

SUSTAINABLE FUND & ASSET MANAGEMENT



Our investment professionals aim to maximise the performance of our clients' investments. Our award winning performance has been achieved through a deep understanding of property markets, developed over 100 years of investing in real estate. Our experience means that we are able to offer our clients a comprehensive fund management service, including acquisition and disposal of commercial property. Supported by one of the UK's most respected property research teams, our fund management business is able to create bespoke segregated funds and offer access to a broad range of pooled property funds.

OUR SUSTAINABILITY COMMITMENT

We will protect and enhance long-term fund performance by incorporating environmental and socio-economic thought-leadership within our investment and risk management processes and promoting responsible property investment throughout all teams' activities.

We are also committed to optimising and future-proofing the value and performance of our assets by integrating cost-effective sustainability measures into the planning, implementation and asset management process, to ensure that our sustainability vision is strategically driven from policy to property level.

OUR SUSTAINABILITY STRATEGY

We believe that sustainability will significantly impact future property values and prospective returns. Our strategy is to implement sustainability improvements that will add value to our existing assets, and to incorporate consideration of sustainability risks into our acquisition and disposal decisions.

We identify opportunities to improve the sustainability performance of our assets through the EPC rating process and environmental audits. We have also established an internal Improver Portfolio to learn which parts of the asset management process are most amenable to reducing environmental impacts and we are participating in a number of national and international working groups to develop the link between sustainability and investment performance.

KEY FACTS

- PRUPIM is a part of the M&G Group of Companies, which is the asset management arm of Prudential plc in the UK and Europe, managing over £142 billion worth of assets
- Managing real estate investment portfolios ranging in size from £2.7 million to over £6 billion
- PRUPIM has investments in over 800 properties, with approximately 4,500 property occupiers across the UK, Europe, North America and Asia
- Approximately 165 property transactions worth £1.86 billion executed in 2008.

IMPROVER PORTFOLIO – EXAMINING THE LINK BETWEEN ENVIRONMENTAL IMPACT AND INVESTMENT RETURNS

We established an internal Improver Portfolio in March 2007, consisting of 22 properties drawn from all sectors worth approximately £300 million. The main objective of this portfolio is to examine ways in which we can reduce a 'typical' property portfolio's environmental impact whilst maintaining or even enhancing investment returns. This is a pioneering project for the UK property industry, and since its launch our asset managers for the properties comprising the Improver Portfolio have been making a series of low and no-cost investments to reduce the environmental impact of the portfolio. Examples of the type of work undertaken in the Improver Portfolio are given below.

In these challenging market conditions the stock in the Improver Portfolio has matched performance in the wider market over the period 2007-2008. We are now rolling out the early findings to all our investment and asset management teams and we have issued a 'Top Tips to Reduce Carbon Footprint' guide for all our property managers, shopping centre managers and occupiers.

For a comprehensive account of our performance against our targets and key performance indicators, please see our Performance Reviews and Case Studies that are available on our website.

GRIFFIN INDUSTRIAL ESTATE, SOUTHAMPTON

ACTIONS	OUTCOMES
<p>At Griffin Industrial Estate, which was built in the 1980s, we completed a substantial refurbishment of a parade of derelict industrial units totalling over 3,300 m². During the refurbishment we incorporated a number of low and no-cost green initiatives including the use of recycled carpeting, organic paints and sustainable timber. We also installed energy efficient devices such as T5 light fittings, and increased the natural lighting of the warehouses by 15% by increasing the skylight provision and improving surface finishes.</p>	<p>The results of the refurbishment works were very well received by external parties and potential tenants. As a result, prior to the completion works we achieved long-term lettings for the whole parade to high-quality covenants such as Tomy UK Limited, raising the market rent for the asset.</p> <p>Furthermore, since occupying their warehouse in May 2008, Tomy have been able to operate without the need for internal artificial lighting, saving approximately 60 tonnes of CO₂. This has had a considerable positive impact on the company's operating costs and business margins.</p>

WATERSIDE SHOPPING CENTRE, LINCOLN

ACTIONS	OUTCOMES
<p>Our teams recognised that there were a number of improvements that could be made at Waterside (a relatively modern shopping centre, built in 1991) to maximise resource efficiency. For example we have:</p> <p>Launched an Energy Awareness and Staff Engagement Programme.</p> <p>Installed a new segregated waste management system and a compactor system for cardboard and plastics.</p>	<p>Lighting was reduced through the use of bright paints, timers and energy efficient T5 light fittings.</p> <p>Natural ventilation of the centre was improved by maximising the use of roof vents and main entrances. All air handling units are now permanently switched off.</p> <p>These improvements have reduced electricity consumption, saving approximately 82 tonnes of CO₂.</p> <p>The segregated waste management system improved recycling rates to 44%, with a 50% reduction in waste handling costs.</p>

Occupier engagement represents a major challenge and opportunity in reducing carbon emissions of the buildings within the Improver Portfolio. In April 2008 we held a workshop on occupier engagement for Management Surveyors with properties in this portfolio to provide them with the tools and information required to engage with occupiers on environmental issues.

"Climate change is a key area where both landlord and tenant have the same aims and can work together for their mutual benefit."

Tony Bennett, Asset Manager for the Improver Portfolio, PRUPIM

CASE STUDY: THOUGHT LEADERSHIP; PAUL MCNAMARA

In May 2008 Paul was awarded the Outstanding Industry Contribution Award at the IPE Real Estate Investor Awards, in recognition, amongst other things, of his exemplary work in the area of sustainability. This award is based on nominations from the investment and pensions industry throughout Europe, and represented the highest accolade on the night. Paul has shown enormous dedication to both advancing our own responsible property investment programme and campaigning globally.

Paul is co-chair of the Property Working Group of the United Nations Environment Programme Finance Initiative. As co-chair, Paul has overseen various publications including 'What the Leaders Are Doing' and 'Building Responsible Property Portfolios', which highlight the impact that improving the sustainability performance of existing buildings can have on financial returns.

Paul also sits on the steering committee of Institutional Investors Group on Climate Change (IIGCC). In this role he assists in overseeing the activities of the IIGCC and coordinates the work of their property work stream, as well as co-writing their 2008 publication: 'A Changing Climate for Property Investment: A Trustee's Guide', which shows how incorporating climate change factors into investment decision processes is consistent with Trustees' fiduciary responsibilities.

"There are a wide range of opportunities that exist for institutional investors who want to take positive action and apply the principles of responsible investment to their property assets. However, the complexities surrounding how properties are owned, leased and occupied are such that this requires specialist attention."

Dr. Paul McNamara, OBE
 Director, Head of Property Research & Information Team, PRUPIM

OUR FUTURE TARGETS

We have set ourselves seven targets to achieve by the end of 2009 with the aim of improving the sustainability performance of our fund and asset management. These are listed on page 23.



See more at
www.prupim.com/about/sustainability