



Responsible
property investing
2017



M&G Real Estate at a glance

M&G Real Estate is the property investment unit of M&G Investments, the asset management arm of Prudential plc. We are one of the top 30 real estate fund managers in the world with £28.3 billion (at 30 September 2017) of assets under management.

¹ LEED: Leadership in Energy and Environmental Design

² BOMA: Building Owners and Managers Association International

³ BCA: Building and Construction Authority

⁴ NABERS: National Australian Built Environment Rating System

Financial data at 30 September 2017

Environmental data at 31 March 2017 unless specifically stated otherwise

£22.9bn
of investments across UK
and continental Europe

Over 16,000
people employed globally
through our supply chain

5 countries invested in across Asia
Pacific (Australia, Hong Kong,
Japan, Singapore & South Korea)

Compass One

refurbishment received BCA Green
Mark Gold Award³

us\$3.3bn
of investments across
Asia Pacific

3
Australian assets with
4 and 5 star
NABERS Energy ratings⁴

At M&G Real Estate we take a leading approach to shaping the Responsible Property Investment (RPI) agenda across the property industry and have played an active role for over a decade, in organisations including:

Signatory of:



Principles for
Responsible
Investment



BETTER
BUILDINGS
PARTNERSHIP



Investment
Property Forum



BRITISH PROPERTY
FEDERATION



Institutional Investors Group on Climate Change



Retail. Property. Community.

Real assets, real impact



Welcome to M&G Real Estate's fifteenth Responsible Property Investment (RPI) Report, which marks a critical turning point in our approach.

We have proactively addressed RPI issues for more than a decade, achieving significant acclaim for our sector-leading approach. Notably, seven of our funds achieved a Green Star rating in the 2017 Global Real Estate Sustainability Benchmark (GRESB), outperforming their respective peer groups. While we are proud of this record, we continue to work towards our ambitious vision of becoming a global leader in RPI.

To achieve this goal, we need to inject new momentum, principles and innovations into our approach. That's where our updated RPI strategy comes in. By building on our existing strong platform of RPI capability, the new strategy responds to the increased focus on this critical area from our investors, clients and occupiers. It also reflects our response to the changing demands, risks and opportunities created by our rapidly urbanising and ever uncertain world.

Our fiduciary responsibilities give us an important and influential role to play in RPI, and we will use our resources to enrich the lives of people and communities by creating and managing world-class places to live, work and play. This brings positive value to our investors, to society and to the environment.

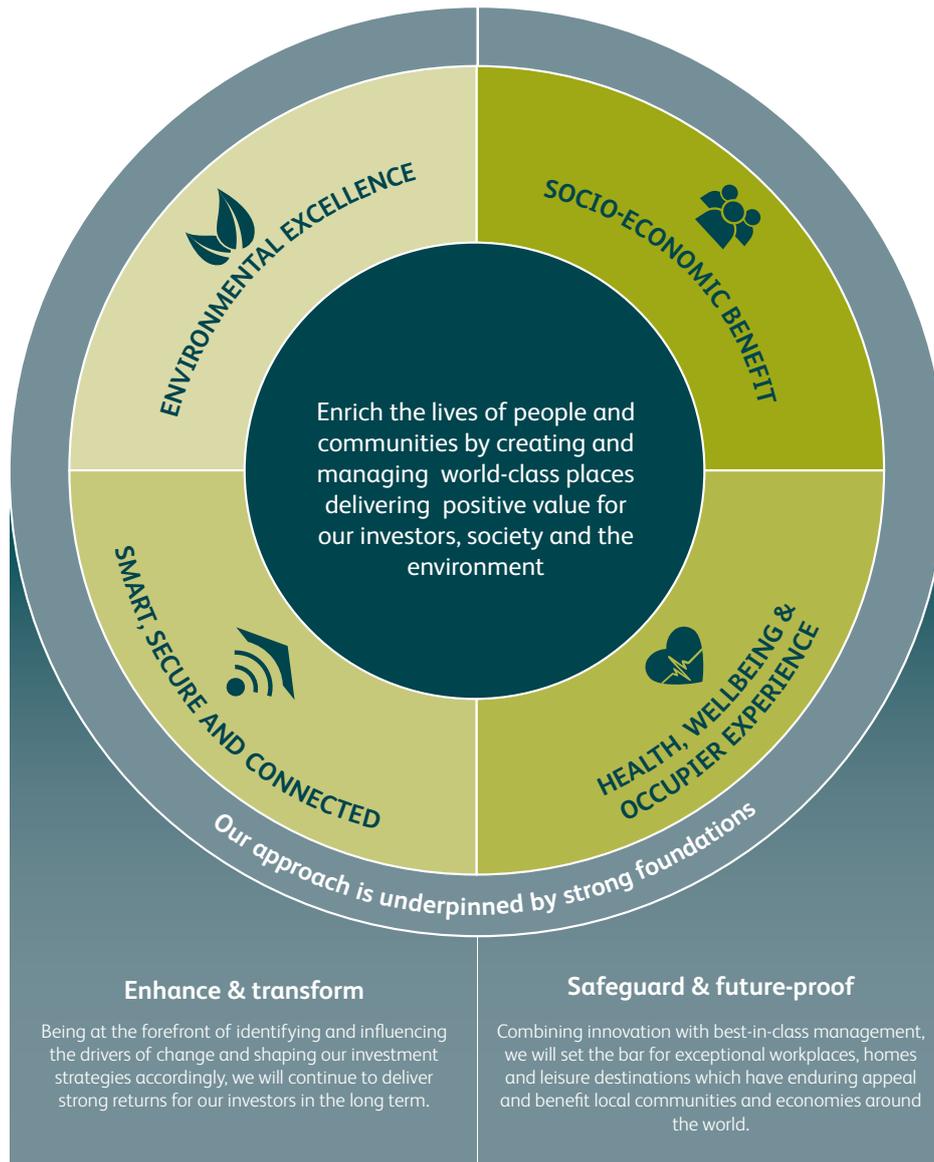
We are focusing on four key impact areas, setting ambitious objectives in each one to drive progress towards our vision. We describe these changes in detail within this report, alongside the compelling initiatives that we have already undertaken, or are planned, to deliver these goals.

I hope you enjoy reading this report and finding out more about our new strategy. As always, we welcome any feedback you may have.

A handwritten signature in white ink, appearing to read 'Alex Jeffrey'.

Alex Jeffrey, *Chief Executive*

Our new Responsible Property Investment strategy

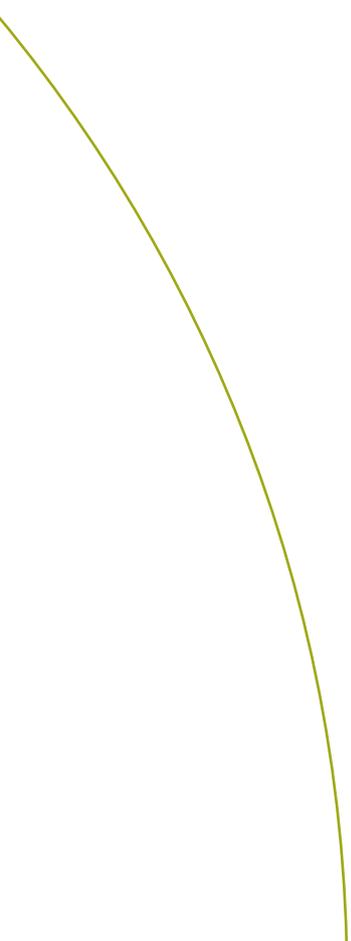


Nina Reid, *Director: Responsible Property Investment at M&G Real Estate.*

Nina is responsible for the ongoing development and implementation of our strategy. She chairs our global RPI committees, and meets with senior leadership and fund managers to update them on progress against our strategy.

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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. Eight funds, representing over 80% of our total funds under management, were submitted this year. We are very pleased to say that seven of our eight participating funds were awarded 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 2017, 850 property companies and funds (at over US\$ 3.7 trillion in value) participated in the GRESB survey. The results of the survey are used by investors to engage with investment managers.

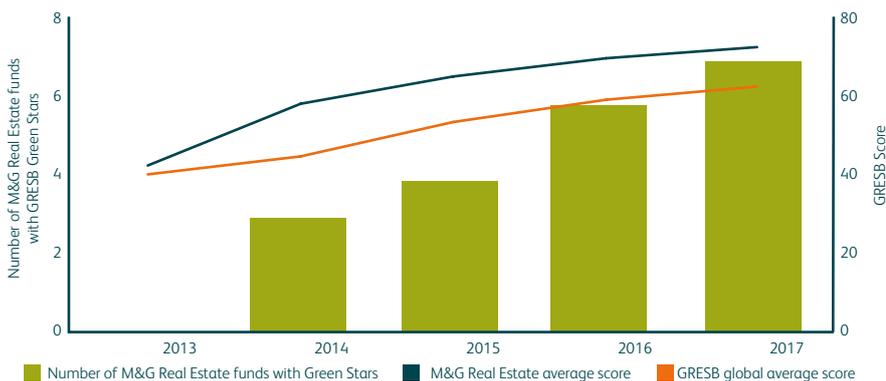


Seven
 'Green Star' funds in
 2017 GRESB survey

M&G Real Estate fund performance in the 2017 GRESB survey



M&G Real Estate performance in GRESB over time



Socio-economic benefit

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.

What are the drivers of change?

There are a number of geopolitical, technological, social and demographic changes happening across the world that necessitate a new approach to business thinking. Greater levels of inequality of wealth are leading to sections of society feeling undervalued. Millennials have differing attitudes to possessions and career aspirations than previous generations, and it is the combination of these forces that is accelerating the growing need for transparency and the imperative to support social value creation.

The urban environment and built form has a huge impact on economic success, social cohesion and quality of life. As a real estate investor, we can create positive socio-economic outcomes by:

- creating high quality places where people want to be
- driving economic growth
- supporting employment opportunities and skill development
- being an active participant in communities.

2025
objectives

Create positive socio-economic value and measure the social and economic impacts of our activities, demonstrating improvement

100 places globally have benefitted from community programmes



“We simply cannot take the capitalist system, which produces such plenty and so many solutions, for granted. Prosperity requires not just investment in economic capital, but investment in social capital. It is necessary to rebuild social capital to make markets work.”

Mark Carney, Governor of the Bank of England



Target

Create positive socio-economic value and measure the social and economic impacts of our activities, demonstrating improvement by 2025.

The true value of real estate investment: our socio-economic footprint

With £28.3 billion in assets under management in 27 countries (as at 30 September 2017) around the globe, we have the power to make a significant contribution to local, regional and national economies. 2016 marked the first time we reported on the socio-economic impact of our business, focusing on how we:

- drive economic growth and value
- create and support jobs
- undertake urban regeneration initiatives
- support communities and charity.

We intend to repeat this study bi-annually, expanding the scope over time to cover all significant socio-economic impacts and we aim to be able to clearly quantify the contribution they have made by 2025.

Driving economic growth and supporting businesses:

In the UK, we are participating in Revo's "Free Space +" initiative, a competition that offers small enterprises the opportunity to take their business to the next level, with the winners offered free "pop-up" space for three months at any of over 100 shopping centres, including eight M&G Real Estate centres. This project not only supports the development opportunities available to small local independent retailers and empowers them to reach millions of shoppers; crucially, it also helps us to enhance the diversity of our centres.

Supporting jobs and skills:

We directly employ a global workforce of 273. In addition, our construction projects support the employment of thousands more people, as does our supply chain spending at our managed assets. As part of our drive to support jobs and skills, we have worked on initiatives at:

Shopping centres

We work with a range of local organisations to help increase access to training and employment opportunities. Many of our centres host work experience students, as well as partner with local schools and universities. We have worked with Job Centre Plus and its 'Back to Work Support' campaign to train unemployed parents with trade service skills available within the local area. At Manchester Arndale, we support Volition, the Manchester Cathedral volunteer scheme. It identifies roles, projects and areas of community action where unemployed people can become a volunteer.

Kensington Row, London

At this residential development, we have employed 26 apprentices in the last year, helping to build a reliable pipeline of skilled construction workers. This development and 375 Kensington High Street is transforming the local area with over 1,000 homes including affordable housing, a new primary school for 210 pupils and over a hectare of landscaped open space.



Kensington High Street, London

Our activities enable
employment for
over **300,000**
people globally

Regeneration

Investing money in new developments and major refurbishments benefits more than just the value of our assets. A UK government study of different approaches to regeneration found that government investment in industrial and commercial property had one of the best economic rates of return over time, a statistic which applies equally to private investment. We invest in regeneration in different ways, including:

- turning derelict buildings, and those that are no longer fit for purpose, into active assets, further enhancing the vitality of their neighbourhoods
- meeting demand for different property classes, for example by converting offices over high street retail into residential flats, bringing an extra dimension of life and activity to urban streets
- returning underutilised space to productivity by making it available for temporary use, such as to start-up companies.

The Capitol, Aberdeen

The sensitive redevelopment of The Capitol Building, in Aberdeen, UK, was delivered by a joint venture partnership with Knight Property Group. This Art Deco city centre property was originally Aberdeen's most luxurious cinema, but had been derelict since 2008. Its original features are now restored to their former glory in the front of house reception area, and seven floors of office space are almost fully let. The project has retained and enhanced the original beauty of the building while making it fit for purpose for the 21st century. It was recognised at the Scottish Property Awards as 'City Regeneration Project of the Year' and the British Council for Offices Awards as best commercial workplace in Scotland. The Capitol has the potential to accommodate up to 700 staff, as well as injecting fresh life into the local area.

£2bn

Value of construction and development projects live or due to start before the end of 2017

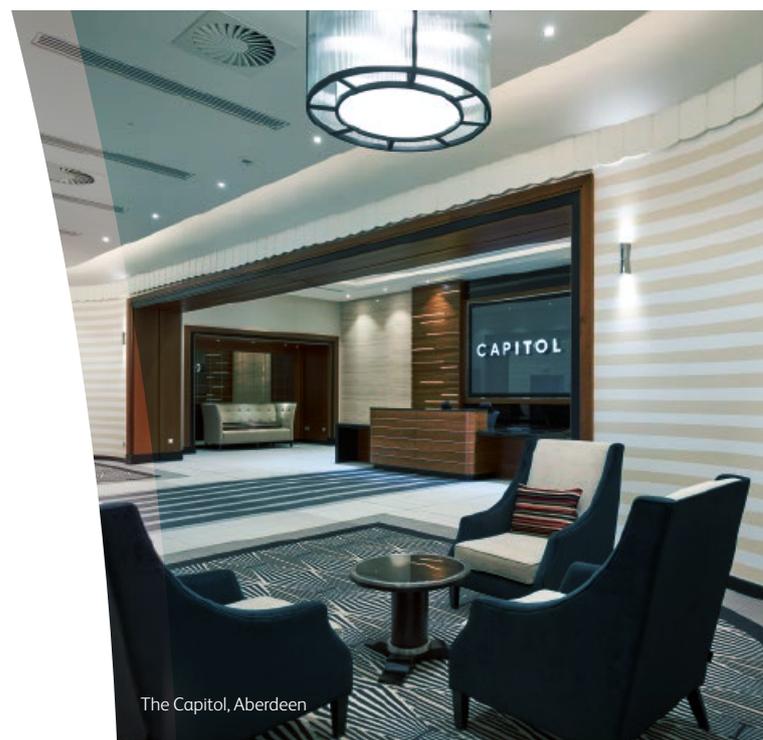
Supporting equality, diversity and inclusion in our workplace

At M&G Real Estate, we strive to provide the right environment for talented people to do their best work, respecting individual differences and harnessing the value this can bring to our organisation. Diverse teams lead to innovative thinking and as a result deliver enhanced business performance.

As evidence of our commitment to this approach, we became the first in the real estate sector to achieve the National Equality Standard (NES) accreditation in August 2017.

The NES sets clear equality, diversity and inclusion (EDI) criteria against which companies are assessed. It has been developed in partnership with the Equality & Human Rights Commission and the Confederation of British Industry.

Supporting our EDI practices, we have a number of employee networks aimed at increasing awareness of issues such as mental health and cultural differences and providing support for women, working parents and M&G Real Estate's Lesbian, Gay, Bisexual and Transgender communities and their allies.



The Capitol, Aberdeen



2025
objective

Target
100

Places globally have benefitted from community programmes.

Playing an active role in communities

By being an active participant in local communities, we believe we can make a positive contribution to the people who live and work in them. At our shopping centres, we support neighbouring communities through a huge range of activities, such as charity fundraising, providing space to community groups and hosting Christmas lunches for the elderly.

Cwmbran Shopping Centre

We invited 30 local community groups and businesses to the centre for a carnival style activity day. The aim was to promote the Centre as a sustainable place to visit, work and shop by holding interactive demonstrations, information walls and one-to-one workshops. The event proved a great success on several fronts:

- footfall was 4.7% higher than the previous year, benefitting participating businesses
- 93% of visitors surveyed found the information at the event useful; the majority of customers stayed 40 minutes longer than the average dwell time.

Arts and culture events and programmes can foster community linkages and encourage local community involvement and engagement. We have hosted a broad spectrum of events ranging from concerts, local theatre groups, choirs, schools, Science in the City events, right through to a Valentine's day flash mob proposal.

Market Central Da Vinci

Market Central Da Vinci, Milan, Italy, hosted its fourth annual "Notte Bianca" pop concert this year. This year's event attracted the highest number of visitors (32% higher than the previous year) and occupiers saw a 9.5% increase in turnover compared to the previous year.

Our ambition is to build on these numerous individual activities, bringing them together into a more structured programme and ensuring that we are able to play an active role in the largest communities in which we operate across the globe. As part of this, we will be increasing our community engagement activities at large offices and retail parks, and sharing best practice globally.

All M&G Real Estate staff are entitled to two days volunteering annually, and in 2016/17, 7% of UK staff did so, supporting schools, community centres and charities. We continue to look at ways to increase participation by our employees.

Over **£176,000**
free space donated across
300 events in 2016/17



Market Central Da Vinci, Milan

Supporting local communities through tough times

Earlier this year, we were able to contribute to the lives of two communities who had endured tragic circumstances. In May 2017, a terrorist bomb killed 23 people in the Manchester Arena, UK. As one of the joint owners of Manchester Arndale, a central focal point in the city, we donated £50,000 to the 'We Love Manchester Emergency Fund' set up to support victims. At the centre, we hosted a 10-metre wide poster featuring Tony Walsh's moving tribute poem 'This Is The Place', which has come to symbolise the city's resilience in the face of adversity.

In June 2017, in West London, the devastating fire at Grenfell Tower left 158 families homeless. Working with our joint venture development company, St Edward Homes, we fast tracked the development of 68 social housing flats in nearby Kensington Row, which were sold to a local housing association to provide permanent accommodation to some of the families displaced by the fire.

Charitable contributions from our staff

At the beginning of 2017, Chief Executive Alex Jeffrey challenged the M&G Real Estate team to raise £14,000 for LandAid, our charity partner, by year-end, in support of its aim to end youth homelessness in the UK. Our fundraising was matched by M&G's Charitable Donations Committee, and we raised £41,700 in 2017 – our highest-ever fundraising total.

We have been Foundation Partners of LandAid since 2009, and we also supported LandAid in a number of other ways over the year, including supporting LandAid Ambassadors, who actively promote the work of LandAid within their organisations and the wider real estate industry.

As well as our continuing support for LandAid, we joined with the wider M&G group's participation in the Lord Mayor's City Giving Day, are corporate partners of RICS' LionHeart charity, and facilitated Christmas Gift Drives in support of the East London Business Alliance's Toy Appeal, with our parent company, Prudential plc in 2016 and 2017.

£41,700

raised by our employees for
LandAid in 2017

“Colleagues at M&G Real Estate have responded to Alex Jeffrey’s challenge with such fantastic enthusiasm and dedication. From across the team, in this country and in Europe, people have demonstrated peerless levels of passion, creativity, stamina and silliness to help raise much-needed funds for LandAid – we’re very grateful, thank you!”

Paul Morrish, Chief Executive, LandAid

LandAid
THE PROPERTY INDUSTRY CHARITY

The Empty Shop

This is our fourth year running 'The Empty Shop' campaign where we collect second-hand clothing to be resold in aid of local charities. This year we ran the event in aid of homelessness charity Mustard Tree and volunteering charity V.Inspired. 12 retailers acted as donation points. During the last event, over 2.5 tonnes of pre-loved clothing and over £100,000 worth of brand new stock were donated by shoppers and businesses. The project has earned Manchester Arndale four industry awards: Gold CIPR Pride Award, ICSC Community Foundation Award, the BCSC Golden Apple and the BCSC Purple Apple.



“Thanks to the efforts of our supporters like Cwmbran Shopping, we are working towards making it possible for every elderly member of the Torfaen community to have the chance to meet up with old friends, and make new ones.”

Emma Wootten, Age Connects Torfaen



“To see the people of Manchester come together to rally around The Empty Shop in its fourth year is just inspiring. It is fantastic to see so many donations and I hope everyone who has supported this year’s campaign knows that they have helped make a difference and impact on the issue of homelessness in and around our city of Manchester.”

Soraya Sheikh, Mustard Tree

Reaching isolated members of the community

At Cwmbran Shopping Centre, we worked with Age Connects Torfaen, a community group that offers one-to-one support for isolated elderly members of the community with no relatives who live alone. We treated 18 members of this community group to a Christmas dinner which we served and brought some festive community spirit to their Christmas.

To raise the profile of Age Connects Torfaen and encourage voluntary community work within Cwmbran, we also worked with a local two-man production company who filmed the day to create a short video that was promoted through social media. The video had 1,900 views and was positively received by the community.



Compass One, Sengkang, Singapore

We undertook a major refurbishment of this 25,000 sq m shopping mall in late 2015 to increase rental income and target energy efficiency.

Socio-economic benefit

The layout of Compass One has been reformatted to offer smaller, more diverse and productive units, as part of its repositioning to maintain competitiveness. The centre opened two months ahead of schedule in September 2016 and post-refurbishment, rents have increased significantly. It now receives around 18 million visitors a year.

As it's hot and humid all year, shopping centres are a way of meeting friends and family in a pleasant climate-controlled environment. Therefore, the public library was reconfigured across two storeys, with a larger footprint, to serve as a focal point for learning and recreation for the surrounding suburban community. Alongside this, we have increased food and beverage outlets from 20% to 33%. We also hold a number of events for the community and to support local charities. For example, as part of a partnership with charity Singapore Association of Visually Handicapped, we have run a number of events and helped to raise over SG\$24,000.

Environmental excellence

As part of the refurbishment, significant improvements were made in the energy and water efficiency of the centre. We have achieved a reduction of 1.5 million kWh in annual energy use, and a 33% decrease in water consumption, with water evaporation from its cooling towers reduced by 37%. New toilet sanitary fittings and new cooling towers with water efficiency features are among the initiatives implemented. Consequently, the asset has been awarded the BCA Green Mark Gold Certification. Compass One was also the recipient of a 2017 Water Efficiency Award from Singapore's National Water Agency. As part of the redevelopment, we encouraged our occupiers to sign green lease clauses, which is quite unusual in Singapore.

Health, wellbeing and occupier experience

Sengkang General Hospital is opening a new 1,400 bed facility nearby and we have been working with them and other partners, such as the Health Promotion Board, to share health and wellbeing advice to our customers. We developed a wet and dry playground for our younger visitors, while new lights were installed and full shopfronts activated to offer a more vibrant atmosphere.

We regularly engage with our occupiers and have arranged workshops with them. For example, we held a workshop for our occupiers with the local police to share ways in which crime can be deterred.

Smart, secure and connected

Compass One is well-located with a transportation hub connected to the Sengkang Bus Interchange, MRT and LRT stations, which serves the surrounding high density residential area. Such connections were considered in the reconfiguration of the asset. The atrium level was relocated to level two (instead of level one) to create retail throughout level one where footfall is highest due to the MRT and Bus Interchange links.



Environmental excellence

Driving environmental improvements at our assets reduces operating costs, carbon emissions and the use of natural resources. This helps attract and retain occupiers, and ensures that we appropriately manage environmental risks.

What are the drivers of change?

It is estimated that real estate is responsible for about 40% of global carbon emissions, predominantly created through using energy for lighting, heating and power. The construction, occupation and demolition of buildings also requires huge amounts of natural resources. Any attempts to tackle climate change and resource scarcity must include the built environment and we continue to see strong legislative drivers across all markets.

As a real estate investor, we can drive environmental excellence by:

- improving operational efficiency and reducing occupier costs
- increasing onsite energy generation and associated revenue and seek to procure electricity from renewable sources
- understanding and managing climate change risks
- considering future resource constraints and regulation and seek to drive circular economy thinking in our supply chain processes.

2025 objectives

Green building certification secured for 50% (by value) of assets under management globally

Achieve a 25% reduction in energy intensity and associated GHG emissions based on an indexed trend for all landlord procured energy

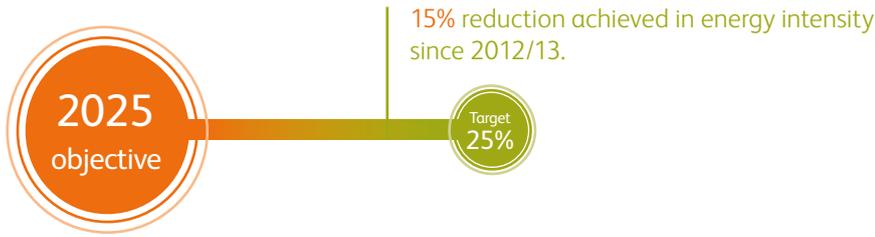
95% of waste to be diverted from landfill and seek to promote and increase recycling and reuse

Achieve a 10% reduction in water intensity based on an indexed trend for all landlord procured water (excluding sub-metered for tenant use)



“Every building on the planet must be ‘net zero carbon’ by 2050 to keep global warming below 2°C”

World Green Building Council, 2017



Driving energy efficiency at our assets

We are delighted that we continue to improve the energy efficiency of our portfolio, despite the considerable growth in our assets under management since 2012/13. This year, we have reduced our energy intensity for landlord-procured energy by 15% compared to our baseline year of 2012/13. This has been driven by a number of initiatives including a continued focus on good operational management, installation of more energy-efficient equipment, and purchasing newer assets with strong environmental credentials.

As the graph below shows, we have reduced consumption annually and are tracking ahead of our long-term target. As part of our strategy review, we have decided to extend our energy reduction target to 2025, in line with our other long-term objectives. 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.

LED lighting

We have been rolling out LED lighting across our global portfolio given the relatively quick payback periods that can be realised. On our UK LED projects that are complete onsite and programmed, forecasts are to reduce maintenance and energy bills by almost £700,000 a year, avoiding the creation of over 2,200 tonnes of carbon emissions annually.

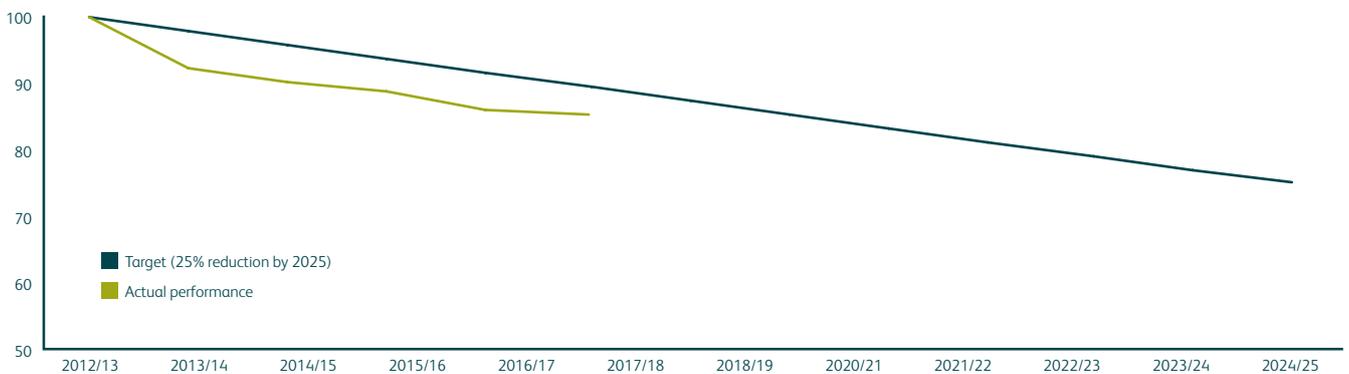
At our joint venture shopping centre, Fashion Square in California, energy consumption of the two existing parking structures was reduced by 76% as a result of upgrading to LED lighting and installing occupancy sensors that dim lighting until movement is detected.

Enhanced monitoring

Similarly, we have been rolling out enhanced monitoring at several of our largest and most complex assets. Learning from our pilot project at Manchester Arndale, where we have seen electricity consumption fall by 42% and gas consumption decrease by 30% since 2013, we are reviewing individual business cases to introduce enhanced monitoring at more UK properties, with a view to covering assets which together accounted for up to 29% of electricity consumed in our UK portfolio in 2016/17. At The Galleries, Tyne and Wear, in the first 15 months of our enhanced monitoring programme, the site team reduced electricity consumption by 9%. This equates to a financial saving of £15,732. If the site continues to reduce electricity use at this rate, the capital cost of the monitoring system will be recouped within 3.5 years.

20% reduction in GHG emissions intensity since 2012/13

Indexed energy performance vs target



Generating and buying renewable energy

The Galleries, Tyne and Wear

In 2017, we completed our first large scale UK solar photovoltaic installation. At the time of installation, it was the largest to be fitted to a UK shopping centre. The system comprises 1,317 individual panels, covering 3,800 sq m of otherwise unused space (equivalent to nearly 15 tennis courts). It is anticipated the system will generate enough electricity annually to power the equivalent of 68 average UK households and save 165 tonnes of carbon dioxide emissions. Around 95% of the electricity will be 'sold' to the centre for onsite consumption in the common areas. To date, the system has been performing well and by August 2017 had already generated in excess of 150,000 kWh.

We continue to look for opportunities to install photovoltaics and other renewables and hope to implement installations in Europe and Asia in the coming years.

Across the globe we now purchase or generate enough renewable energy to power 6,000 homes for a year. For those UK assets where we purchase energy, our 'green' electricity contract has supplied 100% renewable electricity to our assets since 2013, helping us to minimise the environmental impact of our portfolio. The contract delivers electricity generated by water, wind and solar power.

Also in 2017, we were pleased to complete our first contract for clean energy outside the UK at our shopping centre LuisenForum in Wiesbaden, Germany. We have since added a further three assets to the green energy contract.

89,196^{MWh}
renewable energy purchased
and generated on site

The Galleries, Tyne and Wear





Certifying our performance

To provide independent verification of our commitment to building and managing sustainable buildings, we use internationally recognised environmental ratings at key assets. We are working closely with property and asset managers to ensure that the most appropriate assets are prioritised and measures put in place to achieve green building certification. By September 2017, 19% of our assets (by value) had successfully achieved this.

In addition to these asset level certifications, we have an Environmental Management System (EMS) covering our head office activities, which is independently certified to the international standard ISO14001:2004. Separately, we have EMSs in place at our highest energy consuming assets in the UK, covering nearly a million sq m of office and retail space, ensuring a rigorous approach to their environmental management. These are also backed by independent certification to ISO14001.

Europe and Asia

Across our European portfolio, we have instituted a programme of obtaining green building certifications. At the end of April 2017, seven of our European assets had received BREEAM or LEED certifications, with certification of seven more assets actively under way or under review. We were delighted to achieve our first BREEAM DE In-Use 'Excellent' rating for the building management at Oval, an office in Frankfurt, Germany in June. Oval also has a BREEAM In-Use 'Very Good' rating for asset performance, reflecting the building's sustainability features, including electric car-charging points and LED lighting.

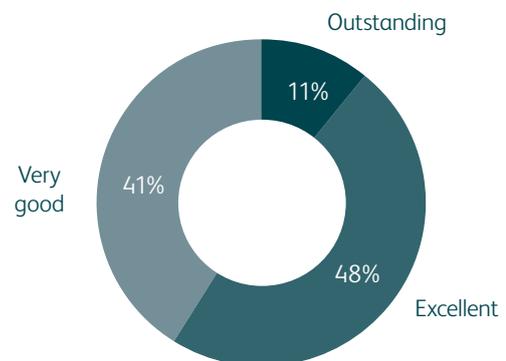
In Asia, as an integral part of its refurbishment, Compass One, Singapore, sought and received BCA Green Mark Gold certification (see page 15 for further details).

UK developments

At UK development projects where we are responsible for delivery, we target minimum BREEAM New Construction or Refurbishment ratings. In the past year, we have either developed, refurbished or provided forward funding for BREEAM rated assets valued at over £666 million. The pie chart below shows the ratings.

At R+ in Reading, UK, for example, the office building incorporates sensor-controlled LED lighting, low water-volume flush WCs, glazing with solar control coating, green roof terraces and roof mounted solar panels. The development's sustainability credentials and energy efficient features ensured it received a BREEAM Excellent rating.

BREEAM ratings for refurbished, developed or forward-funded assets



72% of units in our Private Rented Sector residential portfolio have a green building certification (as at 30 June 2017)

30% of offices globally have a green building certification

91% of waste globally diverted from landfill.

Target
95%

2025
objective

Reducing waste

We are pleased to report that in 2016/17, we successfully diverted 91% of waste globally from landfill. In the UK, which accounts for over three-quarters of all landlord-controlled waste, we set a target to achieve zero waste to landfill, and have been working closely with our third-party property managers to identify ways to reduce, reuse or recycle the waste generated. Good waste management practices are employed, such as onsite segregation to optimise recycling opportunities and occupier engagement to encourage use of the facilities available.

These efforts have been rewarded by a diversion rate of 99% in the UK in 2016/17, generating a saving of over £1.24 million in landfill tax from our occupiers' service charge bills.

Retail

During 2016/17, eight of our shopping centres were subject to a waste audit by an external contractor. These sought to identify opportunities to improve waste management arrangements and reduce costs in areas such as waste monitoring, facilities including compactors, balers and bins, signage and handling arrangements. A number of the centres subsequently updated their signage, reviewed how they engaged with tenants and undertook feasibility studies on the replacement or introduction of new facilities such as compactors and bins. Property managers continue to review and act upon the audit recommendations.

At our jointly-owned retail warehouse park, The Brewery in Romford, UK, Don't Waste's drive to reduce waste and improve recycling has proven very successful. They have already identified £18,000 of potential savings/additional revenue per annum through a combination of reducing lifts by waste contractors and maximising revenue from cardboard recycling. All of The Brewery's waste is already diverted from landfill and is either recycled or used for energy recovery, but by separating out cardboard specifically, there is an opportunity to improve the proportion that is recycled and increase revenue.

Our ability to improve global performance depends on the countries in which we purchase assets and the infrastructure available for the reuse and recycling of waste. While it is more challenging to divert waste from landfill outside the UK, we are nonetheless extending our target to encompass all assets across the world, to continue driving performance improvements.



The Brewery, Romford



Reduction in water intensity based on an indexed trend for all landlord procured water (excluding sub-metered for tenant use).

Working to reduce water consumption

We are pleased to report that in 2017, we have reduced our water intensity by 7% compared to previous year. However, performance compared to our baseline year of 2012/13 has deteriorated, and we are currently not on track to meet our existing target. While we have successfully reduced consumption at our major water-using assets, we have seen an increase at some of our properties.

At a number of our retail assets, we are now purchasing water for new food and beverage occupiers. While we can influence their usage, we see excluding sub-metered usage from our target as a fairer reflection of improving performance on water use that falls directly under our control. This is reflected in our new 2025 water reduction target.

We will be refocusing our efforts on initiatives at underperforming assets and have introduced water management plans at our highest-consuming properties in the UK, which we will be rolled out globally in 2018. Some examples of initiatives to reduce consumption include:

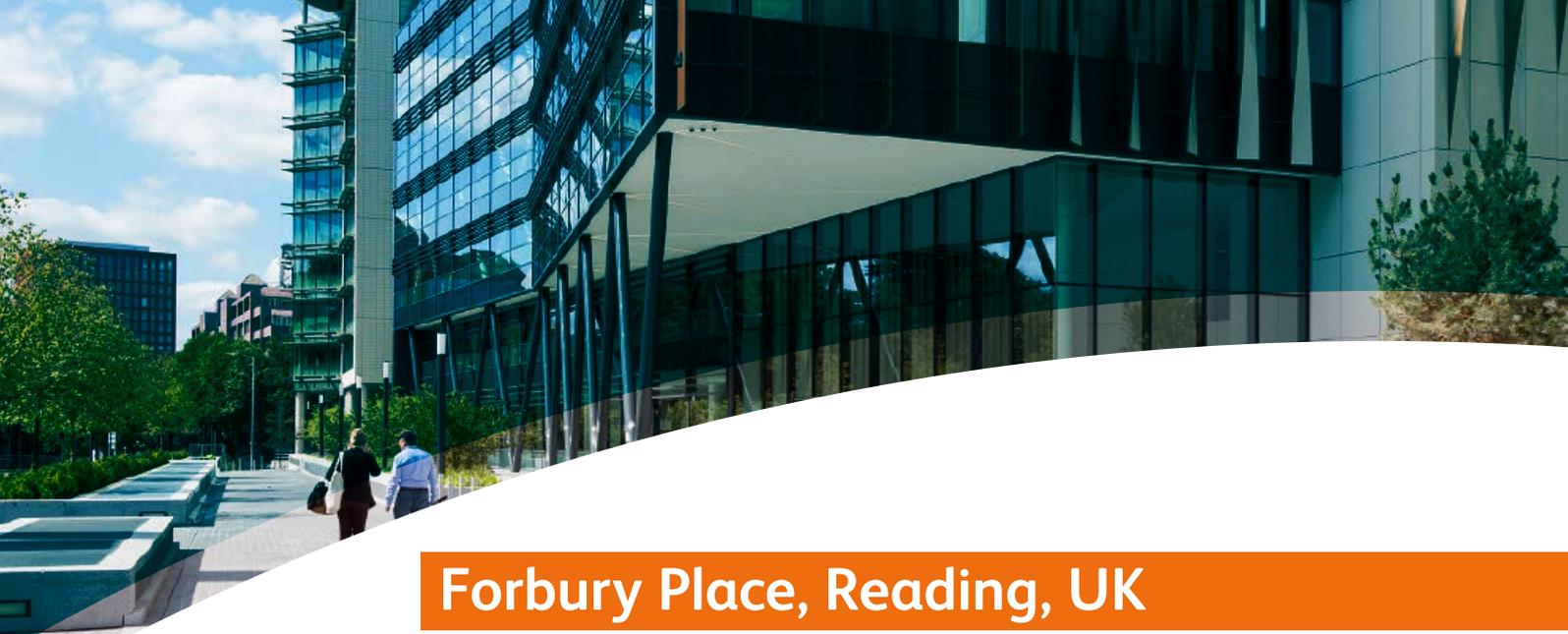
Manchester Arndale, UK

The largest amount of water consumed onsite is from the centre's six cooling towers, under constant building load from over 200 retailers and a 19-floor commercial office block. These use 40% of the water consumed and 25% of the electricity. Since 2014, we have reduced water consumption by the cooling towers by 41% by changing the management regime for the cooling towers. When compared with the overall savings, the investment cost of the project was minimal. The cost for the project was attributable solely to the labour charges for the engineers and BMS controls engineers to rewrite software and redesign monitoring systems. The Manchester Arndale team members worked in partnership with existing sub-contractors to support and deliver the project at no additional cost.

The Mall, Cribbs Causeway, Bristol, UK

At The Mall, approximately 30% of water consumption is used by six food operators. In 2016, we undertook a water audit for two of these, consequently identified maintenance issues and provided proposals to reduce water consumption. We worked with the occupiers to undertake simple repairs, reducing consumption by significant amounts, which are still being maintained.





Forbury Place, Reading, UK

The Forbury Place Estate, in Reading, UK, consists of three high quality office buildings, two of which have completed very recently. No 2 Forbury Place completed in 2017, utilising the principles of our Sustainable Development Framework to achieve some very impressive credentials.

Environmental excellence

The 17,750 sq m development achieved a BREEAM for Offices rating of Excellent and an 'A' Energy Performance Certificate rating, thanks to a range of design features, including a micro CHP (Combined Heat & Power) unit; photovoltaic panels; rainwater harvesting; and a green roof. The green roof, planted with native grasses and wildflowers to enrich the biodiversity of the development, helps to:

- reduce the urban heat island effect
- assist in storm water management
- improve air quality by removing particulates
- provide nectar sources for bees and a habitat for invertebrates.

Health, wellbeing and occupier experience

A series of garden spaces have been created at ground level, facilitating social interaction and relaxation, and supporting the wellbeing of visitors and employees. In addition, the building has a 370 sq m roof terrace exclusive to occupiers, with sweeping views.

The basement features a huge range of facilities to help occupiers support the health and wellbeing of their employees, including 225 secure cycle spaces, lockers for folding bikes, a cycle maintenance area with a vending machine for cycle spare parts, showers, changing rooms and drying rooms, and 242 lockers.

Socio-economic benefit

Ten apprentices were employed on the project. Alongside this, as part of the construction industry's Open Doors initiative aimed at encouraging people to consider a career in construction, the team at Forbury Place gave ten engineering students from Reading College the unique opportunity to take a tour of the development, allowing the students to see the construction process from start to completion.

The students also took part in a challenging exercise coordinated between the Graduate Site Manager and the college, which involved programming an element of the construction process. Tackling the activity in a live site environment allowed the students to benefit from valuable insight on the exercise from the industry professionals present, while providing a challenge to students' critical thinking skills. The site maintained a very good safety record – with only one reportable accident in 19 months – and consistently performed well in the Considerate Constructors scheme, earning the main contractors a 'Performance Beyond Compliance' award.

Smart, secure and connected

The building is located within five minutes of Reading station. In addition to the extensive cycling facilities, it also has eight electric car charging points. The building has achieved a Platinum WiredScore rating, reassuring occupiers that we are providing the highest levels of digital connectivity.



Health, wellbeing & occupier experience

People want to live, work and play in places that make them feel happier, healthier and 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.

What are the drivers of change?

It is increasingly recognised that our physical working environment can have a significant impact on our health. 90% of our lives are spent indoors and a large part of that at work. Every year millions of working days are lost to sickness, thereby impacting the wellbeing of employees, but also businesses' productivity. Ultimately, we believe that if people enjoy being in our buildings, investment performance will follow through lower vacancy rates and higher rents.

As a real estate investor, we can enhance health, wellbeing and the occupier experience by:

- engaging with our occupiers to understand what they like about our buildings and the service provided, and understand where we can improve
- managing places that are accessible to all
- creating opportunities for better health and wellbeing for those that work, live and spend time in our buildings
- supporting high productivity for our occupiers by providing the best quality buildings.

2025
objectives

10 million people reached by our health, wellbeing and inclusivity programmes

Measure and improve the satisfaction, happiness and wellbeing of our occupiers

Ensure an exceptional standard of safety and security in all the working environments we control



“90% of our time is spent indoors”

World Green Building Council



People reached with our health, wellbeing and inclusivity programmes by 2025.

Creating places that foster health and wellbeing

People want to work, live and spend time in places that make them feel welcomed, happier, healthier and productive. We already have a programme of activities on which to base our 2025 target and over the coming year, our plan is to better measure the impact of these and to expand the scope of this initiative.

Measuring WELLness

We are committed to investigating effective ways to understand, measure and communicate the health and wellbeing performance of our buildings. This year, we have designed our first asset using the WELL Building Standard®, and have registered the asset with the scheme, targeting WELL Gold. It is the first asset in Scotland to be registered, and we believe that this accreditation will help us attract corporate occupiers that increasingly treat health and wellbeing as a key part of their strategies. Over the next year, we intend to investigate the applicability of other standards such as Fitwell and RESET.

Health and wellbeing measures implemented across our portfolio include:

- biophilic design – the incorporation of nature and natural features, which can have a positive impact on occupiers. The design of communal space can be very effective in this regard, and we have integrated green walls and communal planted terraces at a number of recent office developments.

- we have delivered facilities to help integrate fitness into office life by providing bike racks, foldaway bikes and heated lockers.
- our residential developments feature amenities and services designed to encourage occupiers to live an active lifestyle, such as gyms, extensive cycle parking and even exercise groups.

The Heights, Weybridge, UK

This year, we installed our first circadian lighting project at this office. Circadian and Human Centric Lighting mimics natural daylight, providing a lighting system that complements the natural body clock by adjusting the colour and brightness of the artificial lighting. This provides a number of benefits to occupiers of the building, all of which can improve staff retention, including:

- boosting alertness and productivity
- promoting better sleep
- improving immunity
- reducing absence rates.

We will monitor the success of this first installation to determine whether we want to roll-out across future refurbishments.



No 2 Forbury Place, Reading

Creating accessible, inclusive environments

We want to design and manage places that are accessible and serve the needs of everyone who wants to use them. This is about physical access and providing a service based on an understanding of people's needs. Our initial inclusivity programme has been focused on our UK shopping centres, given the number of visitors and potential impact we can make on people's lives.

Improved accessible toilet facilities: As part of this commitment, we continue to review opportunities to invest in physical changes to facilities within our spaces. Three of our UK shopping centres – Galleries, Tyne and Wear, The Mall at Cribbs Causeway, Bristol and Manchester Arndale – have invested in the refurbishment of toilet facilities that meet the 'Changing Places' requirements for people who cannot use standard accessible toilets. These include people with physical and learning disabilities, as well as older people. Providing facilities with more space and the right equipment enables people to get out and about and enjoy activities that many of us take for granted.

We are rolling out improvements to toilet signage, highlighting the message that not every disability is visible, to help people without obvious disabilities to feel comfortable using accessible facilities without fear of criticism or embarrassment. Four of our shopping centres and another four of our largest offices have updated signage, while others are reviewing plans to follow their example.

Better access to off-street parking: Access to off-street car parks can still be challenging to find. Our shopping centre, Ayr Central in Scotland, successfully achieved the Disabled Parking Accreditation for its car park. This scheme assesses accessibility of parking bays on criteria including their size, signage, lighting, access surrounding the car park and enforcement of their use.

Two of our centres – Galleries, Tyne and Wear and Ayr Central, Scotland – have designated 'safe place' areas where people who are lost, scared or need help can quickly access support from staff. The Ayr Central team is a member of the Ayrshire Keep Safe Scheme, a network of local businesses providing such safe places.

We will continue to explore opportunities for physical changes, particularly at our shopping centres.

Enhanced customer service training: We are also enhancing our customer service capabilities by working with our property managers who are providing training opportunities for staff to better understand and therefore support people's needs. Onsite teams at two of our shopping centres have received training designed to enhance the support they can provide to customers with autism and their carers and staff at three centres have received training in helping customers with dementia and their carers.

One such centre, Cwmbran Shopping Centre was presented with a "Dementia Friendly" award in recognition of the team's commitment to increasing their awareness and knowledge of dementia. At Manchester Arndale, discussions are under way with the National Autistic Society for the centre to become autism-friendly, which will see all members of onsite staff receiving the appropriate training, with two volunteering to become "Autism Champions" for the centre.

In the next year, we want all onsite teams at our centres to have received training on how to be welcoming and supporting to those with autism, dementia and Alzheimer's and their carers. We will also review the information provided to retailers across our centres and will deliver a training programme for onsite staff at our largest offices and retail parks.

Our goal is to build on these many individual activities, bringing them together into a more structured programme that ensures we are able to support a more accessible society and provide welcoming environments at our assets across the globe. As part of this drive, we will be expanding our inclusivity programme to large offices and retail parks, and sharing best practice globally..





2025
objective



Target

Ensure an exceptional standard of safety and security in all the working environments we control.

Ensuring safety and security

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 day-to-day management of operational properties. We accept that there is a duty of care owed to everyone and the M&G Real Estate Safety and Security Management strategy and accompanying policies reflect this.

We have a full safety management system which is aligned with British Standard OHSAS 18001. Additionally, to address our obligations under the UK's Construction (Design and Management) Regulations, we are independently certified to OHSAS 18001, providing an extra layer of protection for our clients alongside ensuring our construction projects

remain focused on their commitment to employee health and safety. Over the next few years, we will be seeking to move to the newly-developed ISO 45001 standard and apply it to our global operations. The extra focus provided by ISO 45001 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 (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. In the past year, we recorded 298 accidents and ten RIDDOR-level incidents. 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 the past year, terrorism threat levels across many of the countries in which we have assets were severe or imminent. 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 will be testing these plans in the coming year, using an independent third party.

Managing fire risk

Following the tragic fire at Grenfell Tower in the UK earlier this year, in line with the rest of the industry, we have been reviewing the implications, particularly in relation to cladding, and any potential risks within our portfolio.

We have always taken fire safety extremely seriously and continue to prioritise and review fire safety measures, while also assessing the composition of cladding and reviewing the properties that may have similar issues to those that contributed to the Grenfell Tower tragedy.





Measure and improve the satisfaction, happiness and wellbeing of our occupiers.

Creating a positive occupier experience

We are committed to creating a strong relationship with all of our occupiers based on integrity, team spirit and customer focus. By developing proactive relationships with our occupiers, we can better understand their business needs and property requirements, helping to maximise occupancy rates and enhance returns. Local support is important to the long-term success of buildings and development projects and depends on developing good relationships with visitors and communities.

Our Customer Occupier Experience Strategy has been designed to ensure that we always put our customer occupiers at the heart of everything that we do. We are conducting a full review of our occupier strategy to ensure that we remain best in class and the landlord of choice.

This involves ensuring important messages reach our occupiers; they can find the relevant information easily and efficiently; and that policies and processes are fit for purpose. Occupier guides for both residential and business spaces include recycling guidelines and 'Green Tips' that can help occupiers reduce their energy and water consumption. These aids are under constant review.

80%

of respondents rated us Good or Excellent in 2016 at our longest held residential assets

Our Front of House project will ensure that occupiers at all our large multi-let offices – and their visitors – benefit from a consistently high standard of service from their reception teams, in keeping with the brand values inherent to an M&G property. All aspects of the reception experience have been reevaluated: the service standards, operational requirements and technical innovations needed to translate these values into action. As part of this drive, we focus on ensuring that the right people are working behind our reception desks and will be rolling out community engagement programmes at these buildings in due course.

To improve our service, we measure it by undertaking regular customer satisfaction surveys and engagement activities and exploring the feedback.

In addition, we are conducting a full review of all measurement tools and key performance indicators to ensure we are correctly capturing what is important to our different groups of occupiers and making it as easy as possible for them to feed back on their experiences with us.

88%

of respondents rated their moving in experiences as Good or Excellent at assets completed in 2016





Rehearsal Rooms, London, UK

Our residential assets incorporate features aimed at developing communities, supporting environmental efficiency and healthy living. These include both inside and outside communal space, excellent transport links, gyms and car-share facilities.

In 2017, we reached practical completion on the first fully institutionally funded Build-to-Rent scheme. The Rehearsal Rooms comprises 173 one-, two- and three-bedroom apartments in North Acton, West London.

Health, wellbeing and occupier experience

Increasing occupier satisfaction is a key facet of our residential strategy, as this increases retention and boosts the potential for rental growth. We believe that well-designed homes with lower utility bills, better facilities, fewer repairs and efficient maintenance all make for happier customers, who will in turn stay longer, better maintain their homes and recommend 'their' building to friends and colleagues. The Rehearsal Rooms is a prime example of this holistic approach to Build-to-Rent.

We have built in a number of facilities to benefit our occupiers' health and wellbeing including a rooftop allotment, providing opportunities for social engagement, fresh produce and mental health benefits, alongside a communal play deck offering exercise equipment. We are looking to establish a number of fitness groups, offer more gym equipment and a ping pong table.

Socio-economic benefit

At the Rehearsal Rooms, we have provided a number of communal facilities designed to enhance interaction between residents, including a residents' lounge, with a kitchen, TV and WC, hosting movie nights and coffee mornings, as well as a communal terrace with facilities including a barbecue.

Our property managers will arrange and host a programme of activities and events throughout the year, providing an opportunity for residents to socialise together and meet the management teams.

Environmental excellence

The apartments are designed to Code for Sustainable Homes Level 4, delivering a healthy and comfortable living environment for residents, alongside easier maintenance and lower utility bills. All apartments have an Energy Performance Certificate rating of 'B', illustrating their energy efficiency.

Smart, secure and connected

The scheme has easy access to London's public transport network and it features secure storage for 255 bicycles. In addition, there is an onsite electric car for shared use by residents, which can be booked via an app, reducing both the necessity for car ownership and the environmental footprint of the residents themselves. There are also two onsite electric car charging points. Digital connectivity is provided via super-fast Wi-Fi across the two towers, reaching speeds of up to 300MB.



Smart, secure and connected

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 solutions means we can more effectively identify investment opportunities and future-proof investments.

What are the drivers of change?

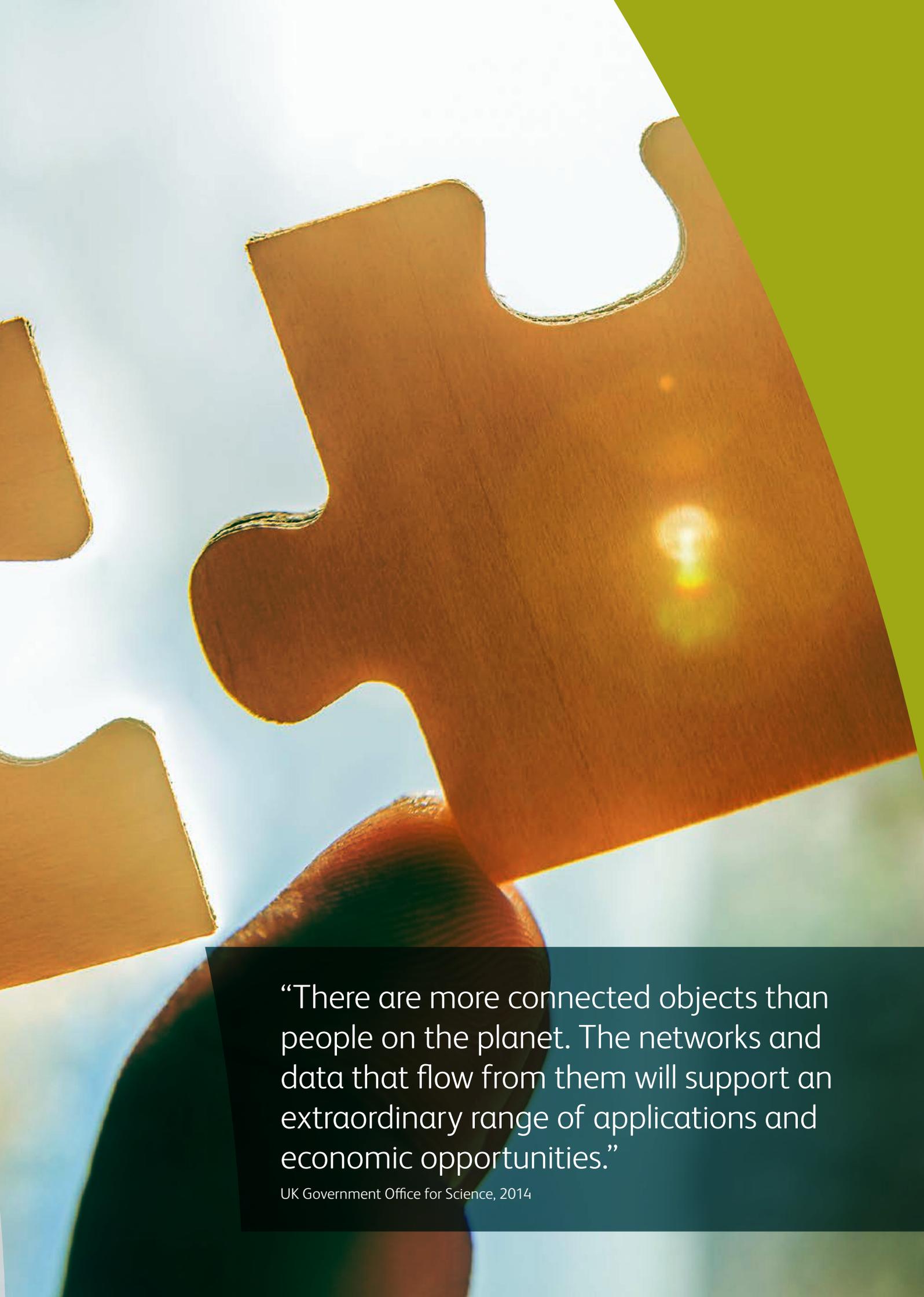
The rapid pace of technological and digital innovation is changing economies and markets, reinventing all aspects of our lives: our homes, how we travel, shop and work. All industries globally are impacted, and real estate is no exception. This disruption can be a dynamic catalyst to transform operating businesses and advance productivity if we embrace and invest wisely in change.

As a real estate investor, we can create smart, secure, connected buildings by:

- understanding the technological and digital landscape and how best we can adapt our assets to change
- adapting and innovating by trialling technologies and deploying widely those that are successful
- maintaining the highest levels of digital security to ensure we protect our business and that of our occupiers and visitors.

2025
objective

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



“There are more connected objects than people on the planet. The networks and data that flow from them will support an extraordinary range of applications and economic opportunities.”

UK Government Office for Science, 2014



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

Enhanced connectivity to future proof investments

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.

Our recent Urban Connectivity research aimed to identify attractive locations among 64 European cities that are best placed from a connectivity perspective to offer sustainable property fundamentals and superior pricing opportunities, ranking those cities from best to worst.

We are now starting to incorporate these rankings into our investment process. As an example, we have recently acquired an office, Blekholmen in Stockholm, one of the highest-rated cities in our study. The full report 'European Connectivity Rankings' is available on our website.

Many of the factors we see as indicating good connectivity at a city level can also work at an asset level, where we also have the opportunity to proactively influence this. By 2025, we aim to have delivered enhanced digital and physical connectivity at our assets through a framework of activities underpinned by thought leadership.

Complementing the physical security measures discussed on page 28, digital security is also critical to our own business and to that of our occupiers. This is set to become an increasingly complex issue, as we install more devices into our buildings and cities to make them smarter and more interconnected. We need to balance the benefits with the increased risks that these technologies may bring. These are new technologies and we will need to adapt our processes and operating models to fit new requirements to ensure the highest levels of security are achieved and this will also form a key part of our thinking in this area.

Smart, secure and connected initiatives

For our UK residential portfolio, we consider transport options that tap into the growing sharing economy models. For example, we offer an onsite electric car sharing scheme for residents. Promoting 'green' travel options is a priority at our assets. We offer cycle storage, lockers and changing rooms at our offices to enable people to cycle and run to work.

We are starting to implement electric vehicle charging points across our portfolio – for example, at our office Oval in Germany. In the UK, we are in the process of mapping demand for electric vehicles, so we are able to effectively target installation of charging points. In response to occupier demand, we are increasingly providing real time information and interaction at our assets, including transport data. An app has been developed for our UK residential portfolio, which enables occupiers to communicate with our onsite team, as well as book services, such as cleaning, the residents' lounge or the electric car.





Blekholmen 1, Stockholm, Sweden

In line with our strategy of acquiring assets in major European hubs served by excellent transport links, we purchased Blekholmen 1, a 34,000 sq m, multi-let office scheme comprising six linked buildings.

Smart, secure and connected

The central business district in Stockholm, where Blekholmen is located, is relatively small, accounting for just 15% of the office market. Infrastructure development to build stronger connections has therefore been a priority and facilitator of wider economic growth. For example, the development of a subway extension from the city centre to the Solna/Sundbyberg district.

Blekholmen is popular with a range of occupiers owing to its excellent transport links, being very close to Central train station and the subway. Digital infrastructure is of the highest quality, including high-speed broadband. Digital signs in the entrance of Blekholmen display real time transport information to facilitate people getting around.

Socio-economic benefit

Real estate in Stockholm delivered 19.2% y-o-y rental growth in 2016, as strong economic growth (the highest in Europe in 2016) alongside a healthy labour market continues to boost demand for modern office space. We see ourselves as contributing to this positive economic growth with the broad mix of 30 tenants, some of which encourage more businesses to spend time at Blekholmen. For example, UMA Kungsbron, a co-working space provider, has taken 2,350 sq m alongside a conference and meeting operator, attracting external businesses to use space at Blekholmen.

Our RPI strategy extends to the occupiers that reside at our buildings. One of our tenants, state-owned Samhall, is one of Sweden's largest employers and leaders in creating innovative jobs for people with disabilities. Their work generates a positive socio-economic benefit for Sweden through investment in education and skill development.

Environmental excellence

Blekholmen has been certified for its environmental excellence, receiving a BREEAM In-Use rating of Very Good. Following our acquisition of the building in early 2017, green lease clauses have been signed, a commitment from both tenant and landlord to be more eco-friendly. We follow up with all tenants on their energy, water and waste consumption. The asset received the maximum score of 100 in the waste category.

Health, wellbeing and occupier experience

We promote and facilitate healthier ways to get to and from work. This is through promoting real time public transport information alongside offering bike racks and showers in the basement.

Three eateries are available on-site with the plaza creating a community feel to the six linked buildings. Alongside this, the mix of tenants in the co-working and meeting operator space encourages interaction at Blekholmen. This increases the availability of networking opportunities, supporting the businesses of visitors and occupiers who spend time there.



Strong foundations

The ten 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.

Investor reporting & engagement	Investors will receive regular updates on the RPI performance of the fund, using best practice reporting standards including INREV Sustainability Reporting Requirements. For applicable funds we will participate annually in the Global Real Estate Sustainability Benchmark. We 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
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
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
Asset planning & 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); Tier 3 (low impact).	GRESB 2017 Ref: Q15.2; Q16-Q19; Q25-30 INREV Sust Ref: ESG-LTS 1.2; ESG-ANN 1.1
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
Monitoring & 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
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
Development & 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
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
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: 2016/17 targets

In 2016, we set ourselves ten RPI targets to achieve by the end of March 2017 and we have four targets to achieve by March 2021. Progress against each target is measured by an internal review of the evidence of achievement. In addition, Verco Advisory Services Ltd has independently verified selected environmental data that informs our targets - see page 38 for their Verification Statement. As the table shows, we fully achieved 79%, partially achieved 7%, and did not achieve 14% of the overall targets. We assessed our progress as follows:

	Undertake a review of our RPI strategy and use the outputs to develop fund-specific strategies which together form an interrelated global approach to RPI We undertook a far-reaching review of our strategy and you can read more about the results on pages 4-5.	Global
	Continue to implement our strategies developed to address the incoming Minimum Energy Efficiency Standards legislation (including Section 63 legislation in Scotland) We have been continuing this work to ensure we are fully prepared for the commencement of the legislation.	UK
	Continue to submit data to the Global Real Estate Sustainability Benchmarking (GRESB) initiative on an annual basis to benchmark the sustainability performance of our funds and communicate the outcomes to our investors See page 7 for details of our 2017 GRESB survey performance.	Global
	By 2020/21: Achieve a 20% reduction in energy intensity and associated GHG emissions based on an indexed trend for all landlord procured energy based on a 2012/13 baseline See page 18 for details of our energy and GHG emissions performance.	Global
	By 2020/21: Achieve a 10% reduction in water use based on an indexed trend for all landlord procured water based on a 2012/13 baseline See page 22 for details of our water consumption performance.	Global
	By 2020/21: Send zero waste to landfill arising from day-to-day operation of our assets (where we have control over the final disposal route of the waste) See page 21 for details of our waste and recycling performance.	UK
	By 2020/21: Increase the absolute quantity of on-site generated renewable energy (kWh) See page 19 for details of our renewables performance.	Global
	Conduct a health and wellbeing pilot assessment at one of our assets We have conducted gap analysis at two of our assets – a recently-completed development and a redevelopment yet to begin – for the Well Building Standard™ certification programme. At one, we have started the certification process, with the aim of achieving Gold standard.	Global
	Conduct an investor survey to better understand their requirements and ensure we are delivering our RPI message appropriately As part of our RPI strategy review, we sought input from our key investors to inform our strategy development.	Global
	Incorporate RPI matters in our retail occupier customer engagement programme and explore opportunities to work in collaboration with occupiers to jointly improve environmental efficiency See page 30 for information on how we seek to engage with our occupiers, including retail occupiers.	UK
	Reduce paper consumption at our head office by 15% compared to 2015/16 In 2016/17, we reduced our absolute paper consumption by 29% compared to our baseline year of 2015/16.	UK
	Reduce energy consumption at our head office by 5% compared to 2015/16 (normalised kWh/average occupancy) In 2016/17, our normalised energy consumption increased by 6% compared to 2015/16.	UK
	Ensure all employees have an objective included in their annual appraisal in support of diversity and inclusion All employees now have a standard objective to take at least one action in their own role to support the diversity and inclusion agenda.	UK and Europe
	Review the sustainability training delivered to our third party property managers to ensure a satisfactory minimum standard is applied consistently in all geographies Sustainability training continues to be delivered as appropriate on new technologies, such as our environmental data platform, to new joiners, and on new topics, such as changes to legislation.	Global

Third party verification statement



Scope of work

Verco Advisory Services, (hereafter referred to as Verco), has been engaged by M&G Real Estate to provide limited verification of selected environmental data for the April 2016 to March 2017 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 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 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 2016 to March 2017
- 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 and water data is not fairly stated.

About Verco

Verco is a sustainability and carbon consultancy with a 28-year track record providing expert support from strategic advice and compliance services to project implementation and performance monitoring.

Paul Stepan, *Director, Verco Advisory Services*

Contact

M&G Real Estate

City Place House
55 Basinghall Street
London EC2V 5DU

+44 (0)20 7548 6600

www.mandgrealestate.com

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