

# JANUS HENDERSON UK PROPERTY PAIF



RESPONSIBLE PROPERTY INVESTMENT  
Sustainability makes good business sense





**Creating a resilient  
property portfolio** but  
aiming to provide returns  
over the long run through  
the careful evaluation of  
prospective acquisitions  
and active asset  
management

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# A SUSTAINABLE APPROACH TO INVESTING

## DELIVERING VALUE

**WE BELIEVE IT IS OUR FIDUCIARY DUTY TO IDENTIFY AND MANAGE THOSE ENVIRONMENTAL AND SOCIAL RISKS THAT COULD IMPACT ON INVESTMENT PERFORMANCE**

creating a resilient property portfolio and aiming to provide returns over the long run. Through the careful evaluation of prospective acquisitions and active asset management, we aim to minimise the risk of accelerated obsolescence and depreciation.

## BY FOCUSING ON

**THE FUND'S INVESTMENT STRATEGY IS UNDERPINNED BY THOSE FACTORS THAT WE BELIEVE WILL IMPACT REAL ESTATE VALUE**

demographics, technology, and sustainability ('The Tomorrow's World' approach). For the core, strategic portfolio, the fund invests in properties that we believe are well-positioned to provide defensive value protection on the transition to a low-carbon economy and which are not exposed to the physical impacts of climate change.

## SUSTAINABILITY

**OUR APPROACH IS TO HOLD A PORTFOLIO OF RELEVANT, ENERGY EFFICIENT AND WELL-CONNECTED ASSETS**

that companies of today and the disruptors forming tomorrow's businesses would wish to occupy. We integrate sustainability into our decision making at every step because it makes good business sense. It benefits investors, tenants, other stakeholders and the environment, while mitigating depreciation, lowering operational costs, increasing liquidity and helping to prevent building obsolescence.



# RESPONSIBLE PROPERTY MANAGEMENT



## POLICIES AND PROCESSES

Policies, objectives and strategies set at fund and asset level covering all aspects of Responsible Property Investment



## BENCHMARKING, REPORTING

- Quarterly performance reports for assets
- Annual benchmarking and disclosure



## COMMUNICATION

Communication with:

- Employees
- Tenants
- Communities and wider stakeholders through industry engagement, research and training, and external reporting



## ANNUAL PLANS AND TARGETS

Set at asset and portfolio level for:

- Energy
- Water
- Waste
- Transport
- Biodiversity
- Community



## ACTIVE MANAGEMENT AND ADDED VALUE

Measures undertaken to manage risk and capitalise on ESG\* opportunities:

- EPC management\*\*
- Tenant liaison
- Facility management standard ISO 41001
- Refurbishment targets
- BREEAM\*\*\* certification
- Photovoltaic installations

\* ESG = Environmental, Social and Governance. \*\* EPC = Energy Performance Certificate. \*\*\* BREEAM = Building Research Establishment Environmental Assessment Method.



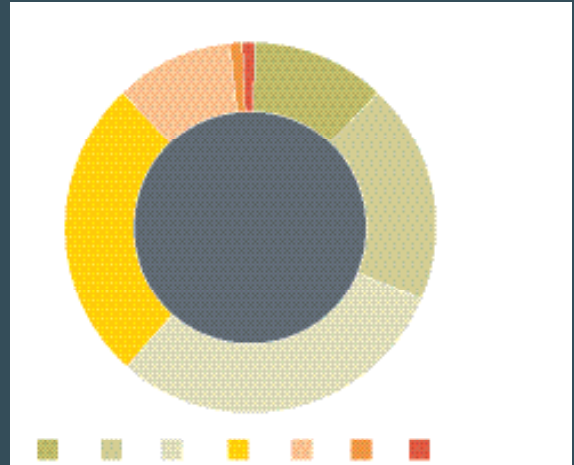
# ENERGY PERFORMANCE

## ENERGY PERFORMANCE CERTIFICATE

According to the 2017 Property Data Report, UK commercial property accounts for around 10% of the UK's energy consumption, while 12% of the UK's CO2 emissions can be attributed to commercial buildings. Similar to domestic consumer appliances, such as fridges and washing machines, buildings have energy performance certificates (EPCs). Since 1 April 2018, minimum energy efficiency standard (MEES) regulation means that landlords in England and Wales cannot let a commercial (or residential) property with an EPC rating of F or G, unless the building has specific exemptions. These lowest two grades account for around 17.5% of commercial property space in England and Wales according to the Real Estate Climate Risk Report 2017.

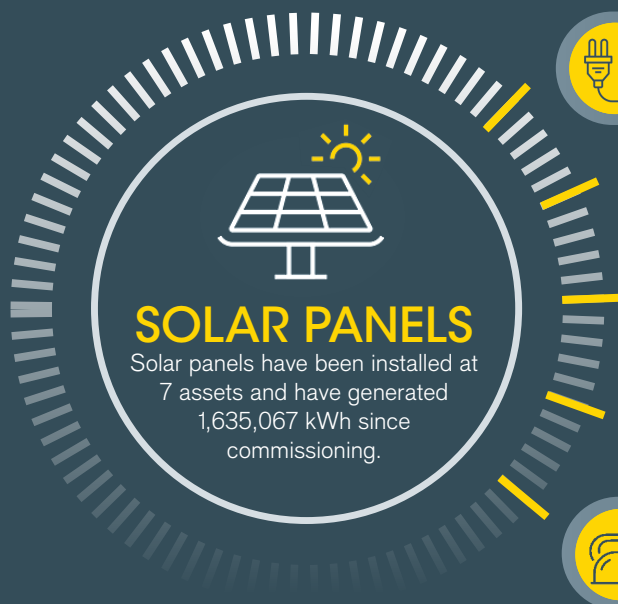
Energy efficient buildings are more attractive to tenants and are at lower risk of obsolescence. Some of our tenants have their own minimum EPC requirements for commercial space, and sustainability ratings are now an expectation for investment grade new-build properties.

## OUR UK PROPERTY HAS 63% +A - C ENERGY RATED PROPERTIES IN THE PORTFOLIO



Source: Nuveen Real Estate as at 30 September 2019.

## SOLAR ENERGY



### 761 TONNES

The electricity generated has allowed the fund to save 761 tonnes of CO2 equivalent emissions



### 891 ELECTRIC CARS

This would power 891 electric cars for a year



### 427 HOMES

This is the equivalent to the yearly electricity used by 427 average UK households



### 3,567 TREES

Since commissioning, the electricity generated has offset the same CO2 as planting 3,567 trees



### SOLAR-GENERATED ENERGY

This is enough to boil a kettle more than 14 million times

Source: Nuveen Real Estate as at 30 September 2019.



# ZERO CARBON BY 2030

**SUSTAINABILITY HAS BEEN A SIGNIFICANT FOCUS FOR DRIVING INVESTMENT RETURNS FOR THE JANUS HENDERSON UK PROPERTY PAIF SINCE 2012. THIS WAS WHEN IT'S FIRST ON-SITE RENEWABLE ENERGY SYSTEM WAS INSTALLED. SINCE THEN THE FUND HAS ACHIEVED ANNUAL PERFORMANCE GAINS EVALUATED BY GRESB, THE LEADING MARKET BENCHMARK FOR SUSTAINABILITY PROPERTY PERFORMANCE.\***

The fund is committing to become operationally net zero carbon across its portfolio by 2030. In practice this means that the average energy use intensity across the portfolio will improve on targets set by the UK Green Building Council. This will apply to buildings owned by the portfolio in 2030, excluding those owned for less than three years. The target is for all residual landlord electricity consumption to be provided by a renewable power purchase agreement. The fund's renewable energy agreement will also be offered to all tenants. Carbon offsets will be purchased for all residual gas consumption.

Our commitment is that by 2035 all buildings that have been owned by the fund for more than five years will meet the net zero carbon definition as set by the UK Green Building Council. This will apply to all operational energy use within the buildings owned by the fund, including that directly procured by tenants. In order to achieve this goal, we will need to work closely with tenants to establish net zero carbon plans for the assets that they occupy. It will also be necessary to monitor tenant consumption in order to ratify progress.

In the short term, when tenants are wary of giving consent to energy monitoring or to the building improvement work necessary to achieve the net zero carbon target, their energy consumption will be estimated and the resultant carbon emissions will be offset. This is very much a short-term measure to help ensure that all assets within the portfolio are covered by the fund's zero carbon commitment.

Progress of the Janus Henderson UK Property PAIF's approach to achieving operational net zero carbon is being assessed on an ongoing basis by a recognised independent body.

\*Global Real Estate Sustainability Benchmark





# CASE STUDY

## JCB DISTRIBUTION UNIT

LOCATION	STOKE-ON-TRENT
2013	BOUGHT
1 <sup>ST</sup>	LOGISTICS BUILDING IN THE WORLD TO RECEIVE AN OUTSTANDING BREEAM* RATING
50%	OF SOLAR PANELLED LIGHTING
RAINWATER	COLLECTION SYSTEM
LIGHTING	MOVEMENT SENSORS
SOLAR	THERMAL HOT WATER SYSTEM

This property is for illustrative purposes only. This is not a recommendation.



### SOLAR PANELS ARE CURRENTLY PRESENT AT EIGHT PROPERTIES

AND HAVE GENERATED MORE THAN £340,000 IN GROSS INCOME SINCE THEIR INSTALLATION. SOLAR-SYSTEMS ARE CURRENTLY BEING INSTALLED AT TWO ADDITIONAL PROPERTIES.



### ELECTRIC VEHICLE CHARGING POINTS

HAVE ALREADY BEEN INSTALLED ACROSS EIGHT PROPERTIES, AND FEASIBILITY STUDIES ARE UNDERWAY FOR ADDITIONAL SITES. THE INCREASE OF THE FUND'S OFFERING TO ELECTRIC CAR USERS ADDRESSES THE CONSTANT AND FORESEEABLE GROWTH IN CONSUMER ADOPTION.



### A PORTFOLIO WIDE REVIEW OF LIGHTING UPGRADE OPPORTUNITIES

HAS BEEN CARRIED OUT AND AS A RESULT, SEVERAL EXTERNAL LIGHTING INSTALLATIONS HAVE BEEN UPGRADED TO LED, CONTRIBUTING TO MATERIAL ENERGY SAVINGS.

Source: Nuveen Real Estate as at 30 September 2019.



# ESG PROPERTY MANAGEMENT

## THE FUND CONTINUES TO DEMONSTRATE BEST-IN-CLASS ESG MANAGEMENT OF ITS PROPERTIES

Opportunities for renewable energy generation, electric vehicle charging point installation, lighting upgrades, and smart energy management technology services are assessed on a regular basis and implemented where relevant, so that the environmental performance of the portfolio is always optimised.

The fund is also using a smart building technology solution at four properties, which has allowed notable energy savings. This dedicated monitoring equipment allows the property management team to monitor a multitude of factors including airflow, temperatures, lights, boilers and air conditioning equipment to identify energy savings and to increase occupier wellbeing.

The fund's energy performance is continuously monitored, and as at March 2019, the annual landlord procured energy decreased by 7% compared to the previous year, therefore demonstrating optimised operational management of the assets.

The fund is also financing and overseeing the Design for Performance initiative. For developments, this project aims to close the gap between the environmental performance specified at the design stage and the actual in-use performance. This entails advanced modelling simulation during design stage as well as the verification of in-use environmental performance. One of the portfolio's redevelopment projects has been to support the specification for the Design for Performance scheme. The

advanced simulation process has been trialled during the design phase last year, and subsequent findings are considered in the commissioning, early operation and fine tuning of the building.

In relation to the enhancement of public spaces and supporting charities and community groups, we see these two aspects as a direct opportunity to help get involved in the community given the assets' position within both the social and physical environment. A community fund has been established at one of the properties, whereby money is collected from the occupiers and owners through the occupiers' leases, and used to award grants for the marketing, animation and promotion of projects that make a positive contribution to the wider neighbourhood and community surrounding the property.

\*BREEAM - Building Research Establishment Environmental Assessment Method





# WELL-ESTABLISHED TEAM

THE JANUS  
HENDERSON UK  
PROPERTY PAIF  
MANAGEMENT  
TEAM BENEFITS  
FROM THE BROAD  
OPPORTUNITY-  
SET AVAILABLE

FUND  
MANAGERS

## BREADTH OF EXPERTISE:

Highly experienced fund management team supported by a network of more than 500 multi-disciplined specialists within Nuveen Real Estate (the sub-investment manager).

## DISCIPLINED INVESTMENT PROCESS:

Established approach that has been developed and refined since the fund launched in 1999, with risk carefully managed throughout.

## ACTIVE MANAGEMENT TO ENHANCE RETURNS:

Active asset management of property holdings, including refurbishment, lease extensions and small-scale development, to strengthen the rental income stream and enhance capital values.

## STRONG REPUTATION WITHIN INDUSTRY:

The team's reputation within the industry provides access to attractive off-market deals.



### AINSLIE MCLENNAN

Co-Fund Manager  
22 years of commercial  
property experience




### MARCUS LANGLANDS PEARSE

Co-Fund Manager  
27 years of commercial  
property experience



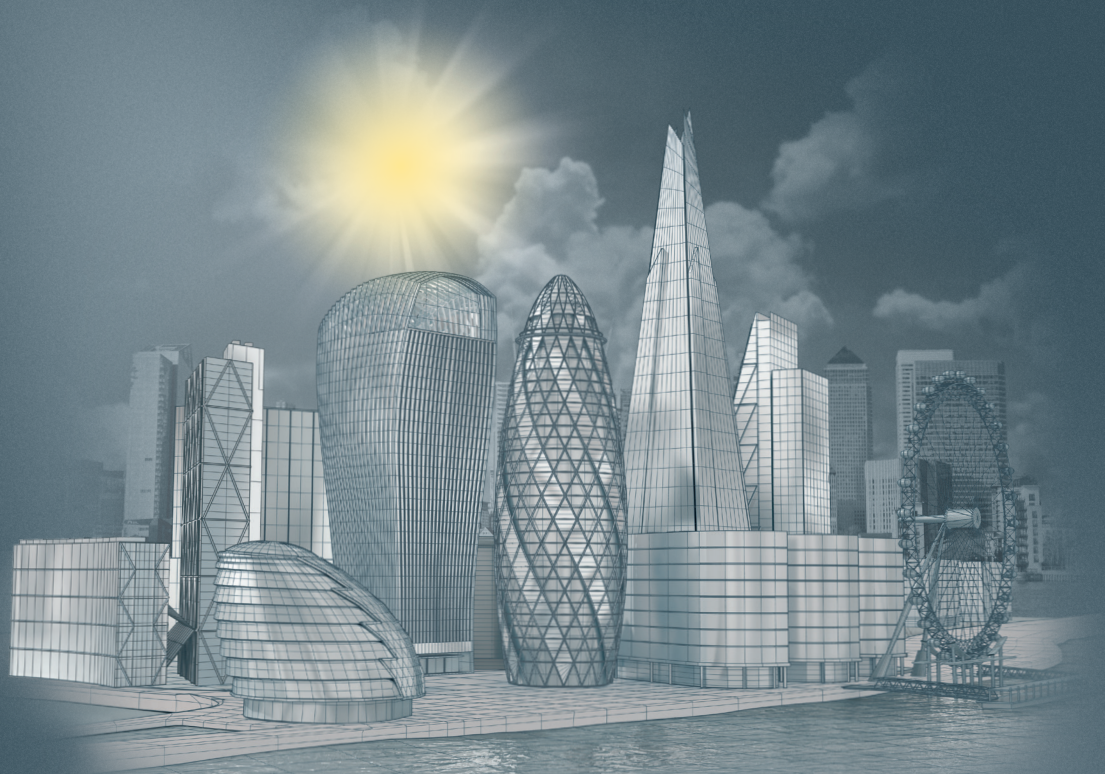
Source: Nuveen Real Estate/Janus Henderson Investors 31 December 2019.





**opportunities for renewable  
energy generation**, electric vehicle  
charging point installation, lighting  
upgrades, and smart energy  
management technology services  
are **assessed on a regular basis**





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**Janus Henderson**  
— INVESTORS —

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109673/0920