

Shaping real assets to create a sustainable future

At M&G Real Estate, we believe that an active approach to ESG can deliver benefits beyond financial returns, says Nina Reid, Director of Responsible Property Investment at M&G Real Estate.

Growing recognition of the ability to use ESG credentials to lower risk and capture value, and meet the rising expectation from occupiers, was conveyed in a global property investor survey by the United Nations Environment Programme Finance Initiative (UNEP FI). It found that 90% of respondents planned to further analyse ESG fundamentals over the next 12 months.

Property investors are in a strong position to tackle ESG issues as, in the context of tackling global warming, real estate accounts for around 40% of world carbon emissions.¹

By shaping real assets, investors can influence the tangible fabric that surrounds all of us. For M&G Real Estate, this contribution comprises of helping the environment, making a socio-economic impact, promoting the health and wellbeing of those that interact with buildings and ensuring these buildings are smart, secure and connected. In line with our commitment to Responsible Property Investing (RPI), we have set a host of 2025 targets across these areas.

Tackling climate change

Addressing climate change remains a key focus of our activities. We have almost met our target to reduce the energy intensity of our global portfolio by 25% by 2025, reaching 23% to the end of December 2018.

Recognition of buildings' environmental credentials through green certification assessment is gaining increasing prominence globally. We are just over halfway towards our target on achieving green certification for half of our global assets under management (AUM) by 2025, thereby driving the transparency of performance to our occupiers and investors.

Making a socio-economic impact

Through actively participating in communities, we are able to support jobs, skills development and economic growth. In 2018, we reached 26 places with our community programmes, with 100 places the target to reach by 2025. These include providing space to community groups and hosting charity, education and cultural events at our shopping centres.

Beyond such activities, we strive to make a socio-economic contribution through initiatives such as Revo's "Hatch" competition, whereby budding businesses are offered three months' free trading at a shopping centre, including at one of our own centres.

Measuring the full impact of our global activities is important to us; to that end we have engaged an independent consultant to help us better define and improve the extent of our social and economic outcomes.

Promoting health, wellbeing and occupier experience

People want to live, work and play in places that make them feel happier, healthier and more productive, and our goal is to design and manage assets that serve that need for everyone who interacts with them.

We believe if people enjoy being in our buildings, investment performance will follow through lower vacancy rates and higher rents, which is why our Scottish office development, The Grid in Glasgow, puts people's health and wellness at the centre of its design through features such as a communal business lounge and roof garden. The scheme was Scotland's first office to be registered with the WELL Building scheme.

Engaging with occupiers on their interests and concerns and acting upon this feedback to improve their

experience is integral to our asset management strategy. As such we have launched a digital tenant engagement platform to improve communication with occupiers and deliver a curated programme of events and services, at The Heights business park in Weybridge, UK.

Creating smart, secure and connected property

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. Enhancing a property's digital connectivity can be achieved through, for example, installing electric vehicle charging points at assets. In addition, a free on-site electric car sharing scheme has proved popular with residents at our UK residential schemes, The Green and the Rehearsal Rooms.

Collectively, our RPI activities are demonstrating real impact across our portfolio globally. We are comfortably on track to meet our ambitious 2025 RPI targets, whilst the process of measuring the full extent of our social and economic outcomes will help to improve the scope of our activities. Aligned with our vision for a cleaner, greener and better world, we continue to drive towards adding tangible value to our investors, society and the environment.

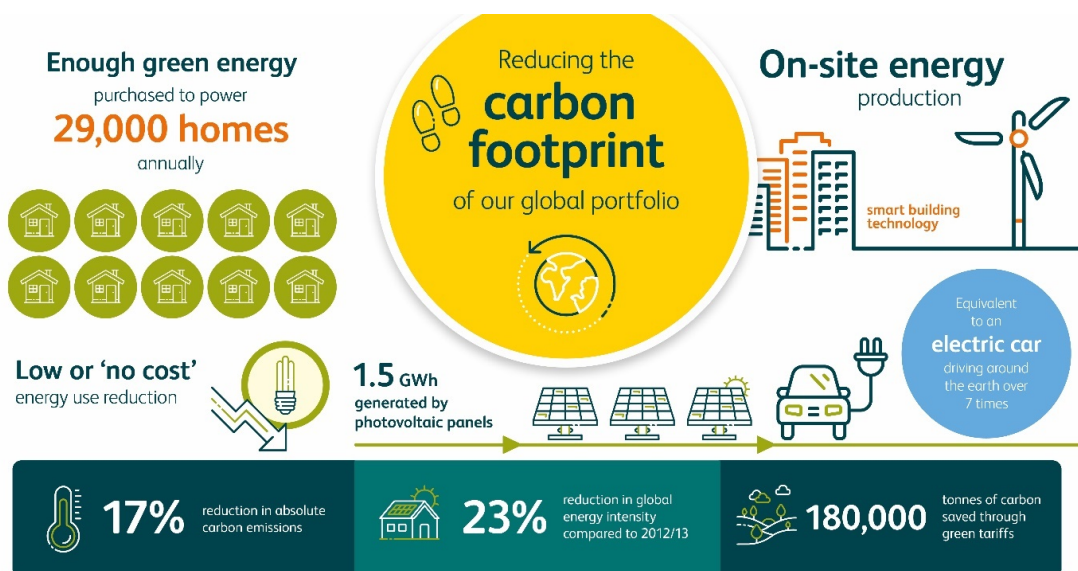
Case study: Centropolis, South Korea

Our 134,399 sq m, twin-tower Centropolis, Seoul has achieved Leadership in Energy and Environmental Design (LEED) Gold certification (the second highest rating). This is partly due to innovative use of geothermal heat pumps and on-site renewable energy production by photovoltaic panels installed on its roof and exterior.

To preserve the city's heritage, a public museum at basement level houses the remains of 16th and 17th century houses that were uncovered during the building's construction. Office occupiers are provided various on-site amenities that promote health and wellbeing, including separate wellness areas for men and women and a shared car service.

The asset's connectivity is enhanced by 32 electric car charging points, promoting the use of greener transport.

Source:
1 International Energy Agency.



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