March 2021

Direct Real Estate

Our approach for investments

Sustainable and Responsible Investment Policy and Approach

Environmental, Social and Governance (ESG) characteristics promoted

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

Although funds which ASI has classified as AFDR article 8 funds do not have a sustainable investment objective for purposes of the EU Sustainable Finance Disclosure Regulation (SFDR), they are managed in accordance with ASI's Sustainable and Responsible Investment Real Estate approach ("SRI RE Approach") (ASI 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 environmental, social and governance (ESG) outcomes in relation to the management of the funds and their investments. The funds promote the consideration of ESG characteristics, both ESG risks and opportunities which are material to direct real estate investment: in particular, sustainable building design and operation; climate change mitigation and adaptation; and the measurement of social value, including 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 (such as GRESB) and improved ESG performance scores on ASI'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 ASI in the future).

"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."

ASI'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 – these inform the ASI Real Estate ESG House View. This approach allows the identification and promotion of material ESG risks and opportunities relevant to an individual fund's investment strategy, sector and geography. In addition, using ASI's real estate societal impact valuation framework, 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. ASI also makes annual submissions to leading external peer group comparators, such as GRESB (Global Real Estate Sustainability Benchmark), in respect of individual funds to demonstrate ESG leadership and continual improvement in ESG performance. ASI 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. ASI reserves the right use another external peer group comparator if deemed appropriate.

ASI'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.

Aberdeen Standard Investments

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, ASI 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 ASI determines that those risks are able to be mitigated effectively. As such, ASI 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 aquired by relevant funds should have an ESG action plan within 12 months of acquisition.

Reporting

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

Each fund's annual ESG targets as well as an overview of environmental performance statisics eg Energy, GHG, Waste, water are provided in the annual client report. An illustrative example is provided in Appendix I.

ASI's approach to embedding ESG into the Investment Process

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

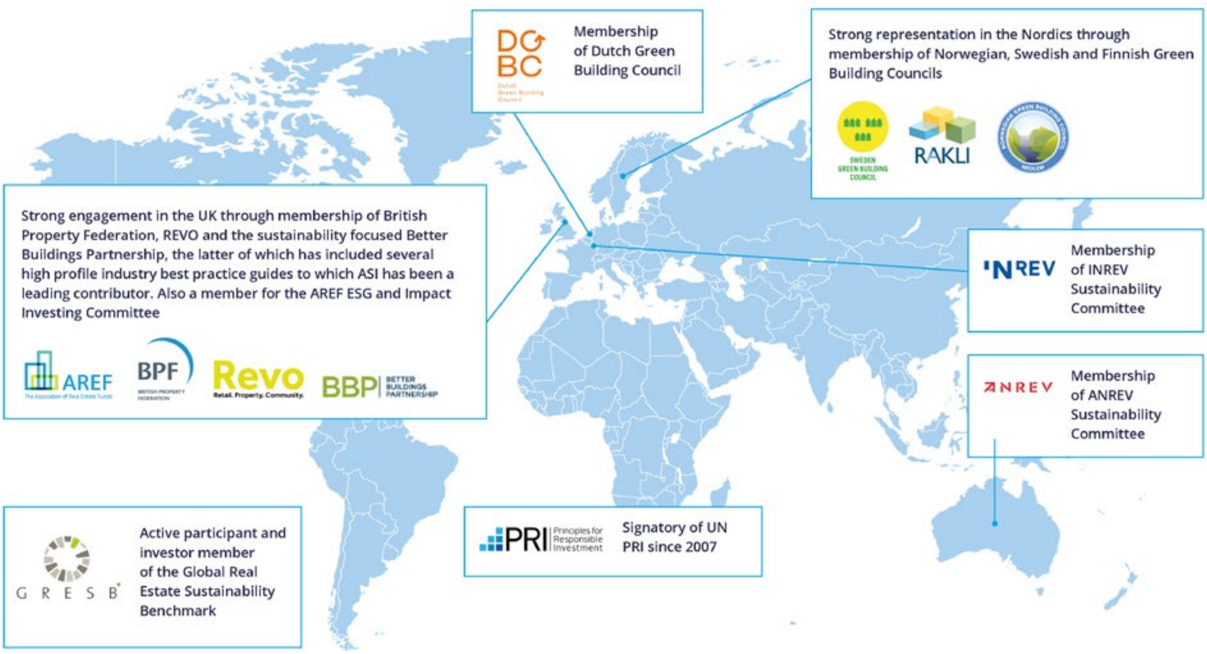
ESG Governance
The management of ESG issues is led by ASI's Head of ESG, Private Markets & Real Estate.

Oversight of ESG strategy and ESG governance committees is outlined in the table below:

Group and Frequency	Real Estate ESG Team attendance	For the purpose
RE ESG Strategy Group [Real Estate ESG, Investment Strategy, Research, Stewardship – Quarterly]	All meetings convened and led by the ESG team	Keep the House View under review and identify new trends. Update "forces for change" topics, material subtopics and house targets as appropriate.
RE Investment Management Committee [Weekly]	ESG team attends quarterly	Updating on progress against implementation plan. Addressing strategic issues. Signing-off on annual review.
Regional Management Meetings [Quarterly]	ESG team attends every other quarter	Keeping headline progress at the regional level and issues specific to local markets and jurisdictions under review

Source: Aberdeen Standard Investments, January 2020.

In addition, ASI's team support, contribute and co-ordinate a network of global ESG leardership efforts:



The Process

ASI believe that comprehensive assessment of environmental, social and governance (ESG) factors, combined with constructive engagement, leads to better client outcomes. More specifically, ESG is a fundamental part of the way in which ASI think about real estate investments. It forms an integral part in all stages of our investment process and as such, is not considered independently, but is analysed alongside all other material issues.

ESG is a component of all decision making as outlined in the image below.

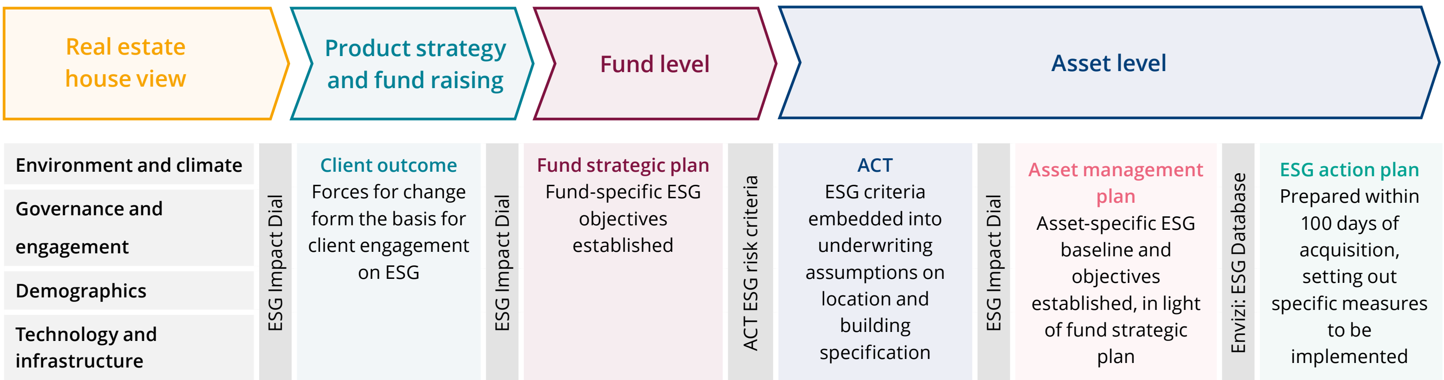
The annual fund Strategic Plan sets the focus and strategy of the fund. This plan includes reference to ESG performance and risks, aswell as longer term strategic goals and implementation. There is a formal ESG strategy meeting with every fund every year prior to the formulation of the annual fund Strategic Plan. The outputs from this meeting help shape the context for the wider fund strategy. To assist with this integration and ensure consistency, ASI's Head of ESG, Real Estate is a voting member on our Investment Strategy Committee (ISC) to review and approve the annual fund Strategic Plans from an ESG perspective.

Asset selection is informed by both bottom-up and top-down factors. For ESG, this means ASI 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.

ASI 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 and ESG House View.

The Real Estate ESG team are an integral part of this process and will collate an Investment Committee (IC) Memo stating their support (or otherwise) for the acquisition. Additionally, ESG factors are embedded into underwriting decisions to inform buy, sell and hold decisions, reflected in underwriting cashflow forecasts. Where any ESG criteria is rated poorly or where the ESG team do not support the acquisition, then ASI's Head of ESG, Real Estate 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 through an Asset Strategy Plan prepared for each asset, and ASI's Envizi ESG database.

Every asset held within a fund's portfolio must also have a specific ESG action plan. These action plans are closely linked to the fund ESG strategy described above Actions are tracked within the Envizi ESG database and delivery of the actions forms a key part of ASI's out-sourced property managers KPI's to drive improvements.



Key responsibilities and governance

- **ESG strategy group** 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 team using the **asset conviction tool (ACT)**. 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. Signed off by **fund manager**.
- ESG action plan created by property manager with reference to Envizi and informed by the asset management plan. Real estate ESG team provides input as required. Signed off by **portfolio manager**.

Assessment, Measurement and Monitoring

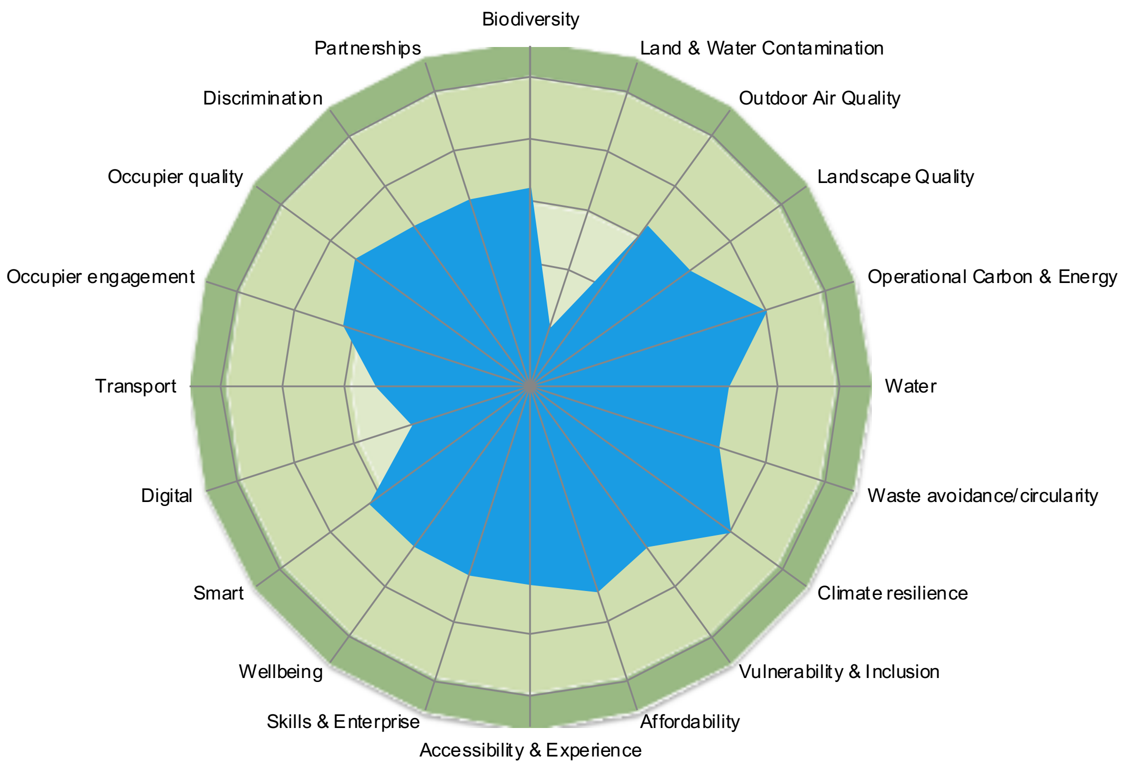
This section is is applicable to all ASI Direct Real Estate Products.

Sustainability indicators

ASI'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 – these inform the Real Estate ESG House View. 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.

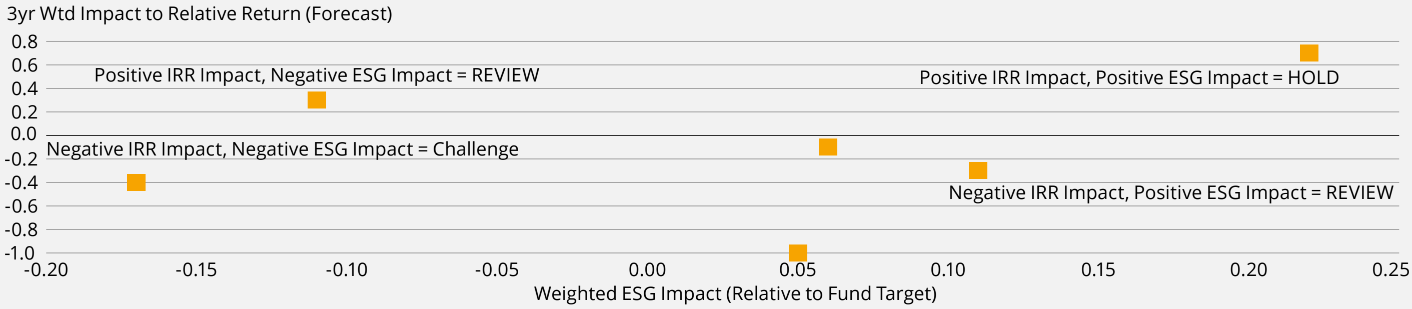
PLANET	PEOPLE	PROCESS	PROGRESS
Environment and Climate Change	**Demographics**	**Governance and Engagement**	**Technology and Infrastructure**
Biodiversity	Vulnerability & Inclusion	Diversity & labour Rights	Digital Connectivity
Land and Water Contamination	Affordability	Occupier Engagement	Physical 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 four main categories and the ESG Impact Dial acts as a reference point for all investment decisions. They determine the baseline profile of ESG Integration in portfolios today and allows the teams to set aspirations for the future. Every asset is scored against the above criteria and compared to the overall fund ESG target and client strategy, as demonstrated in the example below.



This approach allows genuine comparison of ESG performance against investment performance, as demonstrated by the below indicative chart, ensuring that the agreed strategic direction of individual funds is front and centre of decision making.

ESG Performance Contribution



Source: XX.

In addition, using ASI's real estate societal impact valuation framework, funds will make efforts to review opportunities to enhance positive benefits to society and minimise negative societal impacts associated with their activities. Societal impact can be measured through owner and occupier activities and includes affordability, accessibility, occupier quality and experience.

Data sources & screening criteria

1. Due diligence check-list prior to acquisition

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

ASI has embedded into this due diligence approach a sustainability risk analysis and checklist in order to ensure that ESG risks are mitigated wherever an acquisition proceeds. 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 any material sustainability risks and how they should be managed or reduced during ownership. Typically a review will encompass an assessment of the Impact Dial Score and comparison to fund target, and incorporates a list of ESG issues.

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 includes not only 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

ASI is working 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 ASI to meet new challenges and promote best practice. Performance targets are set at the asset level to reduce resource use, minimise pollution and waste and mitigate climate change while making cost savings. ASI include a broad range of sustainability/ESG aspects in the Property Management contracts and monitor performance against ESG related KPIs. 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

ASI consider ESG aspects as part of any development or refurbishment ensuring that our minimum development standards are adhered to. This is monitored within ASI's IC Capital Expenditure (Capex) proposal template which ensures consideration of ESG factors in the initial proposal and decision making process.

Furthermore, ASI have established a working tool to help our supply chain consider and apply sustainability factors in each step of the development and refurbishment process with a feedback reporting loop to monitor progress. Delivering high quality sustainable projects requires an iterative development process to enable more efficient future delivery and better management of risks. ASI out-source to a small panel of expert sustainability consultants who ensure a consistent approach and that lessons learnt are captured and shared across all projects. Our strategy aims to ensure that all aspects of sustainability are considered including energy efficiency post occupancy evaluation, health and wellbeing of occupiers, local community engagement and investment. ASI believes that more efficient and better designed buildings, providing tenants with lowered operational costs and improved working environments will enhance further the marketability of its properties, and as a result improve returns for our clients.

Appendix 1 - Reporting

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

The following tables illustrate as an example the environmental performance of the assets within the fund. The tables and analysis have been produced following industry standard guidelines, and are for illustration only.

Energy use breakdown – absolute

Absolute energy consumption enables us to observe the impact of the whole investment portfolio over time broken down by sector and year.

Key performance indicator		2015	2016
Energy use breakdown (kWh)	shopping centre	729,646	701,502
	retail park	1,130	128,248
	office	5,720,935	5,117,289
	industrial	19,966	26,255

Notes:

Data qualifying notes

Please note that energy consumption is based on landlord procured energy which serves common parts and in some cases tenant areas.

Comments

The absolute energy consumption for the retail sector has decreased by 4%. There is only one asset in this category, XX Shopping Centre, which has maintained its energy performance year on year.

2016 is the first year that absolute energy consumption has been fully recorded for the retail park sector due to the acquisition of XX Retail Park in August 2015 and the staged completion of XX Parade throughout 2015 and into 2016. With regards to XX Parade, due to the staged completion of the retail park, energy data has only been collected for the end of 2015 and throughout 2016 which covers external lighting areas.

The absolute energy consumption for the office sector has decreased by 11%. There have been no sales across the portfolio therefore this reduction is attributable to decreases in energy consumption across the office sector. The largest is achieved at XX Street and can be explained by floors becoming vacant during 2016. Other offices have shown an improvement in their energy management year-on-year contributing to this overall reduction.

The absolute energy consumption for the industrial sector has increased by 31%. This is attributable to an increase in consumption observed at the XX Centre whereas the energy performance has improved for the other asset in this sector. The property manager is investigating this increase in consumption and we expect this to be reduced in future years.

Energy use breakdown - like for like intensity

Like for like energy consumption enables us to directly compare energy performance by sector and year, excluding portfolio churn. By further adjusting the energy consumed by associated floor area this then normalises the data so we can directly compare the energy intensity of each asset class over time.

Key performance indicator		2015	2016
Energy use breakdown (kWh/sq.m)	shopping centre	406.28	390.61
	office	259.45	232.07
	industrial	0.80	1.19

Notes:

Data qualifying notes

Please note that energy consumption is based on landlord procured energy which serves common parts and in some cases tenant areas. Only properties which have a data set for the full years of 2015 and 2016 have been included therefore the retail park sector has been excluded from this analysis. It is worth nothing that if there has not been much portfolio churn, the changes year on year in the energy performance of sectors may not differ from the 'Energy use breakdown – absolute' analysis.

Comments

The energy intensity for the shopping centre sector has decreased by 4%. There is only one asset in this categoryXX Shopping Centre, which has maintained its energy performance year on year.

The energy intensity for the office sector has decreased by 11%. There have been reductions in energy intensity across the office sector. The largest reduction achieved is at XX Street and can be explained by floors becoming vacant during 2016. Other offices have shown an improvement in their energy management year on year contributing to this overall reduction.

The energy intensity for the industrial sector has increased by 49% year on year. This is attributable to increases in energy consumption observed at the XX Centre whereas the energy performance has improved for the other asset in this sector. The property manager is investigating this increase in consumption and we expect this to be reduced in future years.

Waste reporting

We have set long term waste targets for 2020 which are to achieve 0% waste to landfill, 20% recovered and 80% recycled or reused across all funds.

Key performance indicator		Hazardous waste - 2016	Non-hazardous waste - 2015	Hazardous waste - 2016	Non-hazardous waste - 2016
Percentage and total weight (tonnes) of waste by disposal route	reused	-	-	-	-
	recycled	-	39% 157 tonnes	-	9% 120 tonnes
	composted	-	-	-	9% 38 tonnes
	recovered (inc energy)	-	1% 2 tonnes	-	28% 119 tonnes
	landfilled	-	60% 246 tonnes	-	34% 145 tonnes

Notes:

Comments:

There has an increase in the total amount of waste data captured showing that despite a smaller percentage of waste recycled, the percentage proportion sent to landfill has almost decreased by half with more waste composted and recovered, which is a positive change.

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