

Direct Real Estate – our approach for investments

August 2022

For Professional and Institutional Investors only – not to be further circulated. In Switzerland for qualified investors only.
In Australia for wholesale clients only.

Sustainable and Responsible Investment Policy and Approach

Environmental, Social and Governance (ESG) characteristics promoted

This section is only applicable to abrDN Direct Real Estate Alternative Investment Funds (AIFs) classified as Sustainable Finance Disclosure Regulation (SFDR) Article 8 funds.

Although funds which abrDN has classified as SFDR article 8 funds do not have a sustainable investment objective for purposes of the EU SFDR, they are managed in accordance with abrDN's Sustainable and Responsible Investment Real Estate approach ("SRI RE Approach") (abrDN acting in its capacity as the asset manager; the specific legal entity and role, such as "portfolio Manager" is noted in the fund's governing document). This approach is focused on promoting positive ESG outcomes in relation to the management of the funds and their investments. The funds consider the ESG characteristics of assets that are material to direct real estate investment: in particular, sustainable building design and operation; climate change mitigation and adaptation; social and employee matters, respect for human rights and anti-corruption and anti-bribery matters.

The ESG characteristics promoted by the funds are met through improvements in building operation and energy efficiency, improved buildings certifications (such as Green Building Certification) improved scoring against external peers group comparators Global Real Estate Sustainability Benchmark (GRESB) and improved ESG performance scores on abrDN's proprietary tools (such as the ESG Impact Dial tool, where implemented, or any other proprietary tool or scoring mechanism that may be deemed appropriate by abrDN in the future).

abrDN's ESG Impact Dial tool groups material sustainability indicators into four main categories: (i) Environment & Climate, (ii) Demographics; (iii) Governance & Engagement; and (iv) Technology & Infrastructure. This approach allows the identification and consideration of material ESG risks and opportunities relevant to an individual fund's investment strategy, sector and geography. In addition, the fund will make efforts to review opportunities to enhance positive benefits to society and minimise negative societal impacts associated with its activities. Societal impact can be measured through owner and occupier activities and includes affordability, accessibility, occupier quality and experience.

The practical impact of the SRI RE approach is demonstrated via ESG specific reporting in the quarterly and annual reports (as applicable to individual funds) with examples of actions taken to improve ESG risk management and opportunity generation, and actions planned. abrDN also makes annual submissions to leading external peer group comparators, such as GRESB, in respect of individual funds. abrDN intends to follow positive market developments in this regard and will join new industry ESG initiatives, where deemed appropriate. More detail on the scoring and assessment methodology can be found at www.gresb.com. abrDN reserves the right use another external peer group comparator if deemed appropriate.

"The ESG characteristics promoted by the funds are met through improvements in building operation and energy efficiency, improved buildings certifications, improved scoring against external peers group comparators and improved ESG performance scores."



abrdn's process also involves an evaluation of the governance of our supply chain and associated labour and diversity rights, the governance of our development projects and partners, as well as seeking to better understand and take into consideration the activities of our occupiers.

Combining the integration of sustainability risks and opportunities with broader monitoring and engagement activities may affect the value of investments and therefore returns. For each investment, abrdn considers how funds will seek to mitigate any identified ESG risks effectively and also considers any ESG enhancement opportunities which might contribute to improved investment performance. Funds will seek to avoid investments carrying sustainability risks which, if realised, would have a material impact on fund valuation, unless abrdn determines that those risks are able to be mitigated effectively. As such, abrdn believes that its integration of ESG considerations, both risks and opportunities, within the investment decision-making process may have a material long-term positive effect on the performance. However, the integration of ESG considerations may also cause funds to reject investments which might have a positive impact on value. Following the SRI RE Approach may therefore have a positive or a negative impact on the performance of individual funds.

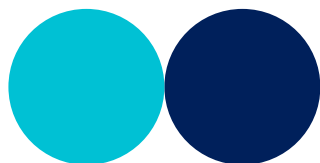
Key sustainability risks include environmental changes such as flood risk and water scarcity; inefficient management of utilities (Energy, Water, Waste) resulting in increased costs and wastage; changing regulations and the risk of non-compliance; and failing to consider the health and wellbeing of tenants, resulting in increased tenant migration risks. The management and mitigation of these risks may result in lower risk portfolios with higher rental growth and reduced voids (the occurrence of any of these may reduce the value of a property and/or reduce the ability to generate income etc).

ESG-related investment restrictions are included in the relevant fund's investment guidelines. All assets acquired by relevant funds should have an ESG action plan within 12 months of acquisition.

Reporting

This section is only applicable to abrdn Direct Real Estate AIFs classified as SFDR Article 8 funds.

Each fund's annual report includes an overview of ESG performance e.g. Energy, GHG, Waste, water are provided in the annual client report.



abrdn's approach to embedding ESG into the investment process

This section is applicable to all abrdn Direct Real Estate Products.

ESG governance

The overall approach to integrating ESG used across abrdn real estate funds is defined and maintained by the Real Estate ESG Team in collaboration with the Investment Strategy and Research Team. The Real Estate ESG Team also sits on the Sustainable Investment Strategy Group which provides a forum for sharing insight across asset classes and peer review of asset class strategies.

At the fund level, each fund creates an ESG strategy annually as part of its Strategic Plan. This is developed with guidance and feedback from the ESG Team and is subject to approval by the Real Estate Investment Strategy Committee (ISC). The ESG Team must comment on the appropriateness of the proposed strategy and ISC may require improvements before approval.

At the asset level, for acquisitions, disposals and major capital expenditure, the Investment Committee paper must detail how the proposed activity responds to ESG risks and opportunities in the context of the Fund's strategy. All Investment Committee (IC) papers are reviewed by, and subject to the support of, the Real Estate ESG Team who may also attend Investment Committee if required.

The process

abrdn believe that comprehensive assessment of ESG factors, combined with constructive engagement, leads to better client outcomes. More specifically, ESG is a fundamental part of the way in which abrdn think about real estate investments. It forms an integral part of our investment process and is analysed alongside all other material issues.

ESG is a component of decision making at the fund and asset level. The annual fund Strategic Plan sets the focus and strategy of the fund. This plan includes reference to ESG performance and risks, as well as longer term strategic goals and implementation. Prior to finalising the Strategic Plan each fund team meets with the Real Estate ESG team to review their approach. The ESG team provides feedback and a view on the appropriateness of the strategy to the Investment Strategy Committee (ISC). The Heads of Real Estate ESG also have voting rights on ISC.

Asset selection is informed by both bottom-up and top-down factors. For ESG, this means abrdn consider site-specific factors such as flood risk and energy efficiency opportunities, as well as regional and global factors including long term climate impacts and technological change with support from the research team.

abrdrn employs expert consultants to review and advise on all asset-specific ESG risks. For each acquisition, an individual fund must demonstrate how it will effectively mitigate any ESG risk and how it has considered ESG enhancement opportunities to contribute to improved investment performance, and how the individual asset aligns with the fund strategy.

The Real Estate ESG team are an integral part of this process and support the Transactions Team to collate an IC Memo for the acquisition which also includes a statement of support from the ESG Team. Additionally, ESG factors are embedded into underwriting where appropriate to inform buy, sell and hold decisions. Where any ESG criteria is rated poorly or where the ESG team do not support the acquisition, then abrdrn's Heads of Real Estate ESG will sit on the IC for the acquisition of individual assets to provide representation and balance of perspectives. This may not preclude the acquisition of a given asset, but it does ensure that ESG factors are considered alongside other factors in the decision making process, and where necessary resultant improvement actions can then be captured and tracked.

abrdrn's ESG Database Platform includes ESG Action Planning functionality that is accessible by out-sourced property managers. These actions are closely linked to the fund ESG strategy. Delivery and tracking of actions is a key part of abrdrn's outsourced property managers' role.

Key responsibilities and governance

- **Real Estate ESG and Investment Research and Strategy teams** monitor trends and materiality.
- Product Specialists and Investment Strategy team engaging **with clients**.
- Real Estate ESG team provides supporting input into **Impact Dial and Strategic Plan**. Signed off by **Investment Strategy Committee**.
- ESG criteria assessed by fund and transactions. Real Estate ESG team input into investment approval memo. Signed off by Investment Committee.
- **ESG Impact Dial** deployed by portfolio manager to inform **Asset Management Plan**. **Real Estate ESG team** provides supporting input.
- ESG action plan created by property manager and informed by the asset management plan. Real Estate ESG team provides input as required. Signed off by **Portfolio Manager**.

Assessment, measurement and monitoring

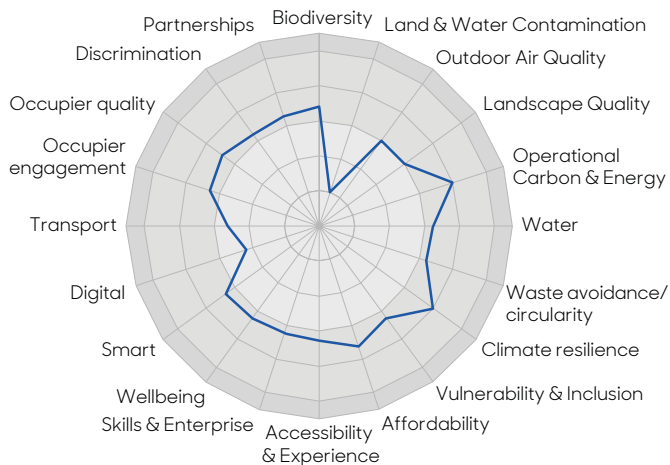
This section is applicable to all abrdrn Direct Real Estate Products.

Sustainability indicators

abrdrn's ESG Impact Dial tool groups material sustainability indicators into four main categories: (i) Environment & Climate, (ii) Demographics; (iii) Governance & Engagement; and (iv) Technology & Infrastructure. This approach allows the identification and promotion (where relevant) of material ESG risks and opportunities relevant to a fund's investment strategy, sector and geography. These guide the prioritisation and integration of ESG factors at the fund and asset level, whilst providing a structure for engagement with, and reporting to stakeholders.

PLANET	PEOPLE	PROCESS	PROGRESS
Environment and Climate Change	Demographics	Governance and Engagement	Technology and Infrastructure
Biodiversity	Vulnerability & Inclusion	Diversity & labour Rights	Digital Connectivity
Land and Water Contamination	Affordability	Occupier Engagement	Physical Connectivity
Outdoor Air Quality	Accessibility and Experience	Occupier Quality	Smart Connectivity
Noise Pollution	Employment, Skills and Enterprise	Partnerships	
Public Realm & Cultural Value	Occupier Wellbeing		
Carbon and Energy Reduction			
Water Efficiency			
Waste and Circularity			
Climate Resilience			

The Impact Dial is available to support funds to determine the baseline ESG performance of their portfolio and allows them to set aspirations for the future that can be tracked. Assets are scored against the above criteria and can be compared to the overall fund ESG target. The graphic below provides an illustrative example of Impact Dial outputs.



Data sources & screening criteria

1. Due diligence prior to acquisition

A standard approach is used for both ESG due diligence checking and for presentation of the investment decisions to the Independent Investment Committee. abrdn's approach to acquisition due diligence is regularly reviewed and updated to ensure that it includes or excludes particular features as they become market practice or a regulatory requirement.

abrdn's approach to acquisition due diligence includes a standard set of services and consultant briefs to identify ESG risks and opportunities. Typically this includes an assessment of flood risk, contamination risk, alignment with regulatory requirements and identification of decarbonisation opportunities. This also allows for the identification of cost effective environmental improvements to future proof the value of assets, and ensures the associated costs are integrated into asset budgets.

Each acquisition is carefully screened to understand material sustainability risks and how they should be managed or reduced during ownership.

2. Asset management plan

The individual fund manager or individual asset manager reporting to the overall fund manager is responsible for developing and maintaining the asset management plan drawing input from the fund management, research, transactions and treasury teams.

The asset management plan is reviewed on a quarterly basis in conjunction with the property managers. This can include energy related improvements which are underpinned by the wider Energy and Resource Strategy, but water, waste, travel, land use, pollution and community involvement.

3. Property management contracts

abrdn works with preferred property managers to ensure consideration of ESG factors are part of the on-going management of our assets. This includes the property managers working in partnership with abrdn to meet new challenges and promote best practice. Performance targets can be set at the asset level to reduce resource use, minimise pollution and waste and mitigate climate change while making cost savings. abrdn include a broad range of sustainability/ESG aspects in the Property Management contracts. The key topic areas covered within the contracts include e.g. Energy and Utility Management; Waste Management; Consideration of Health & Wellbeing; Community Engagement; Supply Chain; Bio-diversity.

4. Development and refurbishment

abrdn has established a set of ESG guidelines and standards that apply to all new construction, major renovations and forward funded developments. This sets out the standards that are used as a benchmark during the design and appraisal of development schemes and outlines the process to be followed by our internal and external teams when undertaking major development work. This covers, for example, requirements for building certification, energy and greenhouse gas emissions performance, biodiversity and physical climate resilience. Approval for major development is through the Investment Committee in the same way as for asset acquisitions.

For smaller refurbishment activity an ESG checklist is available to teams to support the identification of ESG opportunities that contribute to fund goals that can be included in project specification. Approval for landlord refurbishment works is through a Capital Expenditure Approval Form (CEAF) which requires description of ESG measures incorporate in the works.

Overall, the approach to development seeks to deliver high quality assets that meet the needs of tenants and ultimately support investment returns.

Important Information

Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

Risks of investing:

Real Estate: Investments in property may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Property values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

This is not a complete list or explanation of the risks involved and investors should read the relevant offering documents and consult with their own advisors investing.

This material is to help you understand more about how the investments described herein work, why an investor might want to invest in them, and the particular risks associated with that type of investment. It should not be considered as an offer, investment recommendation or solicitation, to deal in the shares of any securities or financial instruments. It is not intended for distribution or use by any person or entity who is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited. No information, opinions or data in this material constitute investment, legal, tax or other advice and are not to be relied upon in making an investment or other decision.

Any research or analysis used in the preparation of this material has been procured by abrđn for its own use and may have been acted on for its own purpose. The results thus obtained are made available only coincidentally and are not guaranteed as to their accuracy. This material may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions and actual events or results may differ materially.

The reader must make their own assessment of the relevance, accuracy and adequacy of the information contained herein and make such independent investigations, as they may consider necessary or appropriate for the purpose of such assessment. This material serves to provide general information and is not meant to be investment, legal or tax advice for any particular investor. No warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this material. abrđn reserves the right to make changes and corrections at any time, without notice. Tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Professional advice should be obtained before making any investment decision. This material is not to be reproduced in whole or in part without the prior written consent of abrđn.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrđn**. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrđn** or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes any fund or product to which Third Party Data relates.

**abrđn means the relevant member of abrđn group, being abrđn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

This content is available in the following countries/regions and issued by the respective abrdn group members detailed below. abrdn group comprises abrdn plc and its subsidiaries:

(entities as at 4 July 2022)

United Kingdom (UK)

abrdn Investment Management Limited registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Authorised and regulated in the UK by the Financial Conduct Authority.

Europe¹, Middle East and Africa

¹ In EU/EEA for Professional Investors, in Switzerland for Qualified Investors - not authorised for distribution to retail investors in these regions.

Belgium, Denmark, Finland, France, Gibraltar, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, and Sweden: Produced by abrdn Investment Management Limited which is registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL and authorised and regulated by the Financial Conduct Authority in the UK. Unless otherwise indicated, this content refers only to the market views, analysis and investment capabilities of the foregoing entity as at the date of publication. Issued by abrdn Investments Ireland Limited. Registered in Republic of Ireland (Company No.621721) at 2-4 Merrion Row, Dublin D02 WP23. Regulated by the Central Bank of Ireland. **Austria, Germany:** abrdn Investment Management Limited registered in Scotland (SC123321) at 1 George Street, Edinburgh EH2 2LL. Authorised and regulated by the Financial Conduct Authority in the UK. **Switzerland:** abrdn Investments Switzerland AG. Registered in Switzerland (CHE-114.943.983) at Schweizergasse 14, 8001 Zürich. **Abu Dhabi Global Market ("ADGM"):** Aberdeen Asset Middle East Limited, 6th floor, Al Khatem Tower, Abu Dhabi Global Market Square, Al Maryah Island, P.O. Box 764605, Abu Dhabi, United Arab Emirates. Regulated by the ADGM Financial Services Regulatory Authority. For Professional Clients and Market Counterparties only. **South Africa:** Aberdeen Asset Managers Limited ("AAML"). Registered in Scotland (SC108419) at 10 Queen's Terrace, Aberdeen, AB10 1XL AAML is not a registered Financial Service Provider and is exempt from the Financial Advisory And Intermediary Services Act, 2002. AAML operates in South Africa under an exemption granted by the Financial Sector Conduct Authority (FSCA FAIS Notice 3 of 2022) and can render financial services to the classes of clients specified therein.

Asia-Pacific

Australia and New Zealand: abrdn Australia Limited ABN 59 002 123 364, AFSL No. 240263. In New Zealand to wholesale investors only as defined in the Financial Markets Conduct Act 2013 (New Zealand). **Hong Kong:** abrdn Hong Kong Limited. This document has not been reviewed by the Securities and Futures Commission. **Thailand:** Aberdeen Asset Management (Thailand) Limited. **Singapore:** abrdn Asia Limited, Registration Number 199105448E.

For more information visit abrdn.com

GB-040722-177372-3

abrdn.com

STA0722346878-001