

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

abrdn III ICAV - abrdn Future Real Estate UCITS ETF

Legal entity identifier

213800OBOHC3WRY9A410

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**  
\_ %

It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 10 % of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



What environmental and/or social characteristics are promoted by this financial product?

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The Fund promotes environmental and social characteristics by investing in issuers that:

- Avoid severe, lasting or irremediable harm; and
- Appropriately address adverse impacts on the environment and society; and
- Support a decent standard of living for their stakeholders

The Fund promotes environmental and social characteristics holistically. In doing so, the Investment Manager does not consider all characteristics for all investments, but rather focuses on the most relevant characteristics for each investment based on the nature of its activities, areas of operation, and products and services. However, using the Investment Manager's proprietary research framework, the Investment Manager promotes the below characteristics within the Fund:

**Environment** – reducing energy consumption and greenhouse gas emissions, increasing renewable energy usage/generation, reducing biodiversity/ecological impacts.

**Social** – labour practices and relations, employee health and safety and supply chain management.

### **Benchmark**

This Fund has a financial benchmark that is used for portfolio construction but does not incorporate any sustainable criteria and is not selected for the purpose of attaining these characteristics. This financial benchmark is used as a comparator for Fund performance and as a comparison for the Fund's binding commitments.

● ***What Sustainability Indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The Investment Manager's approach positively identifies companies which promote the above environmental and social characteristics, seeking to ensure that 80% of the portfolio is aligned with the environmental and social characteristics identified.

The Fund excludes the worst ESG performing companies within the FTSE EPRA NAREIT Developed Net Index (the "Benchmark Index") using abrdn's proprietary ESG House Score. The ESG House Score threshold level is set on the regional level (APAC, UK/Europe and Americas) to exclude the bottom 20% of companies across the three regions.

#### **Sustainability Indicator – screening criteria**

Pre investment, abrdn applies a number of norms and activity-based screens to ensure that severe, lasting or irreparable harm is avoided. As detailed below under "How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?", binary exclusions are applied to exclude the particular areas of investment of concern. The exclusions are informed by the Principle Adverse Indicators ("PAI"), but not limited to them. The criteria includes investments related to the UN Global Compact (PAI 10), Controversial Weapons (PAI 14), Tobacco Manufacturing and Thermal Coal, further detail can be reviewed per the Fund Investment Approach at [www.abrdn.com](http://www.abrdn.com) under "Fund Centre".

#### **Sustainability Indicator – Environment, Social & Governance Performance**

The Investment Manager's proprietary ESG House Score, developed by abrdn's central ESG investment team in collaboration with the Quantitative investment team, is used to identify companies with potentially high or poorly managed ESG risks. The score is calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector. This allows the Investment Manager to see how companies rank in a global context. The score assesses many different Environmental, Social & Governance issues however, specifically assesses the following characteristics: energy, greenhouse gas emissions, renewable energy, raw materials, biodiversity/ecological impacts and circular economy, labour practices and relations, employee health and safety and supply chain management.

The Fund will also exclude at least 20% of the Benchmark Index from its investment universe.

#### **Sustainability indicator – Good Governance & Business Quality**

We consider the quality of the businesses management team and analyse the environmental, social and governance (ESG) opportunities and risks impacting the business and appraise how well these are managed. We assign a proprietary score (ranked 1 – 5) to articulate the quality attributes of each company, one of which is the ESG Quality rating. This enables the portfolio managers to exclude companies with material ESG risks and positively skew the portfolio towards ESG opportunities and to build well-diversified, risk-adjusted portfolios.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The objective of the sustainable investments is to make a contribution to solving an environmental or social challenge, in addition to not causing significant harm, and being well governed. Each sustainable investment may make a contribution to Environmental or Social issues. In fact, many companies will make a positive contribution to both. abrdn use the six environmental objectives of the Taxonomy to inform Environmental contributions, including: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. In addition, abrdn use the 17 Sustainable Development Goals and their sub-goals to supplement the EU Taxonomy topics and provide a framework for considering Social objectives. (Details of the United Nations 17 Sustainable Development Goals and the sub-goals are set out at: <https://sdgs.un.org/goals>. There are 17 SDGs: (1) no poverty, (2) zero hunger, (3) good health and well-being, (4) quality education, (5) gender equality, (6) clean water and sanitation, (7) affordable and clean energy, (8) decent work and economic growth, (9) industry, innovation and infrastructure, (10) reduced inequalities, (11) sustainable cities and communities, (12) responsible consumption and production, (13) climate action, (14) life below water, (15) life on land, (16) peace, justice and strong institutions, and (17) partnerships for the goals).

An economic activity must have a positive economic contribution to qualify as a Sustainable investment. This includes consideration of Environmental or Socially aligned revenues, capital expenditure, operational expenditure or sustainable operations. abrdn seeks to establish or estimate the share of the investee company's economic activities/contribution towards a sustainable objective and it is this element that is weighted and counted towards the Fund's total aggregated proportion of Sustainable Investments.

abrdn uses a combination of the following approaches:

- i. a quantitative methodology based on a combination of publicly available data sources; and
- ii. using abrdn's own insight and engagement outcomes abrdn overlay the quantitative methodology with a qualitative assessment to calculate an overall percentage of economic contribution towards a sustainable objective for each holding in the Fund.

**Principal adverse impacts**

are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti - corruption and anti - bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

As required by SFDR, the investment does not cause Significant Harm ("Do No Significant Harm"/ "DNSH") to any of the sustainable investment objectives.

abrdn have created a 3-step process to ensure consideration of DNSH:

i. **Sector Exclusions**

abrdn have identified a number of sectors which automatically do not qualify for inclusion as a Sustainable Investment as they are considered to be causing significant harm. These include but are not limited to: (1) Defence, (2) Coal, (3) Oil & Gas Exploration, Production and associated activities, (4) tobacco, (5) gambling and (6) alcohol.

ii. **DNSH Binary Test**

The DNSH test, is a binary pass/fail test which signals if the company passes or fails criteria for the Do No Significant Harm test

Pass indicates under abrdn's methodology that the company has no ties to controversial weapons, less than 1% of revenue from thermal coal, less than 5% of revenue from tobacco related activities, is not a tobacco producer, and has no red/severe ESG Controversies. If the company fails this test, it cannot be considered a Sustainable Investment. Abrdn's approach is aligned with the SFDR PAI included within tables 1, 2 & 3 of the SFDR Delegated Regulation and is based on external data sources and abrdn internal research.

iii. **DNSH Materiality Flag**

Using a number of additional screens and flags, abrdn consider the additional SFDR PAI's indicators as defined by the SFDR Delegated Regulation to identify areas for improvement or potential future concern. These indicators are not considered to cause significant harm and therefore a company with active DNSH materiality flags may still be

considered to be a Sustainable Investment. abrdn aim to enhance the engagement activities to focus on these areas and seek to deliver better outcomes by resolving the issue.

→ How have the indicators for adverse impacts on sustainability factors been taken into account?

The Fund considers PAI Indicators defined by the SFDR Delegated Regulation.

As detailed above, **pre investment, abrdn applies a number of norms and activity-based screens related to PAIs**, including but not limited to: UN Global Compact, controversial weapons, and thermal coal extraction.

**UNGC:** The Fund uses norms-based screens and controversy filters to exclude companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights, as well as state owned entities in countries which violate norms.

**Controversial Weapons:** The Fund excludes companies with business activities related to controversial weapons (cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, white phosphorus, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers).

**Thermal Coal Extraction:** The Fund excludes companies with exposure to the fossil fuels sector based on percentage of revenue from thermal coal extraction.

abrdn apply a Fund specific set of company exclusions, more detail on these and the overall process is captured within the Investment Approach, which is published at **www.abrdn.com** under "**Fund Centre**".

**Post-investment the following PAI indicators are considered:**

- abrdn monitors all mandatory and additional PAI indicators via its ESG integration investment process using a combination of abrdn's proprietary house score and 3rd party data feeds. PAI indicators that either fail a specific binary test or are considered above typical are flagged for review and may be selected for company engagement. For further details of abrdn's proprietary ESG House Score please visit: <https://www.abrdn.com/en-ie/institutional/sustainable-investing/document-library>
- Consideration of portfolio carbon intensity and GHG emissions via abrdn's climate tools and risk analysis
- Governance indicators via abrdn's proprietary governance scores and risk framework, including consideration of sound management structures, employee relations, remuneration of staff and tax compliance
- On an on-going basis the investment universe is scanned for companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights, as well as state owned entities in countries which violate norms.

→ How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Fund uses norms-based screens and controversy filters to exclude companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes, this Fund considers Principal Adverse Impacts (PAI) on sustainability factors.

Principal Adverse Impact Indicators are metrics that measure the negative effects on environmental and social matters. abrdn consider PAIs within the investment process for the Fund, this may include considering whether to make an investment, or they may be used as an engagement tool for example where there is no policy in place and this would be beneficial, or where carbon emissions are considered to be high, abrdn may engage to seek the creation of a long-term target and reduction plan. abrdn assess PAIs by using, amongst others, the PAI indicators referred to in the SFDR Delegated Regulation; however, dependent on data availability, quality and relevance to the investments not all SFDR PAI indicators may be considered. Where Funds consider PAIs, information on that consideration will be made available in annual reports.

No



## What investment strategy does this financial product follow?

The Fund's investment objective is to generate growth over the long term by investing at least 80% in listed real estate holding and development companies and real estate investment trusts ("REITs") engaged in real estate related activities globally.

The Fund is actively managed. The Fund aims to outperform the Benchmark Index before charges. The Benchmark Index is also used as a reference point for portfolio construction and as a basis for setting risk constraints, but does not incorporate any sustainable criteria.

In order to achieve its objective, the Fund will take positions whose weightings diverge from the Benchmark Index and may invest in securities which are not included in the Benchmark Index. The investments of the Fund may deviate significantly from the components of and their respective weightings in the Benchmark Index, however, the Fund's risk profile is not ordinarily expected to deviate significantly from the Benchmark Index over the longer term.

The Fund promotes environmental and social characteristics but does not have a sustainable investment objective.

Investment in all listed REIT's and equities will follow abrdn's "Future Real Estate UCITS ETF Investment Approach"

The Fund will invest a minimum of 10% in Sustainable Investments. Furthermore, the Fund targets an ESG rating that is better than the Benchmark Index.

This approach utilises abrdn's equity investment process, which enables portfolio managers to qualitatively identify and avoid ESG laggards. To complement this research, the abrdn ESG House Score is used to quantitatively identify and exclude those companies exposed to the highest ESG risks. Additionally, abrdn apply a set of company exclusions which are related to the UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal. More detail on this overall process is captured within the abrdn Emerging Markets Promoting ESG Equity Investment Approach, which is published at [www.abrdn.com](http://www.abrdn.com) under "Fund Centre".

Engagement with external company management teams is used to evaluate the ownership structures, governance and management quality of those companies in order to inform portfolio construction.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

● **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements used by the Fund are:

1. A commitment to hold a minimum of 80% of the assets aligned with environmental and social characteristics and within these assets, the Fund commits to hold a minimum of 10% of the Net Asset Value of the Fund in investments that meet abrdn's methodology for determining Sustainable Investments. The minimum share of Sustainable Investments with a social objective is 2%; and the minimum share of Sustainable Investments with an environmental objective that are not aligned with the EU Taxonomy is 2%.
2. A commitment to achieve an ESG rating better than the Benchmark Index.
3. A commitment to apply binary exclusions to exclude the particular areas of investment related to the UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal as detailed above.

These screening criteria apply in a binding manner and on an ongoing basis.

● **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

The Fund will exclude at least 20% of the Benchmark Index from its investment universe.

● **What is the policy to assess good governance practices of the investee companies?**

For this Fund, the investee company needs to follow good governance practices in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. This can be demonstrated by the monitoring of certain PAI indicators, for example corruption, tax compliance and diversity. In addition, by using abrdn's proprietary ESG scores within the investment process abrdn screen out any investments with low governance scores. The governance scores assess a company's corporate governance and management structure (including remuneration of staff policies) and the quality and behaviour of its leadership and management. A low score will typically be given where there are concerns in relation to financially materially controversies, poor tax compliance or governance concerns, or poor treatment of employees or minority shareholders.

The investment must further be aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights. Breaches and violations of these international norms are flagged by an event-driven controversy and are captured in the investment process.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



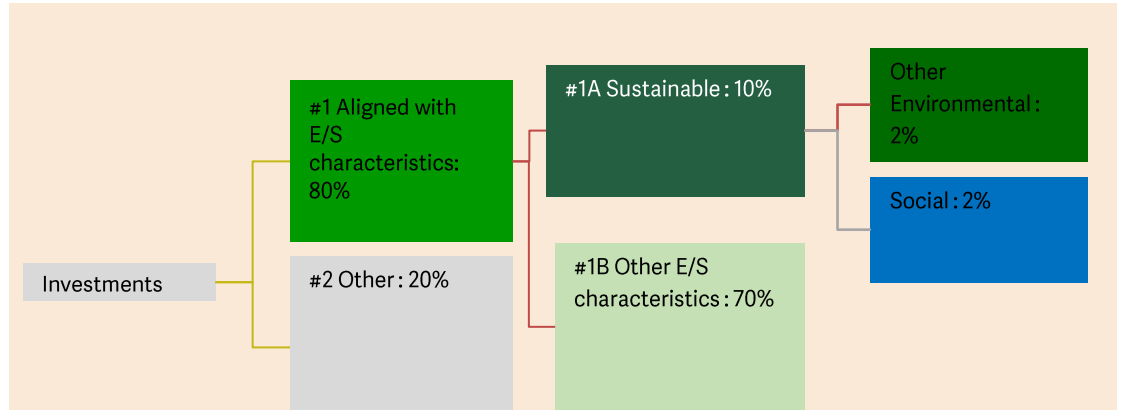
## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

A minimum of 80% of the Fund's assets are aligned with E/S characteristics. Environmental and social safeguards are met by applying certain PAIs, where relevant, to these underlying assets. Within these assets, the Fund commits to a minimum of 10% of the Net Asset Value of the Fund in Sustainable Investments. The Fund invests a maximum of 20% of assets in the "Other" category, which include cash, money market instruments and derivatives.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

### ● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund will not use derivatives to attain any environmental or social characteristics.



### **To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund has not set a minimum proportion of investments in Taxonomy aligned economic activities. The graph below represents 100% of the total investment.

### ● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy ?<sup>1</sup>**

Yes

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



In fossil gas



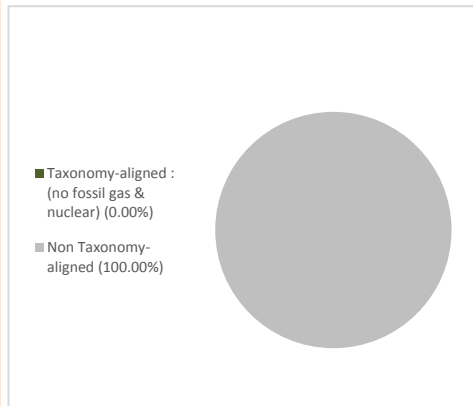
In nuclear energy



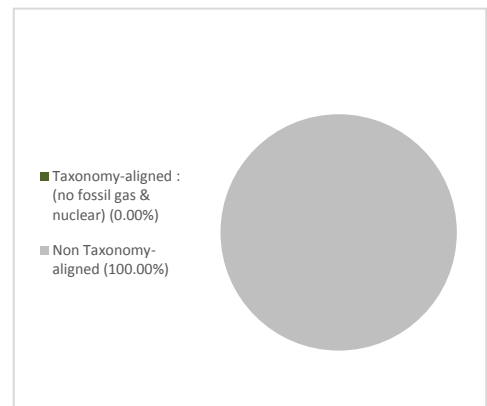
No

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.**

1. Taxonomy alignment of investments including sovereign bonds\*



2. Taxonomy alignment of investments excluding sovereign bonds\*



This graph represents 100 % of the total investments.

\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



**What is the minimum share of investments in transitional and enabling activities?**

Not applicable.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The minimum share of sustainable investments with an environmental objective that are not explicitly aligned with the EU Taxonomy is 2%.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.





### What is the minimum share of socially sustainable investments?

The minimum share of sustainable investments with a social objective is 2%.



### What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The investments included under "other" are cash, money market instruments & derivatives. The purpose of these assets are to meet liquidity, target return or manage risk and may not contribute to the environmental or social characteristics promoted by the Fund.

There are certain environmental and social safeguards that are met by applying PAIs. Where relevant, these are applied to the underlying securities.



### Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable

- **How does the designated index differ from a relevant broad market index?**

Not applicable

- **Where can the methodology used for the calculation of the designated index be found?**

Not applicable



### Where can I find more product specific information online?

More product-specific information can be found on :

Fund specific documentation, including Sustainability Related Disclosures, are published at [www.abrdn.com](http://www.abrdn.com) under **Fund Centre**.