Responsible Property Investment at
PRUPIM

29th June 2006
PRUPIM – a brief profile

- £17bn of property assets under management in property in a range of funds
- Over 1000 client fund properties; c7000 tenants
- c250 staff including c50 investment professionals
- Investments across the UK, and in mainland Europe, North America, Asia-Pacific
- One of the largest property fund managers in the UK and ambitious to grow further
- Part of the M&G Group – one of a number of subsidiaries of Prudential plc
# A Brief History of ‘Responsible Investment’ in PRUPIM

<table>
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<tr>
<th>Time Period</th>
<th>Description</th>
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<td><strong>Early 1990s</strong></td>
<td><strong>GREEN SHOOTS</strong>: Substantial work on environmentally friendly construction techniques and the potential for ‘green refurbishments’ – largely technician led</td>
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<td><strong>Late 1990s</strong></td>
<td><strong>UNCOORDINATED</strong>: Growing Prudential plc CR agenda; first Prudential ethical equities fund launched; growing number of community initiatives at PRUPIM shopping centres; energy manager employed by PRUPIM; frustrations of technical staff at investment community lack of interest</td>
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<td><strong>Early 2000s</strong></td>
<td><strong>CONSOLIDATION AND PLANNED PROGRESS</strong>: Rapid development of CR in Prudential and PRUPIM; First CR report done, two full-time CR staff employed plus an ‘Environment Manager’; Education programmes for senior staff; Introduction of CR concepts across the business; work on metrics to measure progress; conceptualisation of SRPI;</td>
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CR/RPI and corporate structure: Prudential/PRUPIM, 2005-08

Company Linkages

Prudential plc
Corporate Responsibility Policy Group (CRPG)

Executive Management Team (EMT)
CR Board Sponsor: Martin Moore

PruPIM Director of Corporate Responsibility: Paul Cornes

PruPIM
Corporate Responsibility
Operations Committee

Four workstreams

RESPONSIBLE BUSINESS CONDUCT
Sponsor: Sanjeev Sharma

RESPONSIBLE PROCUREMENT
Sponsor: Peter Best

RESPONSIBLE CONSTRUCTION
Sponsor: Martin Moore

RESPONSIBLE INVESTMENT
Sponsor: Paul McNamara

RESPONSIBLE PROPERTY MANAGEMENT
Sponsor: Peter Best

COMMUNITY INVESTMENT
Sponsor: Ben Freeman

COMMUNICATION
Sponsor: Chris Nutten

CORPORATE CULTURE
Sponsor: Sanjeev Sharma

Eight workstreams

Part of the M&G Group

PRUPIM
SRPI related workstreams

- 8 workstreams with own rationale, objectives and strategy – progress measured annually
- 4 workstreams have SRPI connections

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<thead>
<tr>
<th>Responsible Property Investment</th>
<th>NEXT SLIDE</th>
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<tbody>
<tr>
<td>Responsible Property Management</td>
<td>Rolling out Environmental Management Systems across the portfolio; ISO14001 rollout to shopping centres and major offices; creating sound absolute and relative measurement regimes</td>
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<tr>
<td>Responsible Property Construction</td>
<td>Best practice in the construction process and new product; apply new technology and techniques; encourage our contractors to adopt best practices</td>
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<tr>
<td>Responsible Procurement</td>
<td>Appropriate screening and auditing process for suppliers; communicate our CR requirements and standards</td>
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Main elements to SRPI to date

- Conceptualising what it is (own work, work with academics) and promoting the ideas vigorously
- Developing the language to speak to investors about how ‘sustainability issues’ will and are affecting their investment assets
- In essence, these issues represent a new form of risk and asset obsolescence – *research problem is parameterisation*
- Stock selection is good fund management but is it responsible?
- Find ‘lo-cost/ no cost’ means to do well by doing good’
- Switched now to working with property managers to identify what practical things we can do with properties and leases
- Next steps – manage part of the main Life Fund in this way – to learn and experiment
- Then – extend this form of management; maybe launch SRPI funds
Some of the recent successes

- ISO14001 certification for managed portfolio (UK property industry first), and corporate EMS certification against ISO14001.
- Corporate Community Award for Prudential Grass Roots programme
- South East Sustainability Partnership Award for Renewable Energy – wind turbine at Green Park (M4)
- £7.5m renewable energy contract to help tenants buy better and cheaper electricity
  - Estimated annual CO2 emissions savings are as high as 21,000 tonnes with cost savings at £15,000
- Contribution to UNEPFI and IPF/IIGCC Responsible Property Investment workstreams, many industry presentations, support for research
- ECOFYS/ Carbon Trust project to understand the cost of carbon within the property sector; develop a responsible construction strategy; and prepare for the EPBD
Still some lessons to learn!

- Delayed launch of Utilities Bureau Service
  - developing the web-based interface to systematically measure and monitor environmental impacts of the managed portfolio has been significantly more complex than anticipated

- Trying to demonstrate the tangible business case for CR and SRPI

- Engaging with colleagues and achieving greater ownership and buy-in for CR across the business

- Enforcement notice served at Manchester Arndale for ineffective contractor communication on health & safety.