CAN REAL ESTATE DELIVER MORE (SOCIAL) VALUE FOR SOCIETY?

VIBEKA MAIR  SENIOR REPORTER, RESPONSIBLE INVESTOR MAGAZINE/PROPERTY WEEK

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GUY BATTLE  SOCIAL VALUE PORTAL
BILL HUGHES  LGIM REAL ASSETS
IVAN RODRIGUEZ  BRIDGES IMPACT INVESTMENT FUND
DAVID HIRST  UBS ASSET MANAGEMENT
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#NSVC20
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ANNA McCHESNEY-GORDON HEAD OF CONSULTANCY, SOCIAL VALUE PORTAL

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How Can Real Estate Add More Social Value?

Anna McChesney-Gordon
29th January 2019
Legislating for Social Value

Legislation requires all public sector organisations to consider social value as a part of the commissioning and procurement processes. This is transforming the relationship between business and the public sector.

Social Value is defined as the economic, social and environmental well-being that is created by a business or through a contract it is required to deliver by the public sector.
Social Value IS Improving Performance

Local authorities are embedding social value into procurement because it improves supplier performance and helps the public pound go further.

Leading local authorities now have a stand alone weighting for social value within their tenders.

Businesses that do not have a comprehensive social value offer will win less work or less land.

<table>
<thead>
<tr>
<th>Authority</th>
<th>Weighting</th>
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</thead>
<tbody>
<tr>
<td>Manchester City Council</td>
<td>20%</td>
</tr>
<tr>
<td>Birmingham City Council</td>
<td>15%</td>
</tr>
<tr>
<td>WMCA</td>
<td>15%</td>
</tr>
<tr>
<td>Scape</td>
<td>10%</td>
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</table>

Leading local authorities are now looking to embed social value into planning.
People are Demanding Change

How Can Real Estate Add More Social Value?

“Millennials and Gen Zs... say they will not hesitate to lessen or end a relationship when they disagree with a company’s business practices, values or political leanings”

The Deloitte Millennial Survey 2019
Investors are Driving Change

How Can Real Estate Add More Social Value?
### Contributions through Site Management

<table>
<thead>
<tr>
<th>Contribution</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions through Site Management</td>
<td>15%</td>
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</table>

#### 2 + 20 Years Building Lifecycle

Potential Social Value contributions through a 20-year lifecycle of an office development

**Lifetime Social Value**

- **Contributions through Construction** 10%
- **Contributions through Site Management** 15%
- **Contributions by Occupiers** 75%

**E.g. local labour, local spend, school visits, waste management**

**E.g. volunteering, community events, apprenticeships or work placements**

**E.g. local supply chains, community engagement, environmental measures**

Over 20 Years the total contribution to the community could be worth as much as **+300%** of the initial investment
Case Study – Legal & General Investment Management

<table>
<thead>
<tr>
<th>Perspectives</th>
<th>Ideas and innovation</th>
<th>Direct investment</th>
<th>Pensions de-risking</th>
<th>Financial resilience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legal &amp; General Investment Management’s real estate arm plans social value score for investments</td>
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19 Feb 2018

LGIM Real Assets, the £24.9bn (€28bn) real estate and infrastructure arm of UK fund giant Legal & General Investment Management, has made a commitment that 20% of its commercial property holdings will have a “social value score” over the next four years.

Office, Retail, Industrial, Residential, Leisure

18 FUNDS

53 ASSETS
Case Study – UBS Asset Management

How Can Real Estate Add More Social Value?
Investments with a Purpose

A journey towards impact (ABC & D)

Don’t consider
Avoid harm
Benefit people and planet
Contribute to solutions

Don’t consider
“I am aware of potential negative impact but do not try to mitigate it”

Avoid harm
“I have regulatory requirements to meet (e.g. I have to cut my carbon emissions)”
“I want to mitigate risk”
“I want to behave responsibly”

Benefit people and the planet
“I want to support businesses that have a positive effect on the world to sustain long-term financial performance”
“I want a world where all businesses try to have a positive effect on society”

Contribute to solutions
“I want to help tackle climate change”
“I want to help tackle the education gap”

May have significant effects on important negative outcomes for underserved people and the planet
Try to prevent significant effects on important negative outcomes for underserved people and the planet
Have various effects on important positive outcomes for various people and the planet
Have a significant effect on specific important positive outcome(s) for underserved people or the planet
Investing in Areas of Greatest Need

How Can Real Estate Add More Social Value?

Severe deprivation (bottom 10%)

Low deprivation (Top 50%)

High Deprivation (10-30%)

Mild Deprivation (30-50%)

Legend

Site Location

Local Authority

Ward

Severe deprivation (bottom 10%)

Better than the North West Average

Worse than the North West Average

Local Skills and Employment: Salford

NEETs (% of KS5 Leavers)

Long term claimants of Jobseeker's Allowance

Healthier, Safer and More Resilient Communities: Salford

Rough Sleepers rate (per 1,000 Households)

Admission episodes for alcohol-specific conditions (Per 100,000)

% of school pupils with social, emotional and mental health needs

First Time Young Offenders

Better than the North West Average

Worse than the North West Average
KEY CHALLENGES

1. We instinctively know that investing in areas that are run down is the right thing to do, but how do we articulate the business case?

2. Is there a way of ranking investments that reflect their impact as well as their financial return so that investors can choose what to do with their money in a better way?

3. How do we engage with property managers AND occupiers to help unlock value and how do we demonstrate that there is mutual benefit in doing this?
PANEL DISCUSSION:
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