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Update on climate progress

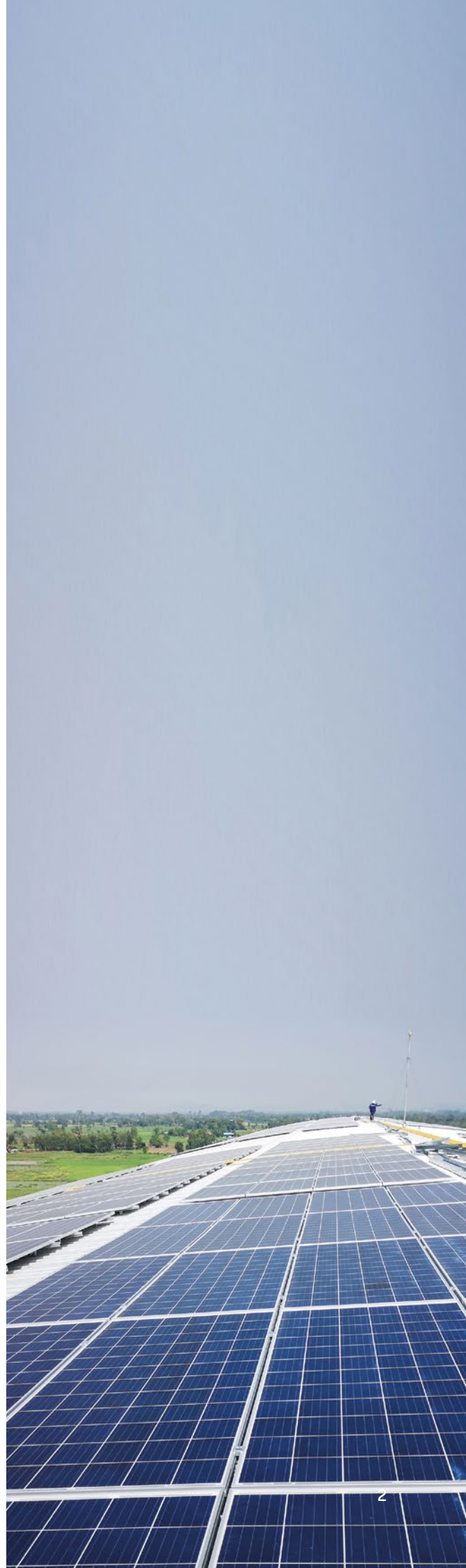
abr dn global direct real estate investments

May 2024

[abr dn.com](https://www.abr dn.com)

Introduction

This document provides an update on our climate progress for our direct real estate investments. Please see the accompanying document 'Our blueprint for addressing climate change' which provides a detailed breakdown of our global direct real estate approach and framework to assessing climate transition and physical risks.



Climate Transition Risks



Our net-zero commitment and scope

The abrdn real estate business is committed to achieving Net Zero Carbon by 2050 across scopes 1, 2 and 3 as defined by the **BBP Climate Commitment**. The scope includes our direct real estate portfolio consisting of our actively managed pooled products and segregated mandates with investor approval.

The real estate business also feeds into the wider abrdn house interim target to reduce scope 1 & 2 emissions intensity by 50% by 2030. For this exercise we track progress on scope 1 and 2 emissions across all our direct real estate assets (wider than the BBP scope).



Progress on fund net-zero pathway analysis & carbon emissions

Net-zero pathway analysis

Number of funds that have undergone net-zero pathway analysis:

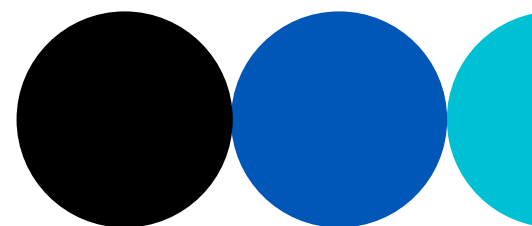
- **Pooled funds:** 12 (67%)
- **Segregated mandates with investor approval:** 8 (33%)

Scope 1 and 2 emissions

- **BBP scope funds:** 2019 vs 2022 has seen a 35% reduction in carbon intensity (by floor area) of the funds which have undertaken a net-zero pathway.
- **Wider abrdn house scope:** 2019 vs 2022 has seen a 25% reduction in scope 1 and 2 carbon intensity (by floor area).

Scope 3 emissions

We run an annual scope 3 data collection exercise. Where scope 3 data is unable to be collected, we use industry standard benchmarks.



Climate Transition Risks



Progress against the energy hierarchy

Energy data coverage (by floor area):

- 2022: 74%*

Energy efficiency:

- 32 properties installed with smart meters**
- Energy audits undertaken for higher priority assets on a rolling basis**

Heat decarbonisation:

- Heat decarbonisation works carried out at appropriate points in the plant lifecycle**

On-site renewables:

- 2022: 10,385 MWh generated on site*
- 2021: 8,651 MWh generated on site*

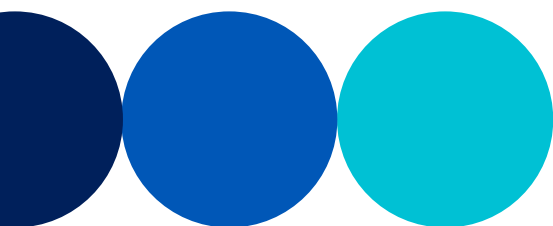
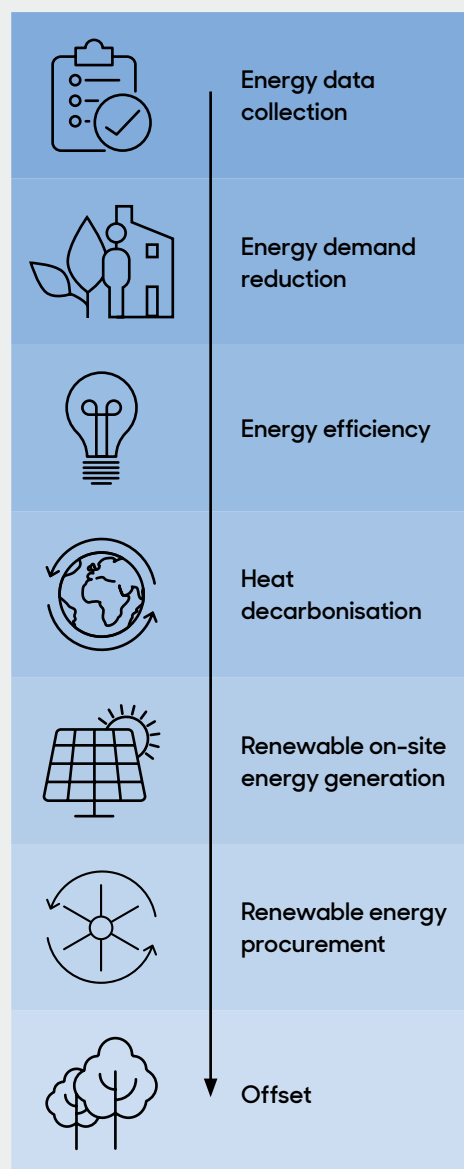
Off-site renewables:

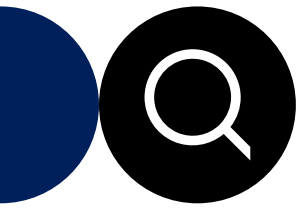
- Total % renewable energy procured (landlord and tenant)
 - 2022: 22%*
 - 2021: 7%*
- 100% landlord procured renewable electricity**

*BBP scope pooled funds which have undertaken a net-zero pathway analysis.

**BBP scope pooled and seg funds which have undertaken a net-zero pathway analysis.

Energy hierarchy





Case Study



Industrial Units in Poole

Before intervention

- Two vacant 1970's industrial units
- Asbestos roof coverings
- Energy Performance Certificate of a D rating

After intervention

- Project delivered within 3% of contract value with the following improvements:

Energy Efficiency:

- Energy Performance Certificate of an A rating
- Replacement aluminium framed double glazing
- Insulated warehouse and office roofs
- Modernised specification throughout

Renewable on-site energy generation:

- Solar photovoltaic panels installed on warehouse roof

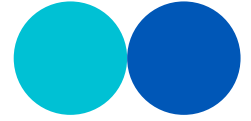
Other ESG initiatives on-site:

- EV charging points
- Cycle storage introduced
- New DDA compliant WC and showers





Case Study



Mixed Use asset in the Netherlands

Before intervention

- Originally constructed 1988
- Floor loadings compromised
- Gas heating
- Obsolescence
- Low biodiversity on site

After intervention

Energy Efficiency:

- EPC AAA+++, BREEAM Excellent, WELL Gold
- LED lighting throughout

Heat decarbonisation

- All electric building (electrified heat)

Renewable on-site energy generation:

- 3,650 PV Panels – 1,570 MWh PA potential

Embodied carbon:

- Circular steel and re-use of 17,200 m³ of concrete

Other ESG initiatives on-site:

- Green wall, hedgehog & mouse tunnels, insect & bird hotels
- Outdoor gym
- EV charging points & Cycle Storage
- Sunscreens and Auto Glare control



Climate Physical Risks



Our approach

Methodology

Acute and chronic climate risks have been analysed consistently for assets in the abrdn funds since 2019. We have undertaken 3 rounds of climate scenario analysis using asset-level location, utility consumption data and insurance data as inputs, to better understand the relevant risks. For acute risks, a catastrophe framework is used to get the Climate Value at Risk (CVAR), while chronic risks are determined using temperature and water availability forecasts for the various scenarios.

Acute risks examined:

- Flooding (coastal, fluvial, surface water)
- Wind & Tropical cyclone
- Wildfire

Chronic risks examined:

- Heating
- Cooling
- Water availability



How we are using this information

The overarching results across our assets are that chronic risks are more pronounced, compared to acute risks. This is mainly due to the increased need for cooling to manage the higher temperatures expected in the future. Surface water flooding was also flagged for some of our assets. Results are used to meaningfully engage with stakeholders and to manage and develop assets effectively.

How we use climate risk analysis outputs:

- Engaging with asset and property managers to interpret risks for any flagged assets on a tailored basis. This involved understanding mitigation measures that may be in place which have not been considered in the initial phase of the analysis (e.g. flood barriers and draining systems in the area or the asset specifically).
- Engaging with tenants on how to improve the energy efficiency and use in abrdn assets.

For any assets that we are looking to acquire, we have a screening process in place to ensure we understand and take into consideration all potential risks and costs associated with mitigation and adaptation measures.



Progress

In the 2023 iteration of the analysis, 700+ abrdn assets worldwide were examined under 18 different climate scenarios. Both standard scenarios from the Network for Greening the Financial System (NGFS) and custom abrdn scenarios were used. Even though most of the focus is on a 2050 timescale, our analysis extends to 2080 so that we can visualise the resilience of abrdn assets over the long-term.



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