SUSTAINABLE PROPERTY MANAGEMENT

INTRODUCTION

When seeking to create our Sustainability Strategy for 2009-12, we reviewed the impacts of our business and, with input from our stakeholder panel, defined the following issues as most material to the operational area of Sustainable Property Management at PRUPIM:

- Energy consumption and efficiency
- Climate change
- Occupier waste
- Water consumption and efficiency
- Occupier satisfaction and engagement
- Responsible procurement and supplier management
- Health and Safety
- Community relations and engagement.

This report contains an evaluation of our performance in relation to these issues.

The information provided in this report should enable stakeholders to gain an objective understanding of PRUPIM's performance, as well as assisting us to identify areas where we can improve our performance. This report is divided into three main sections:

- Key achievements
- Overview of trends in key performance indicators
- Evaluation of progress against 2008 sustainability targets.

The information presented in this report has been prepared for us by Upstream Sustainability Services, a business unit of Jones Lang LaSalle Ltd and hereafter referred to as Upstream.
This report is intended to provide an external, balanced and transparent review of PRUPIM's performance in relation to Sustainable Property Management. For more information about Upstream's role in the report preparation, please see their Advisor's Statement.

KEY ACHIEVEMENTS

Energy & Climate Change: In absolute terms we reduced CO2 emissions arising from energy consumption across our managed portfolio by 15.4% in 2008 compared to 2006. On a like-for-like basis the energy efficiency of our significant offices improved by 3.3% in 2008 compared to 2006 levels. Furthermore, 74% of the energy consumed by our entire portfolio was derived from Good Quality Combined Heat and Power sources, which resulted in the aversion of 56,000 tonnes of CO_2.

Water: In absolute terms we reduced water consumption across our entire portfolio by 13.4% in 2008 compared to 2007. We also achieved our target to undertake water audits at our 20 highest water consuming properties and expanded this to full Strategic Resource Reviews of energy, waste and water at all shopping centres and water intensive properties.

Waste: On a like-for-like basis we significantly increased the proportion of waste recycled by 6% in our significant offices and by 5% in our shopping centres compared to 2007 figures. The average recycling rate across all our significant offices was 32% compared to 28% in 2007. Eleven of these properties exceeded a recycling rate of 35% including Atlantic Quay in Glasgow which achieved a recycling rate of over 60%. The average recycling rate across our shopping centres was 27% in 2008 compared to 22% in 2007. Some centres significantly increased recycling rates, including The Mall at Cribbs Causeway and the Brunswick Centre in Scarborough which achieved annual increases of 16% and 26% respectively.

Occupiers: In 2008, we put the groundwork in place to become the first major landlord to offer retailers the opportunity to pay rents monthly on existing leases without any financial penalties, demonstrating our support to occupiers during challenging market conditions. In 2008, Cribbs Causeway also took part in the Landlords and Retailers Working Group, which has been formed to develop initiatives to help participants cope with the deteriorating economic environment. As a result, we embarked on a trial to reduce service charges, focusing on reducing costs through energy saving measures, revised preventative maintenance plans and changes to the building's servicing requirements. Initial results indicate savings of over 11% on the 2008 service charge expenditure and a corresponding reduction in service charges.

Environmental Management Systems: Seven out of eleven of our shopping centres now have PAS 99 certification, which includes ISO 14001 certification, with three more expected in the first half of 2009. Since 2006, a further 18 significant offices have also successfully achieved ISO 14001 accreditation. Now 28 of the largest multi-let offices in the PRUPIM portfolio have received ISO 14001 accreditation and a further six properties are expected to be certified in 2009. The rollout of ISO 14001 certification has produced a number of benefits, including improved monitoring of energy, waste and water.

Health and Safety: Across our significant offices and shopping centres all RIDDORs[1] fell by 34% in 2008. The RIDDOR accident rate at our shopping centres fell to 1 in 4.4 million visitors (2007: 1 in 2.9 million visitors) which represents a 42% reduction in the number of RIDDOR incidents at our shopping centres.

OVERVIEW OF TRENDS IN KEY PERFORMANCE INDICATORS

Since 2006, we have monitored the sustainability performance of our assets using key performance indicators. Where appropriate, we provide absolute indicators which include data for all properties which consumed the utility in question at any point in 2006, 2007 or 2008. These indicators enable us to compare the impact of the entire portfolio over time. Where possible, Upstream have also analysed the sustainability performance of our assets on a like-for-like basis since 2006. Like-for-like analysis only includes properties where reasonable quality data is available for the full period 1 January 2006 to 31 December 2008.

Checks have been carried out on the data but this process does not represent a formal assurance or verification.

The precise scope of each indicator is defined within the title of each indicator and refers to the following asset classes:

Shopping Centres: On a like-for-like basis, this category covers ten of the 11 shopping centres that we owned as of 31 December 2008 which are managed on our behalf by Interserve. The remaining shopping centre has been excluded because it was only purchased in 2007 and data is not available for 2006 and 2007. These ten properties have been included in all relevant indicators. This is because the relatively large size of these properties means that they account for a disproportionate amount of the overall impact of the portfolio. Furthermore, the direct management arrangements in place with Interserve at these properties means that as a landlord we have an opportunity to influence or control operational performance and occupier behaviour at these sites.

1 The Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) place a legal duty on employees to report work-related deaths, major injuries or over-three-day injuries, work related diseases, and dangerous occurrences.

Significant Offices: On a like-for-like basis this category covers 28 of the largest offices in our office portfolio as of 31 December 2008, of which DTZ is responsible for the facilities management. These properties have been included in all relevant indicators. This is because the relatively large size of these properties means that they also account for a disproportionate amount of the overall impact of the portfolio. Furthermore, the direct management arrangements in place with DTZ at these properties means that, as a landlord, we have an opportunity to influence or control operational performance and occupier behaviour at these sites.

Entire Portfolio: On a like-for-like basis this category covers all properties (including the 28 significant offices and ten shopping centres detailed above) that we owned as of 31 December 2008 – regardless of management arrangements or size. The additional properties unique to this category (numbering just over 150) are not included in all performance indicators because they are under Full Repairing and Insuring lease arrangements and, thus, we do not provide landlord services at these premises. Consequently these properties are generally outside the managed portfolio, or are smaller in area. This means that it can be particularly difficult for PRUPIM to influence or control operational performance and occupier behaviour at these sites. Furthermore, the relatively small size of these properties in comparison to significant offices and shopping centres means that they account for a relatively small proportion of the overall impact of the portfolio. In 2008, these properties collectively accounted for 31% and 27% of total water and energy consumption respectively across the portfolio. This is why they have been included in 'absolute values' provided below, thereby enabling us to compare the impact of our entire portfolio over time.

Performance trends have been analysed since 2006 and are presented in the tables below. Please note that all previously reported figures have been recalculated to account for the most up-to-date information available such as changes to floor areas, conversion factors and utility consumption figures.

ENERGY AND CLIMATE CHANGE – ABSOLUTE VALUES

Absolute Values: The data analysed to calculate absolute indicators includes all properties which consumed the utility in question at any point in 2006, 2007 or 2008. This type of analysis enables us to compare the impact of our entire portfolio over time.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
1: Total CO_2 emissions (tonnes) arising from energy consumption across the entire portfolio. This includes scopes 1 & 2 of the GHG Protocol[2].	Total: 104,672 Direct: 19,231 Indirect: 85,441	Total: 99,584 Direct: 18,401 Indirect: 81,184	Total: 95,247 Direct: 18,424 Indirect: 76,823	In absolute terms, total CO_2 emissions arising from energy consumption across the entire portfolio have continued to decrease since 2006. This decline can be attributed to shifts in the size of the portfolio since 2006 and improvements to the way we manage energy at our properties.
2: Total electricity consumed (kWh) by the entire portfolio.	159,102,783	151,174,273	143,054,010	In absolute terms, total electricity consumption across the entire portfolio has continued to decrease since 2006. This decline can be attributed to shifts in the size of the portfolio since 2006 and improvements to the way we manage energy at our properties.

2 In accordance with the World Resources Institute's Greenhouse Gas (GHG) protocol, 'scope 1' or 'direct emissions' are emissions from sources that are owned or controlled by PRUPIM such as natural gas, gas oil and propane consumed on-site. 'Scope 2' or 'Indirect emissions' are emissions that result from PRUPIM's activities but are owned or controlled by another organisation such as GHG emissions from the generation of electricity that is supplied to and consumed at PRUPIM's properties. For more information see http://www.ghgprotocol.org/

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
3: % of Climate Change Levy (CCL) exempt electricity purchased across the entire portfolio.	72%	74%	74%	In 2008, we purchased over 105 million kWh of Climate Change Levy (CCL) exempt electricity. This is equivalent to over 56,000 tonnes of CO_2 averted and represents 74% of total electricity consumption. The slight increase in the proportion of CCL exempt electricity purchased, compared to 2006, can be explained by the improved management of utilities and a focus on green energy alternatives.

ENERGY AND CLIMATE CHANGE – LIKE-FOR-LIKE VALUES

Like-for-Like Values: The data analysed to calculate like-for-like indicators includes properties that have complete data for the entire period 1 January 2006 to 31 December 2008. This type of analysis enables us to compare the performance of our assets over time.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
1: Tonnes of CO_2 arising from energy consumption at shopping centres and significant offices. This includes direct and indirect emissions in accordance with scopes 1 & 2 of the GHG Protocol.	Total: 67,475 Direct: 12,402 Indirect: 55,073	Total: 64,209 Direct: 11,537 Indirect: 52,672	Total: 66,761 Direct: 12,812 Indirect: 53,949	On a like-for-like basis, total CO_2 emissions from energy consumed at shopping centres and significant offices fell by 4.8% in 2007 and by 1% in 2008, compared to 2006 levels. See indicators 3 and 5 for data coverage and commentary on trends for shopping centres and significant offices respectively.

Key performance indicators (what we measured)	How we performed 2006	 2007	 2008	Our comments
2: Tonnes of CO_2 arising from energy consumption at shopping centres. This includes direct and indirect emissions in accordance with scopes 1 & 2 of the GHG Protocol.	Total: 18,299 Direct: 3,518 Indirect: 14,782	Total: 17,436 Direct: 3,338 Indirect: 14,098	Total: 19,121 Direct: 4,244 Indirect: 14,877	On a like-for-like basis, total CO_2 emissions from energy consumed at shopping centres fell by 4.7% in 2007 and increased by 4.5% in 2008, compared to 2006 levels. Both direct and indirect energy consumption was much lower in 2007 compared to 2006 and 2008. These trends are likely to be influenced by climatic conditions in addition to the operational factors which impact on energy efficiency at specific sites. Some increases seen in 2008 are a result of major construction works occurring at two of the centres analysed. Furthermore, the expansion of Manchester Arndale shopping centre – completed in 2007 and fully occupied in 2008 – accounts for a significant increase in energy consumed across the shopping centre portfolio. See indicator 3 for data coverage and commentary on trends for shopping centres.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
3: Energy efficiency of shopping centres (kWh/m²).	347	311	353	On a like-for-like basis, the energy efficiency of our shopping centres has declined since 2006. This decrease in energy efficiency can be explained, in part, by major construction works during 2008 at two of our centres. Four centres reduced electricity consumption since 2006. Most notable reductions have been achieved at Culver Square and the Mall at Cribbs Causeway which have reduced electricity by 20% and 15% respectively since 2006. However, these reductions were offset by increases at six centres, including our largest centres – Manchester Arndale, Washington Galleries and the Grafton Centre in Cambridge. Of the ten centres owned in 2008, all had electricity and eight had gas data spanning the full 2006-2008 period. Data from all these centres was included to calculate this indicator.
4: Tonnes of CO_2 arising from energy consumption at significant offices. This includes scopes 1 & 2 of the GHG Protocol.	Total: 49,176 Direct: 8,885 Indirect: 40,291	Total: 46,773 Direct: 8,199 Indirect: 38,574	Total: 47,640 Direct: 8,568 Indirect: 39,072	On a like-for-like basis total CO_2 emissions from energy consumed at significant offices decreased by 4.9% in 2007 and decreased by 3.1% in 2008 compared to 2006 levels. See indicator 5 for data coverage and commentary on trends for significant offices.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
5: Energy efficiency of significant offices (kWh/m^2).	440	416	426	On a like-for-like basis, the energy efficiency of our significant offices has improved since 2006. Energy efficiency increased by 5.5% in 2007 and increased by 3.3% in 2008 compared to 2006 levels. All 28 significant offices owned in 2008 have been accredited to ISO 14001 which has led to a number of environmental improvements. For example, electricity consumption decreased at 14 properties. Most notably, six properties achieved reductions of over 20% in comparison to 2006. Of the 28 significant offices owned in 2008, 26 had electricity data spanning the full 2006-2008 period. Of these 26, data for only one property was excluded, due to data anomalies. 25 out of 28 properties owned in 2008 had gas data spanning all three years and of these 25 properties, data at only one site was excluded – again, due to data anomalies. Only two properties owned in 2008 had oil data spanning the full 2006-2008 period. Data for both of these sites was included in this analysis.

WASTE – LIKE-FOR-LIKE VALUES

Like-for-Like Values: The data analysed to calculate like-for-like indicators includes properties that have complete data for the entire period 1 January 2006 to 31 December 2008. This type of analysis enables us to compare the performance of our assets over time.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
6: Recycled waste as a proportion of total waste (by mass) produced at significant offices.	–	27%	33%	On a like-for-like basis, the managed office waste recycling rate increased by 6% from 2007 to 2008. 11 properties exceeded a recycling rate of 35%, and of those Atlantic Quay in Glasgow achieved a recycling rate of over 60%. Of the 28 significant offices, data was available for all of these in 2008 and 2007 except Cunard House in 2008 and Lime Street in 2007. Waste data was not available to enable a like-for-like comparison for 2006.
7: Recycled waste as a proportion of total waste (by mass) produced at shopping centres.	26%	22%	27%	On a like-for-like basis the proportion of waste recycled at our shopping centres increased by 5% in 2008 compared to 2007. Several centres improved their year on year recycling rate, including The Mall at Cribbs Causeway and Brunswick Centre in Scarborough which achieved 16% and 26% increases in recycling respectively. We anticipate further improvements in waste recycling at our shopping centres as Futur, our new waste contractor, continues to roll out bespoke waste management practices across the portfolio. Waste data was available for all ten shopping centres managed on our behalf by Interserve since 2006 for all of 2007 and 2008. However, waste data for two centres was not available in 2006. Although 2006 figures have been included here, it is important to note that since 2006 the quality of reported waste data has significantly improved.

WATER – ABSOLUTE VALUES

Absolute Values: The data analysed to calculate absolute indicators includes all properties which consumed the utility in question at any point in 2006, 2007 or 2008. This type of analysis enables us to compare the impact of entire portfolio over time.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
8: Total water consumption (m^3) of the entire portfolio.	885,009	756,495	654,916	In absolute terms, total water consumption across the entire portfolio has continued to decrease since 2006. This decline can be attributed to shifts in the size of the portfolio since 2006 and improvements to the way we manage energy at our properties.

WATER – LIKE-FOR-LIKE VALUES

Like-for-Like Values: The data analysed to calculate like-for-like indicators includes properties that have complete data for the entire period 01 January 2006 to 31 December 2008. This type of analysis enables us to compare the performance of our assets over time.

Key performance indicators (what we measured)	How we performed 2006	2007	2008	Our comments
9: Water efficiency of shopping centres (litres/visitor).	2.05	2.02	2.03	On a like-for-like basis, the water efficiency of our shopping centres has remained fairly constant since 2005. All ten shopping centres managed on our behalf by Interserve for the full period 1 January 2006 to 31 December 2008 have been included in this indicator.
10: Water efficiency of significant offices (litres/m^2).	822	842	819	There has been an improvement in the water efficiency of our significant offices. In 2008, water efficiency improved by 2.8% compared to 2007 and 0.5% compared to 2006. All 28 significant offices owned in 2008 have been accredited to ISO 14001 which has led to a number of environmental improvements including water efficiency. 25 of the 28 significant offices owned in 2008 had water data for the full period 1 January 2006 to 31 December 2008. Of these only one property was excluded from the analysis, due to concerns over its accuracy.

EVALUATION OF PROGRESS AGAINST 2008 SUSTAINABILITY TARGETS

We set ourselves four sustainable property management targets to achieve by the end of 2008. The level of progress achieved toward each target has been established by reviewing the evidence of achievement provided by PRUPIM to Upstream. The methodology Upstream used to assess progress toward each target is:

Target fully achieved.	Evidence that target was 100% achieved.	Green
Target partially achieved.	Evidence that some progress has been made towards achieving the target.	Amber
Target not achieved.	No evidence available to suggest that any progress has been made towards achieving the target.	Red

Based on the criteria described above, in 2008 we fully or partially achieved 75% of our property management targets and did not achieve the remaining 25%. Our progress toward each target is described in detail in the table below.

2008 Target	What we did	Assessment
Reduce CO_2 emissions from energy use in the UK significant office and shopping centre portfolio by 9% by 2012, compared to a 2006 baseline (and equivalent to an annualised 1.56% reduction each and every year which is in line with the rate required to achieve the UK government's draft climate change bill target to reduce CO_2 emissions by 60% by 2050).	On a like-for-like basis total CO_2 emissions from energy consumed at shopping centres increased by 4.5% in 2008, compared to 2006 levels. On a like-for-like basis total CO_2 emissions from energy consumed at significant offices decreased by 3.1% in 2008, compared to 2006 levels. We are committed to reducing the emissions from energy use in our portfolio. We have established a new target to reduce the carbon emission intensity (tonnes CO_2/m^2) of our shopping centres and significant offices by 10% against the 2008 baseline.	Green/Amber
Improve energy efficiency (kWh/m²) in the shopping centre portfolio by 3% on the 2006 baseline, by the end of 2008.	On a like-for-like basis the energy efficiency of our shopping centres has declined since 2006. This decrease in energy efficiency can be explained in part by major construction works during 2008 at two centres. Four centres reduced electricity consumption since 2006. Most notable reductions have been achieved at Culver Square and the Mall at Cribbs Causeway which have reduced electricity by 20% and 15% respectively since 2006. However, these reductions were offset by increases at six centres, including our largest centres – Manchester Arndale, Washington Galleries and the Grafton Centre in Cambridge. In many cases energy data is derived from utility invoices. To improve the accuracy of the our data, we have set a target to ensure that all shopping centres and managed offices are able to accurately monitor energy use by the end of 2009.	Red

2008 Target	What we did	Assessment
Improve energy efficiency (kWh/m²) in the managed office portfolio by 3% on the 2006 baseline, by the end of 2008.	On a like-for-like basis the energy efficiency of our significant offices has improved since 2006. Energy efficiency increased by 5.5% in 2007 and increased by 3.3% in 2008, compared to 2006 levels.	
Achieve a 40% actual recycling rate (by mass) for shopping centres by the end of 2008.	Our shopping centre recycling rate increased by 5% compared to 2007, but this increase was not sufficient to meet the 40% recycling rate targeted. We appointed a new waste contractor, Futur, at the beginning of 2008 which we expect to continue to deliver recycling improvements across the shopping centre portfolio across 2009 and beyond. In the meantime a number of our shopping centres were under contract with existing waste contractors which prevented Futur from making immediate improvements at these centres.