June 2021

M&G Investments

M&G Property Portfolio: Responsible Property Investment Policy

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M&G Property Portfolio: Responsible Property Investment Policy

Approach to responsible property investment:

Real estate investments can have wide-ranging social, environmental and economic impacts, both positive and negative. Environmental and social issues are already influencing real estate market fundamentals including obsolescence, rate of depreciation, voids, operational costs and liquidity. By being at the forefront of identifying and influencing the drivers of change, and shaping our investment strategies accordingly, the Fund aims to deliver strong returns to Shareholders in the long term, while supporting the creation of positive environmental and social outcomes.

Ownership of real assets, such as property, requires a long-term investment strategy. Investments are underpinned by extensive property engagement and asset management that by their very nature are highly active. As landlords, the activities undertaken directly impact a property's occupational viability and asset efficiency with responsible property investment considerations key aspects of the investment and management decision making criteria. This policy illustrates the nature of real estate responsible property investing and the approach undertaken by M&G Real Estate Limited ("M&G Real Estate").

For the purpose of clarity around terminology, 'responsible property investment strategy' is the language used to describe how environmental, social and governance issues ('ESG') are managed across the Fund's real estate investments. The terms RPI, ESG and sustainability are used interchangeably within this document.

Responsible property investment approach:

The Authorised Corporate Director (ACD) of the Fund is M&G Securities Limited. The ACD has appointed M&G Real Estate Limited ("M&G Real Estate") to act as property manager and undertake the day to day management of Property Assets. M&G Real Estate will also be responsible for the application of its Responsible Property Investment policy to Property Assets, periodically agreeing its strategy for the Fund with the ACD.

M&G Real Estate has an overarching approach to responsible property investment:

The responsible property investment approach developed for the Fund is in line with the broader M&G Real Estate strategy and focus areas. The table below shows the goals and short term targets set for the Fund in order to ensure that the Fund maintains a sector leading approach to responsible property investment and continues to meet the needs of Shareholders.

This Policy document sets out M&G Real Estate's approach to responsible property investment (RPI) as it relates to real estate assets held by the Fund, how RPI is considered within the investment process, and how the RPI strategy is implemented, thereby ensuring positive environmental and social outcomes and management of sustainability risks.

This Policy is subject to and does not supersede the M&G plc ESG Policy, M&G plc's Code of Ethics, the M&G plc Reputational Risk Policy, and all relevant regulations.

Responsible Property Investment goals

The table below shows the goals and short term targets set for the Fund in order to ensure that the Fund maintains a sector leading approach to responsible property investment and continues to meet the needs of the limited partner.

Focus area:	Long Term Goals	Short term targets/implementation plan (by end 2021 unless indicated):
Environmental Excellence	**Achieve net zero greenhouse gas emissions by 2050**	• Net zero pathway for the Fund to be completed • Set operational net zero target
	Ensure portfolio climate resilience	• Undertake work to assess risk and identify mitigation measures for material climate risk across our portfolio
	Proactively drive and evidence environmental improvements at assets	• Implement sustainability asset plans (SAPs) at all assets where we have landlord control and use these to achieve energy and water reduction targets • Proactively engage our occupiers on their environmental impacts, and endeavour to support their environmental programs and initiatives
Health, wellbeing and occupier experience	**Promote and support wellbeing and inclusivity across the portfolio**	• All multi-let offices, shopping centres, large retail parks and student accommodation to implement at least two wellbeing/inclusivity initiatives per year • All multi-let offices, shopping centres and student accommodation to have a wellbeing/inclusivity programme
	Ensure an exceptional standard of Health & Safety	• Implement our H&S processes to ensure an exceptional standard of safety and security in all the working environments we control
	Ensure highest levels of occupier experience and satisfaction	• Implement occupier satisfaction survey and occupier engagement programme
Contributing to communities and society	**Actively engage communities**	• All multi-let offices, shopping centres and large retail parks to implement at least two community initiatives per year • Measure and report charitable and voluntary support

Policy requirements

Scope:

This policy applies to the M&G Property Portfolio and all direct real estate assets held by the Fund.

Governance:

Responsibility for ESG across M&G Real Estate ultimately rests with the M&G Real Estate Board. The M&G Real Estate Board discharges its responsibilities in respect of the implementation of the RPI principles and priorities set out in this policy below.

The Chair of the M&G Real Estate Property Investment Committee (PIC) has various delegated authorities from the Boards of M&G Real Estate and M&G Investment Management Ltd., as the Fund's portfolio manager, to make recommendations to the ACD , including those relating to RPI investment policy and practice. PIC reviews Fund performance against – the RPI goals on a bi-annual basis, as well as reviewing ESG performance of acquisitions.

ESG Investment Principles

This section sets out certain ESG investment principles which M&G Real Estate uses to inform and guide responsible property investment practice. These principles are consistent with, and reflect M&G plc's values of Care and Integrity, as well as the business principles of Impact, Inclusion and Innovation.

These principles support, and do not supersede the Fund's fiduciary responsibility to Shareholders to invest according to the investment Objective as defined in the Fund's Prospectus.

M&G plc has a series of ESG investment principles, which are applied within M&G Real Estate, and specifically for the M&G Property Portfolio, as set out below:

A For all investments, social and governance ("ESG") factors that have the potential to have a material financial impact are taken into consideration.

B M&G Real Estate is an active investor and believes in active management of ESG performance.

C ESG themes and risk factors are identified and incorporated into general investment and risk management processes. The RPI strategy and goals set out what the key material ESG focus areas for the Fund.

D As an investor M&G Real Estate is apolitical, it does not engage in political contributions, nor does it have a direct affiliation with any political party in any country. Politics are considered where they impact human rights, the rule of law, fairness and equality, and where local and/or geo-political risks impact the risk return profile of the investment.

E M&G plc believes that there are certain egregious corporate activities or behaviours that our engagement process will be ineffective in influencing. We therefore do not wish to be associated with companies that carry out these activities or display these behaviours. M&G Real Estate follows M&G plc corporate policies (e.g. the M&G Cluster munitions and anti-personnel landmines policy) which exclude these companies from our portfolios.

F ESG thinking regularly is regularly reviewed in order to align with scientific and technological improvements, changes in the global economy, and evolution in sustainability and ethics.

G M&G plc aspires to be a thought leader, to innovate, and to advance thinking on ESG investment strategy and integrating ESG into the investment processes.

H These general ESG investment principles, alongside the RPI strategy and goals, allow us to approach any ESG issue with a general mode of thinking that enables us to derive an appropriate investment strategy.

Implementation:

To drive progress on the ESG sustainability performance metrics of the Fund, M&G Real Estate in their capacity as Property Manager as assigned by the Fund's ACD will:

1. set long term RPI goals and short term implementation plans at Fund and asset level to drive progress against the Fund's sustainability objectives and demonstrate tangible progress year on year.

2. monitor progress against the Fund's sustainability goals, using performance indicators, and external industry ESG benchmarks (GRESB), and report regularly upon outcomes to the Fund's Board and its Shareholders.

3. proactively identify, manage and address material environmental, social and governance risk factors when acquiring, managing and disposing of assets.

4. ensure its employees working on the Fund are aware of the Responsible Property Investment policy, and that individuals have the appropriate knowledge and skills to implement the strategy in their day-to-day roles, providing training as required.

5. integrate the RPI strategy and goals within existing operational procedures.

6. ensure that all suppliers, contractors and relevant third parties are aware of this policy and its objectives.

7. ensure our business conduct exceeds legislative requirements and other standards and, where possible, achieve best practice standards while continually seeking to improve performance.

Related policies and other documents:

- M&G Real Estate Responsible Property Investment Policy
- M&G Real Estate Environmental Policy
- M&G Real Estate Health & Safety Policy Statement
- M&G Cluster Munitions and Anti-Personnel Landmines Policy
- M&G Real Estate Sustainable Development and Refurbishment Framework