

M&G Positive Impact Fund

Taking action during the Covid-19 pandemic

FOR INVESTMENT PROFESSIONALS ONLY

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Covid-19 has highlighted a range of development challenges and made clear the pressing need to step up efforts to achieve the UN Sustainable Development Goals (SDGs). The M&G Positive Impact Fund was designed with the SDGs at the heart of its strategy, so we decided to contact all the fund's investee companies to assess the status of their impact mission and their continued alignment with the SDGs. The response was overwhelmingly positive.

Covid-19 has shone a harsh light on a range of development challenges, and highlighted the need to step up efforts to achieve the UN Sustainable Development Goals (SDGs). The crisis has resulted in political, financial and technical resources being mobilised to control the virus, which has overshadowed non-pandemic-related developmental activities. Research suggests that the pandemic will lower the priority given to the SDGs and delay their implementationⁱ. Progress towards individual SDGs is going to be directly affected by the consequences of Covid-19. Achieving SDG 1, for example (fighting poverty) will likely be hindered by widening wealth disparities and deteriorating job security, and SDG 4 (providing quality education) has already been massively affected by disrupted schooling. The United Nations Development Programme estimates that global human development – a combination of education, health, and living standards – could fall this year for the first time since 1990 when measurements beganⁱⁱ.

Before Covid-19, reaching the SDGs by 2030 was already a big task. When established in 2015, the UN estimated a shortfall of \$2.5 trillion per annum to meet these goals.

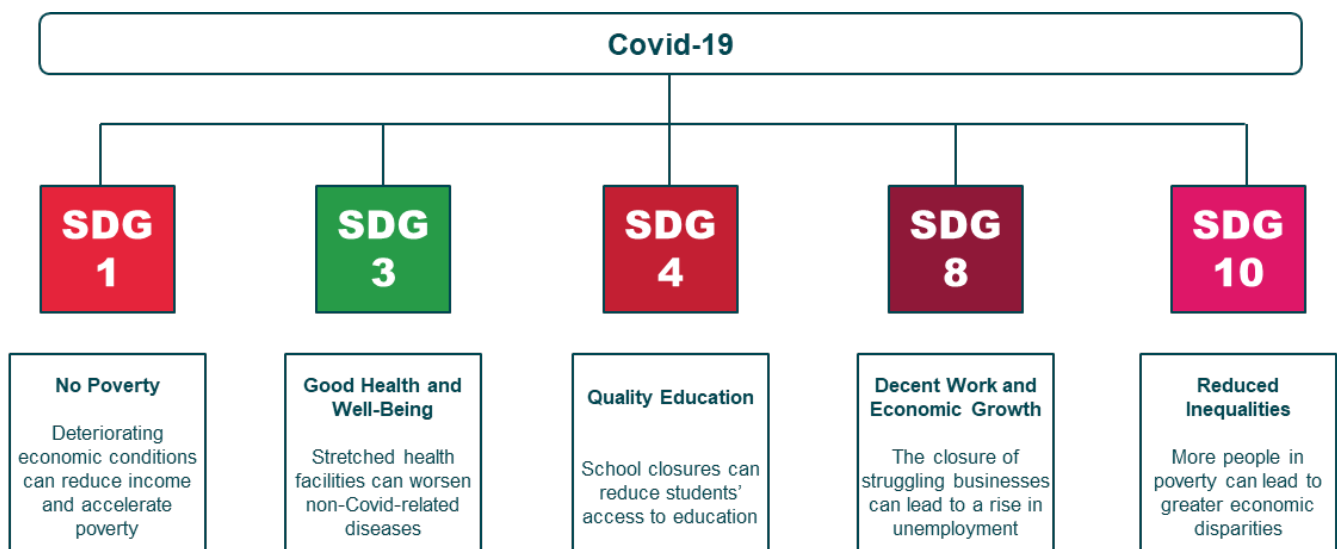
Again, in light of the dramatic consequences of the pandemic, the SDG agenda is set to experience a meaningful setback (see figure 1).

The M&G Positive Impact Fund was designed with the SDGs at the heart of its strategy, its objective being to invest in companies that directly address the challenges set out by the global goals. With these growing setback concerns in mind, we decided to contact all the fund's investee companies to assess the status of their impact mission and their continued alignment with the SDGs.

Please note, the value of the fund's assets will go down as well as up. This will cause the value of your investment to fall as well as rise. There is no guarantee that the fund will achieve its objective and you may get back less than you originally invested.

We sent a letter to the chairman / chief executive of our investee companies asking about their experience and actions during the pandemic. Through this engagement, we aimed to express our continued support of the companies' core purpose during this extraordinary period, and to gain

Figure 1: Possible implications of Covid-19 on a range of SDGs



Source: M&G

insights into how management teams were pursuing their positive impact goals. We asked two specific questions:

- Firstly, for an update on efforts, activities or initiatives undertaken to help combat the impact of the coronavirus crisis through supporting the company's community of stakeholders (eg employees, customers, suppliers, local communities). In particular, we asked about steps that were directly aligned with the company's core purpose as an organisation.
- Secondly, how the company balanced the interests and wellbeing of its workforce on one hand, and issues such as executive compensation and shareholder returns mechanisms on the other.

We received responses from 80% of our holdings, demonstrating overwhelming support for those affected by the pandemic. Overall, we were pleased to observe a strong alignment between the actions taken by companies and their mission statement. Distinct themes emerged from the responses, including the design of new products, repurposing of existing ones, innovation, supply chain resilience and business model flexibility.

The M&G Positive Impact Fund invests across six impact areas, three of which are environmental and three social. The holdings most adversely affected by the pandemic reside within the social areas (with the exception of pharmaceutical and healthcare stocks).

Bright Horizons for example – a US company that provides affordable quality childcare centres and aligns with SDG 5 (gender equality) by promoting women's participation in the workplace – had to close the majority of its nurseries. It continued to operate a number of hub nurseries to provide care for vulnerable children and those whose parents/carers are key workers.

Cogna is a Brazilian company that provides quality, affordable education to lower-income students. It aligns with SDG 4 (quality education) by helping to bridge the educational gap between the developed and developing

Bright Horizons – majority of nurseries shuttered



world. Cogna had to migrate all classes to a digital environment and offer teaching materials online, and saw a reduction in its student base as the end of enrolment and re-enrolment processes were disrupted.

These are just two examples of how the pandemic paused 'business as usual' activities and potentially hindered longer-term SDG commitments.

Again, how companies held within the portfolio acted in relation to these challenges speaks well to the nature of their purpose and mission. We list below some of the actions taken by half of our investee companies.

Cogna – switched to online, enrolments disrupted



Company	Impact area	Type of action	Examples of action taken during the crisis
Republic Services	Circular Economy	Community support	Launched a US\$20 million 'Committed to Serve' initiative to recognise front-line employees, and helped support small business customers and local communities.
Brambles	Circular Economy	Safeguarding employees	Redeployed employees in business areas where revenue was severely affected, placing them in the profitable pallet part of the business. This protected jobs and avoided redundancies.
Ørsted	Climate Action	Covid-19-specific relief	Collaborated with other companies to produce ingredients that would ramp up the production of hand sanitiser. For Ørsted this involved the production of ethanol at its former demonstration plant for producing second-generation bioethanol.

Ansys	Environmental Solutions	Covid-19-specific relief	Developed simulation software to disseminate antibacterial sprays in subway / train carriages (see case study below).
IPG Photonics	Environmental Solutions	Community support	Donated c. 2 million RMB to help those affected by the pandemic, as well as tens of thousands of masks to US hospitals in need.
Horiba	Environmental Solutions	Covid-19-specific relief	Created an analytics device that detects internal inflammation in the body, which can be utilised for initial screening of the coronavirus.
Becton Dickinson	Better Health, Saving Lives	Covid-19-specific relief	Provided syringes and pre-fillable syringes to draw and administer vaccinations.
Illumina	Better Health, Saving Lives	Safeguarding employees	Offered employees balancing work and family care obligations 'Compassion and Care Time Off' benefit, giving 100% of pay for up to 30 days.
Quest Diagnostics	Better Health, Saving Lives	Covid-19-specific relief	Rapidly scaled up the production of Covid-19 diagnostic tests as well as developing and increasing production of antibody tests; also provided proactive support to most vulnerable patients.
UnitedHealth Group	Better Health, Saving Lives	Covid-19-specific relief	Conducted innovative research into plasma, polyester swabs and clinical trials.
Fresenius Medical Care	Better Health, Saving Lives	Safeguarding employees	Offered emergency pay (on top of regular wages) for all patient care team members for every hour worked delivering or supporting patient care.
Novo Nordisk	Better Health, Saving Lives	Community support	Offered free 90-day insulin supply for people living with diabetes experiencing financial hardship due to Covid-19 (see case study).
Grifols	Better Health, Saving Lives	Covid-19-specific relief	Collaborated with US federal organisations to collect and process plasma from recovered Covid-19 patients, for use in the manufacture of hyperimmune immunoglobulins.
Amerisafe	Better Work and Education	Community support	Worked with customers on payment deferrals and grace periods for period payments.
Cogna Educação	Better Work and Education	Community support	Offered free content and classes to ensure that the education of young people was not stopped during the pandemic.
HDFC Bank	Social Inclusion	CSR	The Group committed ₹150 crore to the 'Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund' to provide support in the health crisis.
Safaricom	Social Inclusion	Community	Offered double bandwidth on fibre connections for 90 days, giving customers an opportunity to work and learn from home. Worked with Nairobi's public transport system to enable cashless mobile payments (see case study).
Bank of Georgia Group	Social Inclusion	Community	Offered a three-month grace period on principal and interest payments on all retail loans to reduce the requirement for customers to physically visit banks.

The SDGs might be under threat, but the seismic shock created by Covid-19 strongly reaffirms the relevance of the principles on which they were established. It is encouraging to see that the European Union recovery package, as well as a number of national programmes, are purposefully promoting green and social causes. The responses to our letter also clearly validate the role that impactful companies – and impact investing – can play in shifting long-term capital towards building and designing a more inclusive and equitable economic system. Impact investing can also help to preserve and sustain alignment with the SDGs. At a time when progress towards achieving these has been hindered, this is particularly relevant.

Case studies



Novo Nordisk: supporting diabetes products for those struggling in the pandemic

During the pandemic, many hospitals became overwhelmed with Covid-19 patients and restricted access to standard care for people with acute or chronic illnesses. Given that people living with diabetes face a significantly higher risk of dying from Covid-19, the provision of various treatment options and insulin supplies became vital.

Novo Nordisk is a global healthcare company engaged in diabetes care with a mission to contribute significantly to research and development that improves the lives of people and the sustainability of society. During the pandemic, Novo Nordisk used its expertise, resources and global reach to contribute to research efforts and provide much needed medical supplies. This included offering a 90-day free insulin supply for those living in the US who experienced financial hardship due to Covid-19; establishing a new antibody testing centre in Denmark; and donating insulin vials, protective glasses, masks, gloves and hand sanitiser across the world.

Safaricom: supporting mobile payment systems to reduce the handling of cash



During the crisis, Kenyan president Uhuru Kenyatta declared the use of mobile payments as a 'national priority', and called on the Kenyan population to use electronic payments to reduce the risk of spreading the virus. The IMF also reported that digital financial services enabled governments to provide quick and secure financial support to 'hard-to-reach' people and businesses in lockdown.

Safaricom is a telecommunication company in Kenya that provides mobile services, SMS, data, internet and M-PESA (a service that allows payments to be made through a mobile phone). It has a mission to transform lives and contribute to sustainable living in Kenya through delivering connectivity and innovative services that improve the quality of life and the livelihoods of customers.

Safaricom rolled out a partnership with the public transport sector to accept cashless payments through M-PESA in Nairobi. For 90 days, all M-PESA customers could send money for free on transactions less than KES 1,000 to reduce the risk of handling cash. It has also offered zero-rated PayBill bills for government hospitals and dispensaries; donated thermal cameras to the Ministry of Health; and provided double bandwidth on fibre connections for 90 days to give customers an opportunity to work and learn from home.

Ansys: using simulation software to reduce the spread of the virus



Simulation software can help analyse the spread and containment of viruses, for example, using UV decontamination treatment to ensure that PPE is sterile. Insights from simulation software can help governments and medical experts make informed decisions about mitigating the spread of the virus.

Ansys develops and markets simulation software, and during the pandemic used its technology to simulate healthcare scenarios, like visualising how sneeze and cough droplets spread between people. This allowed organisations like the CDC and WHO to optimise social distancing guidelines. In addition to this, the company collaborated with the Indian Institute of Technology to assist in developing indigenous, reliable and safe ventilators, and also performed simulations to optimise the decontamination of rooms where the virus has been identified. These simulation-based insights help contain the spread of the virus and protect the health of the vulnerable.

End notes

- i <https://www.un.org/development/desa/dpad/publication/un-desa-policy-brief-78-achieving-the-sdgs-through-the-covid-19-response-and-recovery/>
- ii <http://hdr.undp.org/en/hdp-covid>

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