

ClimateWise Climate Change Principles

The ClimateWise Principles have been set out for companies to report how they incorporate climate change issues into the management of business. In the UK, we seek to follow these principles. At Prudential we aim to minimise the impact that our operations have on the environment. We have two key areas of focus: the environmental management of the properties we occupy and the environmental standards of our investment property portfolio managed through PRUPIM, our property investment management business

Principle 1 - Lead in Risk Analysis		
	Commentary Required	Examples
1.1	Evidence that the member has supported or undertaken research during the year in question, with a brief description of the research focus and outcomes and an explanation of how this research has been used to inform business strategies.	<p>PRUPIM's Managing Director, Martin Moore, is the current chair of the UK Green Building Council and Chair of the British Property Federation's Sustainability Committee.</p> <p>PRUPIM's Head of Research, Paul McNamara, is co-chair of the Property Working Group of the United Nations Environment Programme Finance Initiative (UNEPFI PWG). Paul also sits on the steering committee of the Institutional Investors Group on Climate Change (IIGCC). In this role he assists in overseeing the activities of the IIGCC and coordinates the work of their property workstream. Paul has also delivered webinars for the United Nations Principles for Responsible Investment and the UNEPFI. Paul was the lead author on two papers for the UNEPFI PWG. The first, entitled <i>The Death of Sustainability is Much Exaggerated</i>, explained why the onset of economic recession should not be a reason for property occupiers and investors to push sustainability down their agendas. The second, <i>Responsible Property Investment: Similar Aims Different Manifestations</i> identified how socially responsible investors need to adopt a more 'engaged' and less 'screened' approach to achieve their aims with their property portfolios.</p>
1.2	Evidence that the member has supported more accurate national and regional forecasting (either through their own work or through collaboration with/support of others), with a brief description of the relevant activity.	<p>PRUPIM maintains an environmental risk database, where each property is risk assessed, based on a range of environmental parameters. We have now applied this risk profile to each property, and are able to apply an overall risk rating to all assets, and have further recommendations to lower risk.</p> <p>PRUPIM has also integrated a suite of questions</p>



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		into our FairVal asset appraisal system. They are applied to every property that we consider purchasing, and to our existing property portfolio. This process generates a sustainability “score” to enable us to assess the likely investment implications of sustainability factors on assets in ownership and those that we might acquire.
1.3	Narrative confirming that the member has used its research or improved data quality on climate to inform levels of pricing, capital and reserves.	The next phase of developing the FairVal system is to relate the sustainability score to the financial value of the assets.
1.4	Evidence that the member offers goods and/or services that support the development of new technologies for tackling climate change.	We will continue to keep abreast of the developments regarding new research around climate change to identify opportunities as well as risks.
1.5	Evidence that research has been shared.	<p>On 22 September 2009 Paul McNamara, Head of Property Research, and Director of PRUPIM presented a webinar, at the invitation of the UN PRI. The purpose was to help property and non-property professionals understand the nature and scope for responsible property investment. The webinar reviewed the concept of Responsible Property Investment and, through an examination of the nature of property as an investment asset, described the main ways in which responsible property investment practices might be implemented.</p> <p>Paul was the lead author on two papers for the UNEPFI PWG. The first, entitled <i>The Death of Sustainability is Much Exaggerated</i>, explained why the onset of economic recession should not be a reason for property occupiers and investors to push sustainability down their agendas. The second, <i>Responsible Property Investment: Similar Aims Different Manifestations</i>, identified how socially responsible investors need to adopt a more ‘engaged’ and less ‘screened’ approach to achieve their aims with their property portfolios.</p>

Principle 2 - Informing public policy making

	Commentary Required	Examples
2.1	Evidence that the member has worked with policymakers nationally AND/OR internationally to help them with climate resilience, with a brief description of the relevant activity.	<p>PRUPIM is actively involved in groups to demonstrate our thought-leadership and help shape government policy, including:</p> <ul style="list-style-type: none"> • UK Green Building Council, • British Property Federation Sustainability Committee, • United Nations Environment Programme Finance Initiative Property Working Group, • United Nations Principles for Responsible Investment,



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		<ul style="list-style-type: none"> • UK Better Buildings Partnership, • Central London Energy Management Group, • Investment Property Forum Sustainability Working Group, • Institutional Investors' Group on Climate Change, • British Council of Shopping Centres' Sustainability and Community Engagement Committee.
2.2	Evidence that the member has promoted, actively engaged in, or supported representative organisations in public debate on climate change and the need for action.	PRUPIM responds where appropriate to Government consultations on policy and regulations.
2.3	Evidence that the member has supported work to set and achieve national and global emissions reductions targets.	<p>PRUPIM's emissions reductions targets are set out at http://www.prupim.com/sustainability. They support national emissions reductions targets. PRUPIM is also committed to implementing the United Nations Principles for Responsible Investment.</p> <p>Corporate Property, the division which manages most of Prudential UK's occupied buildings has developed an Environmental Implementation Plan to drive continued performance. The plan includes key actions for setting priorities: establishing KPIs and targets, conducting audits, producing measurement frameworks and developing a plan for staff engagement.</p>
2.4	Evidence of work with Government.	PRUPIM has been actively involved in policy engagement over the UK CRC Energy Efficiency Scheme, the recast of the Energy Performance of Buildings Directive and the Zero Carbon for New Non-Domestic Buildings Directive.
2.5	Examples of how the member has worked with the emergency services to make the process of recovery after an incident as efficient and effective as possible.	Prudential has adopted an "all hazards" approach to its planning for disaster recovery. Plans are flexible enough to be used in all circumstances, from a short-term power failure through to a long-term total building loss that involves loss of life and injuries (Disaster Response Manual – Group Security).

Principle 3 - Supporting climate awareness amongst our customers

	Commentary Required	Examples
3.1	Description of the ways in which the member informs its customers of climate risk, with concrete examples of tools that the member provides to customers to assess their own levels of risk. New initiatives that have taken place during the year should be given particular emphasis, but a description of the latest progress of	Through occupier engagement PRUPIM is seeking to work collaboratively to reduce the total environmental impact of properties - and not just the part for which PRUPIM is responsible. Engaging with our occupiers to reduce the total environmental impacts of our properties is one of the most significant challenges that we face. Accordingly, we set ourselves the target of



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	existing initiatives is also important.	<p>completing five Tenant Energy Reviews at our managed office buildings and, in 2009, we did so.</p> <p>We are currently working on a proposal for a project to be supported by the Carbon Trust which will help us engage further with tenants. We are rolling out a lease and a Memorandum of Understanding which incorporate the process of engagement and data-sharing between landlord and tenant.</p> <p>In collaboration with our internal Client Funds, we developed an assessment of “future-proofing” that sits within FairVal, our valuation software (see 4.1).</p>
3.2	Description of insurance products and services provided by the member that are designed to encourage customers to adapt to climate change or reduce carbon emissions. The focus should be on specific progress during the year, whether increased take-up of existing products and services or launch of a new product or service, bearing in mind market conditions.	This section is not relevant to our business as we are not involved in general or re-insurance.
3.3	Description of the system in place to ensure that repairs are carried out in a sustainable way and waste is minimised.	This section is not relevant to our business as we are not involved in general insurance.
3.4	Evidence of engagement and action on climate change issues in the developing world. NOTE: This will principally be relevant for members with international operations, although other members might also find ways to take action in this area, particularly through collaboration.	
Principle 4 – Incorporate Climate Change into Investment Strategies		
	Commentary Required	Examples
4.1	Narrative that clearly recognises where climate change is a driver of financial value for a range of sectors across their whole portfolio and shows this to be incorporated into the investment decision-making process.	<p>PRUPIM is committed to protecting and enhancing long-term fund performance by incorporating environmental and socio-economic thought-leadership within our investment and risk management processes and promoting responsible property investment throughout all teams' activities. Part of our strategy is to incorporate consideration of sustainability risks into our acquisition and disposal decisions, which we have done by including a sustainability questionnaire as part of our bespoke "FairVal" valuations analysis software, giving a sustainability "score" to each property. The next phase of this initiative will be to relate this score to the financial valuation which FairVal</p>



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		<p>generates, as we believe that sustainability will significantly impact future property values and prospective returns.</p>
<p>4.2</p>	<p>Evidence that the member has, either directly or through its fund manager, encouraged its investee companies to disclose information on their carbon emissions.</p>	<p>Prudential participates annually in the Carbon Disclosure Project (CDP).</p> <p>As part of our investment process, PRUPIM requests information from property vendors on a number of sustainability issues relevant to properties, including flood risk, resource efficiency and renewable energy generation. This information generates a sustainability "score" indicating how future-proofed or otherwise an investment property is. This is part of our metrics-based property evaluation system, FairVal.</p> <p>Through tenant engagement PRUPIM seeks to work collaboratively to reduce the total environmental impact of its properties - and not just the part for which it is responsible. We are rolling out a lease and a Memorandum of Understanding which incorporate the process of engagement and data-sharing between landlord and tenant.</p> <p>At M&G, the investment management approach is not exclusively based upon environmental considerations, but we do expect the Boards of our investee companies to take appropriate account of such issues in their stewardship of the interests of shareholders. Further information on M&G's approach to responsible investment is set out in the booklet 'Issues Arising from Share Ownership', and can be found at www.mandg.co.uk.</p>
<p>4.3</p>	<p>Narrative to explain how the member seeks to improve energy efficiency and climate resilience in the properties in its investment portfolio.</p>	<p>PRUPIM has a sustainable development framework and sustainable refurbishment framework intended to promote the adoption of design solutions and implementation strategies for its developments and refurbishments that maximise social and economic contribution and minimise the adverse impact of its activities on the environment. The Framework is intended to stimulate and challenge, identifying both simple, practical measures that could be adopted, together with more challenging aspirations to go beyond best practice and regulatory compliance.</p> <p>Targets for energy efficiency are measured in carbon emission intensity, as well as absolute energy consumption across the portfolio.</p> <p>At PRUPIM we record and gather data detailing the environmental performance of our investment properties from a variety of sources including our Facilities Managers and Bureau Service on an</p>



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		ongoing basis to enable us to analyse the data, compare data sub-sets, set targets for ongoing improvement, and to review trends in performance from year to year.
4.4	Proactive communication of investment strategies on climate change to customers and shareholders. NOTE: It is not sufficient to state that the investment strategy is available but not actively communicated.	Our performance and progress is reported annually through PRUPIM's Sustainability Report and through Prudential Group's CR Report.
4.5	Evidence that the member has shared its assessment of the impacts of climate change with its own pension fund trustees (and potentially also with pension fund trustees who are clients).	Our performance and progress is reported annually through PRUPIM's Sustainability Report and through Prudential Group's CR Report.

Principle 5 - Reduce the environmental impact of our business

	Commentary Required	Examples
5.1	Description of processes in place to select or monitor suppliers on the sustainability of their products and services.	<p>Prudential does not systematically calculate emissions associated with its supply chain. However, we recognise that our own social, environmental and economic impacts go beyond the products and services we provide, to include the performance of our suppliers and contractors. Therefore our policy is to work in partnership with suppliers that operate with policies and procedures consistent with the standards set out in our Group Code of Business Conduct and to help them reduce their impact on the environment.</p> <p>Our Corporate Property function requires its suppliers to disclose appropriate environmental credentials before they can qualify as a preferred supplier. We encourage our suppliers to achieve compliance with ISO 14001. Through reducing the number of our suppliers we have been able to exert tighter controls. This has reduced travel and carriage impacts.</p> <p>Procurement practices in Prudential UK have been successfully accredited with the Chartered Institute of Purchasing and Supply (CIPS) certification, which is an industry benchmark of recognised good practice.</p> <p>PRUPIM's procurement provider runs an annual survey on sustainability issues amongst preferred suppliers. They incentivised the suppliers to meet our minimum standards such as attainment of Environmental Management Standard ISO14001: suppliers who failed to do so were removed from the list. The 2009 survey indicated that 80% of preferred suppliers were ISO14001 compliant.</p>



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		<p>The <u>Sustainable Development and Refurbishment Frameworks</u> have detailed information on our sustainability criteria for new builds and refurbishments that we undertake.</p> <p>At PRUPIM’s Head Offices, all our printer paper is 100% recycled; our printed stationery uses 50% recycled and 50% FSC certified virgin paper.</p> <p>At our investment properties, our electricity contract is for 100% Good Quality Combined Heat & Power electricity. In the calendar year 2009, we purchased over 100 million kWh of this Climate Change Levy exempt electricity; equivalent to over 52,000 tonnes of CO2 averted, and representing 78% of our total electricity consumption.</p> <p>PRUPIM has a policy to purchase only FSC approved timber.</p>
5.2	Description of how the member is measuring the environmental impact of its operations.	<p>In our occupied property, we are establishing the following targets to reduce by 5% the energy intensity of UK occupied property (per m2 and per person) by 2012</p> <p>By 2011, we will set a global travel emissions KPI by undertaking a group travel footprint and set reduction targets.</p> <p>In PRUPIM, we measure and disclose energy, waste and water at our investment properties and our occupation of City Place House. We normalise the data in order to compare the changing portfolio year on year, and report annually. We do not record or report “commuting” GHG emissions but we do record and report business travel GHG emissions. Our most recent performance data is at http://www.prupim.com/sustainability.</p> <p>PRUPIM is certified to the International Environmental Management Standard ISO 14001. The certification covers the environmental management system for the company managed property portfolio; embracing the head office facility, property development, refurbishment activities and property management operations. In addition to this, PRUPIM currently has 27 significant offices certified to ISO 14001, six of which were certified during 2009, and ten out of eleven shopping centres have achieved PAS 99 certification (which includes ISO14001 certification). The certification of significant properties has produced a number of benefits including improved monitoring of energy, water and waste, improved tenant engagement on</p>



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		environment and sustainability issues, and reduced operating costs.
	Explanation of steps that the member is taking to reduce the environmental impact of its own operations.	<p>PRUPIM has a sustainability & environment team of three, and supplements its in-house sustainability knowledge, where appropriate, with advice and support from consultants, such as Upstream, Arup, WSP and Environ.</p> <p>We measure our own office environmental impacts in the same way that we measure the environmental impacts of the investment portfolio. In the investment portfolio, we are rolling out smart metering in order to provide more timely information for property and facilities managers. Waste data is recorded by our waste management and facilities management contractors and reported internally on a monthly basis.</p>
5.3	Evidence that the member has disclosed its direct emissions of greenhouse gases, using a globally recognised standard.	<p>For all UK buildings, we assess the direct impact that our property investment portfolio and our occupied properties have on the environment by monitoring their energy consumption, carbon dioxide emissions, particulate matter emissions, water consumption, waste and recycling, paper consumption and business travel (the latter two in Prudential occupied premises only).</p> <p>CO2 emissions are calculated using DEFRA average rates for carbon dioxide production from our use of electricity, gas, oil and 3 modes of business travel within the UK.</p> <p>Particulate matter emissions that result from direct fuel use are calculated using DEFRA, NAEI and DfT average rates for particulate matter emissions from fuel, tyre and brake wear.</p> <p>PRUPIM's environmental and other sustainability targets are published at http://www.prupim.com/sustainability together with performance data on progress, reported in accordance with the GHG protocol on scopes 1, 2 and 3.</p> <p>We will continue to participate in and report via the Carbon Disclosure Project and FTSE4Good Index.</p>
5.4	Description of steps that have been taken during the year to engage employees with indication of impact/take-up.	<p>Prudential's Group Intranet site has a section for employees to access a carbon calculator, enabling them to establish their domestic CO₂ footprint, energy efficiency tips, and a feedback mechanism.</p> <p>PRUPIM gauges internal awareness and understanding of sustainability through its staff survey.</p>



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		<p>During the course of 2010, PRUPIM will be delivering an education programme to all property professionals, tailored to their discipline. Responsible Property Investment will become an integral part of the continuing professional development of every property professional in the company.</p> <p>Over 40% of PRUPIM employees with strategic or operational responsibility for the implementation of its Sustainability Strategy had relevant objectives added to their 2009/10 annual appraisal.</p> <p>At PRUPIM, responsibility for achieving certain sustainability targets is assigned to specified Department Heads, and the Sustainability Operations Committee meetings are attended by the appropriate members of staff, drawn from across the Business Unit.</p>
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Governance, reporting and transparency

	Commentary	Examples
6.1	Identification of Board level sponsor for climate change strategy and evidence for incorporation of climate risk into business strategy and planning.	<p>The Board reviews our Corporate Responsibility strategy and performance annually and is kept informed of progress made in managing key issues, which include climate change and environmental management.</p> <p>Our corporate responsibility framework is designed to drive sustainability performance, provide greater focus to our programmes and activities, and enable a more consistent approach to our reporting.</p> <p>Our overall approach to delivering against these priorities matches our operating model, which means that our corporate responsibility activities are managed and controlled locally by our businesses in each of the territories in which we operate. We firmly believe that since our local staff and management are closest to the customer and the local community, they are best positioned to meet local needs.</p>
6.2	Annual statement that systematically details actions taken (specific or ongoing) against each element of each of the Principles.	<p>For further information regarding the Group's CR Governance Framework, please refer to: (http://www.prudentialreports.com/2009cr/),</p> <p>Prudential also discloses details of its environmental programme and its environmental performance data in the annual CR report and on</p>



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	the Prudential website.
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