

Allied Properties REIT



Allied has taken large steps on the long decarbonization journey over the last two years. It is refreshing to see strong performance on the company's short term targets as well as third party emission data verification submission.

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Engagement rationale

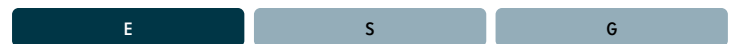
Allied Properties REIT was lacking a formal climate policy with measurable targets. GRESB had ranked them 64 (out of 100) upon their first review which needed improvement. We have been working with our environmental climate transition pathway framework and presented it to the ESG team of Allied to showcase broadly what we look for and how we rank it.

Background

As we have refined our proprietary climate change environmental pathway model, we are launching sector-wide climate related engagements as we have identified numerous common themes with precise points of improvements and suggestions. We have worked with Allied Properties REIT as an initial try of our new framework, mainly due to our strong relationship with management and due to the commitment to invest in proper decarbonization initiatives at Allied board level.

Theme for engagement

- Environment - implementing a climate policy in-line with the Paris Accord



Development

Positive

Milestone



Engagement objectives

- We need to see more visibility around the following:
 - Allied Properties REIT's climate policy improve to be in line with the Paris Agreement across all emission scopes and see
 - GHG reduction targets in the ST, MT and LT.
 - Capex alignment to see those targets.
 - Climate risk management and scenario analysis awareness.
 - Accountability at board and/or executive level.
 - Commitment to reporting in TCFD standards.

Engagement results

- In March of 2021 we raised the issues with the ESG team of Allied Properties, introduced our framework and walked them through how we value each initiative that is implemented. The Allied team took the call very seriously and promised several improvements for their 2021 Sustainability report. In June of 2022 the ESG report was released, which included several of the initiatives that we have been looking for incl. history of GHG data to make it better for comparison and increased data coverage to 95% of all emissions.
- TCFD climate risk report first cut is complete and external verification was submitted for energy, GHG, water and waste data.
- Shorter term targets implemented to reduce GHG by 6.6% by 2024. The result was a 12.4% reduction over the year.
- Accountability for meeting targets entering board level, but the precise metrics are still unclear and Allied had committed to use climate risk analysis as part of long-term business planning
- GRESB score material improvement from 64 to 80 (out of 100)

Next steps

- Hold a call on next steps with Allied ESG team in 23Q2 to work on medium and long term GHG reduction targets. Review TCFD reporting progress. Inquire into precise remuneration targets. Discuss attempting to measure Scope 3 and its challenges.



Company

Allied Properties REIT

Country

Canada

Sector

Real Estate

Market cap

Mid Cap

Materiality

Greenhouse Gas (GHG) emissions reduction in line with the Paris Agreement is of utmost importance to reaching combined environmental targets.

ESG Research

MSCI ESG Rating: BBB
Sustainalytics: 14.0 (low risk)

Engagement initiated

Q1 2021

Latest update

Q1 2023

Kempen Fund

Kempen (Lux) Global Property Fund

