

M&G's private assets division launches a sustainable senior secured loan fund

- *Sustainable investment opportunity designed for institutional investors, seeded by **Prudential UK** and Swedish government employees' pension fund, **Kåpan Pensioner***
 - *M&G is seeking more ambitious commitments by private companies and sponsors to sustainability over the long term*

London, 4 October 2021 – M&G today announces the launch of a new strategy for investors to gain exposure to private credit's best-in-class companies from an environmental, social and governance (ESG) perspective and with an emphasis on sustainability characteristics.

The M&G Sustainable Loan Fund ('the Fund'), which is managed by Fiona Hagdrup and Thomas Lane, combines M&G's 22-year loan investing track record and firm-wide Sustainability & Stewardship resources to offer investors exposure to loans of companies demonstrating strong ESG credentials in the \$1.5 trillion global loan markets. The Fund has launched with a €175 million investment from the Prudential With-Profits Fund, including the recently launched PruFund Planet, and the Swedish government employees' pension fund, Kåpan Pensioner, which is making an initial €26 million commitment.

The Fund includes an explicit sustainability objective alongside its financial one. Achieving it involves a three-pronged approach, using screening, considered selection and M&G's proprietary scoring methodology:

- **Exclusion** – screening out companies who transgress behavioural norms or generate revenue from anti-sustainable and/or other specific business sectors, including thermal coal and oil and gas
- **Engagement** – pursuit of a rigorous engagement strategy, involving both bilateral and collective action
- **Enhancement** – tilting towards high-scoring companies and sustainable labelled instruments, including green, social, sustainability-linked loans and bonds, whose proceeds are either used for a specific purpose or are used for general corporate purposes, albeit linked to key performance indicators in keeping with a company's stated sustainable performance targets.

M&G was one of the first non-bank investors to enter the European leveraged loan market in 1999 and is one of the largest loan managers in Europe today. The 23-strong Leveraged Finance team within M&G's Private and Alternative Assets division, manages approximately €9 billion on behalf of institutional investors across a range of segregated and pooled loan funds, including the €3.5 billion M&G European Loan Fund that launched in 2005.

Fiona Hagdrup, manager of the M&G Sustainable Loan Fund, comments: “This strategy emphasises the active elements of private-side loan investing as we look to contribute to sustainability momentum in an asset class that is far less advanced than listed equities or public bonds by setting a pace that encourages faster change. We will do this by using our relationship network, including collaboration with trade associations and climate-focused bodies and other ESG organisations, actively to engage in lobbying for greater disclosure of ESG risk factors and their management and more ambitious commitments to sustainability targets, environmental and social, by companies and sponsors over the short, medium and long term.”

Maria Giertz, CIO of Kåpan Pensioner, comments: “Kåpan’s main goal is to offer our members a good and stable pension. One way to achieve this is by continuously evaluating and reassessing the long-term sustainability of our investments. We have increasingly developed our ESG framework in order to achieve good sustainable returns. We have been partnering with M&G for several years now and are pleased to be a seed investor in their sustainable loan fund due to the close alignment between us in terms of assessing the sustainability in the investments. Put simply, it was a good ESG fit.”

Will Nicoll, CIO of Private & Alternative Assets, M&G, says: “Private loans permit active ownership by their very nature, meaning a direct relationship with a borrower exists and frequent interactions facilitate engagement which should drive positive change in the asset class. Many asset owners and large pension schemes increasingly look for ESG exclusions and the reporting of sustainability considerations to be incorporated into strategies, alongside financial returns, and this strategy is designed to meet this growing demand while also harnessing the positive energy of engagement.”

-ENDS-

Notes to Editors

M&G’s circa €9 billion leveraged finance investment team sits within the £65 billion Private & Alternative Assets division. M&G has been investing in the European loan market for over 20 years and is one of Europe’s largest and longest-standing non-bank investors, managing money for hundreds of institutional investors, worldwide.

Fiona Hagdrup – Fund Manager

Fiona is a fund manager in the Private & Alternative Assets division of M&G plc. Fiona has a particular focus on driving sustainability within the strategy, taking it beyond ESG integration and into sustainable objective-driven investment. Fiona is a Chartered Accountant, having qualified with Ernst & Young, and she has a MA in History from Cambridge University. She holds the Certificate in ESG Investing from the CFA. Fiona is also M&G’s representative on the LMA Board.

Thomas Lane – Fund Manager

Thomas is a fund manager in the Private & Alternative Assets division of M&G plc, having joined in 2013. Thomas has a particular focus on driving sustainability within the strategy, taking it beyond ESG integration and into sustainable objective-driven investment. He is a CFA® charter holder, including the Certificate in ESG Investing, and has a First Class BSc (Hons) in International Business & Economics, from Aston University.

The **M&G Sustainable Loan Fund** follows fundamental, bottom-up stock selection to provide and protect a high running income, alongside attention to strong ESG risk management characteristics. It will seek to invest mainly in senior secured loans, floating-rate notes and bonds of sub-investment grade companies worldwide that meet M&G's risk/return criteria, meaning high credit quality subject to minimum ratings stipulations and considered best-in-class from an ESG perspective. The Fund invests globally, to help ensure a diverse opportunity set and aims to be well diversified across geographies and sectors while being mindful of its sustainability tilt.

The Fund includes an explicit sustainability objective, proactively to measure and mitigate ESG risks and pursue ESG opportunities. Every investment must pass an internal ESG score threshold for eligibility, according to M&G's proprietary scoring system; a demonstrable company and owner engagement programme; and there will be enhanced, explicit reporting and monitoring.

The Fund will target investment in sustainability labelled instruments, including green, social, sustainable, sustainability-linked loans and bonds, whose proceeds are either used for a specific environmental or social purpose. The fund complies with the requirements under Article 8, according to the EU's Sustainable Finance Disclosure Regulation (SFDR).

If you require any further information, please contact:

Irene Chambers

Corporate Communications
irene.chambers@mandg.co.uk
+44 (0)20 8162 3284

Eva Martin

Corporate Communications
eva.martin@mandg.co.uk
+44 (0)207 548 2564

About Kåpan Pensioner

Kåpan Pensioner manages collectively agreed occupational pensions for people who are or have been government employees in Sweden. It was formed in 1992, currently has 850,000 members and manages in excess of 100SEK (circa €10 billion). The purpose of the business is to manage members' pension assets in an efficient, long-term and responsible manner.

Kåpan Pensioner has announced a series of environmental, social and governance (ESG) initiatives to increase sustainable investment, including increasing its mandate for green bonds, and has taken action to cut sustainability risk in its global fixed income portfolio.

About M&G Investments

M&G Investments is part of M&G plc, a savings and investment business which was formed in 2017 through the merger of Prudential plc's UK and Europe savings and insurance operation and M&G, its wholly owned international investment manager. M&G plc listed as an independent company on the London Stock Exchange in October 2019 and has over £370 billion of assets under management (as at 30 June 2021). M&G plc has customers in the UK, Europe, the Americas and Asia, including individual savers and investors, life insurance policy holders and pension scheme members.

For nearly nine decades M&G Investments has been helping its customers to prosper by putting investments to work, which in turn creates jobs, homes and vital infrastructure in the real economy. Its investment solutions span equities, fixed income, multi asset, cash, private debt, infrastructure and real estate.

M&G recognises the importance of responsible investing and is a signatory to the United Nations Principles for Responsible Investment (UNPRI) and is a member of the Climate Bonds Initiative Partners Programme.

M&G plc has committed to achieve net zero carbon emissions on its total book of assets under management and administration by 2050 and committed to reduce operational carbon emissions as a corporate entity to net zero by 2030.

For more information, please visit: <https://global.mandg.com/>

This press release reflects the authors' present opinions reflecting current market conditions; are subject to change without notice; and involve a number of assumptions which may not prove valid. It has been written for informational purposes only and should not be considered as investment advice or as a recommendation of any particular security, strategy or investment product. Past performance is not a guide to future performance.

The services and products herein are available only to investment professionals and are not available to individual investors, who should not rely on this communication. Information given in this document has been obtained from, or based upon, sources believed by us to be reliable and accurate although M&G does not accept liability for the accuracy of the contents.

This document is issued by M&G International Investments S.A., registered office 16, boulevard Royal, L-2449, Luxembourg and M&G Investment Management Limited (unless stated otherwise), registered in England and Wales under numbers 936683 with its registered office at 10 Fenchurch Avenue, London EC3M 5AG. M&G Investment Management Limited is authorised and regulated by the Financial Conduct Authority. For the purposes of AIFMD, M&G Luxembourg S.A. acts as alternative investment fund manager of any funds cited in this document. The registered office of M&G Luxembourg S.A. is 16, boulevard Royal, L-2449, Luxembourg.