G Group Limited. The committee assists the Board in discharging its responsibility for embedding an appropriate culture and ensuring we act consistently with our duty to deliver fair outcomes to clients. The highest standards of integrity and ethical conduct are expected always from our employees.

Conflicts arising from M&G plc's dual role as asset owner and asset manager

To manage these conflicts, both parties ensure that operations and investment decisions are kept separate and independent, with the flow of information between the asset owner and asset manager functions of M&G plc being carefully controlled.

The investment activities of the asset owner and asset manager are run as two separate businesses; however, one member of the Stewardship & Sustainability team works for both businesses. Back-office functions, such as HR, legal, accounting and marketing, are a shared function. The investment teams do not have access to each other's IT systems and the asset manager treats the asset owner just as it treats any other external wholesale and institutional clients. There is an Investment Mandate Agreement in place for each fund that sets out the strategy and fees for the fund. The funds are overseen by the asset owner just like any other external client for the asset manager, and the asset manager reports to the asset owner in the same way as any other client.

Our decisions, and whether or how to vote in relation to company shares, will always be solely made in the interest of our clients. In light of the latter, the rationale for voting against a management resolution is recorded and made public to ensure transparency on any voting decision.

Examples of other potential conflicts

Other conflicts of interest potentially arise where:

- An employee or director of any M&G plc company is also a director of a company in which M&G Investments invests
- M&G Investments invests in a company that is also a client; or
- M&G Investments invests in a company that is a significant distributor of our products

In such instances, we may be conflicted, for example, in the way we deal with the directors and/or company management, votes on their election, and votes on remuneration policies that might apply to them.

Where a potential conflict arises, the conflict is reported in line with the wider M&G plc Conflicts of Interest Policy and an appropriate plan for mitigating the conflict is agreed. In determining the appropriate mitigation, a number of factors will be considered. These include the nature of the relationship with individuals or firms and the extent to which the relationship could be managed by individuals who are not conflicted, the materiality of any contracts, and the risks of the potential conflict to client interests. Where a conflict of interest cannot be satisfactorily mitigated, we would avoid and refrain from pursuing the activity causing the conflict.

Activity and Outcome

We aim to continuously manage conflicts of interest by putting the best interests of the client first. Conflicts of interest are identified, managed and reported in line with the conflicts of interest policy. There are a number of potential conflicts of interests related to stewardship that may occur, which we would manage accordingly.

Interests of clients diverge on issues being voted on

On occasion, the interests of clients may diverge on issues on which we are voting. For example, where segregated mandates are being managed alongside a wholesale fund, or where clients within the same fund have different views.

We are able to vote shares differentially and will assess the voting of shares against each client mandate. Where client interests diverge, then we will vote accordingly, but this is a rare event.

Generally, we vote by proxy at general meetings on all equity holdings. On occasion, we will attend a general meeting where our clients' interests are best served by us doing so. For additional information, please see the Voting section in the main body of this report on page 59.

Asset classes

Conflicts may also arise where fixed income or equity investors have differing viewpoints on an investee company. These may arise over differences in strategy, for example over capital allocation (increase investment or return surplus capital to shareholders) and on distributions (debt reduction vs buybacks or dividends). We always act in the best interest of our clients, and where a conflict of this nature may arise, the fixed income and equity teams would act separately as appropriate for their clients.

Difference between stewardship policies of managers and their clients

We publish our approach to responsible investing, including, inter alia, our remuneration and voting policies. We publish the results of our voting on a quarterly basis, which is also summarised in the main body of this report on page 59.

We manage funds for institutional clients, retail clients and on behalf of the asset owner function of M&G plc. Only occasionally does our stewardship policy differ from an institutional client who wants to apply its own stewardship policy. Where this occurs, we compare policies – to date, where this has happened, only one client has requested us to vote under their policy.

ESG-related reputational risk and client outcomes

Conflicts between reputational risk and investment / client outcomes are managed by the Sustainable Investment Standards Committee (SISCo). Where a conflict arises, client interest and fiduciary duty shall take precedence, subject to applicable law and regulation. Conflicts are recognised, reported and disclosed where required.

Sustainability-related policy implementation

Generally, sustainability-related policy implementation will follow a control / mitigation framework considering:

- Advanced engagement with internal stakeholders.
- External disclosure: where deemed appropriate, disclosures can be made to stakeholders informing them of the strategy.
- Trading restrictions and monitoring mechanisms: various monitoring mechanisms help to oversee trading activity and trends, including, but not limited to: side-by-side monitoring; fair allocation; order inflation.
- Training and awareness: all staff training helps to ensure that staff, including fund managers, are aware of conflicts and the responsibility to identify, manage and report. In addition, the content of the training is reviewed annually and refreshed as required.
- General information barriers: these include restricted access to sensitive information, segregation in governance between the asset manager and asset owner, information classification guidelines, and committee meeting membership / attendance.
- Divestment and potential losses, or a change of exclusion, ie exclusion to inclusion.

As a case in point, and as mentioned elsewhere in this report, our Thermal Coal Investment Policy came into force in 2022, with the Climate Committee responsible for governance and oversight.

Principle 4

'Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system'

M&G plc

Market-wide and systemic risks are recognised as the possibility that an event, internal or external, to the company could trigger instability or collapse in an industry or economic environment. M&G plc recognises that these risks have the potential to adversely impact clients' funds and investment processes, and have therefore implemented a variety of frameworks and processes to manage these accordingly, in line with the business's fiduciary requirements. Overall, this enables the business to meet its commitments to its clients and comply with legislation and regulation, while appropriately managing and mitigating key systemic risks, including ESG-related risks such as climate change, biodiversity loss and social inequality.

Risk Governance

The M&G plc Board has ultimate responsibility for managing risks across M&G plc, including establishing effective internal controls and taking into account the current and prospective macroeconomics and financial environment. M&G plc recognises that all employees will encounter risks relevant to the activities they undertake. For this reason, the board also has the responsibility for instilling an appropriate risk culture within the company and setting the tone from the top through establishing our purpose, behaviours and values. This risk culture is centred around the organisation-wide programme of 'I Am Managing Risk' which requires colleagues to take personal responsibility and accountability for Identifying, Assessing, Managing and Reporting risk. In 2024 we launched our 'colleague behaviours for risk and compliance', articulating what good behaviour looks like from both the 1st and 2nd lines, with the aim of achieving better outcomes and a more collaborative environment. Our colleagues are expected to work together to do the right thing for our clients, wider stakeholders and our business. All colleagues have risk management accountabilities as part of their core objectives.

The M&G plc Risk Committee supports the Board in its risk activities, providing leadership, direction and oversight, and the M&G plc Audit Committee assists the Board in meeting its responsibilities for the integrity of financial reporting, including obligations for the effectiveness of the internal control and risk management systems. The M&G plc Remuneration Committee ensures that compensation structures place appropriate weight on all individuals adopting the required risk culture and behaviours.

Risk Management Framework

Underpinned by this is the Risk Management Framework (RMF), which sets out our tailored approach to managing risks within agreed appetite levels, and which is further supported by a suite of risk policies and standards. This provides a disciplined and structured process for the taking and managing of risk, enabling the business to make better decisions for its clients and shareholders.

In alignment with the RMF, M&G plc operates an effective risk management cycle in maintaining an ongoing process of identifying, measuring, assessing, managing, monitoring and reporting current and emerging risks:

- Risk Identification: regular, bottom-up risk identification processes are undertaken to identify risks to which M&G plc is currently exposed, or could be exposed to in the future.
- Risk Assessment: risks are first measured using appropriate metrics. Risk monitoring is also an ongoing process to track the status of risks and is undertaken by both risk owners and through oversight and assurance activities undertaken by Risk, Compliance and Internal Audit.
- Risk Management: risks are evaluated, treated and managed against the defined risk limits, triggers and indicators in order to establish whether the business is operating within risk appetite.
- Risk Reporting: to ensure timely and appropriate decision making, both the asset manager and asset owner are provided with accurate and timely risk reports.

ESG risk management

M&G plc's ESG Risk Policy sets out the key requirements for the management of ESG Risk on an ongoing basis, supporting the delivery of M&G plc's strategic plans and objectives. In particular, the key requirements of the policy relate to the identification, measurement, management, monitoring and reporting of ESG risk.

M&G plc's risk governance is based on a Three Lines of Defence model, consistent with the wider Group risk management approach.

The first line is responsible for the identification and management of risk on a day-to-day basis. The second line Risk and Governance functions provide risk advice, oversight and challenge. The third line provides independent assurance over the design and effectiveness of internal controls, including those over sustainability related policies and processes. See Principle 5 for more detail.

Working with other stakeholders to improve functioning of financial markets

Example external collaborative work on climate risk:
Membership of and engagement with various industry initiatives allows M&G to gain understanding of the wider industry's thoughts on current relevant events. M&G plc, the asset manager and the asset owner, engages with, participates in, and in some instances chairs, a number of associations and initiatives. For M&G plc, this includes, but is not limited to the CRO Forum with the latest contribution on climate risk modelling and chairing the Climate Financial Risk Forum working group on nature risk.

Climate Financial Risk Forum

The Climate Financial Risk Forum (CFRF) is an industry-led forum with an aim to build the financial sector's capacity to address climate-related financial risk as well as the development and sharing of best practices. This year, M&G has contributed to both the Short-term Climate Scenario workstream and Nature workstream of the Financial Resilience Working Group including contributing to the production of industry guidance on short-term climate scenarios and embedding in operational procedures.

Further asset manager-specific activities are outlined below.

M&G Investments

Working with other stakeholders to improve the functioning of financial markets

As a large investor, we recognise that we have responsibilities to the wider market, industry and society. Where there are systemic risks, we recognise the need to act collectively to solve issues, while continuing to meet our responsibilities for our clients.

We actively engage with trade bodies, policymakers and NGOs, including, but not limited to:

- The Financial Conduct Authority (FCA)
- The Financial Reporting Council (FRC)
- The Investment Association (IA)
- The Principles for Responsible Investment (PRI)
- The Institutional Investors Group on Climate Change (IIGCC)
- Climate Action 100+
- Nature Action 100
- UK Sustainable Investment and Finance Association (UKSIF)
- The European Fund and Asset Management Association (EFAMA)
- The Investor Forum
- The International Corporate Governance Network (ICGN)
- All Party Parliamentary Corporate Governance Group (APPCGG)
- UK Endorsement Board Advisory Group (UKEB Advisory Group)
- Asian Corporate Governance Association (ACGA)

Examples of this over the last 12 months can be found in the main body of this report.

Market-wide risks

With regards to market-wide risks, at a fund level it is the responsibility of every portfolio manager to manage these risks. Market-wide risk is a key element of investment analysis as we look to maximise our clients' risk-adjusted returns. For instance, within emerging markets a premium would be applied to account for the increased geopolitical risk.

We then have a centralised second-line risk function that looks across our assets. The independent risk team approaches risk management pragmatically through a combination of quantitative and qualitative measures.

This team remains in constant dialogue with the portfolio managers and performs regular independent oversight / challenge of fund positioning. In order to identify risks, we perform stress testing on our portfolios for a variety of market-wide risks and take appropriate action, such as enforcing liquidity limits and monitoring sensitivity to currency or interest rate movements and ESG risk oversight.

At a firmwide level, our risk function sets and monitors limits within our risk appetite for areas including, but not limited to, liquidity, market and credit risk. As mentioned above, we engage with regulators and industry bodies to help develop effective regulation and to promote well-functioning markets.

During major macroeconomic and geopolitical events to address and manage the impact of markets on the company and various funds, a working group is convened. Its purpose is to:

- Facilitate good communications across the business and externally.
- Co-ordinate the management of exceptional tasks to avoid duplication or omission and resolving resource conflicts by setting priorities.
- Ensure alignment with the crisis management framework.
- Prompt the respective governance forums to take action

In 2024, this working group was particularly active due to geopolitical events in the Middle East (Israel / Middle East) as well as the enacting of martial law in South Korea. The Investment Risk team ran various scenarios and stresses to understand potential outcomes. This confirmed that no further action was required and the working group was stood down.

Systemic risk

As highlighted previously, we are also in contact with stakeholders, including industry organisations and regulatory authorities. This is to ensure we are fulfilling our duties as responsible investors and supporting industry initiatives and regulation that is in the best long-term interests of our clients, as well as the financial system more generally. This includes global issues such as climate change, governance issues such as audit and remuneration committees through the Investment Association, and sector-specific issues such as safety standards.

M&G plc has grouped its activities in relation to its sustainability strategy under two themes - 'Resilient planet' and 'Resilient societies' - which include the work we do on climate, communities and people, with the addition of nature given its growing importance for our clients and broader society. The resilient planet theme is supported by two pillars – 'Financing the climate transition' and 'Developing our approach to nature', while the resilient societies theme also comprises two pillars – 'Promoting financial confidence' and 'Building communities', both of which build on the work we already do as part of our investment and corporate activities. Further information can be found under Principle 1.

For us, the climate emergency is one of the most important environmental issues facing the world today. We believe that climate change will have a material impact on our clients' investment returns. With this being the case, identifying the specific risks of climate change is crucial to minimise or mitigate the impacts.

Effectiveness

We believe that we continue to effectively identify and respond to market-wide and systemic risk, at both a fund level, through the ongoing monitoring and investment activities by our fund managers, and at a company level, through the establishment of effective risk governance measures. In addition, our active involvement in a wide range of market initiatives ultimately aids in the improved functioning of financial markets, through collaborative action, regulatory development and innovation in the provision of services. For examples, please see the main body of this report, particularly the Other engagement activities section from page 74.

Outcome

With the ESG landscape ever evolving it will always remain a priority to keep abreast of the risks and challenges that our industry and organisation face. While this remains an industry-wide challenge, our ongoing monitoring of risks in our own and other areas of responsibility, in combination with our expertise and ongoing dialogue with regulatory and industry bodies, allows us to meet our responsibilities, with appropriate integration of such risks and factors within our investment activities.

Principle 5

‘Signatories review their policies, assure their processes and assess the effectiveness of their activities’

M&G plc

The M&G plc Group Governance Framework (GGF) defines the Group’s approach to governance and internal controls to ensure the business meets internal and external requirements and standards. The GGF includes policies and information to ensure a consistent approach to decision-making. A core component of the GGF is the M&G plc Policy Governance Framework (PGF), which sets out the roles and responsibilities across the group in relation to policy development, maintenance, implementation and compliance. Group-wide Policies such as the M&G plc ESG Risk Policy are part of the PGF, which supports the overall system of risk management and internal control.

All governance policies have a designated M&G plc Executive Committee Owner who is accountable for the content and implementation of the policy across the business, and input from wider stakeholders is important to ensure the policies are fair, balanced and understandable.

The establishment of a strong governance structure across the business is also key to ensure the effective review and challenge of processes and policies. In 2022, this was further enhanced with the development of the M&G plc Executive Sustainability Committee, which was established to act as a dedicated committee to review and approve group-wide Sustainability and ESG matters (see Principle 2).

Internal and External Assurance

In alignment with the Risk Management Framework (RMF) (see Principle 4), M&G plc’s risk and compliance governance is based on a ‘three lines of defence’ model in line with Senior Managers and Certification Regime (SMCR) accountabilities This model provides an effective way to clearly illustrate how responsibilities for managing risks (including in the process of assurance) are separated:

First Line of Defence (1LOD)

The first line of defence business areas identify and manage risks, including complying with regulatory requirements, and are overseen by the second line Risk and Compliance functions.

Second Line of Defence (2LOD)

The second line is structurally independent of the first line, providing risk and compliance oversight, advice and challenge to the first line.

Third Line of Defence (3LOD)

The third line, Internal Audit, is empowered by the Audit Committee to audit the design and operating effectiveness of the internal controls, including the risk management system.

The 1LOD responsibilities are carried out by the business and support functions. Specifically, 1LOD functions:

- Identify, own, manage and report risks
- Own specific risk and compliance policies
- Execute Business Plan and strategy
- Establish and maintain controls
- Instil conduct requirements and individual monitoring
- Stress and scenario modelling
- Operate within systems and controls
- Ongoing self-assessment of control environment effectiveness.

The 2LOD responsibilities are carried out by the Risk and Compliance teams. 2LOD functions provide oversight, advise and challenge, including:

- Own risk and compliance framework
- Stress and scenario setting, responsible for oversight
- Give proactive and reactive advice and guidance
- Monitor risk and compliance and assurance activities
- Report on risk and compliance
- Strategy and approach for regulatory engagement

The 3LOD is provided by Internal Audit. The primary objective of Internal Audit is to provide independent and objective assurance to the M&G plc Board Audit Committee (BAC) and Executive Management on the adequacy of the design and effectiveness of the organisation's systems of internal control, thereby helping them to protect the assets, reputation and future sustainability of the group.

External assurance

For the 2024 M&G plc Annual Report and Accounts, PwC have continued to provide limited assurance on total community investments spend, selected operational greenhouse gas (GHG) emissions, and selected financed GHG emissions metrics

For more information please visit **www.mandg.com/investors/annual-report**

Our risk framework and 'three lines of defence' model

Board

Risk Committee

First line of defence (Business and support functions)	Second line of defence (Risk and compliance)	Third line of defence (Internal Audit)

Risk identification and management:

- Identify, own, manage and report risks
- Own specific risk and compliance policies
- Execute Business Plan and strategy
- Establish and maintain controls
- Instil conduct requirements and individual monitoring
- Stress and scenario modelling
- Operate within systems and controls
- Ongoing self-assessment of control environment effectiveness

Oversight, advice and challenge:

- Own risk and compliance framework
- Stress and scenario setting, responsible for oversight
- Give proactive and reactive advice and guidance
- Monitor risk and compliance and assurance activities
- Report on risk and compliance
- Strategy and approach for regulatory engagement

Independent assurance:

- Independent assurance of first and second lines of defence
- Independent thematic reviews
- Risk and controls assessment

M&G Investments

Review of policies and assurance of processes

We have formal reviews of all our policies annually to ensure they are still appropriate and effective. Both our second and third lines of defence have conducted independent internal assurance of our sustainability strategy, including a greenwashing risk review, and on processes covering TCFD reporting and implementation of SFDR. This supports the business in identifying where processes, policy and controls can be continually strengthened.

Our first line controls and assurance team partner with business heads and investment professionals in order to close assurance actions on time and provide support in documenting, enhancing and testing key controls where required. There are dedicated governance structures in place that oversee ESG risks internally, which consist of senior executive management and ESG SMEs.

Through our interactions with NGOs, completing external surveys, such as CDP and the UN PRI, attendance of Investment Association committees and IIGCC meetings, our work with the International Corporate Governance Network, as well as working with clients and external stakeholders, we are helping to develop best practice, and consider how this best practice can be incorporated into our policies. This allows us to stay up to date across asset classes on the range of issues which are important to investors and the wider market.

Examples include the publication of our ESG Integration and Sustainable Investing Policy, updates to our voting policy to take account of diversity and inclusion, and climate, and the M&G plc position papers on thermal coal and the just transition. Our internal audit function assures the controls and processes involved in producing this report, with the potential for external audit in future.

Effectiveness of our activities

We report annually, externally, and quarterly, internally to a number of internal boards (where internal money is managed) and other stakeholders, on how we discharge our stewardship responsibilities. For instance, our quarterly internal stewardship report not only goes to all relevant senior management, but to a wide range of interested internal parties, while we report to clients on stewardship activities on request.

Through dialogue with our clients and continuous internal review, we ensure not only that our policies are fair, balanced and understandable, but also that they lead to effective stewardship. This report allows us to collate and reflect at a holistic level where we could strengthen and develop in future.

The report has been reviewed by M&G plc's ESG Disclosure Panel, in order to help ensure it meets the aforementioned requirements of being fair, balanced and understandable.

This report has been approved by the M&G plc Management Disclosure Committee and the Board of M&G Investment Management Limited, reviewed by the M&G plc Executive Sustainability Committee, and signed off by the Chief Executive Officer of M&G Asset Management.

Outcome

An internal audit covering the control framework in place over the preparation and submission of our 2021 Stewardship Report was completed in December 2022. The objective, approach and outcome of this audit are outlined in the case study below. As noted above, external assurance has also been obtained to provide substantive assurance over certain key reportable metrics.

During 2024, First Line of Defence Risk and Controls undertook key control testing of the control framework around the preparation of the 2023 Stewardship Report, which passed. We deem these combined forms of assurance to be necessary in order to ensure that we are accurately reflecting the stewardship activities that we undertake, with full and ongoing documentation of those activities.

Case study:

Internal Audit Review of the FRC Stewardship Report.
M&G Investments is a signatory to the FRC UK Stewardship Code 2020 ('the Code') and reports against the Code's 12 'apply and explain' Principles via annual Stewardship Report. As part of a 2022 audit of 'External ESG Reporting', Internal Audit included the Stewardship Reporting in scope.

Objective

The objective of this audit review was to provide independent assurance over the design and operating effectiveness of the control framework in place around the preparation and submission of accurate, complete and timely FRC Stewardship reports on behalf of M&G Investments.

Approach

The audit was performed through review of relevant documentation and management information; performing walk-through of relevant processes; conducting sample testing of key and/or mitigating controls within the processes in place around the preparation and submission of the Stewardship Report.

Outcome

A report detailing any issues identified was reported to relevant Senior Management, Executive Management and the Board Audit Committee with issues added to the internal audit system for tracking to completion.

Principle 6

'Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them'

M&G plc

The assets under management and administration for M&G plc as both asset owner and manager, as at 31 December 2024, were £345.9 billion.

M&G Investments

In terms of M&G Investments, as asset manager, this was broken down as:

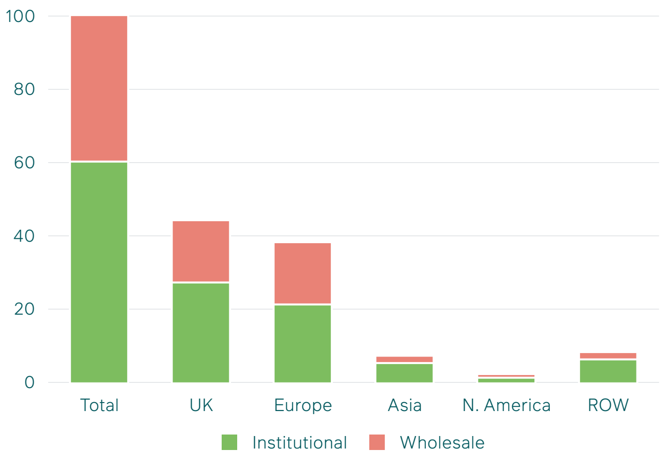
External	£158.9bn
Internal	£156.1bn
Total	£315.0bn

For M&G's externally managed AUM, this was broken down as:

Total equities	£48.1bn
Total fixed income	£89.5bn
Total property	£15.1bn
Other/Cash	£6.2bn
Total	£158.9bn

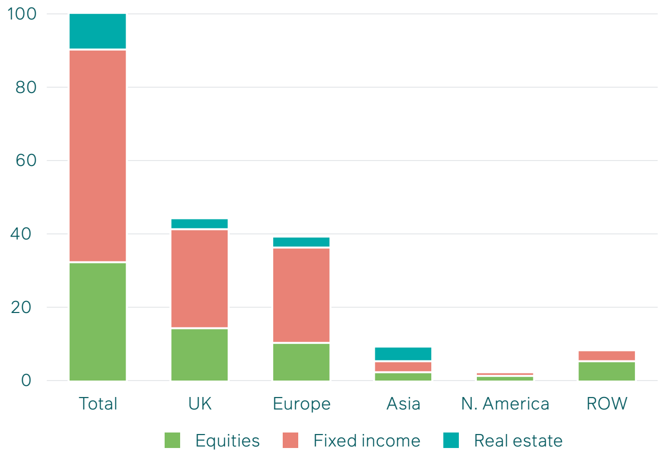
Source: M&G, as at 31 December 2024.

% External AUM by client type and geography



Source: M&G, as at 31 December 2024.

% External AUM by asset class and geography



Source: M&G, as at 31 December 2024.

Note: Fixed Income includes 'cash and cash equivalents'

We run a range of investment strategies, the majority of which are long term in nature, meaning we take a long-term view of the investments we make on our clients' behalf. When we buy shares in companies, for example, we typically hold these shares for three to five years as a minimum. The timeframe for fixed income, real estate or infrastructure investments may be even longer.

We have a diverse range of clients, from institutional investors and pension schemes, who may require very granular detail around our voting and engagement activities to satisfy their own reporting requirements, to retail investors who often take a more hands-off approach. Across the needs of all our clients, though, we acknowledge that as an asset manager we have to be accountable for our actions and demonstrate that we vote and act in a consistent manner, based on our principles.

Client policies

We listen carefully to our clients' views and requirements in respect of stewardship, at both the institutional and retail level. For the latter, this includes our interactions with the advisor community, as well as with individual investors through organisations like the Wisdom Council. For the former, this involves ongoing interactions between clients and our client relationship teams, as well as meetings with our sales and investment teams.

Ensuring that we are meeting our clients' needs is an on-going process of discovery, planning and implementation. We are cognisant of various industry policies and standards – including industry-wide voting and engagement reporting templates – and are often involved in their development. We responded to the consultation by the Vote Reporting Group on a new vote reporting template when this was conducted during 2023.

We have clear stewardship policies with which all fund managers are expected to comply, although the policies contain appropriate flexibility to allow fund managers to express their individual investment views and styles to achieve our clients' investment objectives; it is to be expected that stewardship activities and approaches will differ across funds.

The requirements of our clients are kept under regular review. There are legal, regulatory and operational requirements and challenges for both investment managers and clients in relation to pooled investment client voting, for example. We recognise that clients often have strong views on voting. In our experience, clients take a close interest in our voting policy and how it is implemented, and for the moment we believe that clients are satisfied that our policy fulfils their requirements and objectives, but we are not complacent and keep this under constant review.

To date, only one of our clients has requested that we implement their own particular voting policy. We can offer segregated account arrangements should this meet clients' needs better than a pooled investment. We have, though, been reviewing tools that allow clients to express their voting preference, and we remain open minded as the debate on this topic continues.

Transparent communications

Much of our engagement with companies is confidential, but we publish case studies of our interaction with companies on less-sensitive issues. We also publish this report within the sustainability section of the M&G plc website, providing an overview of the full range of stewardship activities undertaken over the previous year.

We provide transparency on our voting activity on our website, including our rationale when voting against management or abstaining from a vote. A summary can be found on page 59 and our full voting record online.

All of our voting is also processed and recorded through an external voting service, on which a full record of all voting activity is retained, along with voting rationale.

Again, we report annually, externally, and quarterly, internally on how we discharge our stewardship responsibilities, and regularly report to clients on stewardship activities for bespoke requests.

We maintain records of interactions with companies, using Bloomberg RMS for recording general monitoring activities for equity holdings, the development of an enhanced system for fixed income holdings, research platforms for both equity and fixed income where research and meeting notes are recorded, as well as a separate system specifically designed to record ESG engagements, as defined by the PRI. Records of specific stewardship activities are also retained within the Stewardship & Sustainability team.

Outcome

We take into account feedback from clients on our reporting and look to make improvements. This has included more stewardship information in regular monthly and quarterly fund reports, more granular information on engagement and voting activity for institutional clients, and the publication of climate metrics across our range of funds. We are always open to feedback on our approach from clients, whether institutional, wholesale through IFAs or retail through our call centres and Client Insights team.

To ensure we are meeting client needs, every manager invests in line with the mandate of their fund, which has been clearly articulated to clients. We provide a variety of fund-specific reporting for wholesale clients, including monthly, quarterly and annually, while reporting on a bespoke basis for different institutional mandates.

Principle 7

'Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities'

M&G Investments

As noted previously, we run a range of investment strategies, the majority of which are long term in nature, meaning we take a long-term view of the investments we make on our clients' behalf. To read the ESG Integration and Sustainable Investing Policy which we use to inform and guide all investments made as an asset manager, please visit the **website**.

Integration of stewardship

As long-term investors, we take great care with our clients' savings and work closely with the management of those companies and assets we invest in to help ensure they are delivering the best possible risk- adjusted returns. This includes challenging the environmental, social and corporate governance practices of these companies, particularly if we think these pose a risk to long-term performance.

We believe that ESG factors can have a material impact on long-term investment outcomes. Our goal is to achieve the best possible risk-adjusted returns for our clients, taking into account all factors that influence investment performance. Consequently, ESG issues are integrated within investment decisions wherever they have a meaningful impact on risk or return.

Within our analysis, we typically look at capital allocation, financials, strategy and performance, as well as non-financial matters (such as environmental, social and governance factors; capital structures; board performance and understanding how boards are fulfilling their responsibilities; succession planning; remuneration; and culture, among others).

While we consider it essential to include ESG factors in our investment analysis, we do not take investment decisions based solely on our ESG views. Rather, investment decisions are made after giving appropriate consideration to all factors that influence an investment's risk or return. We are long-term investors, and since ESG issues tend to evolve over the longer term, we consider such factors as a fundamental component of our investment process. We regard it as part of our fiduciary responsibility to include ESG issues in our investment views, as we do for all factors that influence long-term investment results for our clients.

For examples of how our integration of ESG has progressed over the last year, please see the main body of this report starting on page 13.

Stewardship activities, such as monitoring and engaging with investee companies, as well as voting at shareholder meetings and reporting to clients, are undertaken by the investment teams, research analysts and members of our Stewardship & Sustainability team on an integrated basis. To ensure an integrated approach, regular investment meetings are held with investee companies (and meetings with potential investee companies). This is then fed back into our internal view of the company. Examples can be seen in the ESG Engagement and Voting sections of this report.

How we monitor and engage with companies is described in more detail in Principle 9.

Activity

Principles of ESG integration

Our sustainability approach is based upon three core principles:

- Embed sustainability
- Influence change
- Provide solutions

We consider ESG integration to be the explicit and systematic inclusion of financially material ESG factors (both risks and opportunities) into investment analysis and investment decisions. We believe ESG integration enables more informed investment decisions and in turn can contribute to risk mitigation and long-term performance.

ESG risks can have a financially material impact on assets and investments in a range of ways, for example: increased operational costs, reduced or stranded asset values, unforeseen liabilities and penalties, loss of access to markets/customers, and reputational damage.

Integration across asset classes, geographies and funds

The financial materiality of ESG risks will vary depending on sector/company, geography/operating model, financial instruments invested in and overall portfolio construction. Across asset classes, whilst ESG risks or opportunities might be a material factor in financial performance for some asset types or sectors (eg, corporates, real estate, infrastructure), they may be less relevant to the financial performance of other assets eg, cash and currency. Our general approach is to integrate ESG considerations into established investment processes rather than create separate processes. Given the breadth of asset classes we invest in, investment teams (product managers and fundamental analysts) tailor their approach to ESG integration taking into account the specific portfolio construction, research and investment processes used by each team.

We seek to integrate ESG across all investments as far as we are able and where it is financially material. For some investment strategies/financial instruments it is not currently feasible or appropriate to do so, eg, externally managed passive or ETF investment strategies or where requested by clients. The reasons for not applying the integration approach include (but may not be limited to) lack of an agreed methodology to assess sustainability risks, lack of data or poor data quality.

Framework for ESG integration

Sustainable investing involves making investment decisions incorporating ESG factors whilst trying to have a positive effect, or, reduce negative effects on the environment and society through active stewardship and/or portfolio construction. Sustainable investing approaches will always incorporate negative screening: avoiding certain activities sectors or behaviours (eg, involvement in tobacco or gambling) and/ or excluding laggards (eg, not achieving a minimum ESG score), as well as applying various positive selection approaches to portfolios (which may also be applied in combination) such as targeting positive environmental and/or social outcomes or impact investing.

Integration into investment research

Fundamental sustainability research is analyst driven research. It is generally qualitative research that allows an in-depth analysis of specific companies. The Sustainable Investment Research team provides fundamental sustainability research to our investment teams. Investment teams have access to a range of sustainability research both in-house and external. They are responsible for integrating sustainability considerations into their own research and investment decisions where such considerations are financially material to the investment or the strategy considering factors such as investment philosophy, time horizon, and asset class.

A range of external research and data is used alongside internal research to enable integration of sustainability considerations within investment decisions. All inhouse proprietary as well as external research is available through our research platform and dashboards accessible by all our investment teams. Fundamental sustainability research content is available to all investment teams (including private markets) to support ESG integration, and includes: sustainable investment profiles; sustainability eligibility assessments; thematic research; global norms assessments; ESG themed bond assessments; sovereign framework; and impact research.

Outcome

Evidence of ESG integration

Quantitative data driven analysis: scalable dynamic data and outputs are provided to the investment teams. The degree to which these tools are used (if at all) in the investment process and influence investment decision-making will depend on the tools' relevance for a specific asset and the sustainability related characteristics or objectives of the product/fund. For further details on these tools see page 117.

Central ESG engagement log: where ESG engagement with companies, issuers or policy makers is undertaken, this is recorded in the central ESG engagement log, including the objective, action and outcome of the engagement, the broad ESG pillar under discussion, and the relative state of the engagement ie, successful, ongoing or unsuccessful. The Stewardship & Sustainability team approves engagements entered into the log, to ensure they are compliant with the PRI ESG engagement definition.

Principle 8

‘Signatories monitor and hold to account managers and/or service providers’

M&G Investments

Service providers

Activity

We use the ISS STOXX voting platform to vote and implement M&G’s voting policy through a custom voting service. As shareholder meetings arise, the custom voting service refers resolutions that contravene our voting policy. We also use research from ISS and the Investment Association’s Institutional Voting Information Service (for UK companies) to help make voting decisions.

Before deciding our vote on a resolution that has been referred by the custom voting service, we may discuss issues within the Stewardship & Sustainability team or, for more contentious issues, involve the relevant fund managers, with fund managers making the voting decision in consultation with the Stewardship team and Research Analysts. Where we have engaged with a company on a relevant topic, this will also be taken into account.

We feel that the ISS platform, in conjunction with our custom voting service, has adequately met our needs, allowing us to effectively vote at 1,684 meetings in 2024.

There were no actions taken during the year in response to our expectations not being met, although we do have meetings with ISS to discuss areas of potential improvement.

Outcome

Our Stewardship & Sustainability team meets with ISS on a quarterly basis to discuss operational and contractual issues such as technical updates, policy changes and new products related to voting. We also interact with ISS on an ad-hoc basis when we have queries, often related to operational performance or research. We also use this opportunity to develop our custom voting service.

Research providers

Activity

Research providers are monitored and scrutinised for accuracy and for the provision of insightful information, and while the data from these providers feeds into our analysis, they are not the sole input.

M&G has a bench of providers including ISS, MSCI, Bloomberg, Net Purpose and Sustainalytics, which is delivered through dedicated data portals to our Investment, Research and Stewardship & Sustainability teams, among others. Other research sources include, but are not limited to, Refinitiv, Aladdin Climate, Morningstar and CDP.

We hold, with our dedicated Sustainable Quant & Systems team, regular meetings with research providers to understand new functionality or to suggest areas we think can be improved. We also meet with providers when we feel, for example, a company ESG rating is not accurately reflecting the activities that company is undertaking, or to understand remediation efforts a company can undertake to improve its rating or to, for example, remove a UN Global Compact-related flag.

Outcome

We have regular dialogue with our research providers to query any issues which arise during the year. Typically, this is where we consider the research provider to have made a factual error.

We also have a central team to act as a formal point of contact and monitoring for our service and information providers.

Monitoring of service and research providers

The M&G plc Market Data team is responsible for managing the ongoing relationship with our service and research providers and for reviewing the overall quality of service provided. Any issues raised by the business will be followed up by the Market Data team until an appropriate resolution has been achieved. We have divided providers into Strategic and non-Strategic partners. Those that are strategic and of high value are monitored with regular service reviews on a monthly (and soon quarterly) basis. Those that are not considered strategic, due to low monetary value and low impact, are not monitored on a monthly basis albeit their data is monitored daily. Market Data continues to oversee the relationship and is the point of escalation for the business should any questions or issues with the service or data arise. Our Strategic partners include MSCI, Bloomberg, ISS, Morningstar, Refintiv.

Market Data and our Sustainable Quant & Systems team hold monthly meetings with Bloomberg, Refinitiv and others, meet quarterly with our strategic partners, which are often facilitated by constructive feedback and provide an opportunity to determine whether corrective actions or improvements are necessary, as well as gathering information on new products and services that may be of interest to the business.

An agenda is produced ahead of the meeting and minutes are taken and circulated after the meeting. Where we have multiple services provided by one provider, ie Bloomberg and Refinitiv, we produce monthly 'packs' which log all the engagements and issues raised during the month and go through the pack during our meeting.

We are satisfied with the services provided by our service providers. We recognise that improvements could be made with our ongoing engagement and communication with third-party service providers and will endeavour to find ways to enhance our monitoring processes in respect to the wider consideration of ESG and stewardship.

To this effect we will be introducing formal quarterly service reviews with our ESG vendors, where we will produce a pack detailing discussion points, engagement with us throughout the previous quarter, review any technical challenges and discuss key strategic updates from both us and the vendor. Our Data Assurance team is also working to produce data quality metrics to enable us to understand data coverage and gaps from our vendors, so we can use these metrics to further hold our vendors to account.

Outcome case study

Vendor Partnership

Objective: M&G recognized the need to consider nature data sets beyond climate emissions in 2021 and established working relationships with CDP and other vendors to this effect. As part of our work in 2023 we established a review of available Biodiversity datasets to inform research, analysis and stewardship activities. All vendors provide biodiversity data sets in some shape or form. However, our market analysis indicated certain vendors were able to understand both the research, stewardship and integration use cases and we engaged these vendors in order to optimise our services for our clients. Our intention is also to ensure a breadth and depth of information to meet M&G Group's needs in this area, as an active asset manager, asset owner and corporate listed Plc.

Approach: As part of our strategic work with Bloomberg as one of our primary vendors, they approached us to ask if we would like to participate in their Biodiversity Beta programme, which gives select Asset Managers the opportunity to collaborate pre-commercial distribution of data to hone and refine its use cases. This is an example of the strong relationship we have with Bloomberg and the ongoing commitment to continue working with our partners to seek to improve outcomes for the market as a whole.

Outcome: This Bloomberg biodiversity dataset is now integrated into our internal ESG Scorecard and is a live commercial product that we see having a real role in informing research, analysis and stewardship activities.

Principle 9

‘Signatories engage with issuers to maintain or enhance the value of assets’

We believe that the long-term success of companies is supported by effective investor stewardship and high standards of corporate governance. We think that if a company is run well, and sustainably, it is more likely to be successful in the long run.

M&G Investments

Prioritisation

Our resources are generally applied based on a range of factors, including the materiality of the issue and the size of our holding. Our focus will be on issues that are likely to be material to the value of the company’s assets and are in the long-term interests of our clients. This includes challenging the environmental, social and governance practices of companies, particularly if we think these pose a risk to long-term performance.

As a general rule, where our holding is a small fraction of the company’s total capital, and a small fraction by value of a fund, there will be proportionately less resource applied to engagement (reflecting the reality that our influence is less significant).

Our engagement priorities stem from both a bottom-up approach, for example from individual portfolio reviews, and also top down, where the house often has a large exposure. For the latter, as mentioned in the engagement section in the main body of this report, a major area of focus is on climate change, including engagement with companies with thermal coal exposure, diversity and inclusion and natural capital.

Develop objectives

Before engaging, we identify a specific target for our engagement based on our desired outcome, tempered by realistic expectations based on the amount we hold and in which asset class. Fixed income assets, for instance, have less routes for direct engagement and escalation, but where there is overlap between equity and fixed income we try to work together.

Regular and proactive monitoring, including open and purposeful dialogue with investee companies, enables us to determine whether the board is fulfilling its mandate to shareholders and if engagement is required, and ultimately whether an investment remains appropriate. This monitoring process typically includes:

- Arranging regular meetings with executive management, the chair and/ or other non-executive directors
- Daily monitoring of company announcements
- Reviewing company results (annual and interim)
- Reviewing external research materials (eg broker research reports)
- Attending company capital markets days for investors and undertaking site visits
- Attending broker meetings to discuss investment recommendations
- Engaging in specific discussions with companies on material topics, including: strategy, performance and non-financial matters (such as environmental, social and corporate governance factors; capital structures; board performance and understanding how boards are fulfilling their responsibilities; succession planning; remuneration; and culture, among others)

- Attending company engagement/corporate governance meetings (arranged by companies to enhance the engagement process and provide a forum for governance and responsible investment subjects to be discussed)
- Meetings with remuneration committee chairs (in particular where the company is reviewing its remuneration policy, or prior to general meetings where sensitive or contentious resolutions are being put to shareholders to vote on)
- Corresponding with non-executive directors in instances where issues have been raised with management, but where progress on these issues is inadequate
- Maintaining a record of all interactions with companies
- Attending shareholder meetings

Details of how we escalate issues can be found in Principle 11 below.

As an active fund manager, we interact with companies to add value to the investment process (ie reinforcing a buy/sell/hold decision), to increase our understanding, or provide feedback to a company. We may also engage as fixed income investors where we seek to protect our clients' interests, through seeking amendments to the documentation that underpins the investment. If this is an ESG engagement, our aim is to influence company behaviour or disclosure.

Active and informed voting is an integral part of our responsibility as stewards of our clients' assets. In using our votes, we seek both to add value and protect the interests of our clients as shareholders. Our starting point as an active fund manager is to support the long-term value creation of our investee companies, and there will be occasions when we need to vote against management-proposed resolutions or support shareholder resolutions which are not recommended by the board, if we believe this is in the best interest of our clients and the company. In these cases, where it is practical, we try to engage with the company beforehand. Indeed, voting against resolutions may be seen as a failure of engagement.

We will consider shareholder resolutions on a case-by-case basis and will typically support those that request additional disclosure which, in our view, will add long-term value to our investment.

Our stewardship activities are overseen by the Financial Reporting Council, with engagement and voting seen as fundamental parts of stewardship. Both evolving legislation and client expectations have also raised the bar of what asset managers should be doing as stewards of client assets. This includes increased reporting requirements, particularly concerning company engagements and significant votes.

Categories of company interaction

We categorise company interactions into three types:

- Company meetings: as part of company monitoring, updates on trading strategy, capital allocation etc.
- ESG informed meetings: in company monitoring meetings we may ask questions relating to ESG. This could include remuneration and more general governance meetings, or understanding a company's environmental and social policies and procedures, for example.
- ESG engagements: these must have a specific objective, action and outcome which is measurable, and will, where applicable, be tracked over time. An ESG objective seeks to influence a company's behaviour or disclosures, and cannot be merely to increase understanding. Each engagement is assessed for its effectiveness and is designated a red, green or amber traffic light colour coding. Amber suggests further monitoring or engagement is required, green that the engagement was successful and red that it was not.

These three levels of interaction can be conducted through both meetings with companies and/or correspondence. The engagements can be bilateral or through collective engagement vehicles, such as CA100+ or the Investor Forum.

Engagement framework

We have two approaches to our engagement programme – top-down and bottom-up.

Top-down, pro-active ESG engagement programmes are thematic, such as our climate engagement programme, diversity and inclusion, engagement on nature or controversies, including UNGC red flags and modern slavery within operations or supply chains. These engagements are conducted across all investment teams.

Bottom-up programmes create individual engagements, 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, including on trading, changes to the board, M&A etc.

ESG engagements are recorded in a central log, maintained by the Stewardship & Suitability team, for use by the different investment, client and marketing teams within M&G Investments.

Engagement across asset classes and geographies

Our approach across asset classes continued to develop in 2024, as we increasingly make use of our broad cross-asset capabilities, often as a holder of both a company's equity and debt, to increase the significance of our engagement activities. The Stewardship & Sustainability team supports our private assets team, and an overview of resultant engagement activity can be found in the main body of this report, in the ESG Engagement section. Across asset classes, the end goal of all of our stewardship activities is to best serve our clients by achieving positive outcomes, and helping ensure our investee companies are effectively dealing with all of the material risks affecting them, both financial and non-financial.

Public equities: engagement with investee companies is generally undertaken by fund managers, analysts and the Stewardship & Sustainability team on an integrated basis. Regular meetings with executives, company directors and other members of management allow us to identify whether a company's strategy is aligned with our interests as long-term shareholders. Our active interactions with companies help us to understand the issues affecting them and, through both bilateral and collective ESG engagement, to encourage positive change. This could require continued engagement to bring about such change or, where this does not prove possible, voting against board members or ultimately divesting from a company.

Public fixed income: engagement with issuers is usually undertaken by our credit analyst teams, with support when needed from the Stewardship & Sustainability team, since our analysts have a clear and detailed understanding of the ESG issues affecting the credit quality of the issuers that they cover. Although bond holders normally have less influence than equity holders when engaging with companies, we consider it still important to engage with fixed income issuers regarding material ESG issues to encourage improved ESG practices.

Private assets: as investors in private or illiquid asset classes, or where there is an intention to hold the asset to maturity, we undertake extensive due diligence and engagement prior to, and throughout, investment on the basis that the ability to add value occurs during the investment decision-making process and that engagement is a more constructive decision than divestment.

Our equity and fixed income strategies provide both regional and global propositions, and in both instances we engage with management despite the country in which the company operates. As noted previously, different regions will have different levels of disclosure, different local norms in terms of, for example, board diversity, and different expectations for the level of investor access. We take account of such norms when undertaking engagement activity in the various regions and countries around the globe where we invest. For instance, under our diversity and inclusion voting policy, we have different expectations according to geography.

Outcome

A sample of significant ESG engagement case studies is published in the main body of this report starting on page 14.

Principle 10

‘Signatories, where necessary, participate in collaborative engagement to influence issuers’

M&G Investments

We are willing to act collectively with other UK and overseas investors where it is in the interests of our clients to do so. We endeavour to maintain good relationships with other institutional investors and support collaborative engagements organised by representative bodies, including through the Investor Forum, IIGCC, CA100+, NA100, and through NGOs such as ShareAction.

CA100+ is an investor-led initiative that exists to help ensure that the world’s 168 largest corporate greenhouse gas emitters take necessary action on climate change. It is made up, at the time of writing, of over 600 global investors. At the time of writing, within CA100+, we are co- leads on miner Rio Tinto, chemicals company BASF, and cement maker Holcim. We are active working group members, including on energy company Petrobras, chemicals companies LyondellBasell and Air Liquide, pipeline operator Kinder Morgan, miner Anglo American and steel maker ArcelorMittal, utility operator Engie and, oil and gas company BP.

In addition, we sit on the IIGCC’s Corporate Programme Advisory Group, which helps set future CA100+ priorities, and the Net Zero Stewardship Working Group.

A range of factors are considered in deciding whether or not to collectively act with other shareholders, including, but not limited to:

- Whether we can be more effective in our engagement unilaterally or collectively
- The extent to which the objectives of other investors are aligned with our own
- The potential sensitivity of the issue and the extent to which conversations with the company are confidential

We will also speak to other minority investors on a case-by-case basis in takeover offers (either reactively or proactively) and are prepared to go public by speaking to the press when we have a strong view that we think the Board is not taking account of. On a case-by-case basis we will also talk to activist shareholders if approached.

In addition, members of the Stewardship and Sustainability team participate on a range of external formal and informal committees related to broader shareholder issues.

Outcome

As highlighted under Principle 4, we are a member of a number of other associations and initiatives designed to improve collaborative efforts. For details of our collaborations over the past year, please see the main body of this report in the ESG engagements section starting on page 14 and the Other engagement activities section starting on page 74.

Companies wishing to initiate a discussion on collective engagement should contact Rupert Krefting, Head of Corporate Finance & Stewardship at **rupert.krefting@mandg.co.uk**

Principle 11

'Signatories, where necessary, escalate stewardship activities to influence issuers'

M&G Investments

As a general approach, as active fund managers, we are supportive of the management of the companies in which we invest. However, when companies consistently fail to achieve our reasonable expectations, we will actively promote change. These changes might range from the formation of a new strategy to the appointment of new directors or supporting shareholder resolutions.

We seek close dialogue with investee companies and are prepared to be wall-crossed in order to facilitate dialogue on price sensitive matters such as transactions, capital raisings, takeovers and changes in management before they are announced to the market. Appropriate procedures are in place to manage such information.

For further details, please see the main body of this report, in the Corporate Finance section on page 88.

We will engage on any issue that may potentially affect a company's ability to deliver long-term sustainable performance and value to our clients. Issues may include, but are not limited to:

- Acquisitions and disposals
- Biodiversity
- Business strategy
- Climate change
- Culture
- Diversity and inclusion
- Environmental and social responsibility
- Financing and capital allocation
- Governance
- Internal controls
- Management and employees
- Membership and organisation of governing structures and committees
- Modern Slavery
- Operations
- Performance
- Remuneration policy, structures and outcomes
- Quality of disclosure
- Risk
- Shareholder resolutions
- Sustainability
- Thermal coal exposure

These issues can manifest in a number of different ways: as a reaction to events or result pro-actively from our in-house analysis or issues raised by other shareholders; in support of the wider M&G plc sustainability strategy; and specific product-driven requirements.

The approach taken by our investment team and Stewardship & Sustainability team will be issue specific. Wherever possible, we seek to achieve our objectives by agreement and in a confidential manner, but may be prepared to support the requisition of a meeting, or requisition a meeting ourselves, to enable shareholders as a whole to vote on matters in dispute or make a public statement to the press.

As previously mentioned, our resources are generally applied based on a range of factors, including the materiality of the issue and the size of our holding. As a general rule, where our holding is a small fraction of the company's total capital, and a small fraction by value of a fund, there will be proportionately less resource applied to engagement (reflecting the reality that our influence is less significant) unless we can act collectively through organisations such as the Investor Forum or CA100+.

In terms of voting, when appropriate, we will inform the companies in advance of a meeting if we are voting against the board's recommendation. We monitor progress of engagements against identified objectives on a periodic basis. To us, confrontation with boards at shareholder meetings represents a failure of corporate governance.

Escalation is normally conducted by the investment team alongside the Stewardship & Sustainability team, and may involve meeting with the company's chair and/ or senior independent director, the executive team, other shareholders and/or company advisers. In a limited number of cases, it may be appropriate for the chief executive officer of M&G plc, or the chief investment officer, to be involved.

We believe company boards must consistently satisfy clients, shareholders and the reasonable expectations of employees, as well as acting responsibly towards society as a whole, in order to ensure success over the long term. Focused intervention will generally begin with a process of enhancing our understanding of the company's position and communicating our position to the company. This might include initiating discussions with the chair and/ or the company's advisers. We may also speak to senior independent directors or other non- executive directors and other shareholders. The extent to which we might expect change will vary, depending on the nature of the issue. In any event, we expect companies to respond to our enquiries directly and in a timely manner.

We expect the boards of our UK investee companies to comply with the Corporate Governance Code and the spirit of it. It is incumbent on a company to explain the rationale for diverging from the Code's principles and, subject to this explanation, we will determine the appropriateness of the divergence on a case-by-case basis. On occasion, we may support resolutions that are not compliant with the Code – which we believe are the right courses of action for the given circumstances or which progress towards compliance – after discussion with the company on the specifics.

In the case of board appointments, remuneration and corporate activity, shareholders are likely to be given the opportunity to vote on the company's approach. Where we remain unhappy with the proposed outcome of an intervention, or where the rationale is unconvincing, we will vote against relevant resolutions and, potentially, the reappointment of those directors responsible for the proposals with whom we have engaged. This is assessed on a case-by-case basis.

In the case of takeover offers, if we are unhappy with the level of the offer we will seek to speak to the Board, the Investor Forum (if it is a UK listed company), other minority shareholders and, if necessary, make our views public to the press.

Ultimately, as an active investor, where the outcome of our engagement is unsatisfactory, we have the option to dispose of an investment. This might be for a variety of reasons, including that the company is no longer suitable for the fund mandate, the outcome of engagement is unsatisfactory or as a result of the investment team's valuation assessment. Investment decision-making is undertaken by our fund managers.

In relation specifically to our Thermal Coal Investment Policy, examples of escalation include our thermal coal appeals process – where a fund manager may instigate an appeal for an issuer to be treated as an exception to or exemption from the policy, where there is credible evidence that the issuer complies with the material features of the Policy – and time-bound engagement plans, which had been agreed ahead of the policy going live in 2022.

As mentioned in Principle 9, our equity and fixed income strategies provide both regional and global propositions, and in both instances we engage with company management despite the country in which it operates.

As noted previously, different regions will have different levels of disclosure, different local norms in terms of, for example, board diversity, and different expectations for the level of investor access. We take account of such norms when undertaking engagement activity in the various regions and countries around the globe where we invest. Our approach to escalation is similar across geographies, although our fixed income strategies do not have the additional lever of voting against management when our expectations are not being met.

Outcome

For details of our escalations over the past year, please see the main body of this report, specifically the ESG engagements and Voting sections starting on pages 14 and 59 respectively.

As two examples of escalation:

CITIC

We contacted CITIC, the integrated natural resources provider, as a result of our Thermal Coal Investment Policy to provide a public coal phase out plan to exit coal by 2030 in OECD countries and 2040 in non-OECD countries by the end of November 2024. CITIC did not respond to our communications and as a result the decision was made to divest of the company.

Shell

Shell, the oil and gas company, put forward a resolution to vote on its transition plan.

While it is recognised that Shell is a leader in its peer group and a key player in the energy transition, our assessment of Shell's 2024 climate transition plan concluded that Shell is not aligned to 1.5 degrees, which is a requirement of our voting policy.

According to IIGCC's CA100+ and the Transition Pathway Initiative (TPI), the new 15-20% by 2030 reduction target in net carbon intensity (it was previously 20%) that Shell is now targeting is not enough to be considered as 1.5 degrees aligned. Also, we do not feel that Shell has provided sufficient evidence that it will meet this target. In addition, we note that Shell has not met our engagement request on setting an absolute scope 3 target for gas (although we recognise that they have set an absolute scope 3 target for oil) and we view the retirement of their 2035 target as a negative step. As a result, we decided that a vote against Shell's climate transition plan was warranted to signal to management that, while we are supportive of the progress made to date, more needs to be done to ensure alignment with 1.5 degrees.

Principle 12

‘Signatories actively exercise their rights and responsibilities’

M&G Investments

Voting

Our starting point as an active fund manager is to support the long-term value creation of our investee companies. Alongside pursuing an active investment policy and maintaining a constructive dialogue with company management, we see voting on resolutions at general meetings as a key element of stewardship.

There will be occasions when we consider voting against management proposed resolutions or support shareholder resolutions which are not recommended by the board. Voting decisions are always taken in the best interest of clients.

We use the ISS STOXX voting platform to vote and implement M&G’s voting policy through a custom voting service. As shareholder meetings arise, the custom voting service refers resolutions that contravene our voting policy. We also use research from ISS and the Investment Association’s Institutional Voting Information Service (for UK companies) to help make voting decisions.

Before deciding our vote on a resolution that has been referred by the custom voting service, we may discuss issues within the Stewardship & Sustainability team or, for more contentious issues, involve the relevant fund managers, with fund managers making the voting decision in consultation with the Stewardship team and Research Analysts. Where we have engaged with a company on a relevant topic, this will also be taken into account.

When appropriate, we will inform the companies in advance of a meeting if we are voting against the board’s recommendation. Typically, this communication will be in respect of UK companies; and most often on the subject of remuneration where there has been dialogue with the company.

Our voting policy generally applies where we invest on behalf of our clients. From time to time, there will be funds or mandates where we either (i) have investment discretion but this does not include voting rights; or (ii) have delegated investment discretion to a third party, which typically includes a delegation of the voting rights but we may have the ability to exercise the voting rights in certain circumstances.

Individual funds do not have their own voting policies – there is a firm-wide policy across all funds. However, where a vote is contentious, for example a shareholder resolution which the board has not supported, then the voting decision is made by the individual fund manager concerned in conjunction with the Stewardship Team and Research Analysts. When changes are made to the voting policy, for instance on climate change or diversity, then we try to represent the consensus of opinion for all fund managers.

We do not currently have clients in segregated mandates or pooled accounts whose interests diverge, but if this were to happen we would be pragmatic, discuss their voting preferences and conclude how we could accommodate their requirements. We currently have one client who has asked us to implement their own voting policy. We either vote on our clients’ behalf, using our voting policy, or, in the past, some of our clients have done their own voting.

We strongly believe that we can be more effective as a steward of our clients’ assets as a whole if we can act as one voice, rather than voting in different ways for different clients.

Summary of voting policy

In determining our vote, a number of factors will be taken into consideration, including our voting guidelines (which are reviewed regularly), company-specific information and the extent to which we have been able to obtain any additional information required to make an informed decision.

A responsible board should consult significant shareholders in advance of a company meeting, rather than risk putting forward resolutions which may be voted down. We are generally supportive of management and we aim to be pragmatic, but we will abstain or vote against the company if a resolution conflicts with our voting guidelines. When appropriate, we will inform the companies in advance of a meeting if we are voting against the board's recommendation. Typically, this communication will be in respect of UK companies; and most often on the subject of remuneration where there has been dialogue with the company. Confrontation with boards at shareholder meetings represents a failure of corporate governance.

The Annual General Meeting serves a useful purpose by reinforcing the board's accountability to shareholders. Where accountability is lacking we will use these meetings to remind the board of its obligations to shareholders.

We seek to vote on all resolutions at shareholder meetings. We may not vote in favour of resolutions where we are not able to make an informed decision on the resolution because of poor-quality disclosure, or due to an unsatisfactory response to questions raised on specific issues. Our public voting policy can be found on our **website**.

Stock lending

Any shares on loan are recalled whenever there is a vote on any issue affecting the value of shares held, or any issue deemed to be material to the interests of our clients.

Transparency

We provide transparency on our voting activity on our website, including our rationale when voting against management or abstaining from a vote. This is updated on a quarterly basis.

All voting is processed and recorded through an external voting service on which a full record of all voting activity is retained, along with voting rationale.

Fixed income

With regard to fixed income, we carry out extensive pre- investment analysis of issuers including their structures and covenants. Our analysts engage with companies pre- and post-investment, and where it is appropriate we engage as both an equity and bond holder.

As part of this process, we regularly feed back to issuers or proposed issuers on what our preferred transaction structure would be. Our investment is dependent on the outcome of this feedback.

Activity

In 2024, we voted at 1,684 company general meetings, comprising 330 UK meetings and 1,354 international meetings. The significant drop in the number of meetings voted compared to 2023 is due to the passive funds being sub-contracted to an external manager. For 661 meetings, at least one management voting recommendation was not supported. Overall we voted 97.11% of eligible meetings

There may be occasions when we choose not to vote because share blocking is in place (ie the practice under which shares when voted on are temporarily blocked from trading), while bondholder meetings, 'do not vote' instructions and court meetings have been removed from these statistics. We also do not vote if there is a conflict of interest on M&G Investment funds. For example, we do not vote our shares in M&G plc.

We use the ISS STOXX voting platform to vote and we have built, with ISS, a custom voting service that reflects our public voting policy. Our systems link the holdings of our strategies to the ISS platform, and a central data function of M&G Investments ensures that new funds are subsequently linked into the system – through the system we generate reports of upcoming votes and prepare accordingly.

As shareholder meetings arise, the custom voting service refers resolutions that contravene our voting policy. We also use research from ISS and the Investment Association's Institutional Voting Information Service (for UK companies) to help make voting decisions.

Typically, we vote by proxy at general meetings, but on occasion we will attend a general meeting where our clients' interests are best served by us doing so. Again, our full voting record, updated quarterly, can be found on our **website**.

Within Fixed Income, investment analysts seek to engage with companies prior to investment to enhance covenant packages where possible, in the context of market norms. The analyst is responsible for reviewing the prospectus and transaction documents at the time of the investment. Amendments are typically sought by the borrower, not the investor, but we will typically engage with the issuer to determine whether these are appropriate and, where necessary, to secure changes to the proposal and/or compensation for investors to agreeing to the waivers. The work on amendments is undertaken on a case-by-case basis, and is based on the merits of the request in hand.

Impairment rights

We note, however, that many developed market financial sector borrowers are covered by legislative resolution regimes and regulatory requirements, which limit our ability to amend contract terms and conditions here. Financial sector analysts, therefore, seek a deep understanding of the laws and regulations in the borrower's host country, in order to assess the impairment risk for a particular investment. In some cases, analysts are able to engage with and/or provide feedback to a particular jurisdiction's regulators and/or resolution authorities, in order to play a part in informing their policy stance.

Trust deeds

Other than as summarised or replicated in the disclosure documents, access to trust deeds will generally only be undertaken by our legal representatives at the time of an amendment request or specific stressed scenario. On occasion Trust Deeds have formed part of the original suite of disclosed transaction documents, but this is unusual.

Outcomes

For examples of how we exercise our rights and responsibilities, please see the ESG activities section on page 13 and the Voting section on page 59 of this report.

Glossary

Assets Under Management and Administration (AUMA) Represents the total market value of all financial assets managed, administered or advised on behalf of clients.

Carbon Disclosure Project (CDP) CDP is an international non-profit organisation that provides a global disclosure system for entities to report and manage their environmental impacts, focusing on climate change, water security, and deforestation.

Climate Action 100+ (CA 100+) CA100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE) A tool designed to help financial institutions and businesses assess the impact of their activities on biodiversity and natural capital.

ESG ESG stands for Environmental, Social, and Governance. ESG is a framework that helps stakeholders understand how an organisation is managing risks and opportunities related to environmental, social, and governance criteria.

Farm Animal Investment Risk & Return (FAIRR) An investor network that focuses on the environmental, social, and governance (ESG) risks and opportunities associated with intensive livestock production, aiming to drive sustainable investment practices in the food and agriculture sectors.

Financed carbon emissions (FCE) The greenhouse gas emissions linked to the investment and lending activities of financial institutions.

Financial Conduct Authority (FCA) The body responsible for supervising the conduct of all financial services firms and for the prudential regulation of those financial services firms not supervised by the Prudential Regulation Authority (PRA), such as asset managers and independent financial advisers.

FRC Stewardship Code The UK Stewardship Code 2020 sets high stewardship standards for those investing money on behalf of UK savers and pensioners, and those that support them. It comprises a set of 12 'apply and explain' principles for asset managers and asset owners, and a separate set of six principles for service providers.

Global Impact Investing Network (GIIN) A global network of organisations across asset owners, asset managers and service providers dedicated to increasing the scale and effectiveness of impact investing.

Impact Investing Investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Institutional Investor Group on Climate Change (IIGCC) Works with business, policy makers and fellow investors to help define the investment practices, policies and corporate behaviours required to address climate change.

Institutional Shareholder Services (ISS) A provider of corporate governance and responsible investment solutions including research on shareholder meetings. M&G votes through ISS's voting platform.

Institutional Voting Information Service (IVIS) A provider of corporate governance research on UK companies.

Integrated Biodiversity Assessment Tool (IBAT) A tool that provides access to critical biodiversity information to support decision-making in business and finance.

International Accounting Standards Board (IASB) An independent group responsible for the development and publication of IFRS Accounting Standards.

International Corporate Governance Network (ICGN) Led by investors, ICGN works to advance corporate governance and investor stewardship worldwide.

International Financial Reporting Standards (IFRS) Accounting standards issued by the IASB.

International Sustainability Standards Board (ISSB) The IFRS Foundation announced the formation of the ISSB in November 2021 at COP26; the intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.

Investor Association (IA) The IA is the trade body and industry voice for UK investment managers.

Investor Forum (IF) Facilitates dialogue between companies and investors on stewardship matters.

Long-Term Incentive Plan (LTIP) The part of an executive's remuneration designed to incentivise long-term value for shareholders through an award of shares, with vesting contingent on employment and the satisfaction of performance conditions linked to a Company's strategy.

National Centre for the Replacement, Refinement, and Reduction of Animals in Research (NC3Rs) A UK organisation dedicated to promoting alternatives to animal testing, refining procedures to minimize suffering, and reducing the number of animals used in scientific research.

Net Zero Asset Managers initiative (NZAMi) The initiative established to support the asset management industry to commit to a goal of net zero emissions.

Net Zero Engagement Initiative (NZEI)
An extension of the CA100+ to broaden the focus list of companies.

Net Zero Investment Framework (NZIF) An investment framework to assist investors to set targets and produce related net zero strategies and transition plans for their portfolios.

Paris Agreement Is an agreement within the United Nations Framework Convention on climate change, dealing with greenhouse gas emissions mitigation, adaptation, and finance, agreed in 2015.

Paris aligned Your organisation's greenhouse gas emissions strategy is aligned to meeting the requirements of the Paris Agreement.

Sustainability Accounting Standards Board (SASB) Is a framework that sets standards for the disclosure of financially material sustainability information by companies to their investors.

Science Based Targets initiative (SBTi)
The SBTi defines and promotes best practice in science-based target setting. 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. Science-based targets show organisations how much and how quickly they need to reduce their greenhouse gas (GHG) emissions to prevent the worst effects of climate change.

Scope 1 emissions
Emissions from: fuel combustion; company vehicles; fugitive emissions.

Scope 2 emissions
Emissions from: purchased electricity, heat and steam.

Scope 3 emissions Emissions from: purchased goods and services; business travel; employee commuting; waste disposal; use of sold products; transportation and distribution (up and downstream); investments; leased assets; and franchises.

Sustainable Finance Disclosure Regulation (SFDR) The EU's SFDR is a regulation designed to make it easier for investors to distinguish and compare between the many sustainable investment strategies that are now available within the European Union; the framework classifies asset managers' funds as either an article 6, 8, or 9 funds depending on their level of sustainability, and regardless if they are promoting their fund as an ESG investment.

Taskforce on Nature-Related Financial Disclosures (TNFD)
Is an international initiative that builds on a model developed by the TCFD. Its mission is to provide a framework for how organisations can address nature-related risks and opportunities with the ultimate goal of channelling capital flows into positive action.

Task Force on Climate-Related Financial Disclosures (TCFD) Created by the Financial Stability Board (FSB) to develop consistent climate-related financial risk disclosures. The FCA require all premium listed companies to disclose, on a comply or explain basis, against the recommendations of the TCFD. The TCFD has now been disbanded with the IFRS Foundation (ISSB) taking over the monitoring of companies climate-related disclosures from the FSB.

Thermal Coal Investment Policy (TCIP) M&G's policy, which came into effect in April 2022, to phase out thermal coal in OECD and EU countries by 2030 and by 2040 in the rest of the world.

UK Corporate Governance Code (The Code) Corporate Governance is the system of rules, practices and processes that are put in place to manage and control a company. It is underpinned by the UK Corporate Governance Code issued in 2018.

UK Sustainable Investment and Finance Association (UKSIF) The UKSIF exists to bring together the UK's sustainable finance and investment community and support members to expand, enhance and promote this key sector. UKSIF represents a diverse range of financial services firms committed to these aims and aims to drive growth and new opportunities for members as global leaders in the sustainable finance industry.

UNPRI The PRI is a proponent of responsible investment through its six principle of responsible investment.