



Dialling-up our integration of ESG into real estate

Introducing our in-house solution to meeting
investor aspirations on responsible investing

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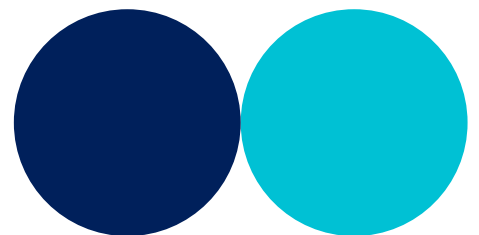
Dialling-up our integration of ESG into real estate

How we integrate environmental, social and governance (ESG) policies into real estate management is becoming increasingly important. In general, investors have become more ethically and environmentally conscious, and they take a far more holistic approach to their investments. Global environmental targets and legislation at a national and European level are also pushing the boundaries for ESG integration.

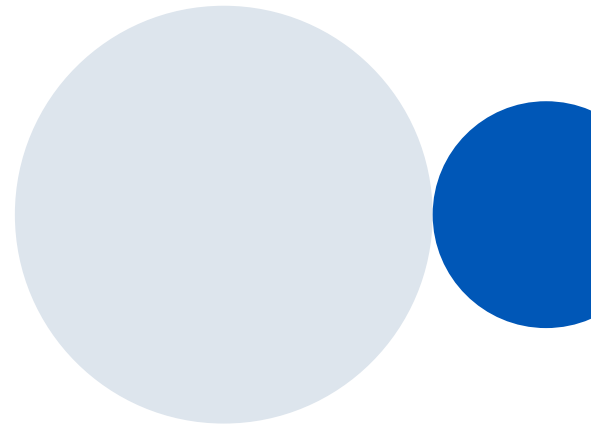
But buildings, by their nature, are energy intensive. From the carbon used in bricks, concrete and steel, to the running costs, they have a direct impact on the environment. And unlike shares and bonds, properties are tangible assets that people can see, visit, work and live in. How they look, how they operate and how they are managed affects occupiers, landlords, investors, and the local community.

Our research has shown that investors don't all share the same view when it comes to managing assets, though. Some traditional investors are more focused on financial returns. Some take a more responsible investment approach where they are primarily driven by financial returns, but they take ESG factors into account. Others are looking to make a positive impact and see financial returns and ESG concerns as equally important considerations.

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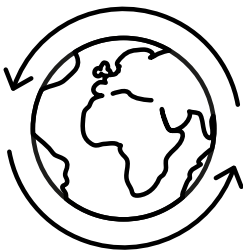


The four 'forces for change'

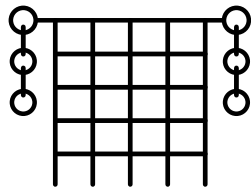


Investors also differ on what specific ESG factors they view as important. Some may be particularly concerned about limiting any damage to the environment, for example, but they may consider social aspects to be of less importance. ESG concerns can also vary by location and geography. Investors in the UK may have different priorities from those in Scandinavia, Germany or in the US. And those with global aspirations may differ again.

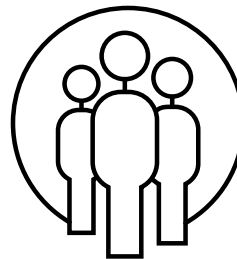
At abrdn, we believe there are four forces affecting global real estate investment



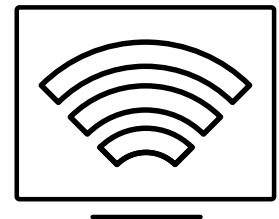
Changing environment and climate



Demand for improved governance and transparency



Changing demographics



Rapidly increasing technology, connectivity and infrastructure

"Buildings, by their nature, are energy intensive. From the carbon used in bricks, concrete and steel, to the running costs, they have a direct impact on the environment."

Set your own aspiration for ESG – introducing our new Impact Dial

How do we meet investor expectations over ESG? We've created a new, bespoke solution that allows us to dial our ESG aspirations up or down, depending on the investor's desired outcome.

The ESG Impact Dial is the first of its kind in the real estate asset management industry. As shown in the chart below, it gives us the ability to tailor investor's ESG aspirations to their risk profile and target goals, and fully integrate them into real estate management.

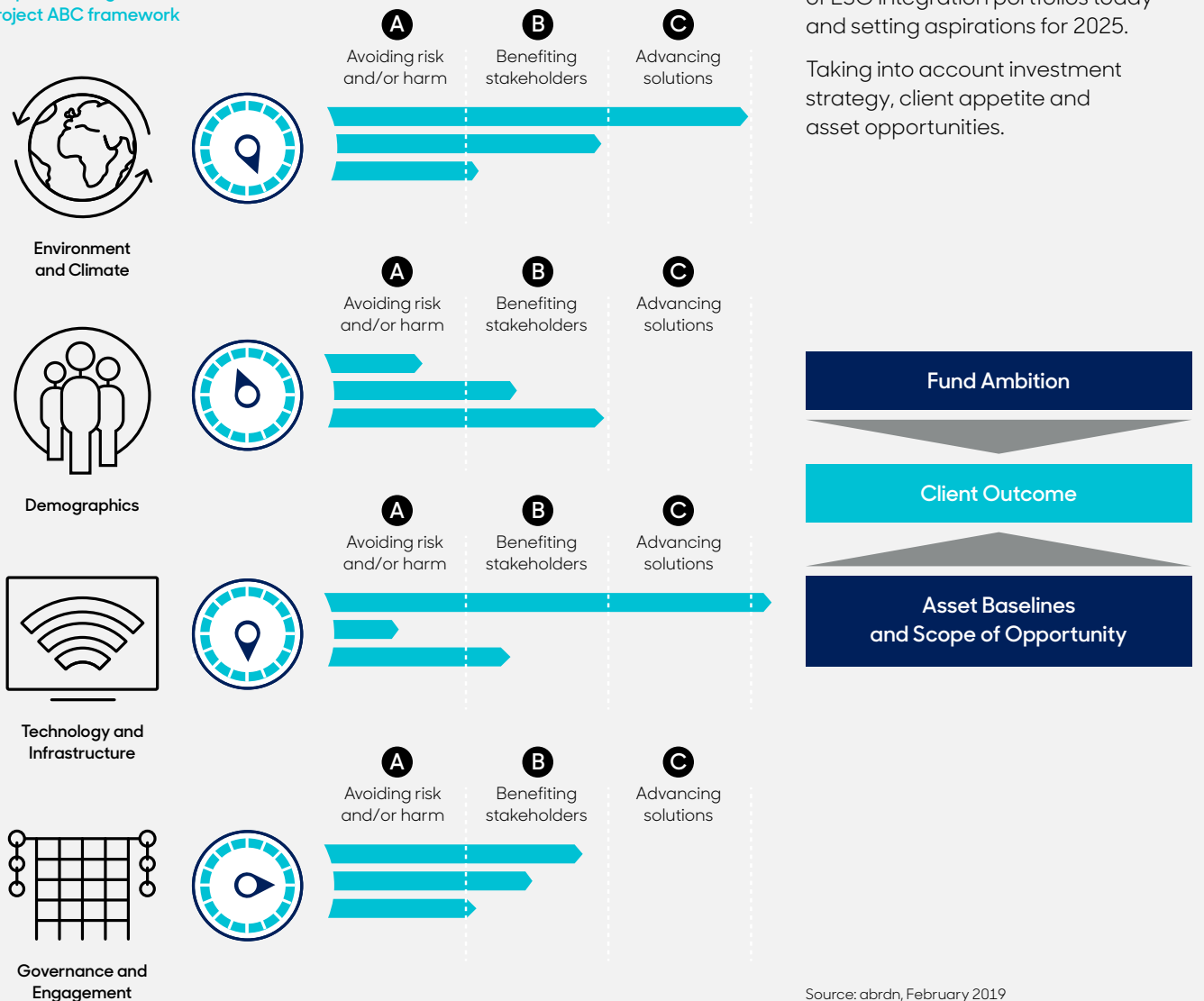
We start with a house standard – the absolute minimum policy – focused on avoiding undue risk when managing a real estate asset. This strategy influences the assets we buy, how they are managed and the future plans for the asset.

From there investors can move up a sliding scale, to policies that benefit stakeholders, with the highest level strategies for investors who want to drive innovative ESG solutions – aiming to solve specific problems or generate specific positive impacts.

The ESG Impact Dial allows investors to choose their level for each of the four 'forces for change'. Some investors may choose to be innovators for environmental and climate challenges, but prefer to focus less on social and demographics.

Our bespoke approach also takes into account the investor's risk profile and their target return aspirations, both short and long term.

Proprietary adaption of the Impact Management Project ABC framework



Source: abrdn, February 2019



"The ESG Impact Dial is the first of its kind in the real estate asset management industry. It gives us the unique ability to tailor investors' ESG aspirations to their risk profile and target goals - and to fully integrate these into real estate management.

ESG in real estate is a complex and diverse world. Our innovative approach means that one size no longer has to fit all."

Important Information

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