

Responsible
property investing
2018



Creating a vision for the future



As we progress through 2019, there is heightened awareness of the geopolitical, technological, social and demographic changes happening across the globe. These necessitate a different approach to business thinking. It is the combination of these forces that is accelerating the growing need for transparency and accountability in business. Borne from this is the imperative for investing to fulfil not only financial benefits, but also demonstrate positive social value creation.

Socio-economic impact is an important area for us. Our assets can enrich the lives of people and communities by creating and managing world-class places to live, work and play. We continue to make progress against our 2025 targets and in 2018, we made the following achievements:

Over 340,000 people reached by our health, wellbeing and inclusivity programmes

26 places globally benefitted from community programmes in 2018.

Over 300 events held for residents, occupiers and visitors

Further insight into our community engagement events across the world can be found on p.8-9.

Addressing and preparing for climate change remains another key focus of our activities with global warming a key threat facing all of us. The built environment is a clear target for government carbon reduction and energy efficiency policies to enable countries to meet their ambitious reduction targets. Making significant progress against our 25% reduction target for 2025, we have driven down the energy intensity of our global portfolio by 23% since 2013. Our assets generate enough renewable energy annually to power an electric car to drive seven times around the world, while we purchase enough green energy annually to power 29,000 homes.

We continue to focus on driving progress towards our 2025 objectives and our vision for a cleaner, greener and better world. Throughout the report, there are a broad range of examples of how we continue to embed RPI within our investment decision-making and asset management approach to deliver real impact.

I hope you enjoy reading the report. As always, we welcome your feedback.

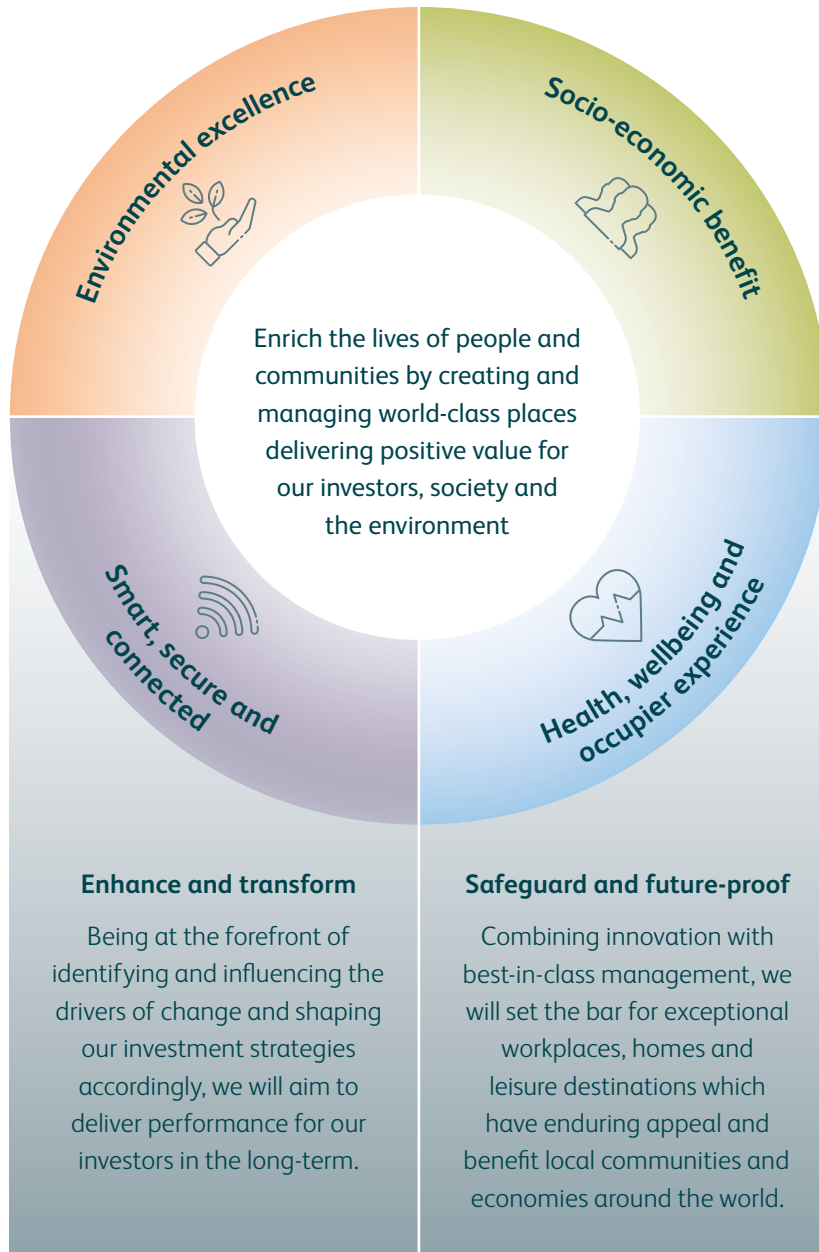
Tony Brown, Head of Real Estate

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Our responsible property investment strategy



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M&G Funds awarded Green Stars in the 2018 GRESB survey



23%

reduction in global energy use intensity compared to 2012/13



Over 340,000

people reached by our health, wellbeing and inclusivity programmes



27%

of assets (by value) have a green building certification



26

places globally benefitted from community programmes in 2018



Over 300

events held for residents, occupiers and visitors

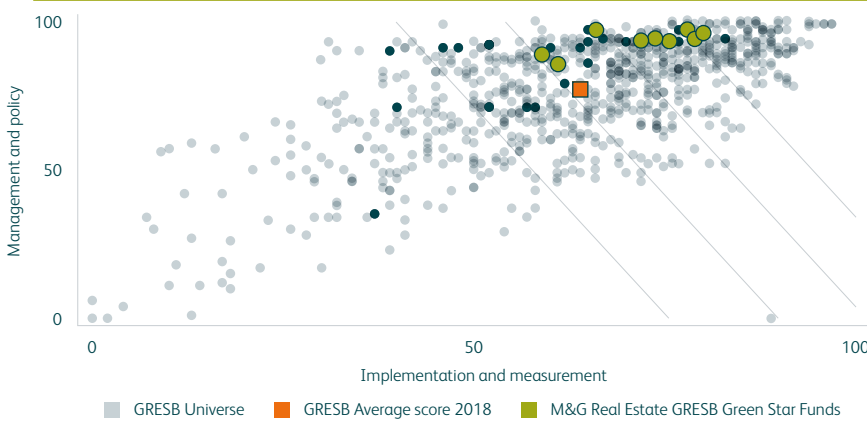


Benchmarking our performance

We have been benchmarking the RPI performance of our funds for many years, with our involvement in the Global Real Estate Sustainability Benchmark (GRESB) survey growing over that time. In 2011, we submitted two funds, while in 2018, nine funds, representing over 85% of our total funds under management, were put forward. We are very pleased to say that in 2018 all of our participating funds were awarded the accolade of a Green Star rating, positioning them among the highest-ranked for sustainability globally.

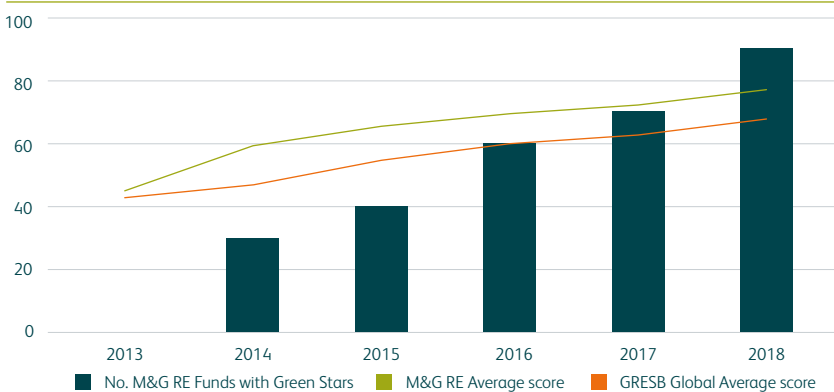
GRESB assesses the sustainability performance of real asset sector portfolios and assets in public, private and direct sectors worldwide. In 2018, 903 property companies and funds, representing more than US\$3.5 trillion assets under management in 79,000 properties, participated in the GRESB survey. The results of the survey are used by institutional and retail investors, including pension funds and insurance companies, to engage with investment managers.

M&G Real Estate fund performance in the 2018 GRESB survey



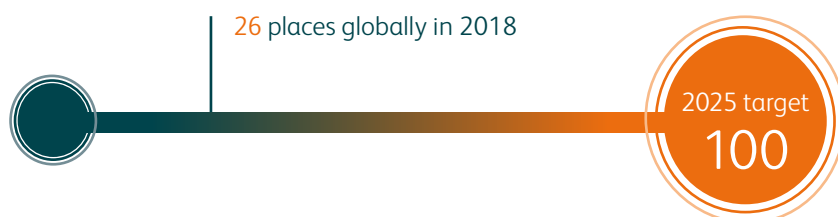
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M&G Funds awarded Green Stars in the 2018 GRESB survey

M&G Real Estate performance in GRESB over time



Source: M&G Real Estate.

Socio-economic benefit



have benefited from community programmes

Creating positive socio-economic outcomes by developing high quality places where people want to be. Through proactive participation in communities, we are able to support jobs, skills development and economic growth.

Contributing to our communities

By being an active participant in local communities, we believe we can make a positive contribution to the people who live or work there or visit them. So far, we are over a quarter of the way to our 2025 target of impacting 100 places globally with our community programmes, with 26 places reached from Melbourne to Manchester and Singapore to Sutton Coldfield.

At our shopping centres, we support a huge range of activities, such as aiding charity fundraising, providing space to community groups and hosting education, arts and culture programmes. Collectively these can foster relationships within the local community and encourage involvement and engagement. Similarly, at our multi-let offices, a sense of community is promoted through fundraising events. For residents of our Private Rented Sector (PRS) assets, we are committed to creating a thriving community hub for residents. The on-site teams deliver curated event programmes to ensure residents continually benefit from living with us beyond the bricks and mortar and have the opportunity to socialise with their fellow residents and neighbours.

Over

£60,000

free space donated for 190 events

Over

£360,000

raised by property teams and visitors

The Mall, Cribbs Causeway, Bristol, UK

The centre team are involved with charity fundraising and awareness activities, such as a ticketed on-site train and coin collection. In 2019, the centre supported Bristol Fashion Week in collaboration with the Katie Piper Foundation.

Rehearsal Rooms, London, UK

Residents are offered a range of social events and services such as monthly breakfasts, parties and televised sports events, sports and wellness sessions (such as yoga classes on the rooftops) and 'meet and greets' with the on-site managers.

Manchester Arndale, Manchester, UK

The Empty Shop initiative inspired local residents to donate two tonnes of clothing to raise money for local charities, supplemented by donations from two local firms. Space was also provided for charities to raise awareness and donations, including Stroke Awareness.

The Heights, Weybridge, UK

At this business park, community food and drink events, wellness sessions and fundraising opportunities for charity, such as a Coffee Giveaway for Breast Cancer Now, are hosted. Local small businesses have also been invited to showcase their services. In partnership with global proptech company Equiem, we have also launched a digital tenant engagement platform to improve communication with occupiers and deliver a curated programme of events, services and experiences.



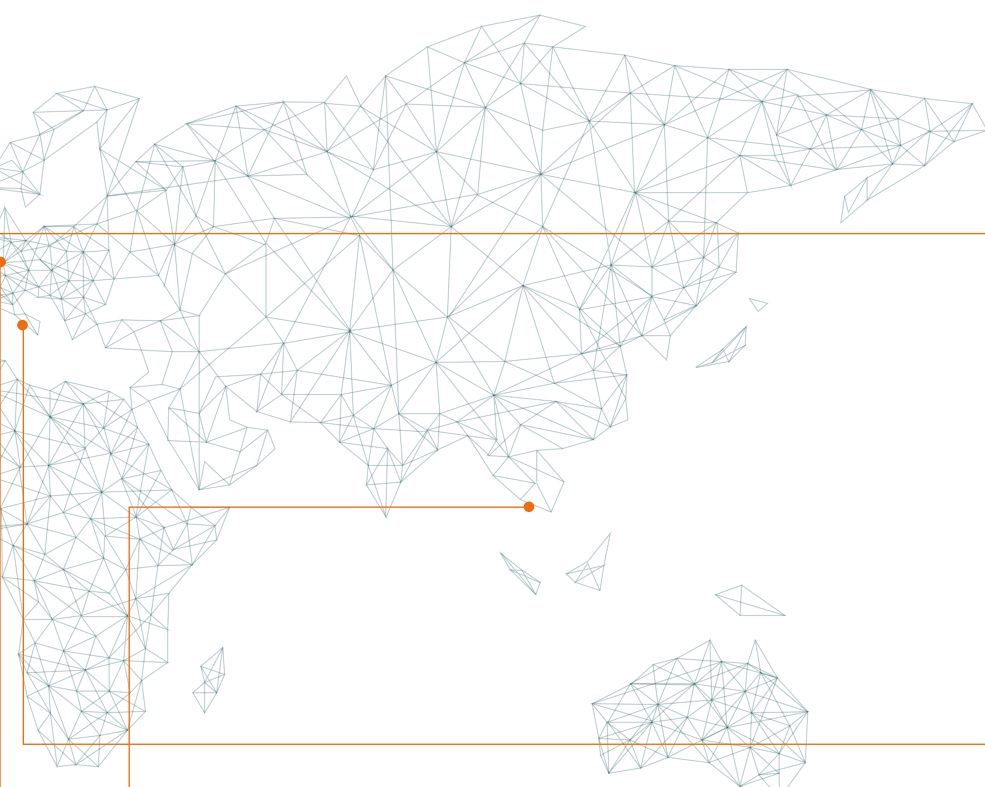
LuisenForum, Wiesbaden, Germany

This shopping centre celebrated its 10th birthday with four days of community events, including visits from local sports clubs, face painting and 10 community-based organisations received 10 kg of Ritter-Sport chocolate. This was alongside a host of other events such as a sense testing theatre and activities to celebrate special days.



Cortenbergh 71, Brussels, Belgium

Occupiers at this newly acquired office benefit from services including real-time travel information, organic food delivery, dry cleaning, ironing and lockers for parcel-drop-offs. In addition, yoga sessions are offered to enhance the occupier experience.



Compass One, Sengkang, Singapore

A range of community and local charity events are offered to shopping centre visitors, including a celebration of Earth Hour and craft workshops. Over SG\$30,000 has been raised in partnership with charity Singapore Association of Visually Handicapped events since the centre reopened in 2016 following a refurbishment.

Casey Central, Melbourne, Australia

Shoppers can get involved with 'community days', make charitable donations and chat with their local police officers over coffee. Space in the centre is freely provided to charities, such as Craft for a Cause Sewing group that supports Backpacks for Kids by creating bags, beanies and toys for foster children.



Ayr Central Shopping Centre, Ayr, UK

Local culture is celebrated with the centre getting involved in community festivals, while local groups and charities, such as Marie Curie, are provided with space for free to raise awareness and funds. A virtual Ayr to London bike ride was another fundraising opportunity, one example of the centre's 'One Great Day' charity events programme.

Gracechurch Centre, Sutton Coldfield, UK

The centre provides space for charities to raise awareness and donations. Charities involved include those in the armed forces, such as the Wings appeal of the Royal Air Forces, health including Bloodwise and animal protection, such as Guide Dogs. The YMCA Sleep Easy saw volunteers sleeping rough in the centre overnight to raise funds for the homeless.

Brunswick Shopping Centre, Scarborough, UK

Shoppers benefit from community events, including local singing group performances, a Street Science Event aimed at children and a Hate Crime Awareness drama sketch, held in partnership with the local Mayor. Visits from charities also help raise local awareness, such as the Guide Dogs.

Market Central da Vinci, Rome, Italy

This large retail park provides space for charities and not-for-profit organisations, including UNICEF and the Fondazione Patrizio Paoletti, to promote their activities. In addition, staff support fundraising events, such as a gift wrapping service raising money for Farmacisti in Aiuto Onlus and product collection for donation, partnering with Fiumicino Municipality, the Italian Red Cross and Il Cuore di Cristiano.



Understanding the real impact of our socio-economic activities

We can make a significant contribution to local, regional and national economies beyond our community engagement activities to improve the area's vibrancy. By communicating with our occupiers, suppliers, local authorities and industry bodies, we aim to understand their needs and identify potential improvement opportunities.

Our activities in the UK are outlined below:

- **Active participation in Business Improvement Districts ("BIDS")**, business-led partnerships created to deliver additional services to local businesses.
- **Support for other local initiatives**, such as the government Future High Streets Fund, supporting local areas' plans to make their high streets and town centres fit for the future.
- **Participation in Revo's "Hatch" initiative**, a competition supporting budding businesses ready for the next step in their evolution, with the winners offered the opportunity to trade cost-free for three months from six locations across the UK and Ireland, including one M&G Real Estate shopping centre.

Globally, we also create jobs and economic value through funding construction projects and major

building refurbishments. Measuring the real impact of our global activities is important to us. To that end, we have recently commissioned an independent consultant to support us through a process that will enable us to better define, measure, improve and articulate the true extent of the social and economic outcomes delivered by our global activities. This review is expected to conclude during 2019.

Supporting equality, diversity and inclusion in our workplace

At M&G Real Estate, we recognise the benefits of having a diverse team that feels valued and are listened to. It helps us think and act differently, adopt new ideas and better understand the needs of our clients and customers. An inclusive environment makes us more approachable and ensures that we attract, engage, and retain the best talent. We embrace our differences and strive to provide the right environment for talented people to do their best work.

This means having policies and practices that treat everyone as individuals. We are focused on creating an environment with agile/flexible working practices, allowing individuals to better balance their work and personal commitments, and trained mental health first aiders, providing an additional layer of support to our valued employees.

"The facilities are what make this place amazing. Not only are there physical components such as a gym and studio, but it creates a social environment just being there. I now attend two fitness sessions a week, and play football with the guys on Saturday mornings."

Resident at The Green, Kilnwood Vale, West Sussex



We are very proud of the work our employee networks do to raise awareness, encourage diversity and provide a supportive environment to everyone, in areas such as mental health, physical health, cultural differences, gender and LGBT+ and their allies.

We believe that it's important to develop our employees on diversity and inclusion (D&I) related topics. All employees undertake unconscious bias training as part of their induction programme, as well as building inclusive leadership techniques into our leadership and management curriculum and offering a wealth of supporting learning materials on our online learning platform. In terms of driving the equality, diversity and inclusion (EDI) agenda beyond our internal environment to the real estate industry as a whole, we:

- Became the first in the real estate sector in 2017 to achieve the **National Equality Standard (NES)** accreditation. The NES, developed in partnership with the Equality & Human Rights Commission and the Confederation of British Industry, sets out clear EDI criteria against which companies are assessed.
- Used the **NES** standard to continually improve our EDI practices. In 2018, we have reviewed how we engage and work with our key suppliers to share ideas and best practice.

- Collaborating with **Real Estate Balance**, an association focused on addressing the gender imbalance in the real estate sector.
- Share best practice in diversity and inclusion as part of industry forum **British Property Federation's D+I Champions Network**.

Our focus in 2019

- Drive progress towards our target for 100 places to have benefitted from community programmes, particularly focusing on our larger staffed assets globally.
- Complete our review of the social and economic outcomes of our global activities; define our priorities; and the metrics to measure performance.



Market Central Da Vinci, Italy

Environmental excellence



in global energy intensity since 2012/13

Driving environmental improvements at our assets increases operational efficiency, reduces carbon emissions and the use of natural resources. This enables us to appropriately manage environmental risks, while future-proofing assets to attract and retain occupiers.

Real estate is estimated to produce around 40% of global carbon emissions¹, and is an obvious target for government carbon reduction and energy efficiency policies to enable countries to meet their ambitious reduction targets. Indeed, we are already seeing such standards being introduced or proposed across the globe. In 2018, minimum energy efficiency standards were set on private rented lettings in the UK. In 2023, similar regulations are planned to be introduced in the Netherlands.


The transition to a low-carbon economy will create winners and losers. It is easy to underestimate the scale of the challenge, and the transformation that will be needed in a relatively short period. M&G Real Estate’s long-standing responsible investment approach puts us in a strong position to understand and respond to the challenges faced and ensure that we capitalise on the benefits that such positive change will also create.

17%
reduction absolute
global carbon emissions
since 2012/13

27%
global AUM has green
building certification

¹ Source: International Energy Agency.

² Net 'zero carbon' buildings are defined by the World Green Building Council as highly energy efficient, with operational energy needs supplied from on-site or off-site renewable sources.

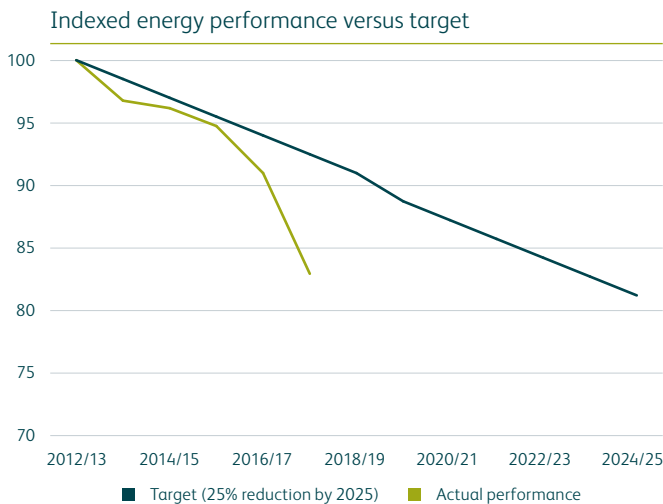


“To meet the Paris agreement, all new buildings must operate at net zero carbon² from 2030 and 100% of buildings must operate at net zero by 2050.”

World Green Building Council

Reducing global energy intensity

We have a target to reduce the energy intensity of our global real estate portfolio by 25% by 2025, compared to 2013. We have nearly met this with a 23% reduction achieved so far. Our commitment aligns with the ambitious goals for sustainable real estate established at the 21st Conference of the Parties (COP21) held in Paris in September 2015. Clearly this benefits not only the planet, but also drives lower occupancy costs, which is particularly important given the challenging market conditions for some of our occupier base.



Source: M&G Real Estate.

How this has been achieved:

- Targeting low and ‘no costs’ energy reduction measures at assets, such as ensuring on-site teams focus on efficient energy management and rolling out LED lighting wherever feasible.
- Introducing real-time monitoring of high energy users through smart building technology, such as at the **Manchester Arndale** shopping centre in the UK, where total energy used has been reduced by 36% and £2m saved in energy costs since 2013.

- Realising energy efficiency measures through retrofit, for example at **Compass One, Singapore** where a refurbishment of the shopping centre saved over 1 million kWh annually.
- Benefitting from the sale of some older, less efficient buildings and buying newer, more efficient assets.

Driving down global carbon emissions

In addition to driving down energy use, we have also achieved carbon reductions through the procurement of green energy and provision of on-site renewable energy facilities. Towards this aim, we:

- **Purchased 88,747 MWh of green energy** in 2018, which is enough to power around 29,000 homes annually.
- **Generated 1.5 GWh of energy on-site** in 2018 through photovoltaic panels on our buildings.
- **Encourage renewable energy use** through our plan to move our assets in Germany to a green energy tariff next year and we are reviewing feasibility of on-site renewables in Australia.

However, reducing our global carbon footprint remains challenging, as we have bought some large shopping centres and offices, that are high energy consumers, in countries where the national grid carbon intensity is very high, such as in Germany and Australia. Where possible, we seek to move the assets to green energy tariffs (where some or all of the electricity used is matched by renewable energy), which will help to reduce our carbon footprint.

Creating greener buildings

Our 2025 objective is for half of our global AUM to have green certification and with 27% achieving this so far, we are on track to achieve our target. The growing adoption of green certification reflects a shift in investor focus towards energy efficiency alongside tighter regulation on emissions.

³ Melbourne, Sydney, Toronto, Vancouver, Amsterdam, Frankfurt, London, Paris, Stockholm, Warsaw and New York.



In 2018, 19% of the 11 global markets³ (up from 6% in 2007) monitored by the CBRE International Green Building Adoption Index are now certified as ‘green’ (equating to 21 million sq m). Occupier demand for green buildings has also strengthened, as employers attempt to attract and retain staff with a better working environment.

In 2018, M&G Real Estate published a research paper demonstrating quantifiable benefits to investors of ‘going green’ in higher distributable yields from green buildings investment despite increased operating expenses. If certified buildings are typically associated with higher rental values and lower tenant incentives, this also lends itself to a more stable income profile that is less sensitive to changes in economic conditions. So it appears that it is worth investing in sustainability, not only for the environment, but for investors too.

Our focus in 2019:

- Drive progress towards our 2025 energy reduction target particularly through the installation of smart technology, which will also enhance identification of efficiency measures.
- Increase green certification at our assets, thereby driving the transparency of performance to our occupiers and investors.
- Work to understand the energy and carbon footprint of our occupiers (so-called “scope 3” emissions).
- Shift procurement towards green energy tariffs and review opportunities to install on-site renewable energy.

Enough green energy
purchased to power
29,000 homes
annually

Reducing the
carbon footprint
of our global portfolio

On-site energy
production

smart building technology

Low or ‘no cost’
energy use reduction

1.5 GWh
generated by
photovoltaic panels

Equivalent to an
electric car
driving around
the earth over
7 times

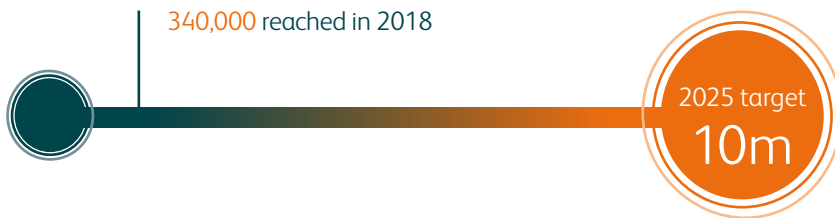
17% reduction in absolute carbon emissions

23% reduction in global energy intensity compared to 2012/13

180,000 tonnes of carbon saved through green tariffs

Source: M&G Real Estate.

Health, wellbeing and occupier engagement



people reached with our health, wellbeing and inclusivity programmes

People want to live, work and play in places that make them feel happier, healthier and more productive. Considering health, wellbeing and experiential factors in how we design and manage buildings enables our occupiers to have happy productive employees, our retail destinations to attract customers and our homes to be places where people want to live.

We want to design and manage places that are accessible, serve the needs of everyone who wants to use them and promote positive health and wellbeing and therefore better productivity. Ultimately, we believe if people enjoy being in our buildings, investment performance will follow through lower vacancy rates and higher rents.

8.1/10

‘willingness to recommend’, score from occupiers at our key UK offices



The Heights, Weybridge, UK

To support our on-site property management teams, we launched a Health, Wellbeing and Inclusivity Framework in 2018 that identified priority actions, with a number of these being delivered over the course of the year:

Training and awareness

- Ascertained training needs for on-site staff, particularly public-facing personnel.
- Identified local groups to meet with, learn from and partner with.
- Engaged with occupiers on their interests and concerns.

Information and services

- Hosted at least one health and wellbeing event annually at key properties.
- Installed 'Not Every Disability is Visible' signage on disabled toilet doors in public areas.
- Introduced hearing loops at properties where there is identified need.

Physical environment

- Installed automatic defibrillator(s) at properties with on-site staff and delivered training for their use.

Demonstrating impact

- Recorded information and data on health and wellbeing activities and shared with colleagues.

The Framework also provides guidance on awareness days and organisations that provide support, such as resources, training, and benchmark assessments. Property managers are now drawing on the Framework to prepare Sustainability Asset Plans for the year ahead for key properties.

Raising awareness and equipping staff with skills

National awareness events provide great opportunities to engage with asset teams, visitors and occupiers on different issues.

Mental Health Awareness Week

All of our M&G Real Estate managed UK shopping centres and some of our purpose-built PRS blocks supported this event in May 2018, working closely with local community groups and partners. Activities included de-stress cafés, yoga classes and mindfulness workshops.

Purple Tuesday – improving the disabled customer experience

This initiative has provided a platform for exploring opportunities to support inclusive shopping throughout the year.

“I am so pleased mental health is being more openly talked about. The more awareness raising that happens around it can only be a good thing. For the Galleries to arrange fundraising and mindfulness sessions, it just shows they are in touch with the community and are keen to help in any way they can.”

Retailer, Galleries shopping centre, Washington, UK

Galleries Shopping Centre, Tyne and Wear, UK

Supported by Sunderland City Council, this centre undertook an accessibility review, executed by an independent surveyor from AccessAble. Our other UK managed centres will complete similar surveys during 2019.

LuisenForum, Wiesbaden, Germany

This shopping centre was awarded with the 'Generation-friendly Shopping' quality certificate, provided by HDE (the German Retail Federation) and certifies an asset's accessibility to all generations (the elderly, those with physical disabilities, and parents with buggies). The centre scored 93% against an average of 87%.

UK shopping centres

Staff received dementia-friendly training programmes, including those run by the Alzheimer's Society, to equip them with the skills to help customers with different needs. A further two centres received autism-friendly training from the National Autistic Society. Informed by these initiatives, M&G Real Estate is encouraging identification of further opportunities to raise awareness in order to support visitors and their carers.

Creating inclusive places for everyone

We continue to review opportunities to enhance the facilities within our spaces to empower more people to get out and enjoy activities that many of us take for granted. So far we have refurbished and upgraded toilet facilities to meet "Changing Places" requirements at three UK shopping centres with a further facility being installed in one of our centres in 2019 and feasibility studies underway at an additional four centres.

Changing Places facilities provide more space and equipment than standard accessible toilets, such as height-adjustable adult changing benches and ceiling track hoists.

On-site teams are also completing the addition of public toilet signage that highlights that not every disability is visible, helping people without obvious disabilities feel

more comfortable to use accessible facilities without fear of criticism or embarrassment.

Other initiatives implemented to enhance the physical environment and thereby support inclusive environments and promote health and wellbeing, include the following:

- Providing 'safe place' areas to help vulnerable people who are lost, scared or at risk to quickly access support. Two shopping centres have designated 'safe place' areas.
- Installing secure and covered bike racks, showers and lockers to promote cycling.
- Introducing biophilic design, such as greenery and living walls, and artwork, including pieces by local artists, to enhance ambience and visual appeal.
- Exploring opportunities for quiet spaces in our shopping centres, with subdued light levels, comfortable seating and lower noise levels.
- Designed our first development, **The Grid in Glasgow**, using the WELL Building standard®, and have registered the asset with the scheme, targeting WELL Gold. It was the first asset in Scotland to be registered. We are considering the standard for other developments.

Promoting positive health and wellbeing

Hosting an event, whether on one day or as part of a programme of activities, has proved a great way to raise awareness of health and wellbeing issues, as well as offer opportunities to connect as a community.

All our UK purpose-built Private Rented Sector (PRS) blocks seek to incorporate features that enhance occupier experience and promote positive health and wellbeing for residents, such as gyms and other sport facilities with complementary sessions offered.

The Green, Kilnwood Vale, West Sussex

Residents benefit from access to an on-site gym and sports court, alongside screenings of sports events to encourage neighbours to come together.

Rehearsal Rooms, North Acton, London

This asset provides communal space for gardening and growing vegetables alongside a sports play deck, helping promote physical activity, healthy eating and community spirit.

Curated events programmes at PRS schemes

In 2018, almost 50 different residents events have been held, including a regular Sunday brunch club at **The Green**, monthly breakfasts at the **Rehearsal Rooms**, as well as one-off sports events, wine and cheese nights, Halloween and Christmas parties. Several events have focused specifically on health and wellbeing including bootcamps, running clubs and yoga. During Mental Health Awareness week, over 25 residents attended a Curry and Chat Night at The Green, raising money for charity Mind. Asset management teams receive very positive feedback from residents on the events.

Sensory-friendly opening hours

The experience of arriving at a building can move from the rational – such as, can I get through the door and find the shop I want quickly? – to a deeper experience of feeling welcomed, safe and relaxed. A number of our shopping centres provide sensory-friendly opening hours, where shoppers benefit from an environment in which light and noise levels are reduced, tannoy announcements minimised and toilet hand-dryers turned off.

Health checks

Space for these is provided at shopping centres and a number of our retail parks. These provide access for occupiers and visitors to health checks, such as blood pressure and breast screening, and opportunities to receive advice on quitting smoking.

Ensuring safety and security

Our focus is to ensure an exceptional standard of safety and security in all the working environments we control.

We aim to have a sector-leading approach to safety and security management, which focuses on protecting life,

property and reputation in all aspects of our investment and operational activities, including the development of new assets, refurbishment of existing ones and the day-to-day management of operational properties.

We accept that there is a duty of care owed to everyone that spends time in our buildings and the M&G Real Estate Safety and Security Management strategy and accompanying policies reflect this:

- **Full safety management system**, which is aligned with British Standard OHSAS 18001, to address our obligations under the UK's construction (design and management) regulations.
- **Independently certified to OHSAS 18001**, providing an extra layer of protection for our clients alongside ensuring our construction projects maintain their commitment to employee health and safety.
- Seeking to **move to the newly-developed ISO 45001 standard** over the next few years and to apply it to our global operations. This will equip us to improve our resilience by anticipating, adapting and responding more effectively to risks.

We collect data globally on accident rates and reportable incidents in accordance with the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR or for outside the UK, an equivalent level of seriousness). We strive for a zero accident rate, but given we have thousands of people working in our buildings or on construction sites, alongside millions of visitors to our retail assets, this is a challenging target. We investigate all accidents in order to understand the root cause, and where necessary take action to address failures in processes.

Major Incident Management

During 2018, terrorism threat levels across many of the countries where we have assets were severe or critical. As owners of many high-profile busy assets, we have up-to-date major incident processes that enable our teams to be able to react correctly to any incident that may occur. Our property managers undertake threat risk

assessments which identify property vulnerabilities. We will then work with them to address any issues identified. To ensure that our processes – and those of our third-party property managers – are relevant and up-to-date, we are currently undertaking a number of ‘Emergency Preparedness’ tests using an independent third-party across a broad cross section of our portfolio.

Global reporting

We are in the process of implementing a new Global Reporting platform for all of our business partners around the world. This new platform will allow us to monitor and support the many safety and security initiatives utilised for the protection of people and property across our portfolio. It will allow us to use the optimal multi-media communication links for the sharing of information, intelligence and lessons learned between our teams. Our focus on collaborative engagement allows us to leverage from the extensive skills, knowledge and experience among our diverse teams and allows us to deliver exemplary health, safety and security performance globally.

Enhancing the positive occupier experience

We are committed to creating strong relationships with the occupiers of our properties, based on integrity, team spirit and customer focus. Through various engagement programmes, we collect feedback from our occupiers to understand satisfaction levels, identify areas for improvement and better understand their business needs and property requirements. As a result, we achieve better occupancy rates and happier tenants, creating benefits for investors.

Customer Occupier Experience strategy ensures that we place importance on our occupiers’ needs and interests. During 2018, we focused on enhancing communication and developed a “welcome pack” to be issued to the occupier at the commencement of their lease. To be launched in 2019, the pack will provide ready-access to information, policies and processes.

Review our occupier complaints processes to enable us to have stronger insight into occupiers’ views and we analyse complaints on a monthly basis to prevent reoccurrences, wherever possible.

UK Front-of-House project continues to strive for occupiers – and their visitors – to benefit from a consistently high standard of service from their reception teams at all our large multi-let offices. We focus on ensuring that the right people are working within our buildings. All aspects of the reception experience have been reviewed: the service standards, operational requirements and technical innovations.

Launch a Rewards and Recognition scheme for our front-of-house staff in 2019 to incentivise and reward high levels of customer service.

Seamless engagement throughout the occupier journey at our UK PRS assets, so that they always feel involved, well-informed and know who to contact at any point from their first viewing through occupation to departure. To understand how best to support our residents’ needs, opportunities are offered to provide feedback at various touchpoints. This can be through engagement surveys or conversations with our on-site Resident Services Manager. We have a mobile App for residents, which offers a range of services such as reporting maintenance issues, details on upcoming events and booking additional services tailored to each development. Additionally, each resident can access a Facebook group on which to share information and activity and to interact with the Resident Services Manager in a 24-hour environment.

Continually improve our service by exploring the feedback received from regular customer satisfaction surveys and engagement activities. In 2018, we surveyed UK office occupiers, that are the focus of our Front-of-House strategy, our PRS residents and for the first time, our European occupiers.

Our focus in 2019

Health, wellbeing and inclusivity opportunities at key properties will be identified and delivered, guided by our Framework, visitor and occupier feedback and input from local charities and partners.

- **Build on the activities** implemented in 2018, bringing them together into a more structured programme across the global portfolio.
- **Explore further the use of sensors** in buildings to see how they may provide improved occupier comfort and experience.
- **Consider other certification standards** such as Fitwel, in addition to the WELL Building Standard®, as these may identify further opportunities to enhance health, wellbeing and user experience at our buildings.
- **Continue to support awareness and positive change events** such as Mental Health Awareness Week and Purple Tuesday.
- **Continue to undertake accessibility surveys** at managed centres and **health and wellbeing assessments** at offices.

Whilst reaching 10 million people is the headline target, what stands out is the impact that the programme is already having on individuals, with positive feedback from customers, staff and partners about the difference initiatives are making to people's daily lives.



Smart, secure and connected



Deliver enhanced digital and physical connectivity at our assets through a framework of activities underpinned by thought leadership.

Smart physical and digital infrastructure is crucial to the competitiveness and success of countries, cities and buildings, as well as positively benefitting inhabitants. Understanding connectivity strength and potential enables us to more effectively identify investment opportunities and future-proof investments.

Finding the value in Urban Connectivity

We believe that assets and cities that are well-connected in terms of their digital and physical infrastructure are good places to invest, as they are more attractive to occupiers and are better future-proofed.

The second edition of our Urban Connectivity research report ranks the physical and digital urban infrastructure of 64 European cities, from best to worst. The research aims to identify attractive locations that are best-placed from a connectivity perspective to offer sustainable property fundamentals and potentially superior pricing opportunities.

We continue to incorporate these rankings into our investment process. Below are the key findings from the 2018 Urban Connectivity ranking:

- **Paris** and **Berlin**, both advanced providers of urban transport infrastructure, hold onto their 1st and 2nd positions, **Stockholm** climbs to 3rd, and **Helsinki** joins the top 10. In 2018, we acquired two offices in Paris and an office in Helsinki, reflecting their superior connectivity structures.
- Greatest rank improvers include **Cologne** and **Düsseldorf** (both moving up 23 positions), driven by improvements in digital technology.
- **Oxford, Munich, Leipzig, Hamburg** and **Düsseldorf** join the group of markets that achieve enabler (inputs) and effect (output) scores above 50. Last year, we capitalised on attractive connectivity and compelling supply and demand fundamentals in Düsseldorf by completing a deal to forward fund a development there (see box-out). We also purchased an office, Aurum, in Munich.

The full report '**Magnify: M&G European Urban Connectivity Ranking**' is available on our website.

Forward funding development to capitalise on superior connectivity fundamentals

In 2018, we completed on a deal to forward fund a prime office development located on the edge of the Düsseldorf Central Business District for a purchase price in excess of €100m. It will be built to high specification and will provide over 15,000 sq m of office space with completion expected for September 2019. We are targeting a green building rating of LEED Gold, as the second highest environmental excellence standard.

Düsseldorf is the capital of North Rhine Westphalia, the largest German federal state by inhabitants and economic power, and has high digital and transport connectivity. It has the third busiest airport in Germany by passenger numbers. The City Sud submarket, where the asset is located, has strong market fundamentals and low vacancy, all of which point to robust rental growth prospects over the next five years.

Improving asset connectivity

Many of the factors we see as an indicator of good connectivity at a city level can also apply at an asset level. This is important as we are able to proactively influence the connectivity of a property through active asset management initiatives, such as the installation of electric vehicle charging points to promote greener transport.

The electric vehicle market is being boosted by heavy investment from auto manufacturers, increasing consumer choice, declining battery prices and government interventions. By example, the UK government intends to ban the sale of all diesel and petrol cars and vans from 2040 and in Norway, tax incentives are pushing mass adoption of electric cars to the extent that fully electric and hybrid vehicles represented 65% of all new vehicle sales, as at the end of 2018⁴.

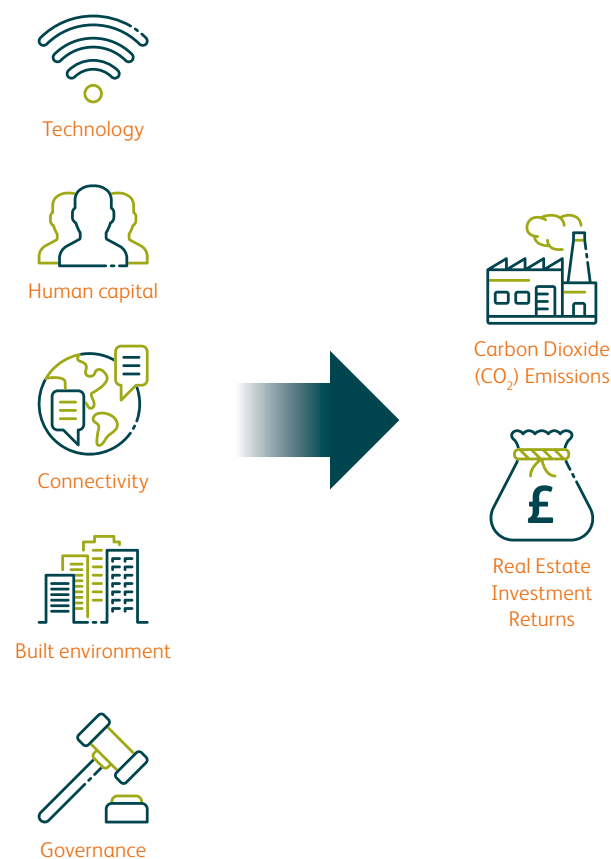
We already have electric vehicle charging points installed across several of our office, retail and residential assets. In the UK, we have reviewed potential visitor demand for electric vehicle charging points in 2018 for a selection of assets in our retail park portfolio. Three parks, identified as potentially having relatively high demand, will have charging points installed during 2019 and we will review opportunities to install these elsewhere during the year.

For our UK PRS portfolio, we also consider transport options that tap into the growing sharing economy models. Residents at **The Green** and **Rehearsal Rooms** benefit from an on-site electric car available to hire free-of-charge. These cars have proved popular with residents and we will continue to consider the suitability of this service at other developments.

Our focus in 2019

- Drive progress to expand the range of physical and digital interactions at our assets.
- Install electric vehicle charging points at selected UK retail assets.

The factors driving good urban density



⁴ Source: Norwegian Road Federation, as at December 2018








Strong foundations

The 10 areas below represent the strong foundations we believe must be in place before we can deliver our RPI objectives. We will provide an annual assessment of our performance against these areas, and will also report to investors on fund-specific performance and implementation.

1	Investor reporting and engagement	Investors will receive regular updates on the RPI performance of the fund, using best practice reporting standards including the INREV Sustainability Reporting Requirements. For applicable funds, we participate annually in the Global Real Estate Sustainability Benchmark. We also engage with our investors to understand their RPI requirements.	GRESB 2017 Ref: Q7.1; Q8; Q10 INREV Sust Ref: ESG-LTS 1.2; ESG-POR 1.1
2	Risk management	Understand material environmental, social and governance (ESG) risks. Ensure we minimise long-term exposure to material ESG risk by embedding consideration of these into investment decision-making.	GRESB 2017 Ref: Q15.1; Q15.2 INREV Sust Ref: ESG-LTS 1.2; ESG-POR 1.2
3	Acquisitions	Material RPI issues have been integrated into acquisition due diligence processes, which ensures risks and opportunities have been appraised and priced accordingly.	GRESB 2017 Ref: Q15.1 INREV Sust Ref: ESG-LTS 1.2; ESG-ANN 1.1
4	Asset planning and prioritisation	Annual asset plans incorporate measures to manage and/or improve RPI performance, based on the risk, opportunities and initiatives planned for the asset. Actions will be prioritised according to each asset's RPI impact and our ability as the landlord to influence this. Each asset is classified as Tier 1 (significant impact), Tier 2 (moderate impact) or Tier 3 (low impact).	GRESB 2017 Ref: Q15.2; Q16-Q19; Q25-30 INREV Sust Ref: ESG-LTS 1.2; ESG-ANN 1.1
5	Leasing	Encourage occupiers to sign up to our green lease clauses. Implement the M&G cluster munitions policy and not let space to companies involved in the production, distribution or use of cluster munitions.	GRESB 2017 Ref: Q39.1; Q39.2 INREV Sust Ref: ESG-LTS 2.1
6	Monitoring and guidance	Management systems and processes provide clear guidance on how to implement the RPI objectives and report progress against them. Global data management platform in place to gather and report key environmental metrics.	GRESB 2017 Ref: Q22-Q29 INREV Sust Ref: ESG-ENV 1.1
7	Property management	Third-party property managers have sustainability requirements integrated into their contracts and Service Level Agreements. Annual KPIs are set and are monitored regularly to ensure that property managers and their supply chain are ensuring the delivery of RPI initiatives and targets.	GRESB 2017 Ref: Q40; Q41.1 INREV Sust Ref: ESG-LTS 1.1; ESG-ANN 1.1
8	Development and refurbishment	When undertaking new development or major refurbishments, opportunities to enhance sustainability performance have been implemented as part of the design and construction process.	GRESB 2017 Ref: Q30.1; NC1-14 INREV Sust Ref: ESG-LTS 1.2; ESG-ANN 1.1
9	Supply chain management	RPI standards and requirements are provided to suppliers as appropriate to their services. Monitoring is in place to ensure that contractual requirements are met.	GRESB 2017 Ref: Q40-41.2 INREV Sust Ref: ESG-LTS 2.1; ESG-ANN 2.1
10	Employee engagement	All employees understand their role in the delivery of our RPI Strategy through training and briefings, and receive regular assessments of the RPI performance of portfolios and assets they work on. All employees that play a role in the delivery of our RPI Strategy have specific RPI objectives incorporated into their role profiles and annual appraisal objectives. Engagement processes are in place to obtain feedback from our employees.	GRESB 2017 Ref: Q6; Q32-Q35 INREV Sust Ref: ESG-LTS 2.1

Our performance

In 2017, we launched our new RPI strategy and set a series of 2025 objectives – a summary of progress against these is detailed below. Progress against each target is measured by an internal review of all the evidence of achievement. In addition, Verco Advisory Services Ltd has independently verified selected environmental targets. As the table shows, we are making good progress against our 2025 targets.

	2025 Target	Progress	
 Environmental Excellence	Green building certification secured for 50% (by value) of assets under management globally	27% of assets (by value) have certification Further details see p.15	
	Achieve a 25% reduction in energy intensity and associated GHG emissions based on an indexed trend for all landlord-procured energy compared to a 2012/13 baseline	23% reduction in energy use intensity Further details see p.14	
	Achieve a 10% reduction in water intensity based on an indexed trend for all landlord-procured water (excluding sub-metered for tenant use) compared to a 2012/13 baseline	2.8% reduction in water intensity against baseline	
	95% of waste to be diverted from landfill and seek to promote and increase recycling and reuse	Globally, waste diverted from landfill dropped to 55%, due primarily to two of our Asia shopping centres sending most waste to incineration (with no energy recovery). In the UK, our landfill diversion rate is 99.7%. We are looking at ways of improving performance outside of the UK.	
 Health, Wellbeing and Occupier Experience	10 million people reached with our health, wellbeing and inclusivity programmes by 2025	Over 340,000 people reached by our health, wellbeing and inclusivity programmes in 2018 Further details see p.16	
	Measure and improve the satisfaction, happiness and wellbeing of our occupiers	Occupier satisfaction and engagement is a priority, but further work is needed on measuring this on a more consistent basis globally.	
	Ensure an exceptional standard of safety and security in all the working environments we control	Details of our H&S performance and strategy are provided on p.19	
 Socio-Economic Benefit	Create positive socio-economic value and measure the social and economic impacts of our activities, demonstrating improvement by 2025	We are currently in the process of undertaking a new socio-economic exercise – further information published later in 2019 Further details see p.10	
	100 places globally have benefitted from community programmes	We have implemented community programmes at 26 assets Further details see p.7	
 Smart, Secure and connected	Deliver enhanced digital and physical connectivity at our assets through a framework of activities underpinned by thought leadership	We have implemented a number of connectivity initiatives including electric car charging points, electric car share schemes, as well as certifying assets to digital connectivity standards. Further details see p.22.	

Third-party verification statement

Scope of work

Verco Advisory Services (Verco) has been engaged by M&G Real Estate to provide limited verification of selected environmental data for the April 2017 to March 2018 financial year.



Methodology

In order to complete the above 'scope of work', Verco:

- discussed the verification process and its evidence requirements and implications with the relevant M&G Real Estate Director for Responsible Property Investment.
- verified reported energy, GHG emissions, carbon, waste and water data through a trend and variance analysis. There has been extensive correspondence with the data collectors to review the accuracy of the data. The verification has been done in line with the ISO 14064-3 standard.
- undertook a review of the terms of reference and findings associated with third-party audits of energy, GHG emissions, carbon, waste and water data related to assets located in the United Kingdom.

Limitations and exclusions

The following limitations and exclusions apply:

- Data outside the defined reporting period of April 2017 to March 2018.
- Financial information related to any of the data or performance verified.

Opinion

Based on the 'scope of work' and methodology outlined above, nothing has come to Verco's attention that would indicate that M&G Real Estate's reported energy, GHG emissions, carbon, waste and water data is not fairly stated.

About Verco

Verco is a sustainability and carbon consultancy with a 30-year track record providing expert support from strategic advice and compliance services to project implementation and performance monitoring.

Paul Stepan, Director, Verco Advisory Services



Front cover image:
Centropolis, South Korea

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