Update on climate progress

Global direct real estate investments

June 2025

aberdeeninvestments.com

Introduction

This document presents an update on our progress regarding climate initiatives related to our direct real estate investments. It covers progress against managing both climate transition and physical risk.

Climate Transition Risks

Our net-zero commitment and scope

The Aberdeen Investments real estate business is committed to achieving Net Zero Carbon by 2050 across scopes 1, 2 and 3 as defined by the Better Buildings Partnership (BBP) Climate Commitment. As a signatory of this Climate Commitment we align with the BBP's definition of climate resilience as stated below.

A climate-resilient business has a strategy in place to:

1. Mitigate the worst impacts of climate change by becoming 'net zero' carbon before 2050.
2. Adapt to operating in a world in which climate-driven disruption is more frequent and severe, and
3. Disclose climate-related information to investors, regulators and other stakeholders in a useful and timely way.

The scope of this commitment includes our direct real estate portfolio consisting of our actively managed mandates with investor approval. The real estate business also feeds into the wider Aberdeen Investments 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**: 13 (of 20 in scope).
- **Segregated mandates with investor approval**: 8 (out of 9 in scope).

Scope 1 and 2 Emissions

- **BBP scope funds:**
  - 2019 vs 2023 has seen a 42% reduction in scope 1 and 2 carbon intensity (by floor area) of the funds which have undertaken a net-zero pathway.
  - Meanwhile 2022 vs 2023 has seen a 29% reduction for the same measure.
- **Wider Aberdeen Investments house scope:**
  - 2019 vs 2023 has seen a 34% reduction in scope 1 and 2 carbon intensity (by floor area).
  - Meanwhile 2022 vs 2023 has seen an 11% 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 to estimate data gaps if required.
- On Scope 3 emissions, we track this information for many of our funds and aim to enhance the reliability of this dataset going forward to ensure it is more robust and comprehensive. However, these are not yet comprehensively included in our disclosures due to variations in data availability and reliability.

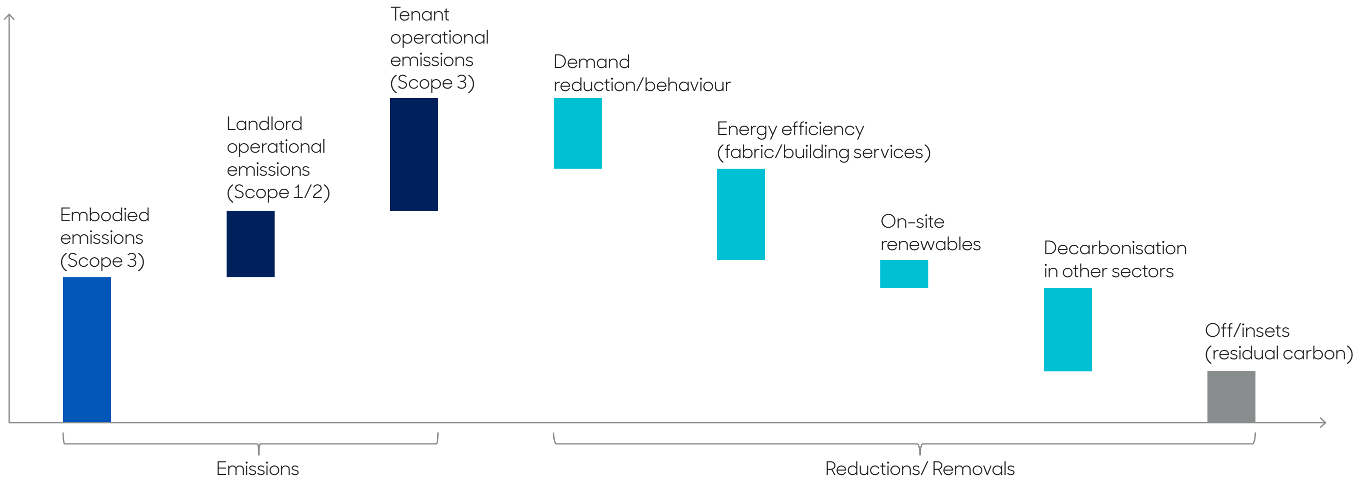
Climate Transition Risks

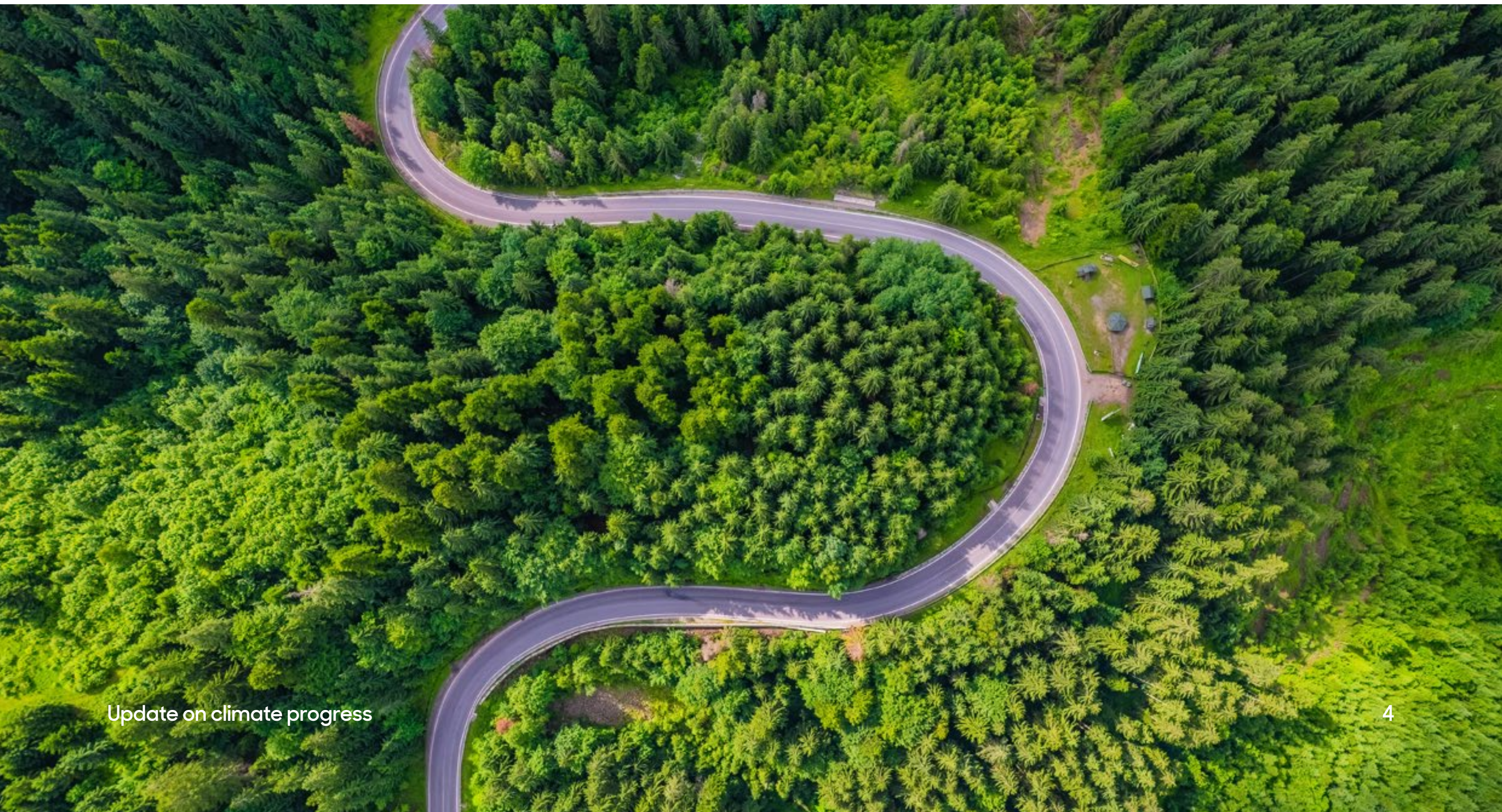
Energy hierarchy

Our net-zero journey involves systematically reducing carbon emissions while addressing any residual emissions to achieve a balance between emissions produced and removed from the atmosphere. The energy hierarchy begins by consideration of embodied emissions (Scope 3) and thereby reducing operational emissions from both landlords (Scope 1 & 2) and tenants (Scope 3).

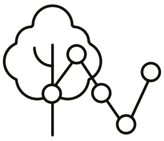
Key strategies comprise demand reduction and behavioural changes to minimize energy use, improving energy efficiency through building upgrades, and integrating on-site renewables like solar panels. As the energy grid and transportation systems undergo decarbonization, reliance on external emissions diminishes, leaving only residual, unavoidable emissions to be addressed through carbon removals or offsets, thereby ensuring a robust and credible pathway to achieving net-zero.

Understanding the baseline: defining net-zero





Climate Transition Risks



Progress against the energy hierarchy

Energy data coverage (by floor area in m^2) :[1]

- 2023: 4,299,265 m^2
  Floor area data coverage has increased 7% year on year and reflects 41% of total absolute floor area considered across Europe and UK.
- 2022: 4,016,428 m^2
- 2019: 4,361,102 m^2

Energy efficiency:

- % of properties installed with smart data collection technology.

i. 2024: 83%
ii. 2023: 16%
iii. 2022: 8%

There is such a large increase between 2023 and 2024 firstly due to better visibility of smart data collection across not just the UK but Europe, as well as the implementation of data scraping tools.

- % of properties with energy audits undertaken.

i. 2024: 6%
ii. 2023: 1%

These represent on site audits whilst desktop audits have been carried out on a larger number of properties.

Heat decarbonisation:

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

On-site renewables:

- 2023: 6,205 MWh generated on site
- 2022: 10,385 MWh generated on site
- 2021: 8,651 MWh generated on site

The reduction between 2022 and 2023 in energy generated by solar PV is due to the sale of assets with Solar PV installed. We still have an ambitious Solar PV installation programme that aims to increase the number of properties with Solar PV across the UK, Europe and Asia.

Off-site renewables:

Renewable energy contracts are in place for all landlord procured electricity supplies. For tenant procured energy, we encourage renewable energy procurement via our standard green lease template and annual data collection requests.

Case Study

ESG Development at Parkway Heathrow, United Kingdom

Overview

We completed the refurbishment of an industrial unit at Parkway Heathrow in London, United Kingdom in H1 2024. The 33,966 sq ft. property highlights our consideration of sustainability factors, not only at acquisition but also at the redevelopment stage.

Strategic ESG Interventions

Our energy hierarchy prioritizes reducing emissions through operational efficiency, renewable integration, and removing reliance on fossil fuels. The Parkway refurbishment follows this achieving significant sustainability milestones. The key outcomes include:

- Achieving EPC A+ certification, upgraded from E.
- Removal of all gas appliances.
- Installation of on-site renewable energy in the form of 256 solar panels, generating close to 108,000 kWh annually.
- Water efficiency focused measures implemented including new efficient hot water system and water-efficient taps.
- Promoting low carbon transport with the provision of 4 EV charging points and a cycle shelter.

Environmental and Design Enhancements

The redevelopment included the installation of smart meters for electricity and water, and draft-proofing the goods doors. The occupier is expected to use 90% of the energy generated on-site, which equates to avoiding 23 tonnes of carbon emissions in the first year, compared to using grid energy. Added features, such as an external seating area and the installation of rooflights to increase daylight, both work to improve the tenant experience.

Conclusion

The ESG-focused refurbishment has transformed Unit A1 Parkway into a more efficient asset, that has generated strong rental income for the estate. By utilising our energy hierarchy throughout the refurbishment, this asset now promotes improved ESG practices onsite.

Case Study

ESG Development at Maarsen, Netherlands

The Challenge

- Eaves Clearance – Low
- Originally constructed 1988
- Floor loadings compromised
- Gas heating
- Imminent lease expiry
- EPC D
- Light touch and relet option
- Obsolescence
- Stranded illiquid asset

The Aims

- Highly sustainable asset
- BRREAM Excellent and on track for Well Gold
- ESG Led Design
- Secure Long Lease
- Best in class
- Tenant appeal
- Creation of liquid asset

The Outcome

- EPC A++++
- BREEAM Excellent
- On track for WELL Gold for both office and shed
- All electric
- LED lighting
- PVs – 3,650 Panels
- Potential 1,570 MWh PA generated
- 26 car chargers
- 16 cycle chargers
- Circular steel
- Design for disassembly adopted
- Re-use of 17,200m^3 of concrete
- Sustainable materials
- Outdoor gym
- Bat and bird boxes
- Hedgehog and mouse rills
- Insect hotels
- Green wall sunscreens and auto glare control
- Let to supermarket operator

Case Study

ESG Development at Maarsen, Netherlands

Overview

The Maarsen property in the Netherlands reiterates our commitment to embedding sustainability into real estate projects. Originally built in 1988, the site faced several challenges, including low eaves clearance, suboptimal floor load capacity, gas heating systems, and an EPC rating of D. Additionally, it was nearing lease expiry, reducing liquidity with suboptimal specifications. The existing unit was not fit for modern logistics operators; the eaves height was compromised, while floor loading and the structure all had significant limitations that could eventually impact value and increase risk.

Strategic ESG Interventions

The Maarsen redevelopment project focused on increased operational efficiency and renewable integration. The completed development reflected a positive shift in sustainability credentials, providing circa 24,500sqm of new modern logistics warehouse accommodation, circa 1,000sqm of office and 1,850sqm of mezzanine space. This was demonstrated by:

- Achieving EPC A++++ certification.
- Securing BREEAM Excellent and WELL Silver certifications for both office and shed areas and on target to secure WELL Gold certification.
- The asset transitioned from having gas boilers on site to an all-electric system with LED lighting and on-site renewable energy, incorporating 3,650 solar panels generating 1,570 MWh annually.
- Enhancing low carbon transport facilities with 26 car chargers and 16 cycle chargers.

Environmental and Design Enhancements

The redevelopment adopted circular principles by reusing 17,200 m^3 of concrete and incorporating a design for disassembly, to reduce the embodied carbon of the project.

Added features like green walls, an outdoor gym, and biodiversity-focused amenities such as bat boxes, bird boxes, and insect hotels enhanced the wider ESG characteristics of the property.

Conclusion

By addressing its carbon intensity and ensuring long-term viability through ESG-led design, the Maarsen project successfully delivered a high specification logistics asset with enhanced ESG credentials. This aligns with our broader goals of real-world decarbonization and robust energy performance as well as wider social improvements for the occupier to enjoy.

Climate Physical Risks

Our approach

Methodology

Acute and chronic climate risks have been analysed consistently for assets within the Aberdeen Investments funds since 2019. We have undertaken 5 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.

Three climate scenarios have been used to assess the vulnerability of our assets. These are based on the scenarios from the Network for Greening the Financial System (NGFS). These scenarios are outlined below and were analysed under multiple timeframes out to 2080 to understand the resilience of aberdeen assets over the long-term.

1. **Orderly** scenarios assume climate policies are introduced early and become gradually more stringent. Both physical and transition risks are relatively subdued.
2. **Disorderly** scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. For example, (shadow) carbon prices are typically higher for a given temperature outcome.
3. **Hot house world** scenarios assume that some climate policies are implemented in some jurisdictions, but global efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts

Acute risks examined:

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

Chronic risks examined:

- Heating
- Cooling
- Water availability

Our approach

Progress

In the 2024 iteration of the analysis, 700+ assets in the global Aberdeen Investments real estate portfolio were examined under the 3 different climate scenarios.

How we use climate risk analysis outputs:

- Work with fund managers to flag any potential risks across the portfolio in the annual fund strategic plans so the appropriate actions can be out in place.
- Engage 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 Aberdeen Investments 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 the potential risks and costs associated with mitigation and adaptation measures.

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