

# Impact investing in action

## Urban regeneration project

January 2018

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

### Expected social impact

Estimated 14,500 new jobs generated<sup>1</sup>

- £115 million in funding provided by M&G as part of a 10-year private placement deal
- Expected return premium: 1% to 2% p.a. over equivalent-rated public bonds<sup>2</sup>
- Key M&G impact themes and expected metrics<sup>1</sup>:
  - Economic inclusion - estimated 14,500 new jobs to be generated
  - Social housing - approximately 4,000 new social homes to be built
  - Green buildings - most of the commercial space built to 'BREEAM Excellent' certification<sup>3</sup>

### This investment aligns with the following UN Sustainable Development Goals (SDGs):



### Investment impact overview:

In October 2017, M&G provided £115 million in funding for a regeneration project based in the UK as part of a 10-year private placement deal. The project qualified as an impact investment under a number of categories, including economic inclusion, social housing and green buildings, according to our thematic impact eligibility criteria<sup>4</sup>.



#### Social impact theme: Economic inclusion

The project promotes economic inclusion through the creation of an estimated 14,500 jobs, including both construction-phase jobs and post-development employment, in an area that has a relatively high unemployment rate.



#### Social impact theme: Social housing

A quarter of the residential developments on the project site will be social housing, totalling around 4,000 new social homes.



#### Environmental impact theme: Green buildings

The commercial developments on the project site are built to be highly energy efficient, with most of the buildings being rated 'BREEAM Excellent'<sup>3</sup> – a rating which typically indicates greater than a 30% reduction in CO<sub>2</sub> emissions.

### Attractive expected returns

In addition to generating positive social and environmental impact, the investment targets a competitive financial return. The investment is expected to generate a return premium in the range of 1% to 2% p.a. over equivalent-rated public bonds.<sup>2</sup>

<sup>1</sup> Impact metrics are intended to provide an indication of expected outcome.

<sup>2</sup> Source: M&G, as at 18 October 2017. Private debt investments will often pay a premium over public bonds to compensate for their lack of secondary trading opportunities and lesser liquidity. This is often referred to as an 'illiquidity premium' or in this case 'Expected return premium'.

<sup>3</sup> BREEAM = Building Research Establishment Environmental Assessment Method. Buildings of this standard require a minimum 25% reduction in CO<sub>2</sub> emissions compared to regulatory requirements and broadly represent the top 10% most energy efficient non-domestic buildings.

<sup>4</sup> At M&G we assess impact investments against a criteria developed in conjunction with a leading sustainability adviser.

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