



Socially Responsible Investment Policy

November 2011



1. Background and Rationale

Prudential Real Estate Investors (“PREI”) is the global real estate investment management business of Prudential Financial, Inc. (“Prudential”). Our business involves the development and execution of a variety of real estate investment strategies for a global client base in markets throughout the world. Our investment products are structured primarily as open-end and closed-end commingled funds, or single client accounts, through which we invest in private real estate, private real estate related assets and publicly traded real estate companies on behalf of institutional investors.

As an investment adviser, we act as a fiduciary, and our primary responsibility is to add economic value to our clients’ portfolios over the long-term, within the constraints imposed on us by the applicable investment management agreements. At PREI, we believe that environmental, social and corporate governance (“ESG”) factors can impact this long-term performance. As a result, we take a keen interest in how these issues are managed on behalf of our clients.

While socially responsible investment (“SRI”) is an investment concept that has been the subject of a global dialogue for more than ten years, its emergence in the real estate investment arena is relatively recent. The real estate investment management community has not yet reached a consensus on the ESG factors that are most relevant to real estate and can be appropriately incorporated into the real estate investment process. That said, we recognize that many of our investor clients share with us an interest in exploring the implementation of practices and procedures that are both consistent with current ESG thinking and the ongoing satisfaction of our fiduciary duties.

As such, we are committed to both following our current practices which reflect certain ESG criteria and considering how to best incorporate other evolving ESG issues into our investment decision making process and our asset management practices.

2. Environmental Considerations

We are committed to pursuing efforts to provide environmentally sustainable real estate investments worldwide while delivering favorable risk-adjusted returns to our investors.

In furtherance of this goal, we have adopted a “Sustainability Strategy Statement” to guide our actions to make both our investments and our business “greener” and more sustainable. Pursuant to this Statement, in our ownership and operation of real estate properties, and in our other related investment activities, we seek to reduce or avoid the identifiable harmful effects of our actions on natural resources, and to take proactive steps to improve the efficient performance of our managed assets. These mitigating actions may be local as well as global, ranging from individual property-focused initiatives to the consideration of environmental “best practices” across all global regions.

We are committed to reducing our energy and water use, waste and carbon emissions. By applying responsible reduction strategies, we believe we enhance not only our environmental performance, but our investment performance as well. In light of this important link, we are committed to continuously seeking improvement in these environmental initiatives. At PREI, our environmental commitment is a global one, shared by all associates in all regions. We continually discuss opportunities to improve our performance, challenge each other to come up with new and better ideas, and exchange best management practices across regions. We submit our buildings and developments to voluntary certifications such as Energy Star, LEED, CASBEE, DGNB, BREEAM, DUIS, HQE, Greenmark and other green certification platforms. We have become aligned with and we provide reports to industry-leading NGOs such as the Investor Network for Climate Risk, U.S. Green Building Council and Greenprint Foundation. Our continuing pursuit of improved environmental policies and practices throughout the organization creates opportunities to identify new efficiencies and reduce our environmental impact while enhancing value for investors.

Our environmental stewardship goes beyond just our investments, our corporate offices and our people; we also seek to involve our tenants, business partners and service providers - the entire value chain - as we seek to reduce resource use and waste. As stewards of the environment, we have an obligation to educate and inform our fellow stakeholders. Whether understanding the benefits of responsible environmental practices or celebrating the resulting achievements, all stakeholders share a common purpose and benefit from a cleaner environment.



To achieve these goals, besides adopting the Sustainability Strategy Statement, PREI has developed Standard Sustainable Operating Guidelines® (“SSOGs”), which will be adopted for use as appropriate at all properties. We have empowered our global Executive Sustainability Committee, in conjunction with our regional sustainability committees, to develop strategies to reduce the carbon footprint of our buildings and will continue to provide building data to the Greenprint Foundation Carbon Index. In our development activities, we will continue to consider transit oriented, mixed use and urban infill strategies, to the extent they are consistent with the investment strategies of our funds. To the extent projected returns are favorable, we may also repair environmental degradation through brownfield development strategies. We will continue our engagement in a massive undertaking to benchmark energy use in our properties and identify new investment candidates whose performance can be quickly and economically improved. We will continue to engage with thought leaders in this area so that we can continue to make our portfolios greener while acting responsibly for our investors.

3. Social Responsibility

We believe that social responsibility comprises both good corporate citizenship and thoughtful consideration of the impact of our operations on internal and external stakeholders. As such, we are committed to making business decisions based on what we believe is right, not simply what may be expedient.

Many of our investment strategies and procedures lead to benefits to the communities in which we invest. For instance, while we are not typically in a position to determine which construction contractors are used at the properties we invest in, we have adopted a Responsible Contracting Policy designed to encourage consideration of the use of union labor at our jobsites and buildings. To the extent we are a party to a construction contract, we seek to require that the contractor comply with all applicable work safety and labor laws. In the U.S., our assets are ADA compliant, providing access to the disabled. We contribute to the health and safety of our tenants by mandating evacuation plans for our buildings and providing gym facilities in many of our residential properties, many of which also include an affordable housing component. We believe our investment funds in Mexico have helped to expand the local economies, while providing middle and low income housing for citizens of that country. We hope to contribute to the development of the Middle East region through our investment joint venture in Abu Dhabi. Finally, our senior housing funds also provide quality housing to this underserved and growing demographic.

PREI’s commitment to making investments around the globe that are financially attractive and, where possible, also facilitate positive interaction with local communities and cultures, is part of the culture of our parent company. Prudential’s commitment to the communities it serves is long-standing and strongly held. Prudential and its Community Resources Oversight Committee have a long history of growing and protecting community assets around the world. As part of its culture, the people of Prudential help improve communities by providing financial resources, business expertise and volunteer time and skills in programs that increase human potential and individual self-sufficiency. PREI encourages its employees to take advantage of two important Prudential benefits that encourage employee involvement in their communities and charitable giving – an annual paid “Personal Volunteer Day” and the Matching Gifts Program whereby the Prudential Foundation matches eligible employee gifts on a one-to-one basis up to \$5,000 per employee per calendar year.

Internally, we seek to foster an environment of respectful engagement and diversity that encourages the professional development of all associates. We are committed to providing equal employment opportunity as well as creating and maintaining a climate of mutual respect and trust, free of any discrimination or harassment.

4. Corporate & Fund Governance

We operate under a framework of policies, procedures, principles and practices mandated by Prudential which seek to ensure that all Prudential companies embrace corporate responsibility, accountability, fairness, and transparency in their relationships with stakeholders. Our “governance” encompasses internal corporate governance requirements as well as policies designed to incorporate ESG considerations in the operation of our funds.



Prudential's governance relies on a committee structure: The Corporate Governance and Business Ethics Committee oversees Prudential's corporate governance procedures and practices. Other committees relevant to ESG matters include the Audit Committee, the Compensation Committee and the Community Resources Oversight Committee. Prudential's Chief Ethics Officer reports regularly to the Board's Corporate Governance and Business Ethics Committee. Prudential has developed a comprehensive Code of Business Conduct and Ethics, entitled "Making the Right Choices", which all Prudential employees must comply with.

In addition to the policies and procedures noted above, we have developed and implemented a detailed set of values, principles, policies and procedures designed to (i) encourage consideration of ESG criteria in the broader context of investment management, (ii) ensure compliance with laws and (iii) minimize conflicts of interest. We address ESG issues in the following policies: our Sustainability Strategy Statement; our SSOGs, our Responsible Contracting Policy (for labor issues), our Proxy Voting Policy and our Allocation and Conflict of Interest Policies. We also comply with Prudential's stringent anti-corruption and anti-money laundering policies. Our Proxy Voting Policy provides that we will support ESG shareholder resolutions to the extent we determine that they are in the best interest of our investors. Portfolio managers, asset managers and other professionals are all regularly trained on many of the above stated policies and guidelines.

With respect to fund governance, we have endorsed the ILPA's Private Equity Principles, Version 2.0, and most of our funds comply with many of these principles. Many of our funds have established Advisory Councils to allow for investor input, and published asset guidelines and restrictions designed to protect investors. In addition, ESG issues are an integral part of PREI's investment analysis, decision making and property management practices. When making investments for our portfolios, PREI imposes a robust and rigorous underwriting regimen, risk management evaluation and approval process. This process includes broad due diligence covering not only the quality of the investment itself, but other issues such as anti-money laundering concerns, and natural hazard and environmental risks. The process requires us to explore the possibility of developing the property in question to a recognized standard such as LEED. Potential conflicts of interest are identified and vetted. We also require background checks on our partners. Finally, we undertake a regulatory review to ensure that the property will comply with all local and national laws, including new sustainability standards. We also routinely consider access to public transportation for proposed urban investments. We have adopted an asset management protocol designed to maximize value for our investors. As part of that protocol, the SSOGs are being implemented to reduce energy use, properties are continuing to be benchmarked for energy use and assessments are being made to determine how best to improve properties' performance.

5. Disclosure and Reporting on SRI Progress

We are dedicated to the implementation of this SRI policy and will be transparent about the process. Given that the thinking on SRI in real estate is evolving, we expect to continue to build on our existing policies to the extent consistent with our fiduciary duties and to describe our findings through the reports described below.

Major reports will include:

- United Nations Principles of Responsible Investment (UN PRI) Reporting and Assessment Survey: As a signatory to the UN PRI, we are required to report on an annual basis on our progress in achieving compliance with UN PRI, which includes metrics relevant to this SRI Policy. To that end, we complete the corresponding annual Reporting and Assessment Survey, which should enable our clients and stakeholders to review our progress in implementing the six Principles, which all involve ESG issues.
- Prudential Community Resources Annual Report: Our parent company, Prudential, reports annually on its commitment to being a good corporate citizen, and describes its related accomplishments. The report focuses on initiatives and accomplishments of the four units of Prudential's Community Resource Department, including "The Prudential Foundation", "Social Investments", "Local Initiatives" and "Business Diversity Outreach". As the report indicates, the Prudential Foundation and the Social Investment unit make sizable investments worldwide to increase employment opportunities, create affordable housing and promote the arts as a quality of life and economic engine. The Local Initiatives unit helps Prudential build strong community relationships by encouraging employee volunteer engagement. Business Diversity Outreach provides members of diverse markets access to employment opportunities and financial education at Prudential.
- PREI's Annual Sustainability Report: We publish and distribute an annual Sustainability Report, highlighting our efforts to operate environmentally conscious real estate investments worldwide, while managing our business in a sustainable manner. Additionally, our website includes a section on sustainability, which contains our annual Sustainability Report as well as an acknowledgement that we are a signatory to UN PRI.