

**Title:** Pushing for greater impact through company engagement

**Author:** Ben Constable-Maxwell, Head of sustainable and impact investing

**Subhead:** By using our influence to persuade companies to improve their disclosures and targets, impact investors can aspire to shape better outcomes for people and the planet

The purpose of impact investing is ultimately to exact positive change. By putting our money to work in a purposeful way, investing in companies that are committed to solving the world's challenges, we can aim to have a meaningful impact.

As active fund managers, we can also target a positive impact through *how* we invest, as well as *what* we invest in. We can do this by being a good influence.

### **Engaging for positive impact**

In the same way that impact investing is about solving challenges, company engagement is about using our voice to help shape better outcomes.

The purpose of engagement is multifaceted. One aspect is to enhance our understanding of the impacts – positive and negative – that each company has through its activities. Dialogue not only allows us to gain new knowledge and insights, but also allows us to push companies to enhance what they disclose publicly. We might also persuade them to adopt more specific or more ambitious impact-related targets.

In 2020, a key concern for us was how our investee companies were being affected by the COVID-19 pandemic, and what they were doing to address its negative ramifications.

We sent a letter to the leadership of each company held in one of our impact strategies. We firstly asked for an update on efforts, activities or initiatives undertaken to help combat the impact of the crisis. Secondly, we asked how the company balanced the interests and wellbeing of its workforce with issues such as executive compensation and shareholder returns.

We received responses from most companies, demonstrating overwhelming support for those affected by the pandemic. Overall, we were pleased to observe a strong alignment between the actions taken and their mission statements.

### **Engaging with challenging topics**

I believe engagement is especially important when it comes to more sensitive topics.

As impact investors, we need to recognise any negative effects from a company's activities. Even sectors that generate clear environmental benefits, such as renewable energy, can have cause biodiversity damage, for instance. Hydro power systems can interfere with freshwater ecosystems, due to dams' impact on natural river flow, and windfarms can affect bird life.

For us, the key is that a company's net impact on society is positive overall. Where there are negative impacts, I feel we have a responsibility as impact investors to help companies mitigate them and to push for change where it is needed.

There can also be sector specific considerations. Given the nature of the healthcare sector, for instance, we focus on whether companies provide affordable access to their products or services.

Effective engagement can lead to better outcomes, for companies and wider society. While it can never guarantee positive results, engagement demonstrates our effort and energy to drive positive change. I therefore believe it can help maximise our impact as investors.

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

When you're deciding how to invest, it's important to remember that the value of investments goes up and down. So how much your investments are worth will fluctuate over time, and you may get back less than the original amount you invested.

**For financial advisers only. Not for onward distribution. No other persons should rely on any information contained within.** This financial promotion is issued by M&G Securities Limited which is authorised and regulated by the Financial Conduct Authority in the UK and provides ISAs and other investment products. The company's registered office is 10 Fenchurch Avenue, London EC3M 5AG. Registered in England and Wales. Registered Number 90776.