



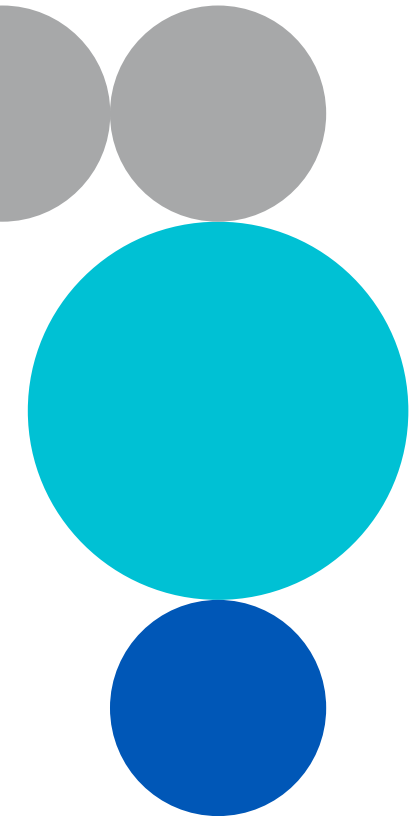
# **Task Force on Climate-related Financial Disclosure Product Report abrnn Global Real Estate Fund**

31 December 2024

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# Portfolio Overview

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<b>Purpose of the report</b>	<p>Climate change is the biggest challenge confronting us all. There is no planet B. At Aberdeen we view this in two ways, firstly by demonstrating leadership in our operations and secondly by reducing the carbon intensity in our own portfolios with a focus on real world decarbonisation towards net zero.</p> <p>Aberdeen recognises the growing demand from investors for more climate-related information about their investments as such, we have made disclosures we believe are consistent with the Task Force on Climate-related Financial Disclosure (TCFD) Recommended Disclosures within this report and we will continue to evolve and enhance our TCFD reporting, in line with data and industry developments.</p> <p>The Financial Stability Board (FSB) created the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations on the types of information that companies should disclose to support investors in appropriately assessing and pricing a specific set of risks related to climate change.</p> <p>In Policy Statement 21/24 the Financial Conduct Authority (FCA) have created a regulatory framework for asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the recommendations of the TCFD.</p>
<b>Deviation from Entity approach</b>	<p>You can read about our real estate approach to assessing climate risk <a href="#">here</a>. Property investments are unique in nature and thus the TCFD metrics have been applied and adapted to be specific to the real estate asset class to provide more meaningful information. In the first year of reporting, only Scope 1 and 2 carbon emissions were reported, and the scope has since been expanded to include Scope 3 emissions data, to provide more meaningful metrics.</p>

# Carbon Analysis

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Carbon footprinting refers to the use of various carbon metrics that are a useful starting point for understanding exposure to carbon within a portfolio and can be informative in identifying potential climate transition risks. Carbon metrics are also one of the various metrics that can help investors better understand the impact of their investments on the climate.

We split carbon metrics out by Scope 1, 2 & 3 in line with the Greenhouse Gas Accounting Protocol Standards best practices.

It is important to consider that carbon footprinting has inherent limitations. Firstly, emissions data is backward-looking and should be complemented with forward-looking analysis of the entity's transition plans. Secondly, each carbon metric has its own idiosyncratic strengths and weaknesses, and each metric can be driven by short-term volatility unrelated to emissions. Lastly, emissions are not necessarily the most appropriate indicator of climate risk. For example, there are many climate solutions that operate within carbon intensive sectors, potentially falsely implying elevated climate risks when compared to other sectors or a broad market benchmark.

### Carbon Data Disclosure

Scope 1 & 2 Emissions Data Disclosure	Relative to properties where Scope 1 & 2 emissions apply	Relative to all properties in the portfolio
Data Coverage (% floor area)	62.7%	19.9%
Data Coverage (% value)	61.8%	19.0%

Scope 3 Emissions Data Disclosure	Relative to properties where Scope 3 emissions apply	Relative to all properties in the portfolio
Data Coverage (% floor area)	58.2%	50.0%
Data Coverage (% value)	34.2%	28.7%

# Carbon Analysis Continued

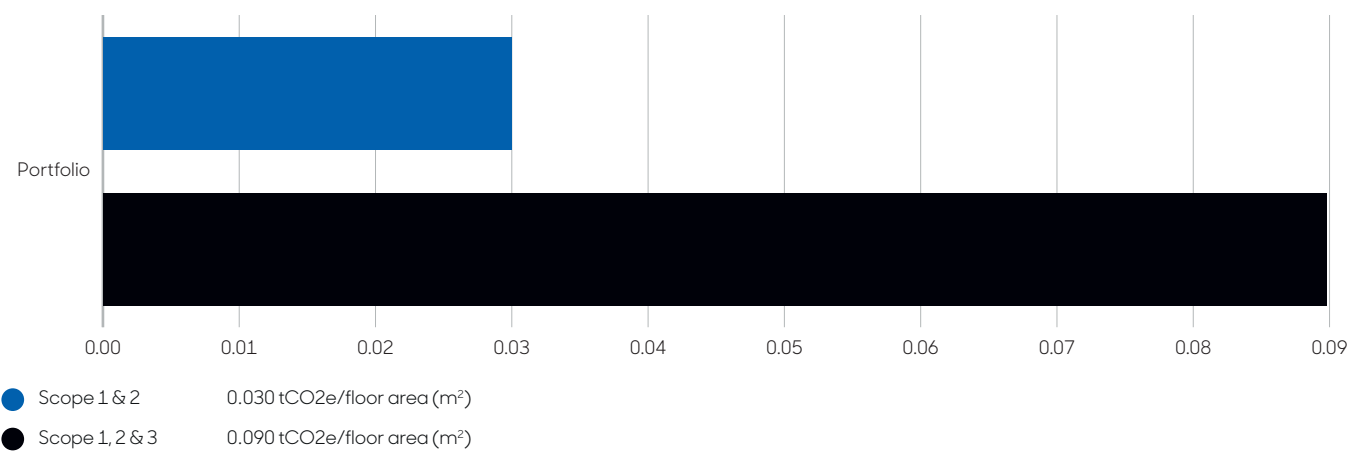
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### Portfolio Carbon Intensity

#### Weighted Average Carbon Intensity

The weighted average carbon intensity takes the property emissions normalised by floor area (m<sup>2</sup>) and subsequently multiplied by the relative weight of the property to the whole portfolio, expressed as tCO<sub>2</sub>e/floor area (m<sup>2</sup>) . The result of this metric will be driven by both the property carbon intensity and its relative weighting in the portfolio. Taking into account the weighted average helps to assess emissions intensity relative to portfolio exposures.

#### How carbon intensive are the properties in my portfolio



Scope (1–3) emissions definitions – 1: Direct emissions 2: Indirect emissions 3: Upstream and downstream value chain emissions

# Carbon Analysis Continued

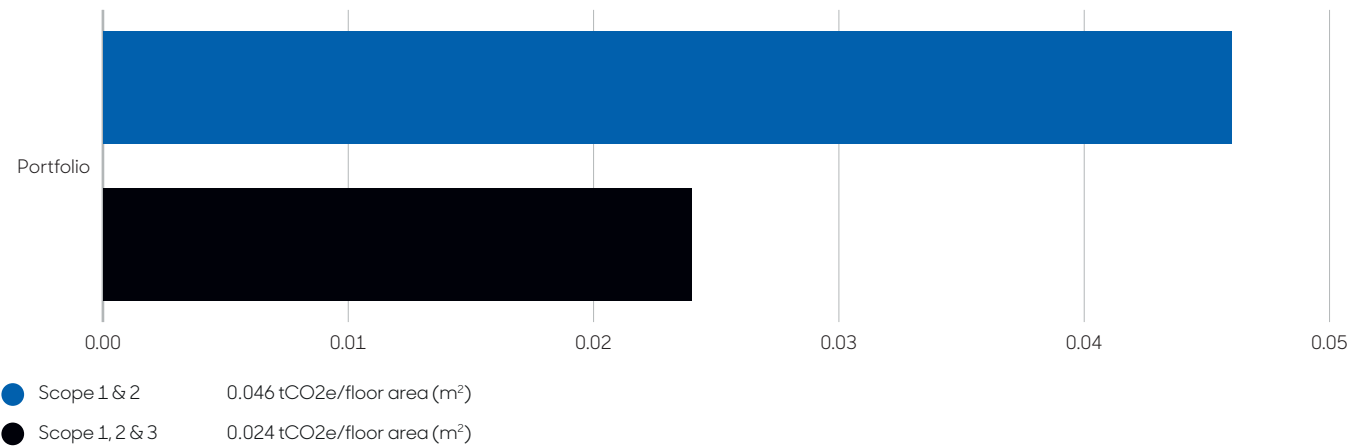
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### Portfolio Carbon Intensity

The portfolio carbon intensity, takes the total emissions of the underlying assets of the portfolio normalised by the total portfolio floor area in m<sup>2</sup>, expressed as tCO<sub>2</sub>e/floor area (m<sup>2</sup>). The emissions taken from the underlying assets do take into account the attribution factor but it is not weighted by the properties relative value so provides a whole portfolio carbon intensity.

Floor area captures the size of the property. While the size of the property is not the only driver of emissions, as the economic activity of the property is also important, the floor area can be seen as a useful proxy to assess carbon efficiency of similar properties. This metric should be used alongside a weighted average approach to this carbon intensity metric.

### How carbon intensive are the properties in my portfolio



Scope (1-3) emissions definitions – 1: Direct emissions 2: Indirect emissions 3: Upstream and downstream value chain emissions

# Carbon Analysis Continued

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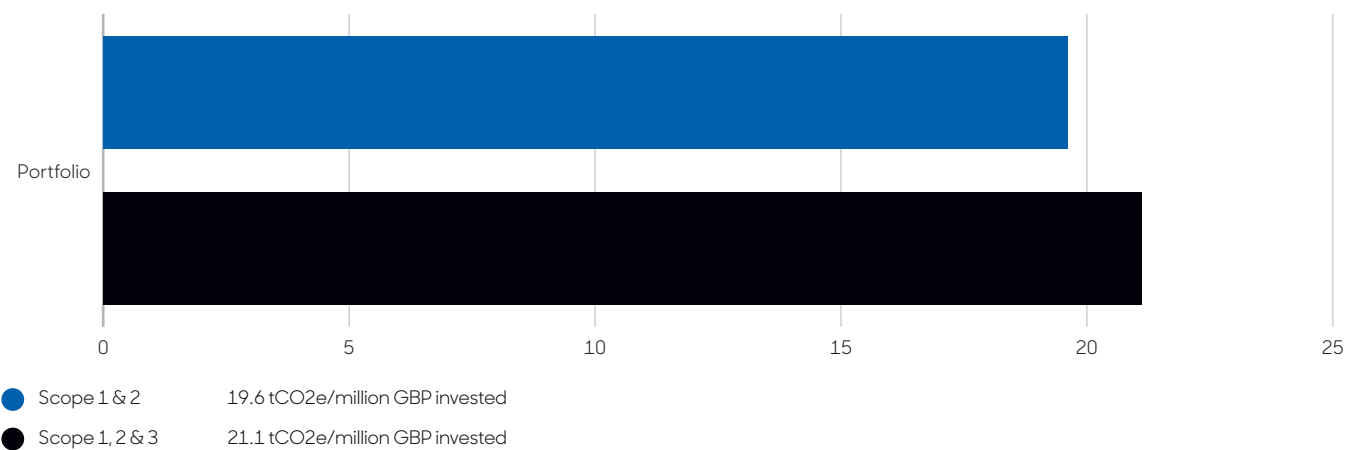
### Portfolio Carbon Footprint

#### Economic Emissions Intensity

Economic Emissions Intensity (EEI) is a normalised carbon intensity metric, expressed as tCO<sub>2</sub>e/million GBP invested. The portfolio weighting of each property is multiplied by the ratio of the properties emissions normalised by the property value. This is equivalent to dividing the portfolio Financed Emissions by the portfolio's AUM.

Normalising emissions allows for more accurate comparisons between properties of different sizes and between funds of different sizes. However, changes in property value and the AUM of the fund will impact EEI results, irrespective of changes in emissions. Due to this, normalising emissions by value means that EEI does not perfectly reflect the carbon impact of an investment on the real-world.

#### How carbon intensive are the properties in my portfolio



Scope (1-3) emissions definitions – 1: Direct emissions 2: Indirect emissions 3: Upstream and downstream value chain emissions

# Carbon Analysis Continued

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### Greenhouse Gas Emissions

#### Total Financed Emissions

Total Financed Emissions calculate the absolute total emissions, expressed as tCO<sub>2</sub>e, that are attributed to the investor. The methodology used follows the Partnership for Carbon Accounting Financials (PCAF) and is recommended by TCFD. The attribution factor is calculated by taking the monetary size of the investment and dividing it by the underlying assets property value. This attribution factor is then multiplied by the properties total emissions to calculate the final Financed Emissions result.

It is important to consider that Financed Emissions will be principally driven by the size of the investment made in an asset and therefore, larger funds will tend to have higher Financed Emissions. Moreover, changes to the attribution factor, such as, a change in property value can result in changes to the Financed Emissions regardless of changes in emissions.

#### What emissions are “owned” by the portfolio based on property ownership?

In tonnes of CO <sub>2</sub> e	Emissions Scope 1 + 2	Scope 1 (direct)	Scope 2 (direct)	Scope 3 (value chain)
Portfolio	1,657	11	1,646	1,578

Total emissions owned increase with the size of the portfolio and are therefore not comparable across funds.



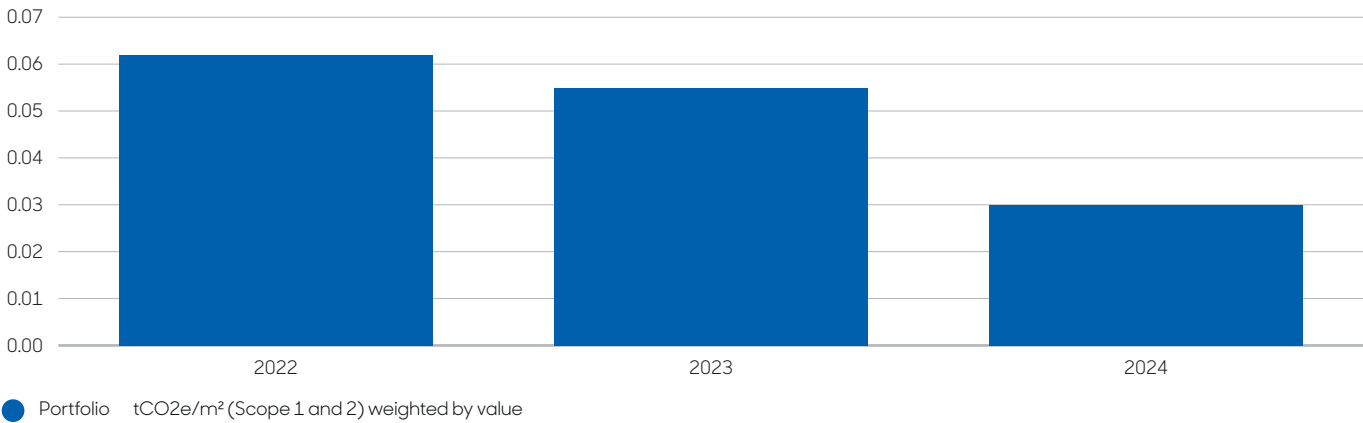
# Carbon Analysis Continued

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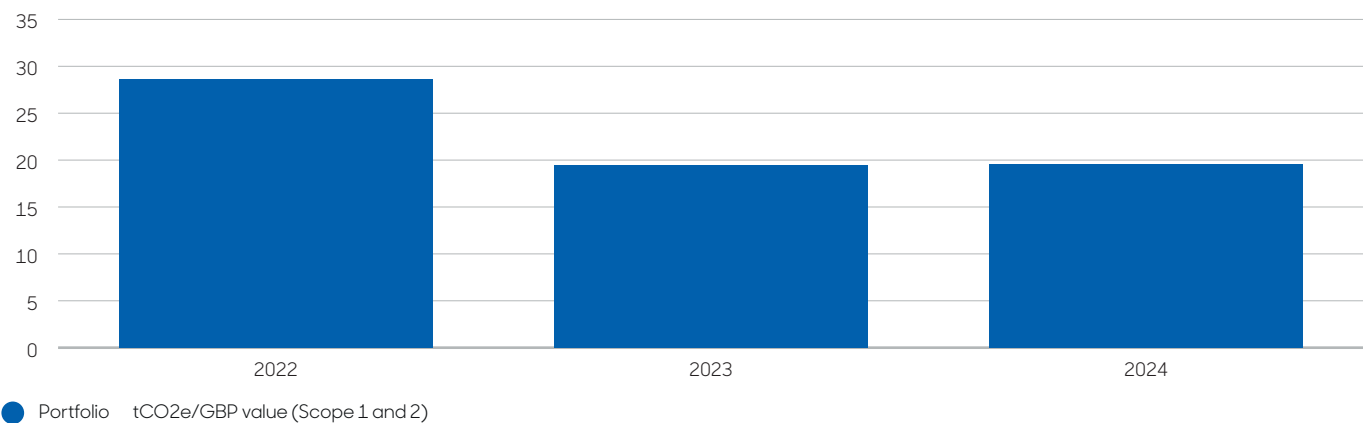
### Historical Annual Comparison

The below graphs include scope 1 & 2 emissions data only.

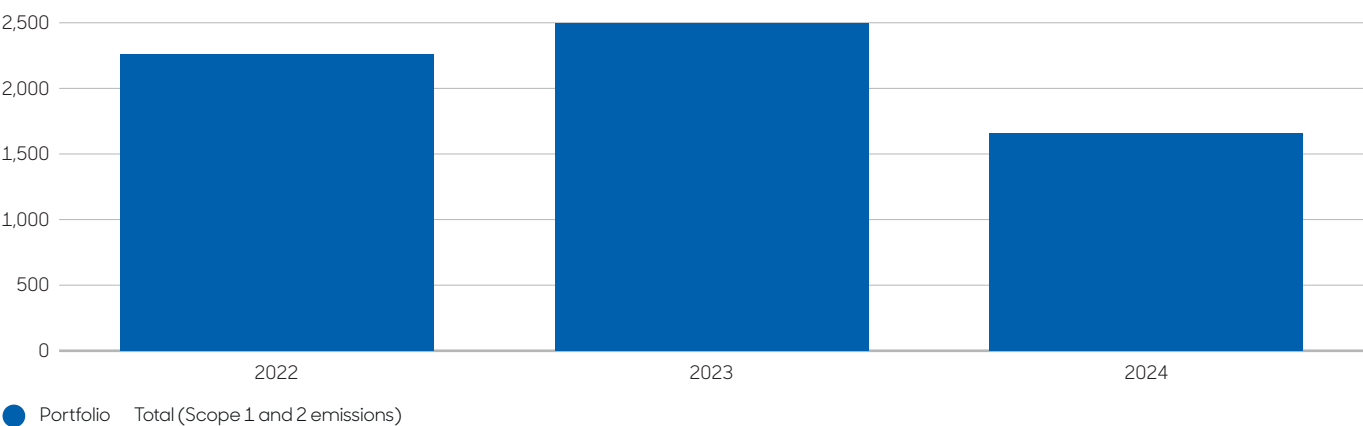
#### Portfolio Carbon Intensity



#### Portfolio Carbon Footprint



#### Greenhouse Gas Emissions



Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream Value Chain emissions

# Carbon Analysis Continued

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### Exposure to Carbon Intensive Sectors

Even though the climate transition will have far-reaching consequences across supply-chains, when considering carbon exposure, the majority of emissions are highly concentrated in just a few sectors, as classified by GICS/BICS.

We have determined the GICS Industry Groups: Utilities, Energy, Materials and Transportation as representing 'Carbon Intensive Sectors'. Below we outline the portfolio weighted exposure to these sectors. The investments of this vehicle are into direct real estate, and thus there is no exposure to the carbon intensive sectors identified and listed below.

Carbon Intensive Sector	Portfolio Weights (%)
Utilities	0.00
Energy	0.00
Materials	0.00
Transportation	0.00

# Carbon Scenario Analysis

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### Climate Value at Risk

Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change pathways and related policy and technology scenarios on investments.

These impacts are driven by:

- Transition risks and opportunities: direct and indirect carbon costs, and abatement measures to counteract these costs; demand destruction for emissions-intensive goods, and demand creation for goods with abatement potential.
- Physical risks: impacts of chronic physical risks and increased physical damages to real assets caused by more extreme weather events; adaptation measures to help counteract these risks.
- Market dynamics: the ability to compete in the market and pass on climate-related costs.

Our analysis provides bottom-up quantification of the financial implications of these direct and indirect economic shocks. The analysis considers the specificities of each security and its sensitivity to those shocks, and thereby assesses the impact on annual value stream. These are consolidated into financial impacts at asset level and can then be aggregated to assess the impact at fund level.

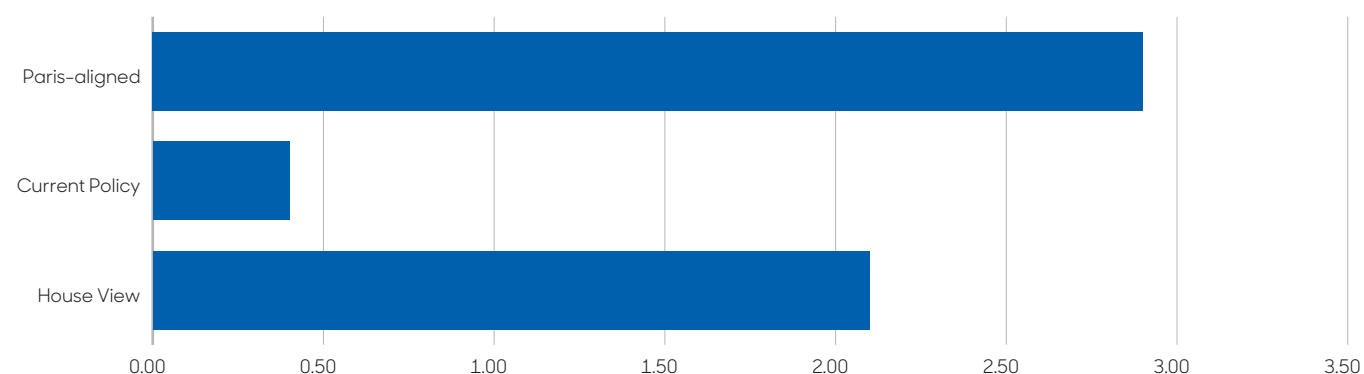
#### Scenarios:

**Paris-aligned Mean- (transition)** – Weighted average across all 'Paris-aligned' scenarios in our full suite of 16 scenarios, resulting in a global temperature rise of 1.8 °C by 2100. This weighted scenario is derived from the probabilities which we attach to our eight scenarios with a 2100 global temperature rise below 2°C. 22% of the weight is assigned to scenarios minimising warming to less than 1.5°C. 72% of the weight comes from our bespoke scenarios which allow policy to vary across regions and sectors.

**Current Policy ('hot house world')** – No new policy action is implemented beyond what is already in place, 90th percentile warming effects from scenario emissions resulting in a global temperature rise of 4.2°C by 2100. Whilst oil demand shows a minimal decline, due to electrification of the transport system, the demand for gas and coal increases. Emissions steadily rise and there is no increase in world carbon price. Non-fossil fuel power generation reaches 79% and electric vehicles make up 73% of the market by 2050. Physical risks are significantly increased as a result of the high global temperature rise. This is an 'off-the-shelf' NGFS scenario and is based on the REMIND model.

**Probability Weighted Mean (house view)** – Weighted average based on our latest assessment of probability across our full suite of 16 scenarios, resulting in a global temperature rise of 2.3 °C by 2100. This scenario is derived from the probabilities which we attach to our full suite of 16 scenarios. 83% of that weight comes from our bespoke scenarios which allow policy to vary across regions and sectors. Approximately 1/3 of the weight is assigned to scenarios that result in keeping global temperature rise below 2°C, but only 7.5% of the weight is assigned to scenarios minimising warming to less than 1.8°C.

#### % Impact on fund value by 2050



# Climate Scenario Analysis Continued

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### Generic Scenario Information

Climate scenario analysis provides important forward-looking insight to enable climate change risks and opportunities to be integrated into investment decision-making. The analysis involves modelling the impact on properties of a range of pathways (for both physical climate change and the transition to a low carbon economy) under plausible assumptions for future policy and technological change. This allows us to explore the potential financial impact of climate change on current portfolios out to 2050.

# Climate Scenario Analysis, Portfolio Alignment

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### NZIF Classification

Portfolio alignment intends to measure the level to which a portfolio aligns itself to the climate transition and achieving net-zero by 2050. The Net-Zero Investment Framework has proposed a method which categorises assets into various levels of alignment, recognising that assets transitioning may not be aligned to a net-zero pathway today but are transitioning towards a net-zero pathway. The Glasgow Financial Alliance for Net-Zero (GFANZ) has referred to this method as the 'maturity scale approach'.

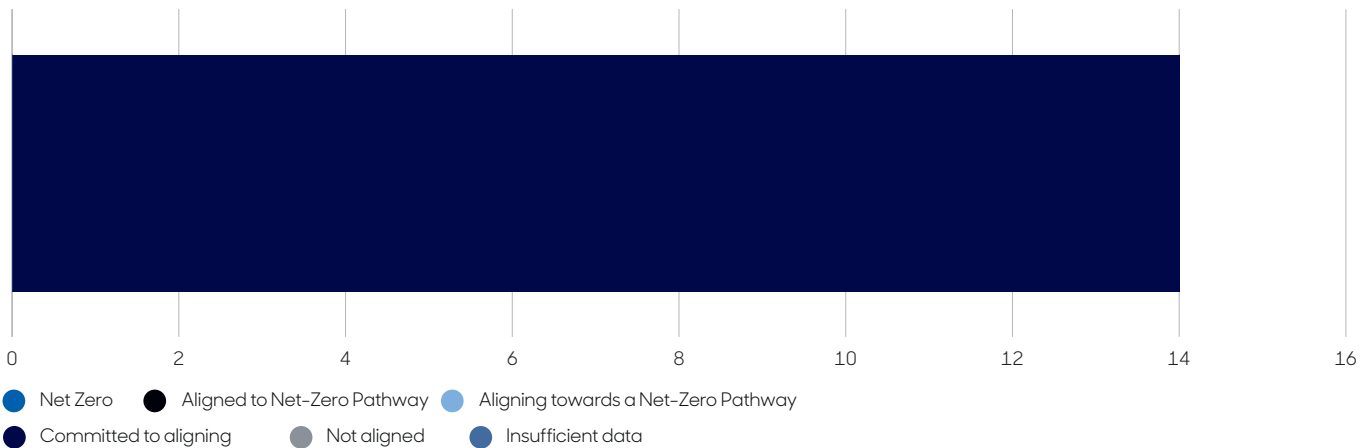
Aberdeen reports the maturity scale alignment method in three ways:

- (1) By positions: For a direct real estate portfolio, this is equivalent to the number of property investments held.
- (2) On a weighted holdings basis: For direct real estate, this tends to be 100% as the properties are usually fully owned within the portfolio.
- (3) Financed Emissions weighted basis: For direct real estate, this means that any scope 1 and 2 emissions from properties within the portfolio fully fall under the different 'maturity scale' categories.

NZIF maturity scale by property simply categorises each individual property within a portfolio into a level of alignment.

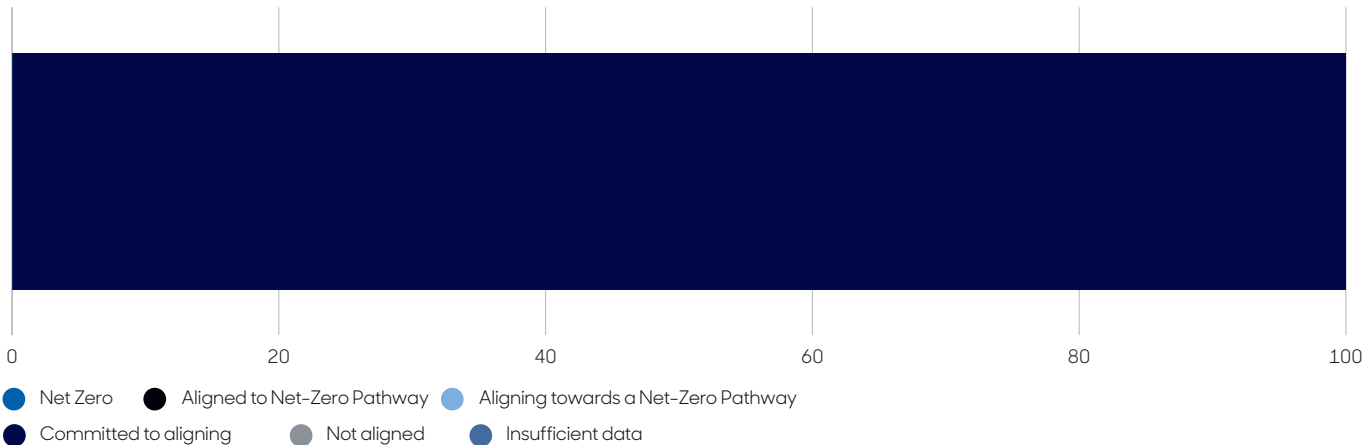
### NZIF Classification (by positions/properties)

NZIF maturity scale by property simply categorises each individual property within a portfolio into a level of alignment.



### NZIF Classification (weighted %)

NZIF maturity scale by weighted holdings reports the level of portfolio alignment across the categories on a weighted holdings basis (excluding cash).

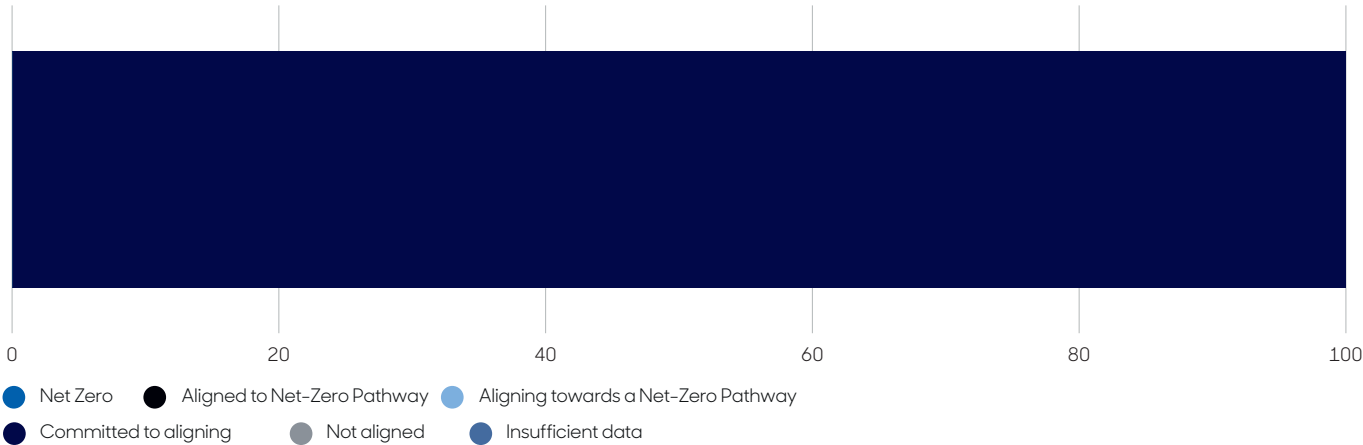


# Climate Scenario Analysis, Portfolio Alignment Continued

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## NZIF Classification (Financed Emissions weighted %)

NZIF maturity scale by Financed Emissions weighting reports the level of portfolio alignment across the categories on a Financed Emissions weighted holdings basis.



# Glossary

Data Point	Definition
Carbon Emissions – Scope 1	Greenhouse gas emissions generated from sources which are owned or controlled by the company.
Carbon Emissions – Scope 2	Greenhouse gas emissions generated from the consumption of purchased electricity, heat or steam by the company.
Carbon Emissions – Scope 3	Greenhouse gas emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company, upstream and downstream of a company supply-chain, such as, the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity related activities (e.g. T&D losses) not covered in Scope 2.
Carbon emissions / Greenhouse Gas	Carbon emissions is used as a generic term for the main greenhouse gas (GHG) emissions (carbon dioxide, methane, nitrous oxide, F-gases) in our reporting. This is synonymous to the term carbon dioxide equivalent (CO <sub>2</sub> e).
Carbon dioxide equivalent (CO <sub>2</sub> e)	This metric utilises global warming potentials of all the greenhouse gases as defined by the International Panel of Climate Change to calculate a single consistent metric for GHG impact in carbon dioxide equivalent terms.
Weighted Average Carbon Intensity (WACI)	The weighted average carbon intensity takes the property emissions normalised by floor area and subsequently multiplied by the relative weight of the property to the whole portfolio.
Financed Emissions	This is the absolute tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e) that is attributed or 'owned' by an investors, based on the value of the investment in an investee company. This metric is consistent to the PCAF Financed Emissions methodology, which is integrated into TCFD recommendations.
Economic Emissions Intensity (Carbon Footprint)	Economic Emissions Intensity (EEI) is the terminology used by PCAF. This metric is synonymous with 'carbon footprint'. EEI is a normalised carbon intensity metric, expressed as tCO <sub>2</sub> e/million USD invested. The portfolio weighting of each holding is multiplied by the ratio of the asset's emissions normalised by the asset's value. This is equivalent as dividing the portfolio Financed Emissions by the portfolio's AUM.
Carbon Intensive Sectors	We have determined the GICS Industry Groups: Utilities, Energy, Materials and Transportation as representing 'Carbon Intensive Sectors'.
Climate Change Scenario analysis	Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change scenario pathways and related policy and technology scenarios on investments.
Probability Weighted Scenario	Weighted average scenario based on our latest assessment of probability across our full suite of 16 scenarios, resulting in a global temperature rise of 2.3C by 2100.
Paris-aligned Mean Scenario (transition)	Weighted average across all 'Paris-aligned' scenarios in our full suite of 16 scenarios, resulting in a global temperature rise of 1.8 degrees Celsius by 2100
Current Policy Scenario ('hot house world')	No new policy action is implemented beyond what is already in place, 90th percentile warming effects from scenario emissions resulting in a global temperature rise of 4.2°C by 2100.
Transition Risk	Climate risks associated with the transition to a low-carbon economy, these include, demand creation, demand destruction, technology risk, carbon price risk, market risks etc...
Physical Risk	Climate risks associated to the physical impacts of climate change, these can be broadly categorised into acute risk (short-term impacts) and chronic risk (long-term impacts).
Climate Value at Risk	The associated financial risk measured based on a selected climate scenario.
GICS / BICS	GICS: Global Industry Classification Standard is an industry taxonomy developed by MSCI and Standard & Poor's. BICS: Bloomberg Industry Classification System is an industry classification system developed by Bloomberg.
PCAF	Partnership for Carbon Accounting Financials.
Glasgow Financial Alliance for Net Zero	The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy.
Net Zero Investment Framework	The Net-Zero Investment Framework was developed by the Institutional Investors Group on Climate Change (IIGCC), it produced an alignment metric that is now being referred to as the maturity scale approach (as defined by GFANZ).

# Glossary Continued

Data Point	Definition
NZIF Maturity Scale Alignment	This alignment metric enables investors to cover the Binary Target Approach in more detail, categorising companies into levels of alignment as defined by the IIGCC NZIF recommendations.
Abatement	Abatement refers to the act of reducing the emissions of an activity (synonymous with decarbonisation).



# Find out more

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