

# Sustainability and TCFD report 2022

abr dn plc

[abr dn.com](https://www.abr dn.com)

# Scope and approach



## Overview

Sustainability disclosure is subject to an increasing array of regulation, frameworks, and enhanced expectation. Our 2022 sustainability reporting suite aligns to existing disclosure requirements and we are supportive of the harmonisation of emerging global standards.

We look forward to developing our approach in line with common disclosure methodologies. The focus of this report is to extend our climate-related disclosure beyond our **Annual report** and update on other material sustainability topics for abrdn.

## Beyond this report

Our view is that sustainability reporting will increasingly become integrated and the function of this document is to report against material sustainability topics for abrdn in 2022. We also recognise that our disclosure responsibilities extend beyond the scope of this report and include the following documents:

## Stewardship report

abrdn is signatory to the UK Stewardship Code, published by the Financial Reporting Council (FRC). We produce an annual report on our application of the 12 principles of the Code including our engagement and voting activity related to the investments we make on behalf of our clients. Our most recent publication is **here**.

## Modern Slavery Statement

abrdn is subject to the requirements of the UK Modern Slavery Act (2015) and produces an annual statement detailing our work to mitigate modern slavery risk in our operations and value chain. Our objective is to go beyond required reporting and more about our approach is detailed **here**.

## Task Force on Climate-Related Financial Disclosures (TCFD)

abrdn is subject to the Financial Conduct Authority (FCA) Listing Rules requirements to provide disclosure against the TCFD framework in our **Annual report**.

Our approach is to provide disclosure at two levels of granularity, with a concise overview in our Annual report and expanded disclosure in this report. We believe this approach is currently necessary to reflect the detailed and technical nature of the recommendations, and to provide a sufficient level of detail on our strategy and approach to assessment of climate-related risk and opportunity. The availability of climate-related data continues to be a challenge. We recognise that methodologies and our internal data processes may continue to evolve over time and we will review our approach as appropriate. This may lead to changes in our metrics and our reporting of progress in future periods. We are also producing further entity and product reports in line with FCA requirements, which will be published in due course.

## UK Gender Pay Gap

abrdn provides statutory disclosure on UK gender pay gap in line with the Equality Act. Our latest report on our progress is available **here**.

# Contents



<b>01 Contents</b>				
Scope and approach	2			
<b>02 Introduction</b>				
Chief Executive Officer's review	4			
<b>03 Environment</b>				
Introduction	6			
TCFD overview	7			
Governance	9			
Strategy	11			
Risk management	22			
Metrics and targets: Investments	28			
Metrics and targets: Operations	35			
Further reading: Climate	38			
Natural capital: Investments	39			
Natural capital: Operations	41			
<b>04 Social</b>				
Introduction	43			
Culture and engagement	44			
Talent and leadership	45			
Diverse talent	47			
Learning and development	49			
Diversity, equity, and inclusion	51			
Gender pay	54			
Working inclusively	56			
Fair work	57			
Health and safety	58			
<b>05 Governance</b>				
Integrating sustainability	60			
Stewardship	62			
Ethical conduct	63			
Speaking up	64			
Mandatory compliance training	65			
Vulnerable customers	66			
Data privacy	67			
Responsible tax	68			
Financial crime	69			
Cyber and information security	70			
External affairs	71			
Responsible communication	72			
Procurement	73			
<b>06 Community impact</b>				
Strategy and governance	76			
Overview of our contribution	77			
Overview of our impact	78			
Hello World	79			
UNESCO	80			
Introducing new powerful partnerships	81			
Volunteering	82			
<b>07 Materiality</b>				
Defining the landscape	84			
Updating our assessment	85			
Our material sustainability topics	86			
<b>08 Appendix</b>				
Targets and progress	88			
Environment: Operations	89			
Environment: Investments	91			
Social	92			
Governance	95			
Rating and pledges	96			
Sustainability commitments	97			
<b>09</b>				
Independent Assurance Statement	99			

# Chief Executive Officer's review

The world in which we and our clients operate today is radically different from that of the past. In 2022 we saw intensified geopolitical tensions, extreme weather events, and rising energy costs impacting sectors of the economy – all contributing to one of the hardest investing years in living memory.

In these times of change and uncertainty, it is vital that our industry comes together to understand how to address the urgent sustainability challenges we face at a global level. Our role is to enable our clients to navigate their sustainability goals, lead by example in our own operations and collaborate with partners and programmes to drive societal change. We also know that creating a better future starts with asking more of ourselves, including a commitment to being transparent on our progress against the ambitious targets we set ourselves.

## Climate change continues to dominate the sustainability agenda

COP27 highlighted critical gaps between commitments and action to achieve real-world decarbonisation. We know that these are key considerations for investors. We need stronger policies, taxation and pricing to help provide the right incentives for corporates to make quicker, more sustainable progress. We remain absolutely committed to the climate targets that we set out in 2021 and will continue to drive towards these – with a focus on transparency and engagement with our clients, the companies we invest in and our wider stakeholders.

## Giving diverse perspectives an active voice

Diversity, equity and inclusion is fundamental to the success of a modern-day business. It's critical that diverse perspectives have an active voice in decision-making. But we need to be honest about where we have more to do. As an industry we need to understand the role we must play in improving a society that treats some more fairly than others. Our wider talent pipeline needs to be more representative of the diverse society we live in, and the targets we set ourselves reflect our ongoing commitment to building on our progress. Continuing to listen to our colleagues, clients and communities will help us get there.

## Enabling tomorrow's generation to thrive

The global challenges we face need collective solutions combined with innovative thinking. Powerful partnerships are important to us as we work towards unlocking a better future for all, including the communities around us. As we celebrated our first 12 months as abrdn in 2022, we were pleased to extend our commitment to our partnership with



digital education charity Hello World. We also announced new partnerships; working with MyBnk to support financial empowerment for young people, and UNESCO to address the world's environmental challenges through innovation and education. We are excited about the work we can do together in 2023.

## Positive change through actions, not just words

Our strategic focus on sustainability enables us to continue to deliver on our purpose of helping our clients be better investors and drive positive change. The journey to more sustainable practices begins with knowledge. In 2022 we appointed our first Chief Sustainability Officer for Investments, to help enhance the way we deliver insights and solutions for our clients. Our governance frameworks support our decision-making, and our executive performance scorecards include measures linked to both our impact as an investor and the environmental and societal impact of our own operations.

With a focus on transparency, reporting and data disclosure, we remain resolute in driving towards our commitments. By continuing to engage with our clients, our colleagues and our communities, we will play our part in creating a more sustainable society.

A handwritten signature in black ink, appearing to read 'S. Bird'.

**Stephen Bird**  
Chief Executive Officer



# Environment:

## Climate and natural impact



### Our approach to climate reporting

We provide an overview of material information against the four pillars of TCFD in our **Annual report** (pages 30 to 39). The climate-related disclosure in this document (5 to 41) is intended to provide a second layer of granularity with complementary information. Both documents follow the recommendations of the TCFD framework and – taken together – represent the reporting of climate-related disclosure for abrdn plc in 2022.



[Link to our Annual report](#)

---

Introduction	6
TCFD overview	7
Governance	9
Strategy	11
Risk management	22
Metrics and targets: Investments	28
Metrics and targets: Operations	35
Further reading: Climate	38
Natural capital: Investments	39
Natural capital: Operations	41

# Introduction



## Implementation, not ambition – reflections from a year of limited credible action

With global emissions setting another record level in 2022, it was a disappointing year for progress towards the global climate change target of limiting warming to 1.5°C. Arguably, sustainability took a back seat to the war in Ukraine and domestic and international economic crises. While these are important global issues, we must not lose sight of achieving a just transition to net zero with urgency.

We continued to witness many physical impacts of climate change including devastating flooding that put a third of Pakistan under water, forest fires, and extreme droughts. These events emphasise that we are past the point of decarbonisation being sufficient to address the problem – we must also adapt to the impacts that are a threat to our planet and to support the most vulnerable.

The finance sector plays a critical role in delivering on net zero, but cannot do so on its own. This year, in preparation for COP27, we shared our thoughts on the four key gaps that need to be closed to mobilise private finance. These are the ambition, credibility, justice and adaptation gaps. You can read our full thoughts around this [here](#). The key underlying theme is that binding and credible policy is required to provide certainty and the right incentives for investors – pledges are not enough.

Following vast promises made at COP26, countries were asked to demonstrate credible implementation action and also update their commitments ahead of COP27 to close the ambition gap. However, we are still on a 2.4°C trajectory and COP27 did not get us any closer to 1.5°C.

The adaptation and justice gaps saw the most tangible progress with the agreement on a loss and damage fund and clear adaptation goals for 2030. However, there is only so much one can do to adapt to extreme climate impacts. Disappointing outcomes from COP27 pose questions over the effectiveness of these annual conferences.

The UN Biodiversity Conference (COP15) held in December showed more promise. A landmark agreement was made between nearly 200 countries around the world to address the biodiversity crises. The Kunming-Montreal Global Biodiversity Framework includes four goals and 23 targets to achieve by 2030.

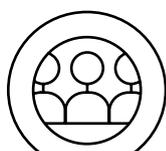
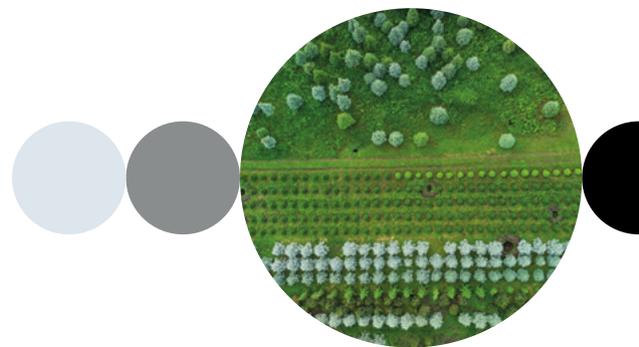
Finance plays a critical role in the success of this framework and is embedded throughout, specifically Target 19 which aims to 'substantially and progressively increase the level of financial resources from all sources'.

We also saw the announcement of a \$30bn fund from wealthier countries to poorer nations to support the protection of biodiversity – which was good news. Together with the 'Make it Mandatory' campaign, which abrdn has joined, and the Finance of Biodiversity pledge, we are seeing progress on this front.

We firmly believe there is a critical requirement for adequate climate policies and binding agreements to provide the right incentives, create a level playing field and hold all of us to account. This, combined with more standardised, mandatory disclosure requirements, which abrdn supports, is the only way in which we will maintain progress against net zero targets.

**There is a critical requirement for climate policies and binding agreements to provide the right incentives, create a level playing field and hold all of us to account.**

# TCFD overview



### The Board's role in oversight

Climate change is a material issue for our business, and this is reflected in strategy, risk management, and company culture. The Board and Directors oversee these matters and provide challenge and approval to management recommendations on both defined and emergent issues.

**More from page 9**

### Management's role in assessment

Our Chief Executive Officer delegates authority from the Board to our Executive Leadership team, and in turn to our climate working groups, to support the assessment of climate-related risks and opportunities.

**More from page 9**



### Climate-related risks and opportunities

Our business is exposed to climate-related risk and opportunity as markets, policy, and reputations come to terms with alignment to a net zero world. This is something we monitor through our climate risk and opportunity radar and climate scenario analysis platform.

**More from page 13**

### Impact of climate-related risks and opportunities

Material climate-related risks and opportunities are assessed for financial impact in view of mitigation strategies and controls. Our climate scenario analysis platform enables specific insight related to our investments.

**More from page 17**

### Resilience of our strategy against climate scenarios

We use climate scenario analysis to understand how resilient our portfolios are to uncertain future transition pathways. We use a range of scenarios, which explore potential temperature rises and transition pathways.

**More from page 19**

# TCFD overview



### Process for identifying climate-related risks and opportunities

Our assessment of climate-related risk is reflected through our climate risk and opportunity radar that is developed using our risk and control self-assessment process. We assess both the likelihood and potential for impact.

**More from page 22**

### Process for managing climate-related risks and opportunities

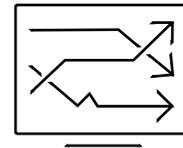
We have developed a range of tools to help integrate climate-related risk into our decision-making for our active investment process, alongside an engagement strategy focused on our largest financed emitters.

**More from page 22**

### Integrating climate-related risks and opportunities

Climate-related risk is included within our Enterprise Risk Management (ERM) framework. We operate 'three lines of defence' in the management of risk with defined roles and responsibilities.

**More from page 22**



### Metrics used to assess climate-related risks and opportunities

We measure emissions related to our operational and investments activity to track our decarbonisation progress. We also assess the financial impact of climate scenarios on asset values and track metrics for engagements with investee companies.

**More from page 28**

### Emissions from operational and investments activity

Our reported operational emissions in 2022 are 14,246 tCO<sub>2</sub>e. In our investments, we report that in-scope public market portfolios achieved a 27% Weighted Average Carbon Intensity (WACI) reduction versus a 2019 baseline, with in-scope real estate also achieving a 31% carbon intensity reduction. Specifics on coverage and methods are disclosed in this report.

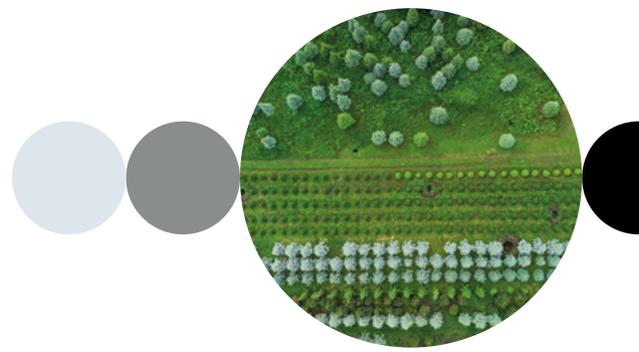
**More from page 31**

### Our climate targets and progress

Last year, we outlined our net zero aligned ambitions. We are targeting operational net zero by 2040 and a 50% reduction in the carbon intensity of our investments by 2030. Our investments target is applicable to 30% of AUM in 2022. We report clear decarbonisation progress in 2022 but note that policies need to strengthen for this to continue at the rate required.

**More from page 32**

# Governance



## The Board's role in oversight of climate-related risks and opportunities

### Division of responsibilities

abrdrn plc operates using a governance framework aligned to the principles of the UK Corporate Governance Code (2018), with a full overview provided from page 74 in our **Annual report**.

Our Board of Directors oversees the implementation of the company business model and activities of our three vectors: Investments, Adviser, and Personal. Our four Board Committees provide specific oversight in relation to material business activities and challenge to management on matters including climate-related risks and opportunities.

### Our Chief Executive Officer

Our Chief Executive Officer serves as the climate sponsor for the business and bears delegated responsibility from the Board for oversight of climate-related risks and opportunities.

### Our Chief Financial Officer

Our Chief Financial Officer is incentivised through our executive remuneration policy, alongside our Chief Executive Officer, to achieve sustained performance against our public targets.

### The role of Board Committees

Our four Board Committees play an important role in ensuring the integration of climate-related matters into the company governance structure. More detail on specific actions is provided on **page 10**.

### Information flow to enable oversight

As climate sponsor, our Chief Executive Officer delegates management of climate-related risks and opportunities to our Executive Leadership Team, who in turn apportion responsibility to representatives from our three vectors, with our climate-related working groups positioned to provide management assessment and recommendations.

Material issues are escalated through this governance structure, with information or recommendations provided to the Board and Board Committees during quarterly meetings.

The frequency of climate reporting from management to Board is determined by the nature of the issues, or recommendation.

## Management's role in assessment of climate-related risks and opportunities

### Climate change working groups

The assessment of material climate-related risks and opportunities is managed by our strategic climate change working groups, which cover both our operational activity and investments vector activity.

These groups are key to our climate-related governance structure and consist of subject matter experts from across the business. The groups meet quarterly to discuss material climate risks and opportunities and shape strategic approaches to climate change.

Both groups cover material impacts from our business, as our operational activity and active investments represent our most direct exposure to climate-related risks and opportunities. Our Adviser and Personal vectors face less direct exposure to climate-related risks and opportunity and benefit from insight from our Investments and corporate functions.

### Integrating interactive investor (ii)

Our May 2022 acquisition of ii enhanced the capabilities of our Personal vector and our governance of climate related risks and opportunities followed a mirrored model at point of acquisition. We have since added ii representation to our sustainability working groups to share key learnings and expertise, and have integrated ii into our operational climate reporting activities (**page 36**).

### Our long-term approach

We are taking a forward-looking view and are advancing our governance beyond climate and towards sustainability as a whole. This approach is aligned to emerging global standards for sustainability disclosure and will strengthen our governance due to the interlinked nature of material sustainability topics. Related risks and opportunities can manifest differently across our diverse business and this approach will leverage the strength of our vector model as we apply diverse perspectives, and expertise, to emergent sustainability topics. Our intention in 2023 is to establish a group-wide sustainability decision-making forum to ensure a cohesive abrdrn view. An illustration of this model is provided on **page 61**.

# Governance



## Demonstrating Board and Board Committee oversight on climate-related issues

During 2022 our Board of Directors played an important role in monitoring progress against our climate commitments and challenging management on climate-related matters. As we work to embed our forward-looking sustainability governance framework, management provide periodic progress updates and items for approval at quarterly meetings.

Specific examples include:

- **Audit Committee** review of management recommendations for sustainability reporting approach, and climate data disclosure governance.
- **Remuneration Committee** implementation of climate-related performance into executive remuneration policy.
- **abrdn plc Board** noting of progress against our climate commitments, the challenges we face in achieving them, challenges in data quality and availability, and how we engage with our clients on climate change.

## Incentivising progress towards our climate objectives

### Executive remuneration

Our Chief Executive Officer takes responsibility for climate-related risks and opportunities and is incentivised, alongside our Chief Financial Officer, through climate-related remuneration targets in variable bonus scorecards, which are aligned to company objectives and set by our Remuneration Committee. We shared our intention to introduce these performance metrics in our 2021 Annual report and this is the first year of implementation.

Performance against our stated decarbonisation targets makes up 5% of the overall scorecard and periodic updates on our climate performance are provided to our Remuneration Committee, which then independently review the performance for the reporting year. In 2022, we continued to make clear progress towards both the decarbonisation of our investment portfolios and absolute reductions in operational emissions, which is reflected in the Executive Director awards for the year. Specific detail on the remuneration policy for Executive Directors is provided from page 103 of the **Annual report**.

### Management remuneration

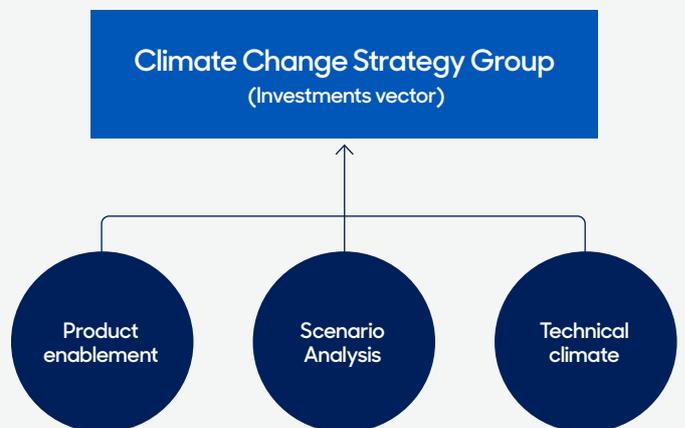
All colleagues across abrdn set annual objectives, which influence standard performance review processes and conversation. Specific individuals with a climate-related focus, such as our Environment Manager in Corporate Sustainability, are incentivised to effectively manage climate-related risks and opportunities as a core component of their day-to-day roles and responsibilities.

## Illustrating management’s role in assessing climate-related risks and opportunities

### Overview of our approach in the Investments vector<sup>1</sup>

Our Climate Change Strategy Group (CCSG) is the management forum for climate-related risks and opportunities in the Investments vector. The group is responsible for setting strategy and escalating material issues through our wider governance framework.

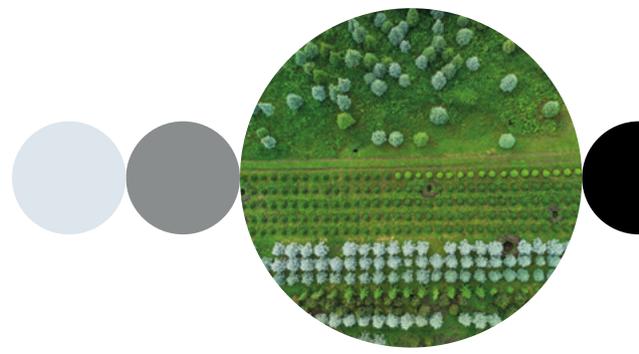
The group meets quarterly and is chaired by our Head of Sustainability Insights & Climate Strategy. **Page 61** provides a full view of sustainability governance at abrdn plc.



Our targeted climate working groups provide recommendations, challenge, and progress updates

<sup>1</sup> The illustration here is an overview of our climate-related investments vector process only.

# Strategy



## Our strategy of net zero directed investing is our commitment to enable clients to achieve their climate goals.

Decarbonising a portfolio is not the same as decarbonising an industry. We want to be a positive catalyst for net zero and our commitment is to influence real-world decarbonisation by developing the right products for our clients and using our influence to support credible transition pathways.

We are members of the Net Zero Asset Managers initiative (NZAM) and are committed to reduce the carbon intensity of the assets we invest in on behalf of our clients to support the transition to net zero.

Our interim investments target is to reduce the carbon intensity of the in-scope assets we invest in by 50% by 2030 versus a 2019 benchmark (more on **page 28**) and our focus, strategy, and beliefs reflect how we will deliver our commitment.

## Our six areas of focus: net zero directed investing

<p><b>Research and data</b> We undertake rigorous, forward-looking research related to climate change impacts, including net zero 2050.</p>	<p><b>Investment integration</b> We develop tools and processes to integrate climate change into investment decisions.</p>	<p><b>Investment solutions</b> We develop climate solutions to enable our clients to achieve their goals, including net zero 2050.</p>
<p><b>Active ownership</b> We actively engage with corporates on their climate goals and actions and reflect our views in voting decisions.</p>	<p><b>Collaboration and advocacy</b> We collaborate with industry initiatives to drive best practice related to net zero and advocate for ambitious climate policy.</p>	<p><b>Transparency</b> We are committed to providing transparency via regular TCFD reporting and enhanced ESG client reports.</p>

## Our commitment to deliver via three pillars of action:

<p><b>Decarbonisation</b> We are committed to tracking and reducing the carbon intensity of our portfolios. That means continuing to incorporate carbon analysis into our investment process and supporting credible transition leaders and climate solutions. We have set public decarbonisation targets for our investments and operations.</p>	<p><b>Providing net zero solutions</b> We are committed to increasing the proportion of assets flowing into our climate solutions. Around 30% of our AUM is currently expected to be managed in line with net zero 2050. We aim to increase this by continuing to actively engage with our clients as well as supporting net zero goals with our fund range.</p>	<p><b>Active ownership</b> We engage with our highest financed emitters and seek transparency against transition milestones, which are assessed against relevant standards and our own credibility assessment framework. We support credible transition and use our influence via regular engagement and voting.</p>
---	--	--

## Our four core beliefs drive our commitment:



# Strategy



## Our strategy for decarbonising real estate investments

Our direct real estate portfolio is global and diverse across multiple funds, with approximately 1,100 assets. Our commitment is to achieve net zero carbon by 2050 for our global direct real estate investment and we have developed a delivery framework to support this transition.

All funds in scope will undertake work to understand their own net zero carbon pathway by no later than the end of 2025 – and will contribute to our interim decarbonisation target for investments (Scope 1 & 2). More from [page 34](#).

The above net zero commitment and net zero pathway work is subject to investor approval.

## Our operational decarbonisation strategy

Our actions must mirror our high expectations of the companies we invest in and reflect the ambition of our clients. Our operational impacts reflect the nature of our business. We keep offices as spaces to enable us to better deliver for our global clients.

Our intention is to lead by example, and we have set an ambitious operational target to reach net zero by 2040, with a focus on absolute emissions reductions across Scope 1, 2, and 3 metrics – and we report on our progress from [page 35](#).

## Climate-related insights and access support our adviser platform

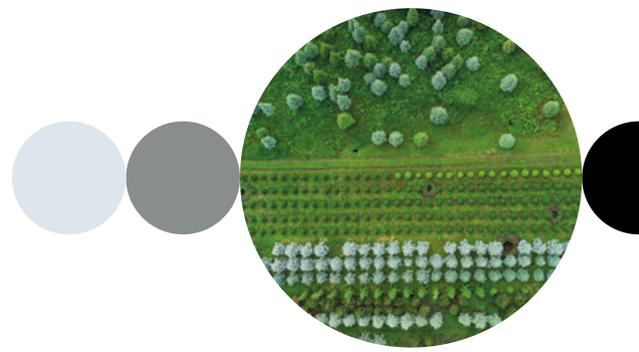
We provide support, expertise and technology for UK wealth managers and financial advisers to create value for their businesses and their clients. Climate change is an important consideration for many advised clients and our platform offers access to the full range of investment solutions that abrdn offers, which includes our existing and future climate focused solutions.

## Growth and resilience through access to the personal wealth market

Our acquisition of interactive investor in 2022 provides greater resilience to climate-related risks and opportunities for abrdn through a diversification of revenue streams and access to a high-growth direct investments market. We are integrating our climate-related risk management processes and will benefit from the enhanced expertise of the group in the long-term.

Climate change is also an important consideration for retail investors. interactive investor supports self-directed customers to understand and engage with sustainable investing through publishing and maintaining guidance and support including two rated lists, the Sustainable Long List and the ACE40, from which customers can choose from best-in-class sustainable investments.

# Strategy



## Overview of climate-related risks

Our business and sector is exposed to material climate-related risks and opportunities. We continue to be alert to the potential impacts and monitor this with a view to the resilience of our operations and investments strategies.

### Identifying climate-related risks and opportunities

Our assessment of climate-related risks and opportunities is monitored through our climate risk and opportunity radar and our climate scenario analysis platform. The focus of the radar (pages 14 to 16) is likelihood and impacts of material risks and opportunities short, and medium-term. Our climate scenario analysis enables a long-term view of potential implications for our investments and the resilience of our strategies (pages 17 to 19). In January 2023, our Chief Risk Officer chaired a workshop with representatives from across abrdn to refresh our climate risks and opportunities radar.

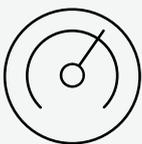
### Impact of climate-related risks and opportunities on strategy

Our business is global, and we serve a diverse client base through our three vectors. Our most direct exposure to climate-related risks and opportunities relates to our active investments management business, as markets, policy, and reputations come to terms with alignment to a net zero world.

Sustainability is a strategic focus for our Investments vector. We have therefore developed a clear investments strategy of net zero directed investing, which drives our mitigation of climate risk and our intended realisation of climate opportunity for our business. Our commitment and core beliefs are outlined on page 11. Our exposure to climate-risk and opportunity as a corporate entity is also transition-based as our actions must mirror our high expectations of the companies we invest in and reflect the ambition of our clients.

### Strength through diversification

In 2022 the Group acquired interactive investor (ii), bringing in a new revenue stream for our Personal vector via a retail investment platform (more detail on page 25 of our Annual report). The platform carries less direct exposure to climate-related risks and opportunities as investments are not actively managed and revenues are generated through a subscription model. The business is therefore less subject to market-based transition risks (detailed on page 15) and strengthens the resilience of the entire abrdn group.



### Stress testing

The transition to a lower-carbon global economy is likely to have significant impacts on global financial markets and client demands for our products. These variables were both explored as part of our corporate stress testing and scenario analysis programme.

As part of our most recent stress testing exercise, we explored a range of severe stresses that included shocks to financial markets (with equity markets falling around 22% from year-end levels) and net outflows (leading to assets under management and administration (AUMA) falling

up to 11% over the scenario horizon). The group had sufficient capital and liquid resources to withstand all of the stresses that were explored and did not need to take any management actions other than those assumed within the business plan.



**Further information in the Viability Statement on page 62 of our Annual report**

# Strategy



## Our climate-related risks and opportunities radar

Our assessment of climate-related risk is reflected through our climate risk and opportunity radar that is developed using our risk and control self-assessment process.

This process assesses the inherent risk against:

- likelihood, or the percentage chance of an event occurrence in the next 12 months
- impacts, including market, reputational, and policy and legal.

Inherent risks are then scored with due consideration to mitigation strategies and associated controls. If a score is very low (e.g., where the likelihood is low, or the impact is low) then we may choose to accept the risk. If this is not the case, we ensure we have the correct controls in place to mitigate the risk or help materialise the opportunity.

**Time horizons for our climate risk and opportunity radar**

Our climate risk and opportunity radar considers the potential of a material event occurring in the next 12 months. This is expressed through four likelihood horizons that translate as follows:

0 – 10%	11 – 30%	31 – 60%	61 – 100%
likelihood (1 in 10yr event)	likelihood (1 in 5yr event)	likelihood (1 in 2yr event)	likelihood (1 in 1yr event)

## Impact assessment for climate risks and opportunities

We assess financial risk and opportunities under four scoring criteria. The inherent risk is scored after the consideration of the effectiveness of controls (both in terms of design and performance), with a rating of 1 being the lowest impact:

£0 – £100,000 Low	£100,000 – £1m Medium
£1m – £10m High	>£10m Significant

## Our material climate-related risks

Our business is predominantly exposed to transition risk (and opportunity) in the short, and medium, term as markets, policy, and reputations come to terms with alignment to a net zero world. One of our most material risks relates to our ability to respond to shifting client preferences for lower-carbon products, but this is also a significant opportunity for growth (more on [page 16](#)).

We are also alert to reputational risks related to our marketing and communications of lower-carbon products and services and we have developed mitigation strategies to address this (more on [page 72](#)).

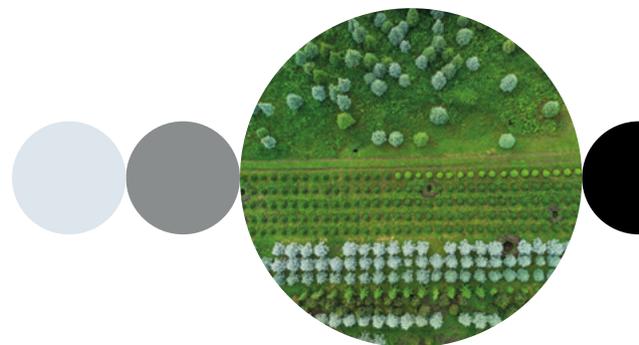
### Enhanced reporting obligations

The scale of our enterprise means that we are subject to increasingly enhanced reporting obligations in relation to climate and sustainability.

This impacts our business through the imposition of additional costs to gather, analyse, and report climate-related data, which is subject to scrutiny from clients, regulators, and wider stakeholders. International standards are yet to coalesce, and eventual 'global' standards will take time to fully embed across markets.

We mitigate this risk by investing in our reporting capabilities. Our Investments vector has sponsored a dedicated 'ESG Programme' to support the development of our tools in line with regulatory frameworks and the needs of our clients and business. We are alert to the risks of misstatement and voluntarily assure select sustainability KPIs ([page 99](#)) and subject our internal data governance to Board level oversight via our Audit Committee.

Our goal is to lead by example, and we also support enhanced reporting as investors, which will better enable us to assess climate-related risks in our portfolios.



Climate-related risks	Identified financial impact	Mitigation strategy	Financial impact post control
<b>Physical risks: Acute</b>			
<b>Increased severity of extreme weather events</b>	Cost associated with damage to office facilities	Insurance for owned infrastructure	2
	Costs associated with transport and power disruptions	Well established business continuity process Technological capabilities to support remote working	
	Costs associated with damage to IT networks and infrastructure	Infrastructure is distributed around multiple locations with secondary sources of power to protect critical infrastructure and reduce cost implications of disruption	
<b>Transition risks: Market</b>			
<b>Significant shifts on consumer preferences</b>	Reduced revenue from decreased demand for products	Product development to meet demand for lower-carbon investments	2
	Research highlights a high appetite for sustainable investing but education on the topic is a barrier and can create missed opportunities	Forward-looking research and insights published to demonstrate thought leadership Provision of ongoing CPD and thought leadership on sustainable investing – providing tools and guidance to support sustainable investing decision-making	
<b>Lack of public policy means emissions still increasing</b>	Uncertainty of pace and direction of public policy evolution creates uncertainty for investing	Advanced scenario analysis providing insight as to the potential impact of varying policy stringency levels across regions and sectors We advocate for standardised carbon pricing and market mechanisms to encourage investment in decarbonisation	2
<b>Climate-related risks impact the market</b>	Lower AUMA, impacting clients and reducing revenue	We aim to protect clients' investments from negative climate-related impacts Well-established scenario analysis supports investment decision-making at asset and fund level, and identifies long-term valuation impacts Active engagement process supporting the identification of climate-risk at company level Active advocacy with policy makers Carbon footprinting enables fund managers to understand emissions intensity of portfolios Diversification of business model and revenue sources across vectors and portfolios	2
<b>Transition risks: Reputational</b>			
<b>Increased stakeholder concern or negative feedback</b>	Reduced revenue from decreased demand for products	Enhanced reporting and commitment to transparency in our disclosures	2
	Growing litigation risk – both direct and from divestment decisions	Controls to protect against marketing risks of climate-related products and strategies We advocate for transitional policies and proactively engage with stakeholders	
<b>Transition risks: Policy and legal</b>			
<b>Enhanced reporting regulations</b>	Cost of analysis, data gathering and publication Cost of inadvertent non-compliance due to volume of regulation	Development of climate data reporting tools and efficient processes Active engagement with emergent regulatory requirements via consultation Sustainable investing governance structure – capturing global regulation and communication to the right stakeholders in the business	3

We recognise that climate risk for our business extends beyond our operational boundaries, and we also take account of the risks associated with our third parties, suppliers and joint venture partners. We commit to using our influence and contractual controls to mitigate for third party climate risk as appropriate.



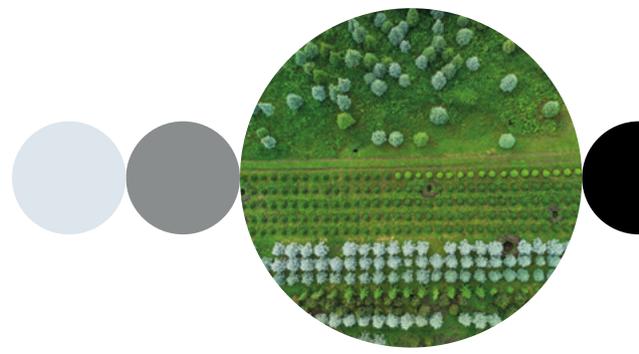
## Our material climate transition opportunities

### Developing lower-carbon products and services

Our most material opportunity is the anticipated need for low-carbon financial products and services in line with global economic transitions. Our largest client, Phoenix Group, has set a net zero 2050 goal and we are developing solutions across different asset classes to enable this. This is a strategic focus for our Investments vector as there is an opportunity to increase investment flows and associated revenues. This also represents a significant risk should we not be positioned to respond to shifting client preferences.

Climate-related opportunities	Identified financial impact	Realisation strategy	Financial opportunity post control
<b>Transition: Products and services</b>			
<b>Development of lower-carbon products and services</b>	Revenue opportunity from demand for lower-carbon products and services and products with enhanced sustainability performance	<p>A clear climate strategy focused on net zero directed investments</p> <p>Sustainability is a strategic priority across the group</p> <p>Proprietary analysis and climate toolkit supports both decision-making and thought leadership</p> <p>Lower-carbon products to support client objectives</p> <p>All three vectors provide the thought leadership, information, reporting and where possible, the tools, for customers to make sustainable choices</p>	3
<b>Transition: Resource efficiency</b>			
<b>Move to more efficient buildings</b>	Reduced operational costs, increased quality of working environment	<p>We identify opportunities for greater efficiency during planned refurbishments</p> <p>Consolidation of offices where we identify opportunity for efficiency</p>	3
<b>Use of more efficient modes of transport</b>	Reduced operating costs	<p>Assessment of emissions due to business travel and action planning</p> <p>Our teams are encouraged to use virtual conferencing facilities where practical</p>	3
<b>Use of more efficient technology</b>	Reduced operational costs of technology	<p>Increasing use of public cloud - reducing data centre footprint and allowing for reduction in emissions through cloud supplier actions as well as ability to use only as required</p> <p>Ensuring that we are considering our carbon impact across the whole equipment lifecycle</p>	3

# Strategy



## Taking a long-term view with climate scenario analysis

It is vital that investors understand how climate change will affect the investment return of the companies and markets they invest in. The impacts of climate change will be felt across generational time horizons and our scenario analysis takes this long-term view to better understand the impacts of physical and transition risks at sector and individual security levels.

Climate scenario analysis is a strategic platform for abrdn and we are committed to updating our insights year-on-year. The disclosure in this report is a summary of our approach, key findings, and how we are using this information in our investment processes. Our full research can be found [here](#).

### What we look to achieve

One of our key research questions is to understand the relative 'winners' and 'losers' under potential energy transition pathways and associated temperature rises. The outputs of climate-scenario analysis help answer this question by providing a forward-looking view for the assessment of climate-related risks and opportunities in the long-term. Our bespoke approach of capturing more plausible central scenarios, and assigning realistic probability weights, aims to better enable the integration of climate scenarios into our investment decision-making and climate solutions for clients.

### Our approach

Our approach to climate scenario analysis is motivated by the view that a rigorous and transparent methodology is essential for making sound investment decisions, encouraging positive change at the companies in which we invest and achieving robust outcomes for our clients.

We use a combination of bespoke and industry-standard scenarios, which explore a range of temperature rises (1.3 and 3.2°C by 2100) and transition pathways up to a time horizon of 2050. This includes a mean probability-weighted scenario that captures our view of the most plausible energy transition. We currently assign only 34.5% probability to scenarios which limit warming to below 2°C, with just 3.5% probability of achieving the global aim of 1.5°C.

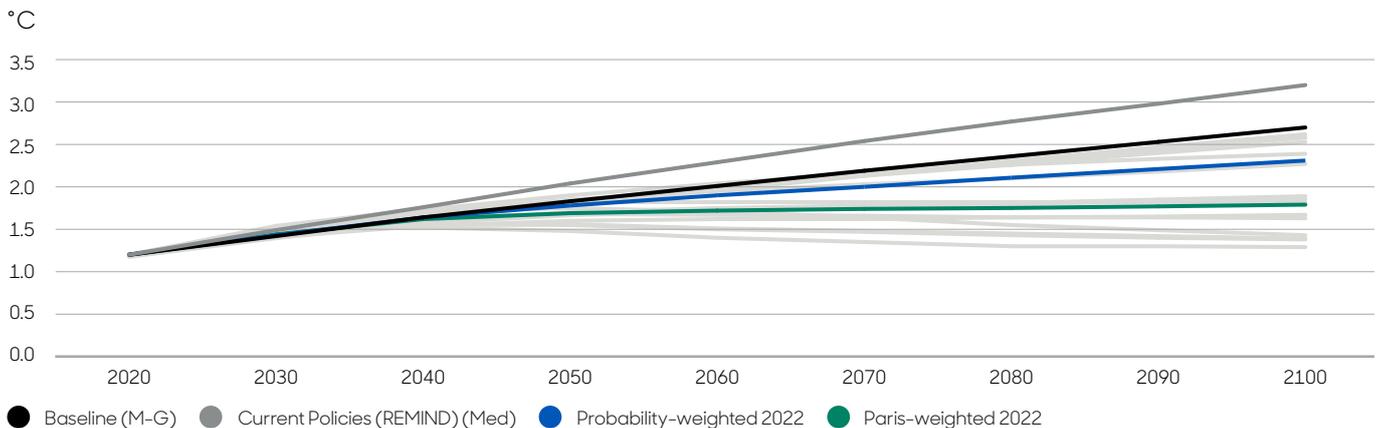
Our industry-standard scenarios are based on those built by the Network for the Greening of the Financial System (NGFS). Using them as the base scenarios for our bespoke framework facilitates comparability and better meets the needs of our clients.

This year we have expanded our scenario analysis to incorporate company targets. It reflects that companies have the opportunity to proactively alter their strategies and take advantage of transition opportunities. Many companies have set ambitious targets but some are more credible than others. In response, we have built a bespoke credibility assessment framework to assess target credibility, which will enable us to value securities more accurately and draw finer conclusions from our scenario analysis ([page 20](#)). Our analysis is also expanding in 2023 to look in detail at the physical and transition risk for our real assets.

### Assets in scope for our analysis

Our climate scenario analysis has focused on asset classes in which valuations are largely derived from future corporate earnings streams: listed equities and corporate bonds. With our analysis focused on the financial impacts of climate-transition risk, as in most sectors the financial impact is largely determined by transition drivers.

## Illustrating the temperature trajectories of our 18 climate scenarios



Source: abrdn, December 2022.

# Strategy



## Insights from our analysis:

### At index level

Our core insight is that there is a large dispersion of risks and opportunities both within and between sectors but relatively little impact at the aggregate index level. This is due to the ability of 'winners' to offset 'losers' so the net impact of climate-related risk at long-term investment time horizons is relatively modest.

### At sector level

For low-carbon intensive sectors, as a whole, the impact of the climate transition is not material – healthcare and communication services, for example. In general, these sectors have a low-carbon intensity, so this is a logical output. The largest negative effects will be felt by the energy sector, which contains fossil fuel producers, which are vulnerable to demand destruction from renewable energy transitions and higher costs of carbon from a plausible future policy environment.

### At asset level

Sector means hide considerable dispersion of valuation impacts, with climate-related risks and opportunities more acutely felt at asset level. In general, however, downward revisions to long-term fair valuations are more common than upward revisions, so greater discrimination in stock selection is required to capture opportunities.

The effects on listed corporate credit valuation mostly mirror those for listed equities, but on a smaller scale. This means less investment risk compared to equities. Effects are generally smaller because debt is higher in the capital structure than equity and credit securities have time-limited duration. Longer-duration bonds experience larger impacts as climate shocks become more severe and as the scenarios progress towards 2050.



## The core drivers of climate-related valuation impacts for equity and credit

Our climate scenario analysis framework estimates credit and equity valuation uplifts and impairments based on seven main categories that drive future revenues of in scope companies:

### 01

The **physical effects** of climate change on the value of assets held by companies

### 02

The **ability of companies to adapt** to these physical effects

### 03

The amount of new **demand created** as a result of climate driven changes to global economies

### 04

Or – the amount of **demand destroyed** as a result of climate driven changes to global economies

### 05

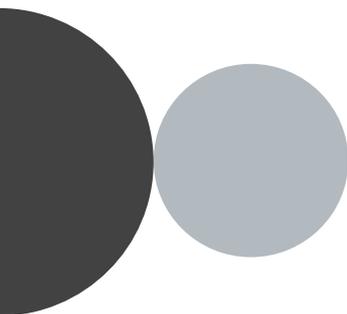
The **costs of carbon** faced by companies resulting from mitigation policies

### 06

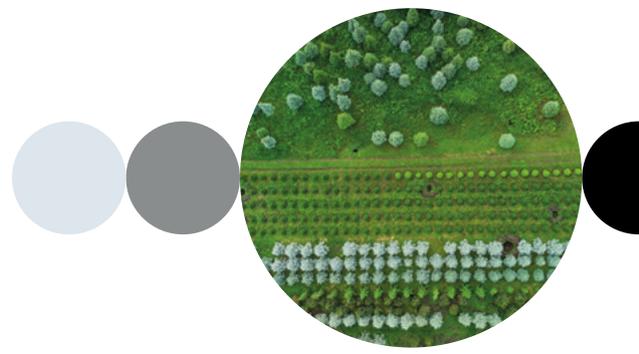
The **ability** of companies to abate carbon costs by reducing or eliminating emissions

### 07

The **extent** that companies may be able to **pass costs on to end-users**



# Strategy

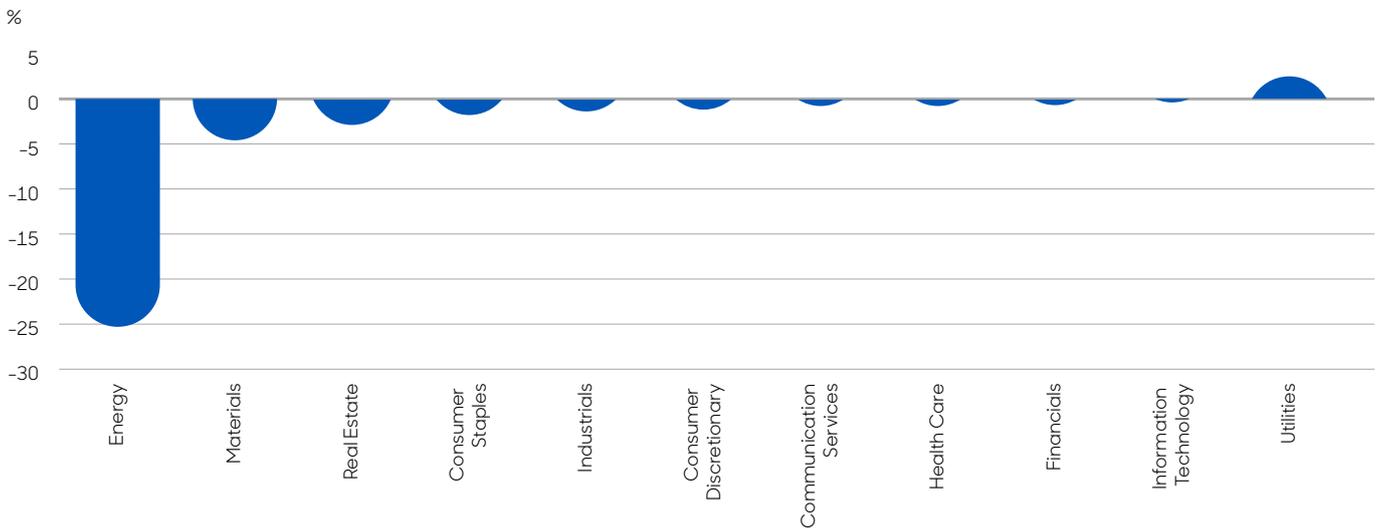


## What we are expecting

Our scenario analysis tool allows us to generate forecasts on the effects on fair value for more than 24,000 equity assets and 50,000 corporate bonds for each climate scenario. These can be aggregated up to the level of sectors or regional indices.

The following chart shows the latest sector results within the MSCI ACWI global equity index, based on current assumptions embedded in our probability-weighted mean, or 'most likely', climate scenario.

### Valuation impact across sectors



Source: abrdn.

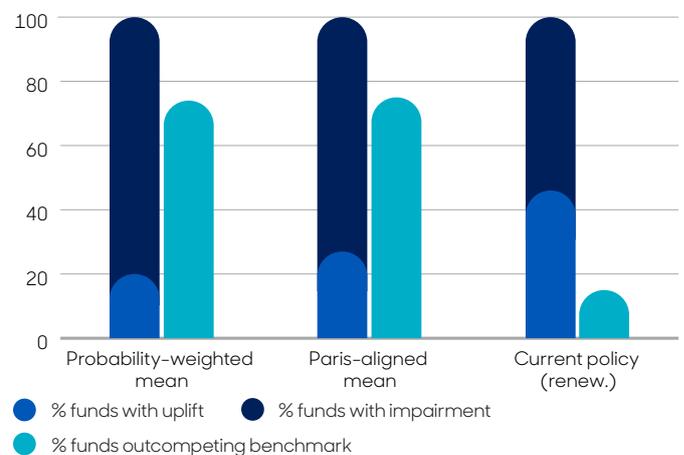
Note: Sectors are categorised using GICS classifications. Valuation impairment figures are all relative to market prices as of September 2022.

## Resilience of our strategy against climate scenarios

We use scenario analysis to understand how resilient our portfolios are to uncertain future transition pathways. Our sector is not carbon intensive but understanding the carbon intensity of our investments and the climate-related risks and opportunities is vital in terms of enabling desired client outcomes, and realising our opportunity related to lower-carbon products and services. Our insights are therefore supporting key stages of our investment processes across research, engagement, strategic asset allocation, and investment product solutions.

Our year three analysis suggests that approximately three quarters of our existing equity portfolios outcompete their benchmarks when considered against our view of the most plausible transition pathway as well as our Paris-aligned mean scenario. This conclusion differs by fund and we are developing solutions to meet the outcome expectations of our clients in relation to sustainability (more on [page 21](#)).

### Equity





## Case study

### The credibility gap

This year our focus has been to address one of the primary challenges of scenario analysis in that companies negatively exposed to the energy transition also have the opportunity to alter their strategies and take advantage of transition opportunities.

Many companies have set ambitious targets but there is a challenge in that some are more credible than others. In response, we have built a bespoke credibility assessment to measure credibility gaps, which will enable us to value securities more accurately and draw finer conclusions from our scenario analysis.

Our pilot tests around 400 of the large-cap global stocks most exposed to the energy transition. At the time of the assessment, none of the firms we analysed had a fully credible transition plan, and the average firm has a large credibility gap, in much the same way that the average country has a large policy-credibility gap. However, we also found significant dispersion in credibility scores, both across and within sectors.

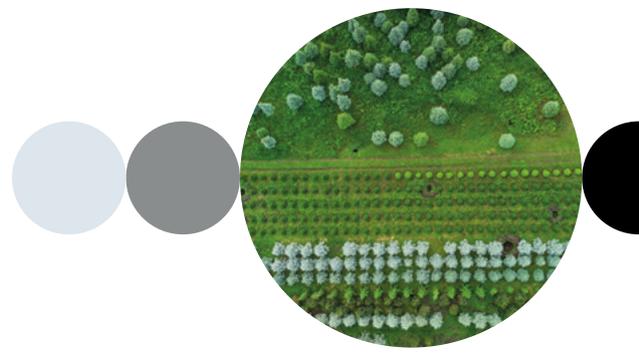
The chart below illustrates this dispersion. We published detail on our methodology [here](#), and our intention is to link our credibility assessment to our scenario analysis findings in 2023, which we will share in a separate companion paper.

Normalised Credibility Score



Source: abrdn, MSCI, Trucost, IEA, FactSet, FTSE Russell, TPI, October 2022.

# Strategy



## Sustainable investing solutions

Our business is global and we serve a diverse range of clients through our three vectors. Client objectives therefore differ significantly and sustainability factors are integrated differently to reflect this. We have fund ranges aligned to the different outcome expectations of our clients, with our sustainability solutions catering to four broad types of client needs. This is a bespoke abrdn framework and is intended to be dynamic in nature, as we regularly review client needs and applicable regulatory requirements.

## Climate solutions and integration

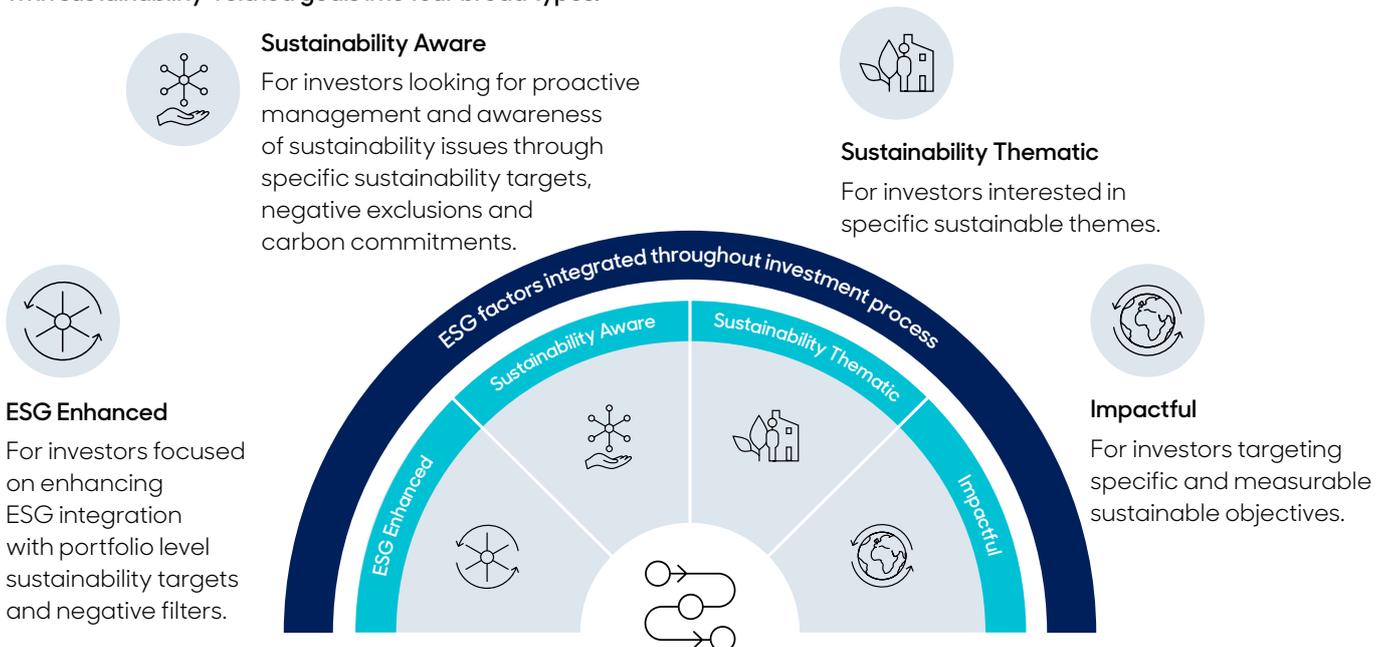
Climate considerations are incorporated to different extents across our fund range and we have developed specific climate solutions for clients with clear climate-related objectives, while other mandates incorporate climate considerations broadly as part of other objectives. We have been actively engaging with clients that have set net zero goals on implementing these in practice. Our net zero-aligned solutions are developed using the Net Zero Investment Framework (NZIF) as the foundation for our approach. We contributed towards NZIF as part of our involvement in the Institutional Investors Group on Climate Change (IIGCC) Paris Aligned Investing initiative.

Our strategy is intended to support real-world decarbonisation and our solutions use a combination of targets that go beyond basic carbon metrics and follow the NZIF principles. The core features of the framework incorporate decarbonisation of assets within the portfolio by:

- Investing in transition leaders (rather than divestment)
- Allocation of capital to climate solutions increasing over time
- Targeted net zero stewardship, focusing on the largest – financed emitters.

Approximately 30% of our AUM is to be managed in line with net zero goals, based on commitments our clients have made. This still has to be reflected in mandates, a process that takes time and is heavily reliant on client action. In support of this objective, we launched four climate-specific investment strategies in 2021 across credit, global equities, and multi-asset, which are focused on climate outcomes. These strategies are aligned to our Thematic categorisation for investors interested in specific sustainable themes. As members of the Net Zero Asset Managers Initiative (NZAM) we are committed to actively developing our net zero-directed solution range across asset classes and engaging with clients to demonstrate our climate capabilities and increase flows into our climate solutions.

Our sustainability focused solutions offer a range of approaches to cater to different client needs. We categorise investors with sustainability-related goals into four broad types:



Note: This framework is abrdn's own methodology for our range of solutions within this framework only. It serves as a basis for defining targets and metrics to measure our investment solutions against sustainability progress in various defined areas. Our framework may relate to regulatory requirements like SFDR but is not purposefully designed to match any one current or future taxonomy system. Instead, it is dynamic in nature and will be regularly reviewed and amended as required to comply with a range of applicable regulatory requirements.

# Risk management



## Identifying and assessing climate-related risks

Our approach to identifying climate-related risk is long standing and remains consistent with prior year reporting.

We have two climate change working groups – covering both our operations and investments – that monitor climate-related risk to the business. Our assessment of climate-related risk is reflected through our climate risk and opportunity radar (**page 15**) that is developed using our risk and control self-assessment process.

This process assesses the inherent risk against:

- likelihood, or the percentage chance of an event occurrence in the next 12 months
- impacts, including: financial, customer, regulatory and legal, reputational, and process.

Inherent risks are then scored with due consideration to mitigation strategies and associated controls. Where we identify material risks to the business within the radar, we escalate this through our governance structure (**page 10**). The management process determines whether we mitigate, transfer, accept or control risks.

## Integration into overall risk management

Climate-related risk is included within our Enterprise Risk Management (ERM) framework, which is subject to Board oversight.

We operate 'three lines of defence' in the management of risk with clearly defined roles and responsibilities.

- **First line:** Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls.
- **Second line:** Oversight from our Risk and Compliance function, which reports to the Chief Risk Officer.
- **Third line:** Our Internal Audit function, reporting to the Chief Internal Auditor, independently verifies our systems of control.

As abrdn plc, climate-related risk is therefore considered amongst the principal risks and uncertainties for our business. We do not define climate as a singular principal risk due to its close association with other risk categories.

In other words, we view climate risk to be material, but it is better perceived through financial or regulatory and legal risk categories when considered at enterprise level.

## Managing climate-related risks

Our governance framework (**page 9**) supports the management of climate-related risks, and we address asset manager specific TCFD guidance on the following pages.

## Looking ahead toward a changing landscape

Our assessment of the regulatory landscape and developing stakeholder expectations is that, though climate change will remain material, other thematic sustainability topics will emerge as points of material focus.

This is already true to an extent, but climate-related disclosure has led the first wave of regulatory sustainability standards. We are alert to the shifting landscape and completed our sustainability materiality review in early 2023 to better inform our future priorities and understand how our stakeholders view climate versus other emergent topics. More detail from **page 83**.



**We detail our approach to risk management at Group level from page 64 in our Annual report**

# Risk management

## Investment integration

We manage climate-related risks through our research processes, data, and decision-making.

Research is the foundation of our approach to understanding and managing climate-related risks and opportunities. Our research provides insights on regulatory and industry trends across regions. It also helps us understand the physical and transition risks and opportunities, enabling us to take informed decisions about how and where to invest.

Climate-related research is carried out by our Research Institute and Sustainability Insights Team. Our scenario analysis platform enables us to take a forward-looking view and we can use the results to test the valuation impact on individual funds. Beyond this, our insights are published publicly in the form of research papers, articles, and webinars. Our catalogue of original research is extensive and this expertise supports our decision-making and effective management of climate-related risks.

## Our climate change toolkit

We have developed a range of tools to help integrate climate-related risk into our decision-making for our active investment process and we continue to build our capabilities year-on-year. The underlying data is drawn from a range of vendors with different levels of data coverage. Data coverage is limited by various factors including: lack of uniform disclosure and methodological standardisations. This is a common challenge, as best practice remains emergent despite accelerate efforts toward global disclosure frameworks.



## Our existing toolkit

### Carbon metrics

This enables portfolio managers to understand the carbon intensity and absolute emissions of their portfolios and holdings over time and it provides a baseline for benchmarking and decarbonisation. In 2022 we introduced two EVIC-based carbon metrics: Financed Emissions and Economic Emissions Intensity, in line with PCAF methodologies.

### Climate policy index

We have developed an index which builds on the IIGCC-recommended Climate Change Policy Index, incorporating it into our in-house climate policy expertise and adding a weighting to reflect the central role of policy action in the energy transition.

### Climate scenario analysis platform

Used to assess the impact by geography, sector, and individual company level. This enables us to assess the financial impact of different climate scenarios and embed this into our thinking so we can achieve two main objectives:

- **Climate-resilient portfolio construction:** make current investment portfolios more resilient to different climate transition pathways by incorporating the risks and opportunities identified in the climate scenario analysis into our portfolio construction process.
- **Climate-driven solution development:** develop new climate-driven products and benchmarks to enable clients with climate-specific goals to achieve these in a research-founded, measurable manner.

### ESG House Score

We developed a scorecard for companies using over 100 key performance indicators (KPIs) arranged in categories aligned with industry frameworks. This supports our analysis of the possible adverse impact of our investment and the impact on client portfolios. The scorecard includes climate change and provides carbon data to assess a company's response to its climate risks.

### Credibility assessments

We use a number of tools and data sources to assess whether companies have credible transition strategies. In 2023 we intend to launch our full credibility assessment framework.

# Risk management



## How does our climate toolkit support investments decision-making?

Our climate toolkit supports decision-making across our investment process at different levels of integration. For example, our fund managers have on-desk access to our climate scenario analysis platform and this supports the assessment of investment risks and opportunities with climate-related information factored in. It is important to be clear that climate considerations are not integral to every investment decision and form part of a wider decision-making process. Our tools are intended to support the cases where climate-related information is material to specific circumstances, and as methods to drive our climate strategy for investments.

The efficacy of tools will differ across asset classes and investment strategies. For example, the carbon metric tools for public markets and private assets will differ as they require different data collection, for example, direct real estate are required to directly collect emissions data. Moreover, tools may be complimentary, for example, the climate policy index is a measure of the policy supportiveness of different regions and geographies, this index is incorporated into other tools such as the credibility assessment.

The matrix below maps our existing climate toolkit against asset classes to give a view of the applicability of tools for various investments strategies.

Asset class	Carbon metrics	Credibility assessment	Climate policy index	Scenario analysis	ESG House Score	Research insights
Equities	●	●	●	●	●	●
Corporate credit	●	●	●	●	●	●
Quantitative strategies	●	●	●	●	●	●
Real Estate	●	●	●	●	●	●
Discretionary	●	●	●	●	●	●
Multi-asset	●	●	●	●	●	●
Sovereign bonds	●	●	●	●	●	●
Cash	●	●	●	●	●	●
FX	●	●	●	●	●	●
Derivatives	●	●	●	●	●	●
Third party funds	●	●	●	●	●	●
Execution only funds	●	●	●	●	●	●
Private equity	●	●	●	●	●	●
Private credit	●	●	●	●	●	●
Infrastructure	●	●	●	●	●	●

### Key:

- Full scope
- Partial scope
- Out of scope
- Not applicable

### Definitions:

- The asset class is in scope of the tool or metric
- A proportion of the asset class is in scope to utilise the tool, or metric, or is in development
- The asset class is out of scope for the reporting year, but tool development is being explored
- The tool is deemed not to be applicable for the next 1-2 years, or deemed not relevant to the asset class.

The matrix above is a representative model to illustrate how our existing climate toolkit is integrated within our investment process. It does not capture the specific nuances of investments processes and is not a reflection of a particular product or strategy. Our climate toolkit is of our 'house' approach and does not reflect bespoke pieces of analysis, such as on-desk climate scenario analysis for Infrastructure, for example. Equally not all tools are applicable for specific asset classes e.g., we cannot apply our credibility assessment analysis directly to derivatives due to the nature of the financial instrument.

# Risk management

## Engagement with companies and assets helps to identify and manage climate risk

Active ownership via stewardship, engagement, and voting is a key pillar of our net zero directed investing strategy, as we manage climate-related risks and look to improve the financial resilience and performance of investments.

Our expectation is that companies are alert to the long-term risks from climate change and can demonstrate effective management of climate-related risks through the implementation of goals and targets linked to a credible net zero-aligned transition. We communicate our expectations directly to companies and through our voting policies.

We have identified our highest-financed emitters in our equity and fixed income holdings. We have developed a framework, which we are using to drive our climate-related engagement strategy with the highest-financed emitters in equities (**page 27**) This framework is based on a set of factors, including the Climate Action 100+ Net Zero Company Benchmark, the scope and coverage of GHG reduction targets, and a focus on governance such as climate-related KPIs reflected in the LTIP and social impact of the energy transition.

We have initiated a two-year engagement programme with these emitters with a view to influencing real-world decarbonisation progress. In the event we see insufficient progress, we will escalate our engagement, exercise voting rights, and may recommend divestment.



### Case study

#### Shareholder democracy

In 2021, ii promoted shareholder democracy through making being able to vote at company annual general meetings, and other voting events, the default setting on ii, instead of an opt-in process.



## Setting clear expectations for companies

We are members of the Net Zero Asset Managers Initiative, and this is reflected in our approach. We also recognise the links between corporate governance, strategy and climate-related risk management.

We expect and encourage companies to:

- Demonstrate that a robust methodology underpins Paris aligned, net zero goals and targets.
- Set targets for absolute emission reduction, not just carbon intensity, to show a clear pathway to net zero.
- Report in alignment with the Task Force on Climate Related Financial Disclosure framework.
- Link targets to remuneration.
- Ensure decarbonisation strategies are supported by transparent capital expenditure plans.
- Carefully manage climate-related lobbying by ensuring appropriate oversight, transparent disclosure of activities, and alignment of activities with the company's strategy and publicly stated position.

We have a clear perception of what we consider to be best practice globally but we seek to understand each company's individual circumstance in our assessments. Our voting policy is available [here](#).

# Risk management



## Escalation

Periodically, we identify concerns on matters relating to stewardship and ESG factors which will result in us having to escalate our engagement activity. We have a number of strategies that may be employed for escalating our engagement activity, with our strategy being determined on a case-by-case basis. It is likely that in cases of significant disagreement we will employ multiple approaches.



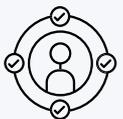
### Collaborative engagement

We may decide to join with other investors who are seeking to achieve similar change from a single investment or a range of investments. Collaborative engagement may therefore be used as a result of an escalation of our own activities or to drive change relating to a specific theme across a group of investments.



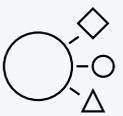
### Public statements

We may make our views known publicly so that our view is clear to clients and our wider stakeholders. Such statements will be used when we believe that the additional scrutiny they bring would help in achieving the change we are seeking.



### Voting decisions

We take great care to set high expectations in our custom voting policies. Voting is a powerful tool to influence individual companies toward a more credible transition to a low carbon world and we are seeing an increasing number of climate resolutions put forward.



### Divestment

If we do not see sufficient progress against transition milestones after two years, we will recommend divestment where we have the discretion to do so.



## Case study

### Enel S.p.A<sup>1</sup>

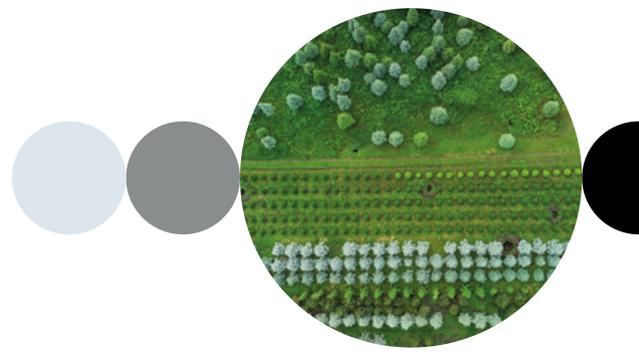
In collaboration with other institutional investors and by leading the engagement with Enel S.p.A as part of the Climate Action 100+ initiative, we are pleased to acknowledge that Enel S.p.A has become the first and only company to fully align their corporate disclosures with the Climate Action 100+ Net Zero Company Benchmark.

In March 2021, Climate Action 100+ launched its Net Zero Company Benchmark, defining key indicators of success for business alignment with a net zero emissions future and goals of the Paris Agreement. The Benchmark is the foundation for investors engaging with focus companies through Climate Action 100+, as it calls for robust and comparable information on how companies are realigning their business strategies and operations with the goals of the Paris Agreement.

Meeting the criteria underlying the Benchmark's disclosure indicators is a meaningful milestone for both Enel and the lead investors, which reflects the value of dialogue between corporates and investors. Enel has committed to decarbonising in line with a 1.5°C pathway and aims to reach net zero emissions by 2040. The company's decarbonisation strategy consists of shifting towards renewable energy generation and storage, phasing out coal power generation by 2027, and natural gas in both power generation and sales to clients by 2040.

<sup>1</sup> Company selected for illustrative purposes only to demonstrate the investment management style described and not as an investment recommendation or indication of future performance.

# Risk management

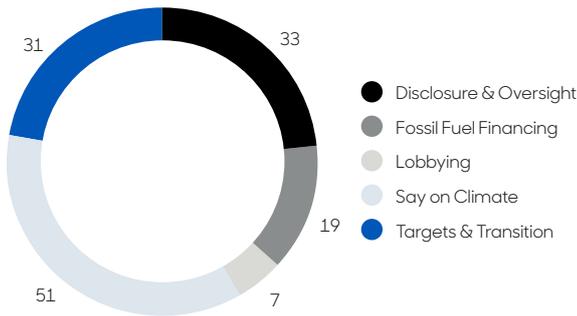


## Examples from active engagement

Implementing our net zero directed investing strategy necessitates active engagement year-on-year to understand climate-related risks within our holdings, and to drive credible progress and increased disclosure.

We assess all climate resolutions tabled across our portfolios, and instruct our votes in the best interest of our clients. Well drafted proposals enable us to use our votes to encourage positive change. It is equally important for us to oppose proposals that would be a burden on companies without producing a clear benefit for shareholders, and our clients. Our climate-related engagement strategy focuses on our highest-financed emitters in equities as a priority, though we note that climate-related risk is material for many companies and we will use our tools to monitor progress. More detail on our engagements in our **Stewardship report**.

### Climate change resolutions 2022



	2022	2021
Resolutions voted	141	99
Votes in favour	56%	55%
Votes against management	26%	29%



## Case studies

### Priority engagements with highest financed emitters

#### Royal Dutch Shell plc

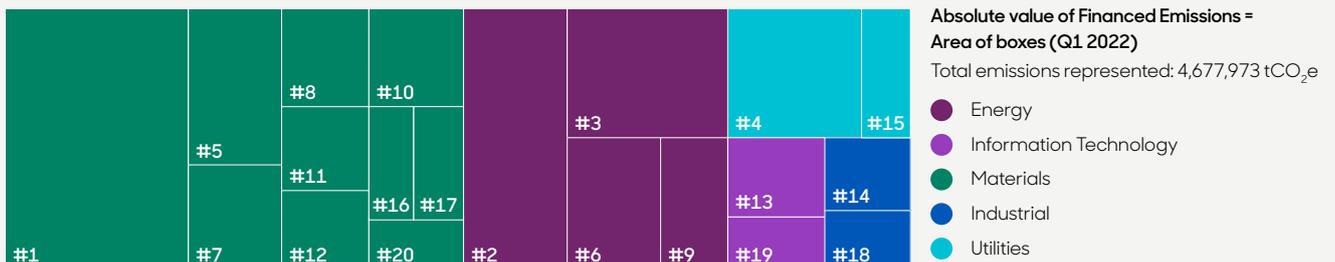
A credible transition to a lower-carbon economy is a clear challenge for the oil and gas industry, as a carbon intensive sector. We engaged with Shell to understand its existing emissions intensity, and voice the need to disclose Scope 3 emissions and set related absolute reduction targets. Shell is targeting 50% of revenues to be derived from green revenues by 2025. Reaching this milestone will require significant progress year-on-year; equally, we expect to see increased capital expenditure toward renewables, which we will monitor closely on review.

#### SSE plc

Our view of the utilities sector is that climate change presents a potential long-term opportunity (**page 19**) and SSE has moved quickly to publish transition strategies, with Scope 1 & 2 targets aligned to SBTi. We engaged with SSE to discuss potential next steps – such as setting Scope 3 targets, improving transparency as to its involvement with climate-related organisations, and plans for future capital expenditure – and will look to see progress against these milestones on review, alongside progress against existing decarbonisation targets.

### Illustration of highest financed emitters in equity holdings:

We have initiated a two-year programme of priority engagements with our highest financed emitters in equities, with a view to seeking transparency on progress against specific transition milestones.



# Metrics and targets: Investments



**We are committed to reduce the carbon intensity of the assets we invest in on behalf of our clients to support the transition to net zero.**

**Our investments target is to reduce the carbon intensity of the in-scope assets we invest in by 50% by 2030 versus a 2019 baseline.**

### Current scope of our target

The data required to track decarbonisation is still lacking across many asset classes and regions and we have little control over decarbonisation in certain funds (for example, execution-only or third-party funds).

Therefore, only 30% of our total AUM contributes to our decarbonisation target for investments, with Phoenix accounting for 30% of the total public market assets in-scope as at 31 December 2022. We aim to increase this over time and improve the breadth and quality of our own data as we move towards the 2030 target date.

In-scope asset classes include equities, credit, active quants, real estate, and discretionary, with underlying data coverage consisting of Scope 1 and 2 emissions sources. This is driven by data availability, maturity of methodologies and control over decision-making.

Scope 3 emissions are important and material for many companies, but the availability of reliable and comparable data remains limited at present and would also introduce double-counting of emissions. Our approach is therefore to track Scope 3 emissions, but not include these emissions in the measurement of our carbon intensity target for now.

### How we measure our progress

Investors have a range of carbon metrics at their disposal for the purposes of carbon risk management. We measure three portfolio-level carbon metrics (more on [page 31](#)) but progress against our target is measured using Weighted Average Carbon Intensity (WACI), in line with the original

recommendations of the TCFD framework. It is important to reflect that each metric tells a different story – and indeed can move in opposite directions – so therefore must be interpreted with clear understanding of such implications. We outline the implications in detail in a [separate paper](#) and provide further commentary on [page 31](#).

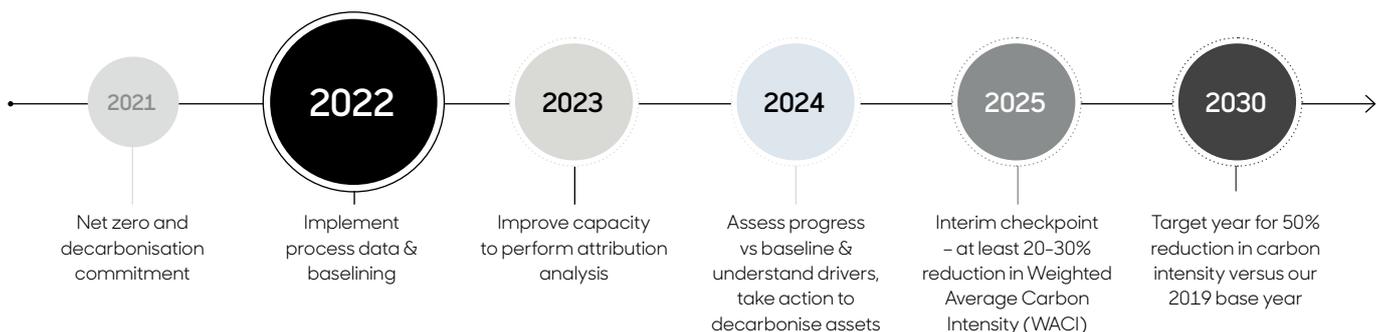
For the purpose of our carbon target, we note that WACI allows for easier comparison across portfolios and assets and does not penalise company growth. However, the WACI metric is also vulnerable to market forces unrelated to carbon and changes in company revenues could lead to volatility year-on-year. The WACI metric is also not directly applicable to in-scope real assets, with further detail on [page 32](#). Our target takes a long-term view and, though we do not expect linear reductions in carbon intensity, we can use WACI to effectively monitor our long-term decarbonisation progress in our public market portfolios – and to identify actions we need to take in conjunction with our wider strategy.

### Our baseline year

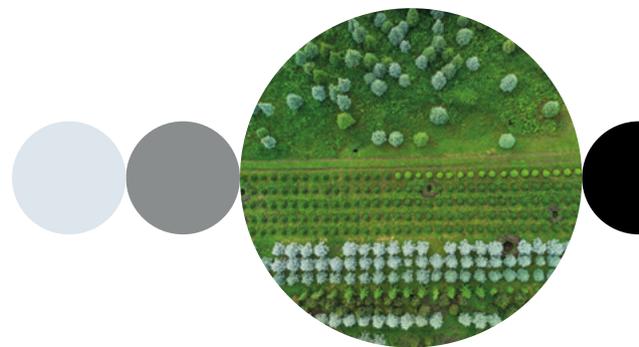
We measure our progress against a 2019 baseline year. The baseline is constructed using benchmark data. Having set our target in 2021, our work in 2022 has required backward-looking analysis to fully understand our baseline to measure our progress.

There are two reasons for setting a baseline utilising benchmark data. The first is to ensure that portfolios which have already achieved a significant level of decarbonisation against their benchmark are not penalised. The second is so that more carbon intensive portfolios must decarbonise at a faster rate to be in line with the baseline carbon target. Where a fund does not have a benchmark or where historical benchmark data was unavailable we pull through the fund WACI into the baseline calculation.

### Implementation timeline



# Metrics and targets: Investments



## Our three pillars of action

Progress linked to our strategy of net zero directed investing is driven by our three pillars of action. We report quantitative progress from **page 32** but it is through our three pillars that we are able to mitigate climate-related risks and work to realise our material opportunities. In 2022 we achieved some important milestones that support our progress, which are outlined in the table below.

Should our actions not lead to sufficient decarbonisation of our assets, we will seek to understand the drivers and may adjust our holdings to reduce our exposure to carbon intensive companies.

### Decarbonisation of assets

Our focus	<ul style="list-style-type: none"> <li>• <b>We are committed to tracking and reducing the carbon intensity of our portfolios.</b></li> </ul>
Our actions	<ul style="list-style-type: none"> <li>• We have focused on the implementation of carbon tools that deliver a range of carbon metrics and on research to understand why the choice of carbon metric matters.</li> <li>• We have committed to aligning our carbon reporting with industry best practice developed by the Partnership for Carbon Accounting Financials (PCAF).</li> <li>• We have incorporated achieving carbon targets into our Executive remuneration scorecard.</li> </ul>

### Providing net zero solutions

Our focus	<ul style="list-style-type: none"> <li>• <b>We are committed to increasing the proportion of assets flowing into climate solutions.</b></li> </ul>
Our actions	<ul style="list-style-type: none"> <li>• We have been actively developing our net zero solution offering, for example by establishing an Active Climate Transition (ACT) proposition in equities and fixed income that is based on the principles of the IIGCC Net Zero Investment Framework.</li> <li>• We have been actively engaging with clients that have set net zero goals on implementing these in practice through the climate products and services we offer.</li> <li>• We announced that 30% of AUM was to be managed in line with net zero goals based on commitments our clients had made. This still must be reflected in mandates, a process that takes time and is heavily reliant on client action.</li> </ul>

### Active ownership

Our focus	<ul style="list-style-type: none"> <li>• <b>We are committed to engage with our highest financed emitters and seek transparency against transition milestones.</b></li> </ul>
Our actions	<ul style="list-style-type: none"> <li>• We have identified our Top 20 largest financed emitters in equity and fixed income holdings.</li> <li>• We have initiated a two-year engagement programme with these equity emitters and identified clear milestones.</li> <li>• We have developed a bespoke credibility assessment framework to understand the likelihood of targets being implemented.</li> </ul>

# Metrics and targets: Investments



## Our ambition must also be matched by policy support – achieving long-term targets requires the reduction of global ambition and credibility gaps

Our carbon target for investments is the expectation across our asset base on an AUM weighted average basis, but we will not impose carbon targets on specific funds unless part of a client objective. The target is an objective for abrdn plc, and some asset classes and funds may contribute more towards it than others.

We are focused, through our net zero directed investments strategy, on supporting credible transition leaders and providing climate solutions to support real-world decarbonisation progress. Our belief is that understanding climate-related risks and opportunities will improve long-term returns for our clients. And we have a duty that necessitates the consideration of all material risks and opportunities.

Client goals rightly differ across regions and climate considerations are incorporated to varying levels across mandates. Some regions remain heavily fossil fuel dependent and there is a lack of effective policy incentive to support rapid decarbonisation for some companies and sectors. Equally, investments in carbon intensive sectors remains necessary to the extent that the materials and technologies needed for a renewable energy transition must be extracted and developed.

Our role is therefore as a catalyst for a net zero transition, with the development of the solutions, tools, and insight to support better investments to promote real-world impact and meet client objectives.

Our work on assessing the credibility of net zero targets has indicated that there is a sizeable credibility gap. Our pilot credibility assessment covers targets design, historical emissions performance, technology readiness, green market penetration, climate governance and an assessment of the policy environment. This work supports the enhancement of our scenario analysis framework, which considers nuances across sectors and regions, enabling us to better assess the impact of evolving policy environments. More detail on [page 20](#).



Learn more in our [credibility assessment insights paper](#)

## Turning pledges into action – achieving net zero requires stronger policies to provide the right incentives for transition

It is a challenging environment to make real progress on climate change, with turbulent macro-economic conditions impacting across markets and sectors. We have made meaningful progress, but the long-term view is uncertain, with specific challenges for our sector including:

- The scale and pace needed to achieve net zero by 2050 is dependent on policy makers providing the right incentives for capital allocation.
- Our own climate scenario analysis and external assessments, such as that from Climate Action Tracker, identify a significant policy gap to achieve net zero.
- We are investing on behalf of our clients, and are therefore reliant on clients increasing their demand for carbon targets and net zero products.
- The data required to track decarbonisation is still lacking across many asset classes and regions – we need accurate and comparable data to track progress.

**It is time to turn awareness into action to close critical gaps between promises and implementation. We need stronger policies, taxation and pricing to help provide the right incentives for corporates to make quicker, more sustainable progress**

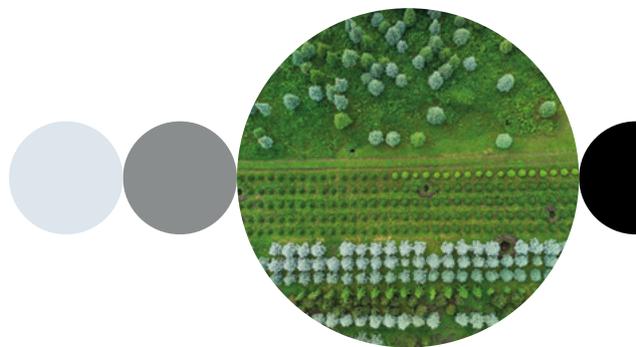
**Stephen Bird,**  
Chief Executive Officer

## We are advocates for change

Global emissions continue to rise and the reality is that ambition and actions do not align, with the outcomes from COP27 doing little to close the gap. Demonstrating the credibility of our own commitment and capability to be a catalyst for net zero is the best action we can take to drive progress – but we are also vocal advocates for urgent action more broadly.

We actively engage with clients, regulators, and wider stakeholders to support best practice. Our membership of collaborative groups, such as the Net Zero Assets Managers initiative (NZAM), contributes to a cohesive industry view for our sector and illustrates our own commitment to transparency. More detail on how we lend our voice to wider initiatives on [page 71](#).

# Metrics and targets: Investments



## Reporting on our portfolio-level decarbonisation progress

We have developed a range of proprietary tools to support investments decision-making. This includes carbon footprinting for a number of portfolios and our forward-looking scenario analysis platform. These tools form part of our wider climate change toolkit for investments (more on [page 23](#)) and inform our climate-related risk management. Our decarbonisation progress is measured publicly against our target and we use some core portfolio-level metrics to monitor aggregate performance. Each metric answers a slightly different question for investors – for example:

- WACI monitors a company's carbon efficiency per dollar of revenue earned, which makes it useful for comparing companies within sectors.
- Whereas Economic Emissions Intensity is useful for understanding carbon intensity relative to the value invested in a company.
- Financed Emissions provides an absolute view of emissions 'owned' by different investors, but the view from the metric is subject to market volatility.

Our paper on 'Why the Choice of Carbon Metrics Matters' gives a full picture for investors to understand the strengths and weakness of each metric – and we disclose our progress on the following pages.

## What assets are in scope for our carbon target?

Reported metrics	Asset class	Rationale
In-scope	Equities	Relatively good levels of carbon data for publicly listed corporates and increasing client demand to decarbonise and mitigate climate risk in these asset classes.
	Fixed income	
	Quantitative strategies	
	Discretionary	
	Real estate	To achieve real-world decarbonisation this is a key asset class and, as direct owners, our clients are supportive of decarbonisation efforts.
Out of scope	Multi-asset	The complexity of data collection and calculation of sub-portfolios, synthetic positions, third-party funds and aggregating carbon metrics of different asset classes.
	Sovereign bonds	Investors have limited influence over sovereign decarbonisation via engagement, with carbon accounting methodologies and data being relatively nascent compared to corporates.
	Cash and FX	Limited climate impact and no applicable carbon accounting methodology or data.
	Derivatives	Nascent carbon metric methodologies for this asset class.
	Passive funds	Limited control over forward-looking decarbonisation trajectory.
	Third party funds	Limited control over forward-looking decarbonisation trajectory and holdings data may not always be directly accessible.
	Private equity	Limited carbon data availability for these asset classes.
	Private credit	
Infrastructure		

## Our reported carbon metrics

The table below outlines three core portfolio-level carbon metrics. The Task Force on Climate-Related Financial Disclosure (TCFD) encouraged WACI as the core metric to disclose in 2017. Then in 2020, the Partnership for Carbon Accounting Financials (PCAF) set EVIC based Financed Emissions as the new, consistent carbon disclosure standard for investors.

Core portfolio-level metrics	Unit	Absolute or Intensity
Financed Emissions	tCO <sub>2</sub> e	Absolute
Economic Emissions Intensity	tCO <sub>2</sub> e/\$m Invested	Intensity
Weighted Average Carbon Intensity (WACI)	tCO <sub>2</sub> e/\$m Revenue	Intensity

Our decarbonisation target uses WACI to track progress, but we believe investors should consider all three metrics for decision-making.

## Where does our data come from?

Our specialist data provider for emissions is Trucost, which we selected based on their global coverage and strong estimation methodology.

# Metrics and targets: Investments



**We report our first progress against our decarbonisation target. As at 31 December 2022, in-scope public market portfolios achieved a carbon intensity reduction of 27% versus a 2019 baseline. As at 31 December 2021, in-scope real estate achieved a 31% reduction in carbon intensity versus a 2019 baseline.**

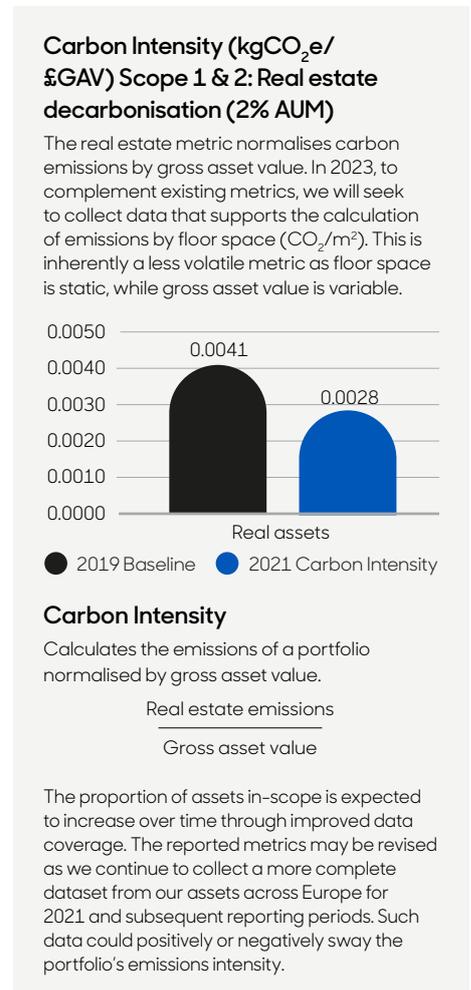
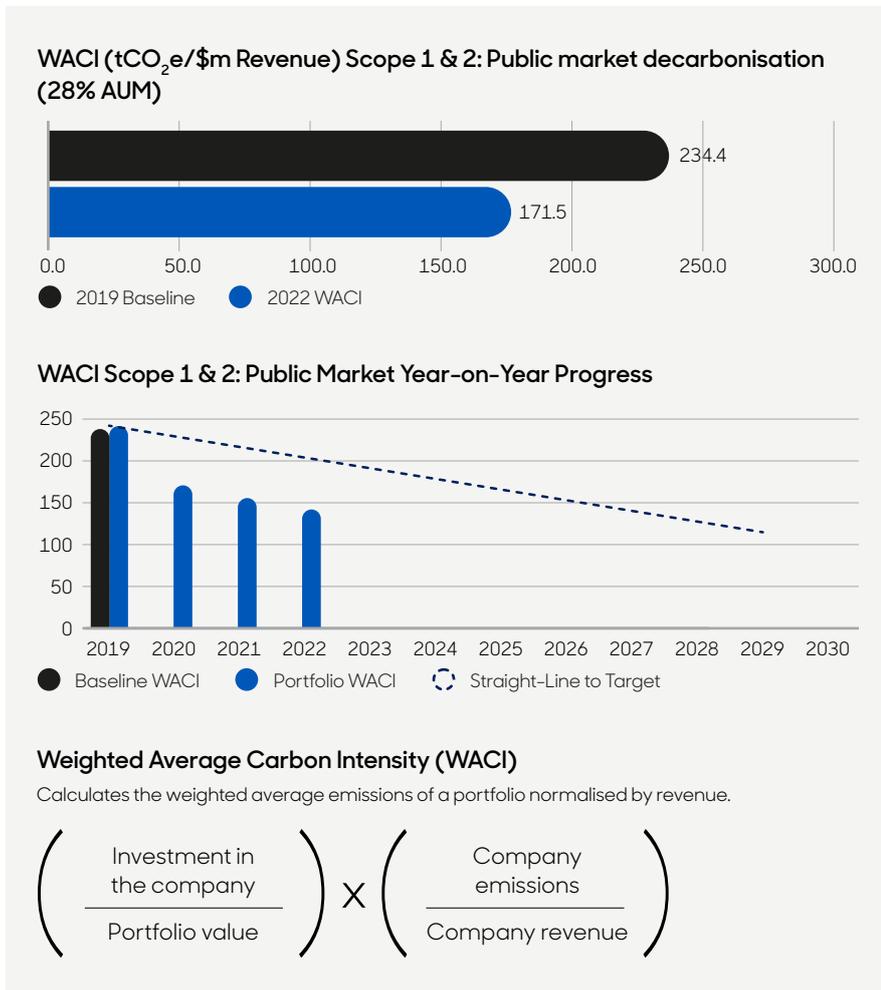
Our target is to reduce the Weighted Average Carbon Intensity (WACI) of the assets we invest in by 50% by 2030 versus a 2019 baseline. The view at 31 December 2022 shows that we are on track to meet our interim checkpoint of at least a 20% reduction in carbon intensity by 2025.

Public markets and real asset decarbonisation progress must be calculated separately as the asset classes utilise different carbon metrics, which are illustrated below. There is also a time lag associated with the bottom-up collection, and calculation, of emissions data for real estate assets. Therefore, data for real assets is reported as at 31 December 2021.

### A forward-looking view

Metrics such as WACI inherently look backwards to emissions performance and, though crucial to measure, do not give an objective picture of progress against climate goals. We complement our carbon metrics with forward-looking scenario analysis and assessment of corporate emissions targets using our credibility framework (page 20) alongside engagement activity with investee companies – which supports fuller understanding of climate-related risks and opportunities.

Our net zero directed investments strategy supports investments in transition leaders, and we do not expect to achieve linear annual decarbonisation progress. Our exposure to carbon-intensive assets may increase in the short-term, or non-carbon-related forces could drive volatility in WACI due to its revenue-based nature. It is therefore important that investors consider multiple carbon metrics for decision-making, with more on page 31.



# Metrics and targets: Investments



## Financed Emissions

We have committed to utilising a range of carbon metrics to measure decarbonisation progress over time. The Partnership for Carbon Accounting Financials (PCAF) has developed a methodology for calculating absolute Financed Emissions and we have integrated this metric into our climate toolkit (**page 23**). The core strength of the Financed Emissions metric is that it enables equity and debt investors to consistently calculate absolute carbon exposure. This absolute tCO<sub>2</sub>e figure is beneficial in that it reflects 'ownership' of emissions by investors. The integration of the Financed Emissions metric across both equity, and corporate credit, portfolios allows for our public market equity and debt holdings to be aggregated into a single house level carbon exposure. It is, however, important to consider that Financed Emissions are driven by multiple factors beyond emissions.

These other factors include changes in the value of the investment in the investee company as well as volatility in the investee company's enterprise value including cash. Due to this, it is expected that our top financed emitters will not remain perfectly static, but it is still a useful metric. It should also be noted that while we have strong confidence in our analysis, we rely on external data providers for the underlying carbon data, and therefore its accuracy. Our paper on **'Why the Choice of Carbon Metrics Matters'** provides additional detail on relative strengths and weaknesses of core carbon metrics. The disclosure on this page reflects Financed Emissions as at 31 December 2022 for our Top 20 equity and fixed income holdings. On **page 27** we outline how we have developed our climate-related engagement strategy, initially using equity financed emitters. Looking forward, aggregating equity and fixed income emitters is an additional enhancement to inform our climate engagements and to monitor our carbon exposure across public market asset classes.

## Aggregated Top 20 highest Financed Emitters: Equity and Fixed income

Rank	Scope 1 & 2 (tCO <sub>2</sub> e)	Company Name	Sector
#1	657,654	UltraTech Cement	Materials
#2	623,702	Shell plc	Energy
#3	573,162	RWE AG	Energy
#4	325,394	BP plc	Energy
#5	263,173	Holcim AG	Materials
#6	258,401	Anhui Conch Cement Co Ltd	Materials
#7	215,654	Enel S.p.A	Utilities
#8	209,706	Glencore plc	Materials
#9	197,798	TotalEnergies SE	Energy
#10	171,273	CRH plc	Materials
#11	171,004	Hindalco Industries Ltd	Materials
#12	158,002	Rio Tinto plc	Materials
#13	154,136	Anglo American plc	Materials
#14	131,282	Engie SA	Utilities
#15	128,961	Cemex SAB de CV	Materials
#16	128,759	NTPC Ltd	Utilities
#17	128,578	Siam Cement	Materials
#18	124,873	LG Chem Ltd	Materials
#19	107,249	Electricite de France	Utilities
#20	102,308	SSE plc	Utilities

Top 20 Equity				Top 20 Fixed income			
Rank	Scope 1 & 2 (tCO <sub>2</sub> e)	Company	Sector	Rank	Scope 1 & 2 (tCO <sub>2</sub> e)	Company	Sector
#1	629,409	Ultratech Cement Ltd	Materials	#1	235,841	Holcim AG	Materials
#2	577,030	Shell plc	Energy	#2	137,060	Enel S.p.A	Utilities
#3	562,986	RWE AG	Energy	#3	117,819	CEMEX S.A.B de C.V.	Materials
#4	258,401	Anhui Conch Cement Co Ltd	Materials	#4	102,004	Electricite de France S.A.	Utilities
#5	243,072	BP plc	Energy	#5	86,111	NTPC Ltd	Utilities
#6	204,750	Glencore plc	Materials	#6	82,322	BP plc	Energy
#7	156,610	Rio Tinto plc	Materials	#7	81,999	NRG Energy, Inc.	Energy
#8	152,306	TotalEnergies SE	Energy	#8	79,038	Sasol Limited	Energy
#9	147,814	CRH plc	Materials	#9	71,685	OCI N.V.	Materials
#10	128,578	Siam Cement plc	Materials	#10	67,590	JSW Steel Limited	Materials
#11	124,511	LG Chem Ltd	Materials	#11	59,628	Vistra Corp.	Utilities
#12	123,351	Anglo American plc	Materials	#12	57,952	Hindalco Industries Ltd	Materials
#13	113,052	Hindalco Industries Ltd	Materials	#13	57,938	CK Hutchison Holdings Ltd	Materials
#14	88,210	Samsung Electronics Co Ltd	Materials	#14	57,371	Eni S.p.A	Energy
#15	87,716	Woodside Energy Group Ltd	Energy	#15	55,188	Gerdau S.A.	Materials
#16	85,154	CMS Energy Corporation	Utilities	#16	54,946	Korea Electric Power Corp	Energy
#17	80,315	Engie SA	Utilities	#17	53,550	ExxonMobil Corporation	Energy
#18	78,917	Phillips 66	Energy	#18	50,967	Engie SA	Utilities
#19	78,594	Enel S.p.A	Utilities	#19	50,285	Duke Energy Corp	Energy
#20	74,846	Mondi plc	Materials	#20	47,779	SunCoke Energy, Inc	Energy

Absolute value of Financed Emissions = Area of boxes (31 December 2022)

(Value of Investment/Company Enterprise Value Including Cash) x Company Emissions  
 Total emissions represented: 4,831,068 tCO<sub>2</sub>e

# Metrics and targets: Investments



## Decarbonising investments real estate

**We are targeting net zero by 2050 for our direct real estate funds. This will be delivered through "Our 'blueprint' for addressing climate change".**

Our blueprint, originally published in 2021, outlines our commitment in detail, as we recognise that every fund, geography, and investor is different – and that there remains work to do to understand, at an industry level, what a successful climate risk and resilience strategy looks like for direct real estate in the long-term.

Our blueprint acts as the framework for each of our direct real estate funds to create a bespoke decarbonisation pathway, and to develop its own strategy towards the assessment, management, mitigation and disclosure of physical climate risks.

The target applies to our direct real estate funds, including new funds, and we have excluded indirect investments at this stage. There are activities underway to decarbonise indirect investments but data collection and influence remain challenging. We will regularly review whether to bring these into the scope of the 2050 commitment alongside direct investments.<sup>1</sup>

abrdn's real estate business (AUM) (£41.7bn)	
Direct	Indirect
Direct real estate 93%	Multi-manager 4%
	Real estate equities 3%

Real estate assets under management (AUM) as at 31 December 2022.

## How does this relate to portfolio-level decarbonisation?

Our direct real estate assets are in scope for our 2030 Carbon Intensity target (**page 31**) with Scope 1 and 2 emissions intensity reported as part of our portfolio-level disclosure. Our 2050 net zero target for direct real estate is distinct from other asset types managed by abrdn and our operational activity, with respective approaches detailed separately on **page 28** and **35**.

## Bespoke decarbonisation transition pathways

As at 31 December 2022 approximately 51% of our direct real estate AUM, representing 16 of our funds, had either completed or was in the final stages of detailed net zero studies. This process involves:

- data collection and validation
- baselining

- asset benchmarking
- and intervention and scenario modelling, including identifying capital expenditure requirements, and residual carbon over time.

This process includes key learnings, such as the relative contribution of each emissions category and the appropriate methodologies to use for different types of direct real estate portfolio. As the first 16 funds move from analysis to practical delivery, we will apply these learnings to the next phase of funds commencing detailed analysis in 2023.

## Monitoring physical risks

Approximately 60% of direct real estate AUM has been subject to climate scenario analysis focused on physical risk assessment – and for all new acquisitions, we map common physical risks to enable screening of the assets and to ultimately strengthen their resilience against climate risks. This mapping includes consideration of flooding, heat stress, and water scarcity.

## Renewable energy

In the UK, 100% landlord procured energy is from renewable tariffs and we have transitioned all European portfolios to 100% renewable energy as part of the tendering processes for centralised utility supplies. In addition, our existing solar installations generated over 10GWh of energy in 2021 and we have a programme underway to develop further installations.

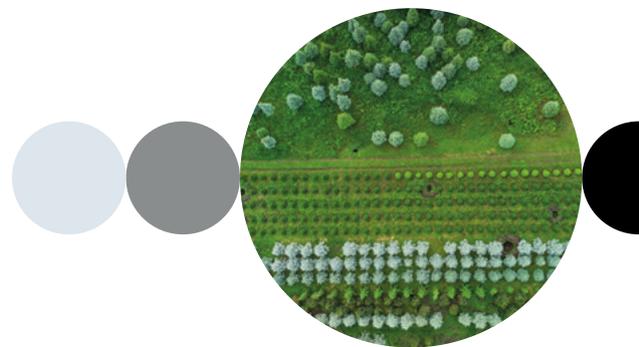
## Case study

### Solar PV installation, Goossens, Veghel, Netherlands

In collaboration with Eneco and Goossens, 6,228 Solar PV panels have been installed on one of our EPC A-rated logistics investments, to deliver around 2.3GWh of energy annually, meeting over 100% of the energy consumption demands of the occupier, with the remainder exported to the grid to support the Netherlands' mix of renewable energy.

<sup>1</sup> The above net zero commitment and net zero pathway work is subject to investor approval.

# Metrics and targets: Operations



## We are targeting net zero by 2040 and have set out clear milestones to measure our progress.

Our operational emissions intensity is comparatively small versus the intensity of the investments we manage on behalf of our clients. We aim to lead by example and believe that our actions must mirror our high expectations of the companies we invest in and reflect the ambition of our clients.

Taking this approach helps mitigate our identified climate-related risks as we take action to improve our year-on-year climate disclosure, and meet the expectations of our key stakeholders. We are ambitious with our targets and continue to demonstrate clear positive actions through absolute emissions reductions. Our objectives in the immediate future are to maintain this trajectory and to set out our full plans for a net zero transition.

We will produce a transition plan in-line with the recommendations of the UK Transition Plan Taskforce (TPT) and demonstrated our engagement in the initiative by responding to the 2022 consultation. Our intention with this approach is to follow independent best practice, which we believe will form the foundation of credible climate disclosure in the long-term.

Our operational net zero working group was created in 2022 to facilitate our transition. We continue to focus on the elimination and reduction of emissions – but we also recognise and support other measures such as renewable energy, credible offsetting, and new technologies. We also embedded emissions performance into our executive remuneration structure in 2022 (more on [page 10](#)).

**Our targets and progress are outlined in the table below, we provide further illustration on [page 36](#) and an overview of our methodology and areas of uncertainty on [page 37](#).**

Operational climate targets		Base year	Target year	Definition	Progress as at 31 December 2022
<b>Absolute emissions reductions</b>	Operational net zero target by 2040	-	2040	Beginning with absolute emissions reductions, we are targeting a net zero operational emissions across Scopes 1, 2, and material Scope 3 categories by 2040.	
	50% reduction in operational emissions by 2025	2018	2025	Reduction in reported Scope 1, 2, and 3 emissions versus our 2018 base year. This does not include some Scope 3 categories for which data remains unavailable.	56% reduction since 2018
	50% reduction in Scope 1 emissions by 2025	2018	2025	Reduction in Scope 1 emissions including: natural gas, business fleet, and fluorinated gas emissions sources.	69% reduction since 2018
	60% reduction in Scope 2 emissions by 2025	2018	2025	Reduction in Scope 2 emissions including: purchased electricity, and district heating emissions sources.	71% reduction since 2018
	72% reduction in Scope 3 emissions by 2025	2018	2025	Reduction in reported Scope 3 emissions including: business travel, transmission and distribution, UK-based waste, and homeworking emissions.	49% reduction since 2018
<b>Energy efficiency</b>	50% reduction in total kWh usage by 2025	2018	2025	Reduction in total energy consumption, measured in kilowatt-hours (kWh), from: purchased electricity, natural gas, business fleet, and district heating.	63% reduction since 2018
<b>Energy sourcing</b>	Procure 100% renewable electricity	2018	2025	Procurement of electricity for our global offices via green energy tariffs.	99.6% on green tariffs
<b>Emissions intensity</b>	50% reduction in emissions intensity per FTE by 2025	2018	2025	Reduction in the intensity ratio of emissions in tCO <sub>2</sub> e equivalent divided by number of Full Time Equivalent employees.	47% reduction
<b>Supply chain</b>	50% of suppliers by spend with a net zero target	-	2025	Proportion of our third party suppliers by £GBP spent with net zero, or equivalent, targets in place.	<b>Page 73</b> for an update

# Metrics and targets: Operations



## Our impacts and progress

The charts on this page illustrate the scope of our operational emissions impacts and demonstrate the progress we are making towards our targets. In 2022 we report a 56% reduction in emissions versus our 2018 base year, with a year-on-year increase in emissions due to travel restrictions lifting following the COVID-19 pandemic. We are focused on driving long-term absolute reductions in our material sources of emissions, which are the energy use in our offices (Scope 1 & 2) and emissions from business travel (Scope 3).

We continue to monitor and report our estimated emissions impact from homeworking. However, we are reviewing our current methodology in relation to long-term viability (more on [page 37](#)). We are working to produce a more accurate model to better reflect homeworking impacts as a long-term fixture of the workplace. Our goal is to lead by example in our management of operational emissions – but we still have more to do regarding the collection of some material categories of Scope 3 data. We provide more detail on this on [page 37](#) and report against specific GHG Protocol categories in tabular format on [page 90](#).

## Our 2022 operational emissions (tCO<sub>2</sub>e)

### Scope 1

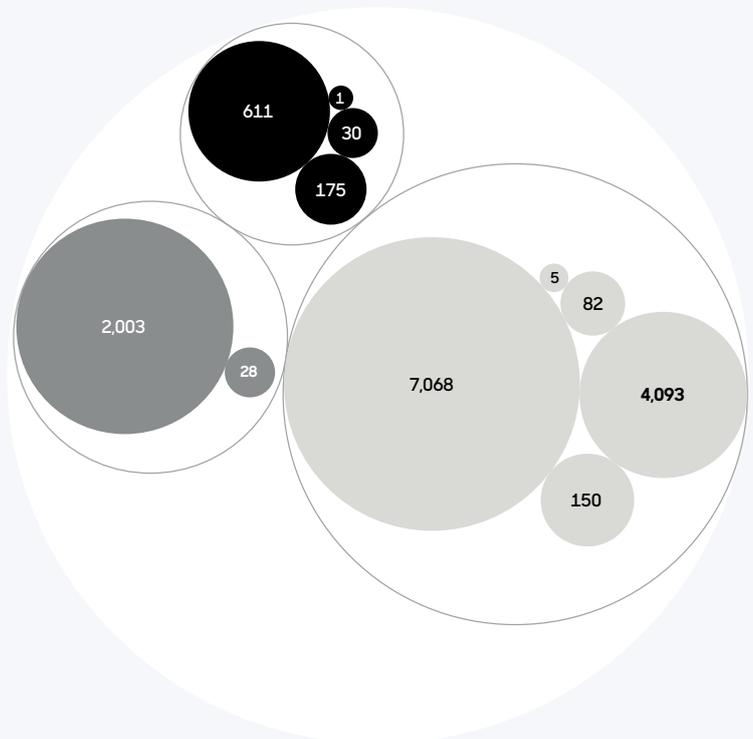
● Natural Gas	611
● Car	175
● F-Gas	30
● Stationary fuel	1

### Scope 2

● Electricity	2,003
● District heating	28

### Scope 3

● Homeworking	7,068
● Flights	4,093
● T&D	150
● Train	82
● Waste	5



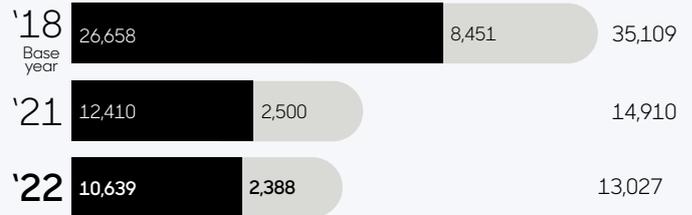
## Total CO<sub>2</sub> emissions (tonnes)<sup>1</sup>

**14,246**



## Total energy consumption (kWh '000s)<sup>1</sup>

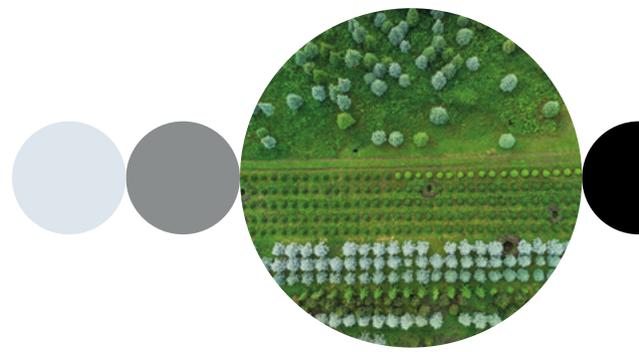
**13,027**



- Scope 1: Refrigeration gases, natural gas, oil and company owned vehicles
- Scope 2: Electricity and district heating
- Scope 3: Working from home, business travel, waste, and transmission and distribution
- UK    ● Offshore

<sup>1</sup> Scope 1, 2, and some Scope 3 categories have been independently assured by Bureau Veritas. Bureau Veritas assurance can be found on [page 99](#).  
<sup>2</sup> This report, originally published on 28 February 2023, was updated on 04 May 2023 to correct minor drafting errors. The impacted figures are flights, district heating, and the total data label of the left side emissions chart for '22. No changes have been made to the underlying data or the reported emissions total of 14,246 which remains accurate.

# Metrics and targets: Operations



## Efficiencies in action – steps we are taking in the right direction

Throughout each year, we have the opportunity to make decisions that result in either the elimination, or reduction in the carbon intensity of our operations. It is these decisions that align us to the path of a net zero transition.

Some actions we have taken in 2022 are:

1. **Increased our use of cloud computing** – with estimated savings of 198 tCO<sub>2</sub>e versus on-premises alternatives.
2. **Continued roll out of LED lighting in building refurbishment works** – increasing energy efficiency to save 76 tCO<sub>2</sub>e in one of our major offices.
3. **Installation of more efficient lifts in one of our Edinburgh offices** – saving 11,528 kWh per year.

We recognise that there is always more to do but we are building a culture where sustainable actions are part of our values and daily decision-making, in support of our strategic objectives.

### Role of carbon offsetting

Our operational emissions approach is to focus on absolute emissions reductions beginning with our material areas of impact. Our targets on **page 35** reflect this and we measure success through absolute emissions reductions. We then compensate for our residual emissions using accredited carbon offset projects, which follow the Oxford Principles for net zero aligned carbon offsetting.

We offset 100% of our reported operational emissions – with a view to a neutral annual impact from our day-to-day business as abrdn.

We are alert to the growing scepticism related to the voluntary carbon market and our goal is therefore to select projects that have a low risk of non-additionality, reversal, and creating negative unintended consequences for people and the environment.

Our commitment is to reduce our emissions impact in absolute terms, with the long-term role of carbon offsetting as a tool to support the neutrality of residual emissions and not as a key component of our strategy.

## Our reporting methodology

Our reporting methodology aligns with the Greenhouse Gas Protocol – and we use an operational control boundary to determine the scope of our reporting.

The emissions associated with our direct operations are representative of abrdn plc and its wholly-owned and operated subsidiaries, with joint ventures and associates excluded from scope.

For Scope 1 and Scope 2 disclosure, we capture data from in-scope operations and convert recorded metrics, such as kilowatt-hours (kWh) into tCO<sub>2</sub>e using the UK Department for Environment, Food, and Rural Affairs (DEFRA) guidance on emissions conversion factors. If data is unavailable at year-end (31 December), we estimate emissions based on the equivalent time period from the previous year, or other applicable method. We report material Scope 3 emissions categories where data is available. There remain gaps associated with data availability for some Scope 3 categories, which we are working to address and will report on in future years.

Our reported operational data, except for homeworking emissions, is subject to a limited level of assurance via an independent provider on an annual basis<sup>1</sup>. This includes operational emissions associated with interactive investor, which are reported from the point of acquisition (June 2022) but included in scope for the full year of 2022 assurance.

### Expectations for future disclosure

Our objective for 2023 disclosure is to expand our Scope 3 reporting to reflect emissions from our supply chain. Our procurement function is global (more on **page 73**) and we work with around 2,500 third parties across abrdn. This means that the data is material but also challenging to collate due to the scope of disclosure required. In 2022 we appointed a Third-Party Sustainability Lead for procurement and have taken steps to support accurate mapping of supply chain emissions in the long-term.

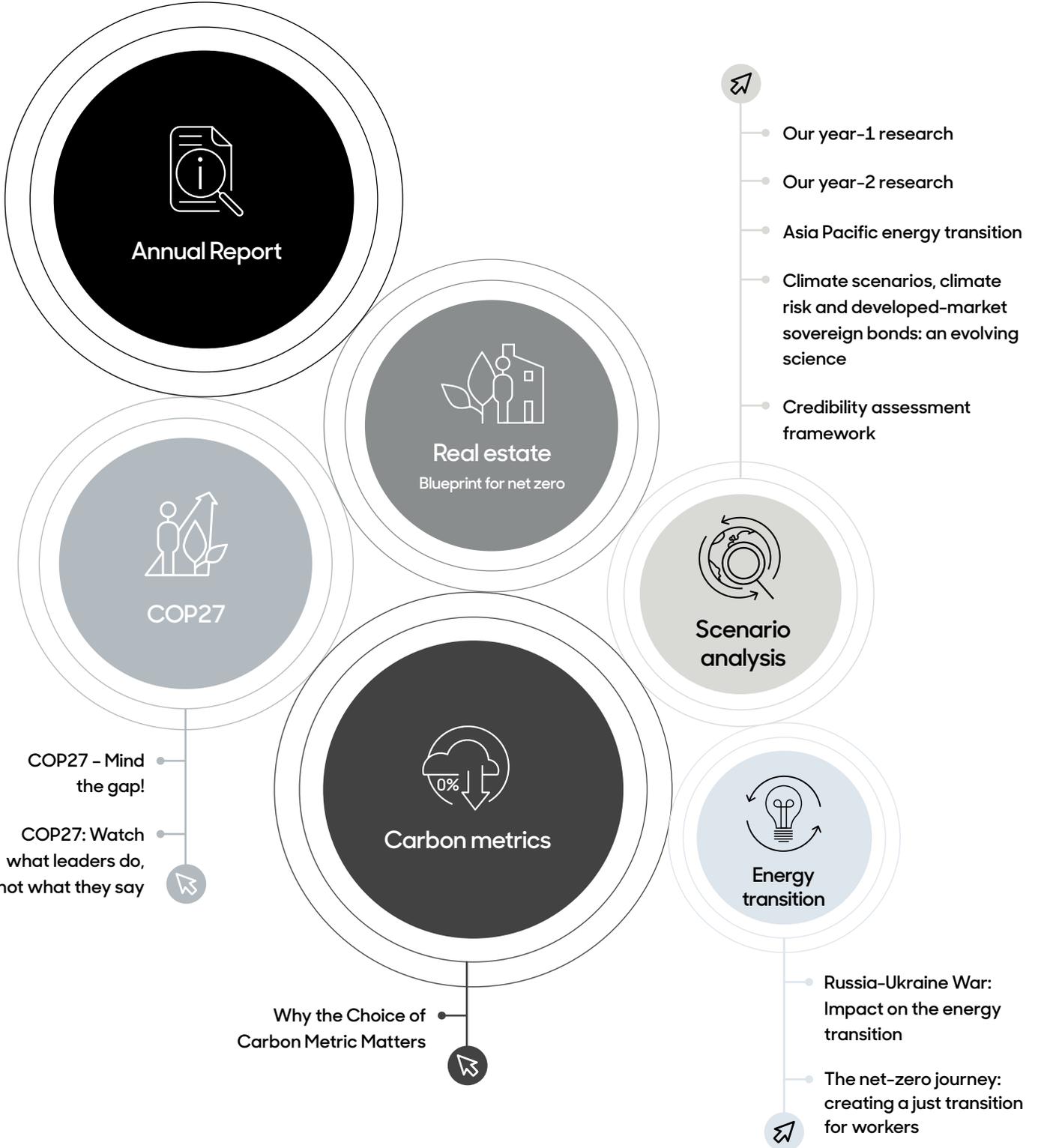
### Reflecting on homeworking emissions

We believe that homeworking will be a long-lasting feature of our workplace, so are committed to understanding our associated emissions impacts. We currently estimate our emissions impact from homeworking using an independently produced methodology<sup>1</sup>. However, we believe the methodology lacks standardisation and requires further refinement for long-term utility.

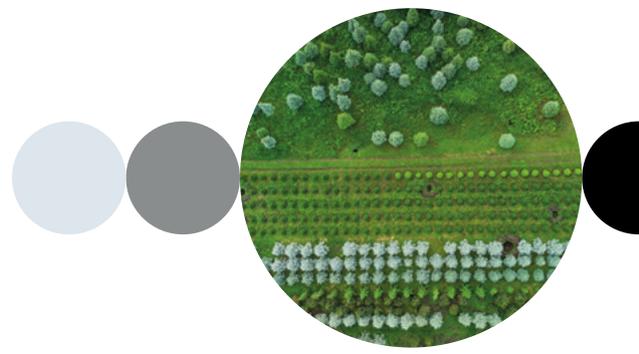
This is therefore an area of uncertainty for us, as we consider a viable approach that will better reflect our impacts and enable us to support meaningful reductions for our colleagues. We need to develop a more nuanced picture of our colleagues' homeworking environments, with initial intention to introduce voluntary survey-based analysis to help us capture 'real' data for our modelling. We note our intention to reflect on this during 2023.

<sup>1</sup> Homeworking emissions whitepaper, ecoact, 2020.

# Further reading: Climate



# Natural capital: Investments



**Our approach to natural capital is aligned to our approach to climate change. We believe that understanding and managing nature-based risks and opportunities can lead to better investment decisions, and ultimately therefore potentially better outcomes for our clients.**

We define natural capital as the stock of renewable and non-renewable natural resources that combine to yield a flow of benefits to people, with nature consisting of stocks of environmental assets that generate benefits to people and the economy.

 **Read more in our recent approach paper 'Preserving Natural Capital – Our approach for investments'**

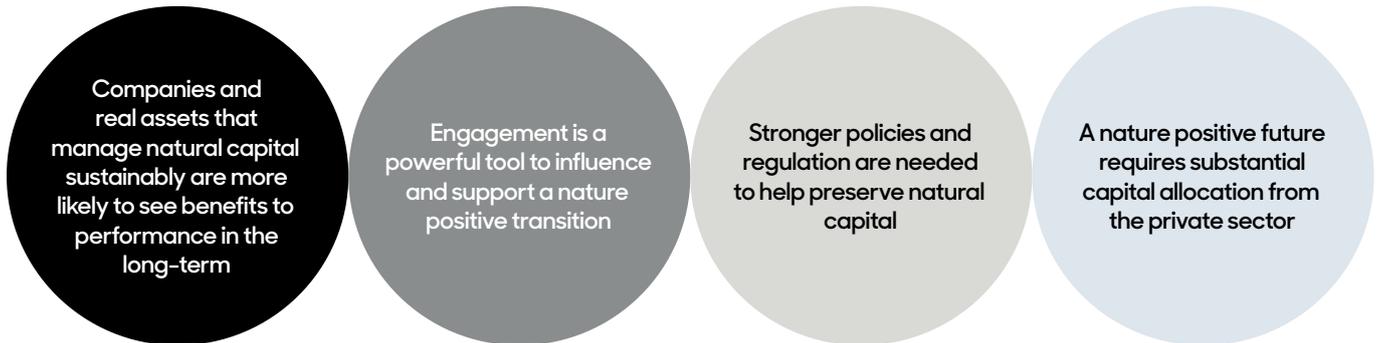
**Our reasons for action as long-term investors**

**Increasing financial implications** – the impacts of the degradation of nature are being felt, especially in those sectors with highest dependencies on natural capital.

**Growing investor demand** – many clients expect thematic sustainability topics, such as natural capital, to be integrated into investment decision-making.

**Changing policy and regulation** – the policy environment is changing, and this leads to increased transition risks.

**Our four core beliefs underpin our approach:**



**We need data for decision-making**

All businesses, to one extent or another, rely on nature – as do communities, and flora and fauna around the world. There are limited reliable measures of company-level impacts on nature and limited levels of disclosure, with global standards still being developed. Our assessment of listed company disclosure suggests that only Greenhouse Gas (GHG) reporting is standardised to the point of comparability. Given the existing 'reporting gap', asset managers are currently dependent on proxy data based on sectors or products and, though a useful starting point, we are advocates for improved disclosure over time.

**What are we doing already?**

While we do not have all the data, we do know which sectors have the largest negative impacts and key dependencies on natural capital. Through our engagement processes, we can gain insight and set the expectation that investee companies take natural capital seriously and follow emergent best practice. We are also taking steps with our real asset investments and have invested in nature-based solutions (more on **page 40**). Our own operational activities also have an impact, and we commit to aligning our disclosure to the Taskforce on Nature-related Financial Disclosures (TNFD) in future, with our existing thinking outlined on **page 41**.

# Natural capital: Investments



## Our approach for real assets

As we invest directly in real assets, we have the opportunity to directly influence nature-positive outcomes. Within our real asset investments, and specifically for real estate, we not only look at how property developers are mitigating the impact of the development on the local environment, but beyond that to potentially affect positive environmental improvements.

Our approach is based on two phases in the asset’s lifecycle:

- 1. The construction phase** – for construction/development sites, there are two ways to consider our impact on nature. The first is to focus directly on the existing site and optimise for nature as much as possible around the building and target biodiversity net gain. The second is to actively engage with the supply chains of the materials used to construct the buildings to reduce the impact on nature upstream.
- 2. The use phase** – for buildings already standing, where we have management control and can be directly involved on site, we can optimise the site for nature as much as possible (e.g. native species planting alongside installation of bird and bat boxes). Where our occupiers have control, we can engage and work together to improve the building’s environmental surroundings.

### Our research papers related to natural capital:



**Biodiversity Loss – introducing the next environmental crisis**



**Biodiversity loss – impossible for investors to ignore**



**Nature as a climate solution**



**Preserving Natural Capital – Our approach for investments**



## Case study

### Measuring nature-positive outcomes? A real assets perspective

Developing comparable metrics to track nature-based impact is a priority to support the assessment of nature-related risks and opportunities as investors. We have been exploring the merits of different nature-related metrics – and in collaboration with EY and the Natural History Museum (NHM), carried out a pilot study to model the potential biodiversity gain for one of our real assets investments strategies.

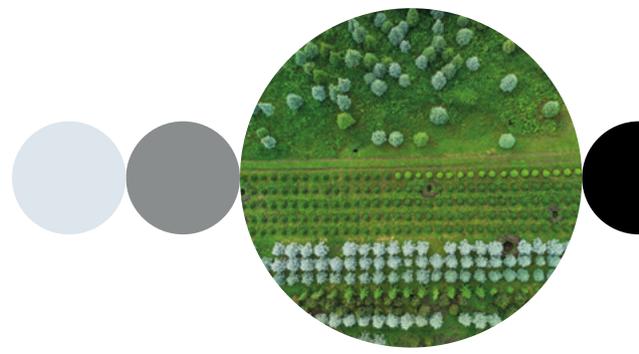
Using the NHM’s Biodiversity Intactness Index (BII) it is possible to measure an asset’s biodiversity baseline and model how different land management practices will alter that state. The index uses a percentage measure, with 100% considered a pristine location for biodiversity, and below 30% considered to be an ecosystem at risk of collapse. To give perspective, as of November 2022, the UK’s average BII score is 53%.

abrdrn asked NHM to pilot the tool at Far Ralia, a site of more than 1,440 hectares in the Cairngorms National Park in Scotland, which is held in one of abrdrn’s real assets investment strategies. The site was chosen due to its size and planned nature-positive restoration objectives.

The NHM modelled the current BII score of the site. Despite it being perceived as ‘green countryside’, its historic use for grouse shooting, meant that it only scored a BII of less than 52%. NHM then modelled the restoration plans for the site over the short, medium and longer term, with the results taking the depleted landscape up to 73% in 30 years, and eventually 94% over the longer-term.

This collaboration and pilot study note the utility of the BII indicator to provide a forward looking view applicable to a range of use-cases. abrdrn, EY and the NHM will continue to explore the scalability and application of the BII tool.

# Natural capital: Operations



## Our objective operationally is to play our part in protecting and enhancing our natural world.

We approach this through the abrdn charitable foundation, our employee engagement programme, and through active management of sites and offices.

As with climate, our operational impacts linked to nature reflect the nature of our business, as we keep offices as spaces to enable us to better deliver for our global clients.

**Climate change and nature are intrinsically linked. Therefore one of the most effective ways we can have a positive impact is to deliver on our climate commitments to reduce our aggregate impacts as a business:** We have reduced our reported operational emissions by 56% since 2018 and have a net zero target in place for 2040.

### Collaboration and influence:

One way to support more effective action is to collaborate with our peers and other businesses through support of nature-related industry initiatives and reporting methodologies. We need to work together in support of the transition to a nature-positive world.

### Industry associations and initiatives

We are strong advocates for developed and comparable metrics to support disclosure of nature-related impacts and dependencies. We are supportive of aligning disclosure to the Taskforce on Nature-related Financial Disclosures (TNFD) and are a member of the TNFD Forum to contribute to the mission of the organisation. In 2022, we also signed the 'Finance for biodiversity pledge', with a commitment to report publicly against the principles by 2025.

### Policy advocacy

Investors are reliant on the development of government policies to remove barriers and provide incentives for capital allocation opportunities. We support this change by advocating for clear policy frameworks for nations and businesses alike to halt and reverse biodiversity loss. In 2022 abrdn joined Business for Nature's call to action and signed the #MakeItMandatory statement, calling on heads of state to 'Make It Mandatory' to assess and disclose impacts and deficiencies on nature by 2030.

## Actions we are already taking:





# Social:

## Inclusion and opportunity



### Our approach to reporting on social topics

We disclose information on our people and culture in our Annual report (**pages 41 to 43**). We disclose material information linked to the FCA Listing Rules requirements for Diversity, Equity and Inclusion (DEI) in our Annual report (**page 40**) and additionally published a standalone DEI report in 2022. The related disclosure in this document is intended to complement those reports and data is reported as at 31 December 2022, unless otherwise stated. Our people are fundamental to the success of our business and our goal is that our reporting demonstrates that. We will monitor our approach year-on-year to reflect our view of best practice.



[Link to our Annual report](#)



[Link to our Diversity, Equity, and Inclusion report](#)

---

Introduction	43
Culture and engagement	44
Talent and leadership	45
Diverse talent	47
Learning and development	49
Diversity, equity, and inclusion	51
Gender pay	54
Working inclusively	56
Fair work	57
Health and safety	58

# Introduction

**In 2022, we have refocused our business to deliver our strategy of client-led growth. Our people are essential to this success, and our objective is to create a transparent, inclusive culture where the best talent from all backgrounds can succeed.**

We look to create an environment that empowers our people and recognises and accelerates talent. 2022 saw us prioritise work on our culture, or 'how it feels to work here', and we delivered activities to better engage and inform colleagues. This is phased work and will continue through 2023 as we look to embed change across the business. Effective culture change takes time, but is critical for a modern business and to deliver the best outcomes for our clients. We have a purpose-led strategy, and share clear, transparent messaging on key topics. But we balance this with listening to colleagues through our regular surveys and feedback channels. We have intentionally focused on building a tone of openness and honesty, using different channels and getting colleagues closer to our leaders with interactive, company-wide, events.

We are putting in place the building blocks of an environment that empowers our colleagues and accelerates our talent. Our latest engagement survey indicates the areas where we have made progress in 2022 and is shaping our plans for 2023. We are taking specific actions to build our future leadership pipeline, and generating visibility and opportunity for colleague career development. We have seen an increase of 4% in colleagues' belief that there are good career opportunities at abrdn, since January 2022, and 68% of our colleagues now agree that they have the access they need to learning and development opportunities. We started from a low base in 2022, and there is a lot to do, but we are moving in the right direction.

Where needed, we have intervened to ensure our talent represents the communities where we operate, and track this through our diversity, equity, and inclusion (DEI) targets. We have also reduced our UK gender pay gap for the fifth year in a row and have been listed as having the highest percentage of female fund managers of any large firm in Citywire's Alpha Female Report. This is encouraging but this progress does not go far enough in an industry which still has one of the highest gender pay gaps in the UK, and has made almost no overall progress towards gender parity in global fund management over the past 12 months. We all have a responsibility to do more.

Equally important is how our people feel, with 76% sharing they believe abrdn to be an inclusive organisation, up 6% from January 2022. Underpinning all our actions, is a commitment to equity so that there are no barriers for colleagues from under-represented groups to join, or have a successful career at abrdn.



# Culture and engagement



## Culture commitments

Through 2022 we worked with colleagues globally to articulate our culture and what it feels like to work at abrdn. Our 'commitments' were built and tested before we started our engagement with the leadership population.

Using a leadership storytelling approach, the work to transform our culture and embed the commitments was brought to life through tangible and personal examples. Local champions help to maintain momentum and ensure actions are being delivered. Colleagues globally were engaged in townhalls, conferences, workshop and manager-led team sessions, along with a new creative campaign to support the rollout.

All colleagues have now set their own 'commitment' goal as part of our performance management goal setting, beginning the process of hardwiring our commitments through colleagues' day to day experiences.

### Our commitments

**We put the client first.** From every seat in our business, we understand our unique role in enabling our clients to be better investors, regardless of where we fit in the organisation.

**We are empowered.** We speak up, challenge and act. We take ownership for our work, we accept accountability for our successes and, when they happen, our failures too.

**We are ambitious.** We strive for exceptional performance. We also know when to balance pace with perfection to get things done. We are passionate about the positive impact we can have on our business.

**We are transparent.** We have the honest and important conversations that fuel our performance and build trusted relationships.

## Listening to colleague feedback

Our people are at the centre of our strategy and it is critical that our culture empowers our people to develop and deliver for each other and our clients. We monitor engagement throughout the year and have a designated non-executive director to support our Board Employee Engagement.

Our annual listening survey provides all colleagues with the opportunity to have their voices heard. Over 80% of colleagues took part in our January 2023 survey with more than 13,000 comments providing a rich picture of progress against actions and areas of focus. We have seen improvements in several areas – transparency, inclusion, team leadership and career and talent. We reported that our engagement at the beginning of the year was at 51%. In a very challenging year externally, and while we have been transforming inside the organisation, we have held that score at 50%.

There is much more for us to do, and we have clarity on the areas that will make the biggest difference. We are moving in the right direction in our key areas of focus and are clear on the actions we need to take in 2023 to continue to build our culture and engage our people. Our Executive Director remuneration scorecard includes an 8% weighting towards 'People' as a variable bonus objective.

The results from our engagement survey are an important input, alongside DEI targets, to determine the final bonus award for our CEO and CFO respectively.

 [More detail on our Executive Director remuneration is provided in our Annual report](#)

## Clear themes of feedback

**74%** I know how my work contributes to delivering our strategy

**77%** I feel trusted to make decisions about my work

**75%** I can voice a contrary opinion without fear of negative consequences

## What we need to focus on

**42%** I believe there are good career opportunities for me here

The reported engagement metrics do not include colleagues from interactive investor, but work is underway to align elements of the engagement survey approach to enable aggregation in future reporting years.

# Talent and leadership

## Our people are essential to our success

Delivering for our clients requires diversity of perspective, which requires us to recruit, retain, and nurture the best talent across abrdn. We want to empower our people to create value for our clients and communities and in turn to support access to opportunity for underrepresented groups globally – through employment, education, and financial wellness.

It is this cycle that supports the next generation of talent and encourages new ways of thinking and more equitable outcomes beyond the bounds of our business.

We are alert to the challenges we face to attract the best talent – regardless of background. It is always a competitive environment and there are significant challenges for our sector linked to a historic lack of social mobility. We know from our colleagues that they want us to focus on talent and career development. We are always looking to do more and have developed a clear strategy to ensure:

1. **Talent visibility and collective ownership at our Executive Team level** – we have a shared understanding and action plan for our talent, including segments of our talent such as succession pools, future leaders, female talent, and early careers.
2. **Building leadership capability** – supported by our Executive Leadership Team and abrdn Leadership Group, we are building leadership more broadly through the organisation.
3. **Enabling colleague careers** – we are generating greater transparency, clarity and focus on how individuals build their careers at abrdn, through the 'Talking Talent' campaign and by embedding 'Opportunity Marketplace'.
4. **Continue to build future leaders** – ensuring a robust pipeline through our Advance programme, developed with an inclusive selection process, balanced diversity and already demonstrating progress, with 20% of the cohort having been promoted.



## Case study

### Talking Talent

Colleagues told us that we need to provide additional clarity as to how they can develop and progress within abrdn. We invest significantly in our learning and development offering (more on [page 50](#)) but it is not always easy to see a clear path forward.

We created a 'Talking Talent' series as a refreshed approach to improving visibility of our colleague development opportunities and career pathways. We heard directly from colleagues about the routes their own careers have taken and challenges they have faced. They also shared their own advice and insights with others. Our focus in the short term is to bring existing opportunities across abrdn to life through storytelling, in a way that is engaging irrespective of where colleagues are in their own career journey.

### Opportunity Marketplace

We are also putting longer-term plans into action building a sustainable, dynamic internal talent marketplace. We have developed an internal 'Opportunity Marketplace' to connect the skills and interests of colleagues with available project opportunities from across our global locations. This offers colleagues the chance to flex and build on their skills without having to formally move roles (as with a secondment or internal transfer). The aim is to help form a more agile workforce that delivers value for the business.

# Talent and leadership



## Talent as both a risk and opportunity

Enabling our clients to be better investors drives everything we do. Our strength as abrdn is driven from a diverse business model which creates value for our clients and communities. We must therefore create an inclusive environment that supports our people to deliver at their best and for innovative ideas to be heard. Our diversity of thought promotes new perspectives that help lead to better decision-making which will ultimately reflect in our performance. It is important to be clear that we will always have more to do – the pace of change for our sector has been too slow, and there is no standing still. Our leaders are accountable for our performance and we outline our actions on the following pages, beginning with how we prioritise inclusive recruitment.



### Attracting talent

When it comes to attracting and developing talent, we focus on minimising any potential bias or barriers in our processes, policies, approach, and inclusive outcomes. Since the start of 2020, we have put in place a number of improvements to make our recruitment process more inclusive for people from all backgrounds, at all career stages. We have continued to refine and expand these through 2021 and 2022 as we look to connect with future colleagues.

#### Our toolkit to enable more inclusive recruitment:

##### Executive search partners

All our executive search partners have a contractual obligation to provide gender-diverse shortlists.

##### Diversity partnerships

We work with external diversity partnerships to ensure we reach diverse talent for our early careers programmes.

##### Diverse interviewers

Our diverse interview pool of approximately 80 colleagues representing all our regions and business areas has an online community to share questions and experiences. The interview pool undergo a bespoke interview training programme to contribute to an inclusive hiring process.

##### Informative data

We track diversity data at each recruitment stage to ensure we have gender and minority ethnic representation, and to identify why there may be drop-off points.

##### Augmented writing

We continue to use an online 'augmented writing' tool to review our job adverts and make sure they are attractive to a diverse range of candidates. The tool helps us avoid language that could suggest a gender bias, and jargon that might not be as easily understood by non-native English speakers.

##### Training for hiring managers

We partnered with OnTrack, an external organisation that has helped us to design a bespoke training programme for our hiring communities. This helps them recognise and mitigate against their own unconscious bias, identify and address microaggressions and advocate for inclusive recruitment practices at abrdn.

##### Interview templates

We revised the diversity statement on our interview templates to include specific guidance to support neurodivergent candidates.

# Diverse talent

## Early careers

We are committed to improving the diversity of the candidates attracted to us globally, with our annual early careers opportunities being key drivers of success. We have built relationships with partners who support our identified diversity priorities for early careers: social mobility, ethnicity, and gender.

We have three main supported routes for people in their early careers to join abrdn: apprenticeships (our trainees), internships, and our graduate programme. We track specific diversity characteristics to monitor the success of our recruitment for each route, and to report progress against our identified diversity priorities.

We offer summer internship opportunities in the UK through our diversity partners #10,000blackinterns, Girls are Investors (GAIN) and Black Professionals Scotland. We also aim to reach students who are still at school through work experience programmes, insight sessions, and our charitable giving strategy (page 76), with a view to supporting long-term access to opportunity.

**We track specific diversity characteristics to monitor the success of our recruitment and to report progress against our identified diversity priorities.**

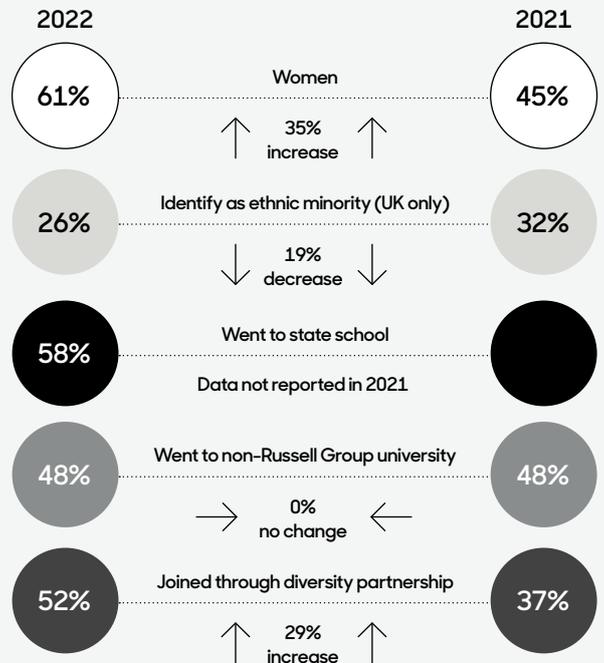
### Case study

#### Ethnicity micro-internships

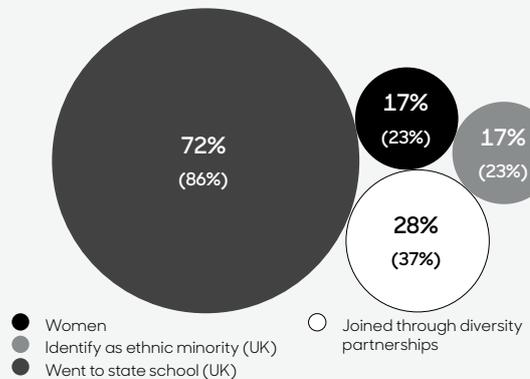
In 2022, we launched a new micro-internship programme in the US, which was designed to address the underrepresentation of ethnic minority students attracted to a career in our industry. We provided scholarship funding for 12 outstanding early university students from underrepresented ethnic backgrounds. The students were given a three-day programme of skills training, networking and awareness of our industry. They learned about the variety of roles available as well as how to access our traditional internships. We received good feedback on the programme from our interns and view these initiatives as an effective way to reach diverse talent at an early stage of their career. We will be continuing the programme in 2023.



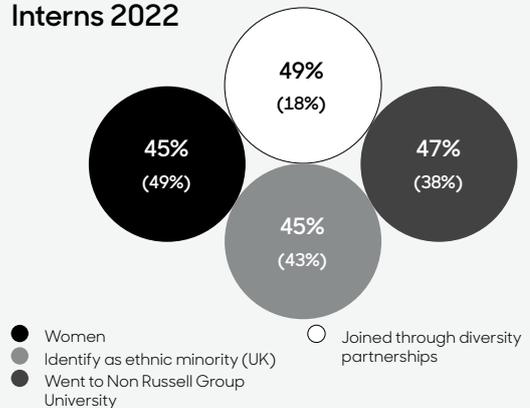
## Graduates<sup>1</sup>



## Trainees 2022



## Interns 2022



This data excludes internships and apprenticeships from interactive investor, which remained distinct programmes from other abrdn entities in 2022.

<sup>1</sup> The percentage changes for graduates indicate the absolute increase or decrease on an individual basis, with the total proportions also reflected.

# Diverse talent



## Mid-career

At mid-career level, we aim to identify a strong talent pipeline externally and internally, helping to stem the drop-off that's often seen at this career stage and demonstrate the value of growing our internal talent.

Our development programme, Accelerate, is available to all mid-career colleagues globally. This includes events that are run specifically for women, as well as gender neutral sessions, covering topics including attracting sponsors and mentors, building superior confidence, judgement and better decision making and maximizing organisational politics. Courses are promoted ahead of general release through our employee-led networks, to encourage members to sign up, and we have had 320 colleagues participating in 2022, 58% of whom have been women.

## Case study



### Case study

#### Women returners

Since its inception in 2019, our women returners programme has continued to encourage women who have spent extended time away from the workplace back into investment management. The programme is an important method for us to enhance the diversity of our business at mid-career level and it provides a valuable path back to the workplace for our returners. We have retained 75% of our 2021 women returners cohort in permanent roles and have since extended our programme to include a second UK location, which saw us welcome five new returners to our Edinburgh and London offices in 2022, 60% of whom are already in permanent roles at abrdn.

## Senior career

We ensure that our Executive Leadership Team succession pipeline has the breadth of experience and diversity to bring the thought leadership required in an effective team. Owned by our Executive Leadership team (ELT), there are regular data-driven discussions on talent to ensure collective and robust challenge on the identification and development of talent across the organisation. This drives detailed individual action plans to engage and progress those with the medium-term potential to be part of our ELT. For the longer-term pipeline, insights have shaped the development of our Advance learning programme, to build the depth and diversity of our future talent leadership pipeline.

## Case study



### Case study

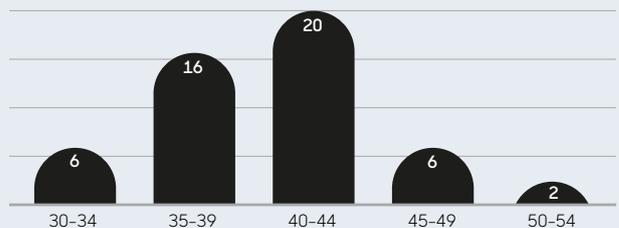
#### Advance programme

Advance is an 18-month programme which includes development tailored to areas of strategic importance to our business – leadership, client and futurist mindsets. These learning blocks are supported by our Executive Leadership Team.

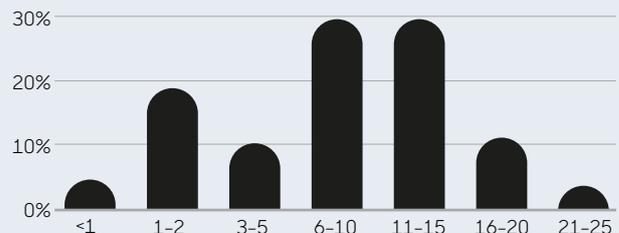
A global group of 50 'Future Leaders' were selected as part of an inclusive process and following a series of talent discussions across the business to take part in Advance. This tailored programme blends education, exposure and experience with core components including mentoring, individual psychometrics and feedback, as well as opportunities to raise their profile within our business through projects, secondments and role moves. The programme concludes later in 2023 and is already delivering returns, with great colleague advocacy and more than 20% of participants having been promoted since the programme commenced.

**"Interactions with participants and senior leaders have been priceless, it allowed for connection and strengthens us as a team". – Advance Participant**

Age



Tenure



# Learning and development



## Our learning strategy to develop talent

There is no one-size-fits-all approach to learning – we aim to give all our colleagues the tools and resources they need to take control of their development, and to support the delivery of our strategy.

Our aim is to:

- Develop the skills and capabilities to support our strategy.
- Support colleagues to build successful careers.
- Create engagement in the organisation.

We deliver our learning strategy using a blended approach and utilise digital, classroom, and on-the-job delivery methods, with support from relevant internal and external expertise.

Our strategy is underpinned by the use of technology to make development available to as many employees as possible. We take advantage of virtual classrooms to provide live learning sessions and this is our prime way of delivering classroom learning. It helps us to reduce the cost and environmental impact of travel, while creating greater accessibility and international networks.

We work across the business to identify organisational needs on an ongoing basis – and we respond to input from our colleagues as part of our periodic engagement surveys (more on [page 44](#)).

Our business is transforming as we deliver on our three-vector strategy and we are alert to wider learning trends, such as data literacy, and digital-first capabilities. We respond directly to this through our bespoke academy programmes, which are offered quarterly to target colleague audiences.

## Examples of our programmes

- Leadership and talent development programmes for our senior leadership population and those identified as future leaders ([page 48](#)).
- Academies that provide digital and live events to support organisation-wide skills, including management, personal effectiveness, change management, digital and data skills.
- Graduate, school leaver and internship programmes, each of which have dedicated development support, including modern and graduate apprenticeships and professional qualifications.



## Case study

### Leading with Data

Our Leading with Data programme was introduced to support the company-wide transformation and modernisation. The programme was developed using external experts in the field of data literacy to introduce new ways of working, using data and insight-driven approaches to help solve business problems.

Expected outcomes include:

- Use data to improve processes, inform faster decision making and steer business success.
- Identify ways to improve efficiency and value for customers and the business using a data-driven approach.
- Bring data to life to help empower others to make change.
- Promote a data-first team culture by making data and insight-driven decisions.

The programme has achieved a Net Promoter Score (NPS) of 60, which demonstrates a high level of advocacy and recommendation. 100% of participants reported that they would make changes to their business practices as a result of their learning.

- Career development programmes that support employees at early and mid-career stages, with individualised development for our most senior leaders.
- A monthly schedule of compliance training for all employees, including contingent workers ([page 65](#)).
- A process for employees to apply for funding for external courses and professional qualifications.
- A mentoring and reverse mentoring programmes available to all permanent and fixed-term employees ([page 50](#)).

# Learning and development



## Our investment:

### Total spend

**£4.0m**

(2021: £4.4m)

Our learning programmes support talent at all stages of development and we continue to invest significantly in our content and capabilities.

### Total spend/per FTE

**£829**

## Our commitment:

### Average time spent (total)

**23.5hrs**

(2021: 21.8hrs)

Colleagues increased the volume of online learning, including a combination of compliance and development topics.

### Average time spent (male)

**24.3hrs**

(2021: 22.4hrs)

Colleagues identifying as male increased average learning time in 2022 with time spent across developmental and compliance-related learning.

### Average time spent (female)

**22.5hrs**

(2021: 20.8hrs)

Colleagues identifying as female increased average learning time in 2022 with time spent across developmental and compliance-related learning.

## Our feedback:

### Average NPS score

**40**

(2021: 51)

Colleague feedback continues to be very positive, with high levels of recommendation.

## Our impact:

### Learning relevance

**88%**

(2021: 95%)

Our Academies continue to provide highly relevant learning support, as colleagues develop their management, personal, data and digital skills. In 2023, our programmes will continue to undergo improvement to ensure they remain relevant as we embed our culture.

### Learning confidence

**88%**

(2021: 95%)

With many new skills being learned in a transforming business it is critical that learning can be transferred into the workplace. This metric remains strong and we are aiming to support this further in 2023.



## Case study

### Reverse mentoring programme

During 2020–21 we ran a six-month reverse mentoring programme for our Executive Leadership Team, which focused on growing their understanding of issues around ethnicity, providing the opportunity to learn and share perspectives in a safe, structured space. Following the programme's success, we launched a further reverse mentoring programme in 2022 for colleagues in our wider Investments business. This covers a wider range of diversity topics, characteristics and competences including career development. We already have 150 colleagues enrolled into the programme, keen to develop deeper insights into the experiences of others, to guide decisions and actions.

The reported data excludes interactive investor, as learning and development programmes remained independent during 2022.

# Diversity, equity, and inclusion



The business case for DEI is proven, with a clear positive correlation between high performance, risk management and diversity of thought. It has never been in greater focus than over the last few years, with prospective talent, clients and regulators all considering DEI before engaging with businesses. But in an ever-changing world, with growing DEI fatigue, competing economic pressures, and environmental challenges, there is a risk that DEI slips down the priority list for organisations.

In 2022, we have focused on building inclusive communities around what connects us – by bringing colleagues together in safe spaces around particular topics, to share and learn from each other. Rather than focusing on what divides us, celebrating inclusion around what connects us helps address DEI fatigue.

Our approach to DEI continues to be hardwired through all that we do across our business, from who we work with, the offering we design for clients, to how we consider DEI through all stages of our employee lifecycle. Segmenting talent at early, mid and senior career helps to identify different barriers and address these through action plans and targets. We are making good progress, and know where we have more to do. Through transparent reporting, DEI strategy and clear governance we continue to create change for our clients, colleagues and communities.

**DEI is a significant area of focus for abrdn and our industry, and an important component in our environmental, social and governance (ESG) approach, as an employer and an investor.**



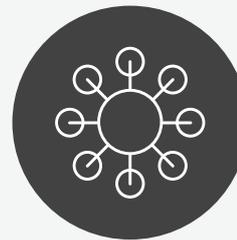
### How we define diversity

Everything that makes us who we are – our people and all the ways we differ and are similar. Both our visible and invisible characteristics, as well as how we think, how we work, and the experience we bring to our clients.



### How we define equity

Creating a level playing field to ensure equal access to opportunity – including assistance to candidates or colleagues from underrepresented groups.



### How we define inclusion

The workplace and culture we are collectively creating for diversity to thrive – creating an environment where all of our people can work at their best.

# Diversity, equity, and inclusion



## Creating opportunities for our people starts with identifying where we need to take action to tackle under-representation at different levels across our business.

Our targets address gender and ethnic representation at Board level and enhanced gender representation for our senior leaders and global workforce. Performance against our targets is incentivised through our executive director scorecard (detail from page 103 in our **Annual report**). Our targets are important indicators, but our focus is on making abrdn an equitable and inclusive environment for our colleagues. We outline our related actions on the following pages and in our **DEI report**.

## Outlining our scope for reporting

The abrdn plc Board is comprised of 1 Chair, 8 Non-executive Directors, and 2 Executive Directors.

Our senior leadership is defined as: those one and two reporting levels below the CEO of abrdn plc. Key exclusions relate to administrative employees and those on garden leave, other forms of leave are included.

Our global workforce includes all full-time, part-time, fixed term, graduates, apprentices, secondees and intern employees of abrdn plc and its wholly owned subsidiaries. We do not make any adjustments for part-time working and count each person as one employee.

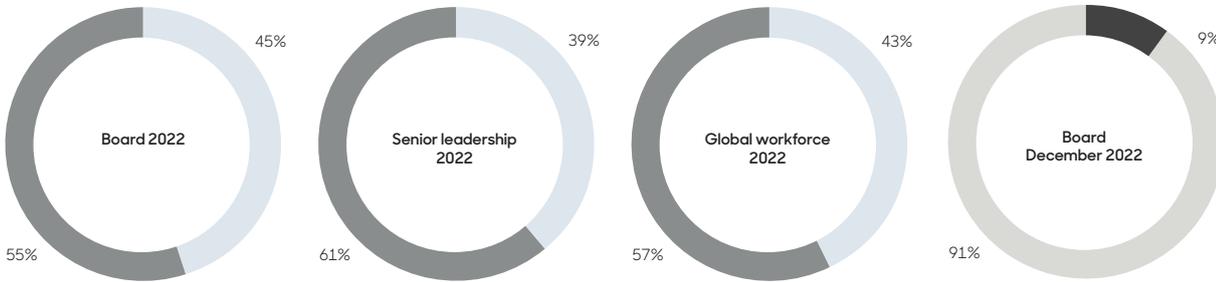
## Our progress against 2025 targets

### Gender

● Female ● Male

### Minority Ethnic

● Minority ● Majority



Area of representation	Target group	Target by 2025	31 Dec 2022	31 Dec 2021	Target status at 31 Dec 2022
Gender	abrdn plc Board	• 40% women, 40% men, 20% any gender	45% women	45% women	✓
Gender	Senior leadership (CEO-1 and 2)	• 40% women, 40% men, 20% any gender	39% women	36% women	✗
Gender	Global workforce	• 50% (+/-3% tolerance)	43% women	46% women	✗
Ethnicity	abrdn plc Board	• 18% (or 2 Board directors who identify as ethnic minority)	9% ethnic minority	9% ethnic minority	✗

Our reported data is subject to a limited level of assurance via an independent provider on an annual basis. This includes representation figures associated with interactive investor as at 31 December 2022.

# Diversity, equity, and inclusion



## Our DEI governance

We create inclusion together, with a shared responsibility at all levels and in all areas of our business.



### Our Board

The Nomination and Governance Committee has oversight for DEI across our group.



### Our Executive Team

Our DEI actions are led by our Executive Team, with accountability tracked through scorecard, goals and embedded into our high-performance culture.



### In each vector, function and regional leadership team

Executive Team members set DEI commitments appropriate to their local context, aligned against abrdn's DEI framework priorities. That way local actions contribute to overall DEI progress.



### Global Inclusion Committee

A committee of leaders from each part of our business, which helps set strategy, works with their Executive Team member and drives local initiatives.



### Through all our people

Our **global code of conduct** describes the principles and standards that we hold ourselves to and ask all our employees to consider in every decision and action they take.

## Identified risks and opportunities (DEI)

DEI is embedded through what we do and how we do it and we must continue to work to increase representation across our business, realise our opportunities, and mitigate related risks. The table below outlines our most material DEI risks and opportunities and actions we are taking in response. More detail is included throughout this section, and in our **DEI report**.

DEI related risks		Identified financial impact	Mitigation strategy
Policy and legal	Enhanced reporting regulations	Cost of analysis, data gathering and publication	<ul style="list-style-type: none"> <li>We continue to monitor best practice and voluntarily report our actions and performance.</li> <li>We have a dedicated DEI team to support reporting and inclusion programmes.</li> </ul>
People	Access to talent	Inability to deliver for our clients, leading to reduced performance	<ul style="list-style-type: none"> <li>We have defined recruitment strategies for diverse talent across the business.</li> <li>We support a blended working model and have a leading parent leave policy (recognised by Equileap as a 'global leader' in 2021).<sup>1</sup></li> <li>We continue to reduce our gender pay gap.</li> </ul>
	Colleague engagement and culture	Missed opportunities from a lack of an open and inclusive environment	<ul style="list-style-type: none"> <li>We have active colleague networks to enable colleague voice and create inclusive environments.</li> <li>We have a learning and development offering to provide colleagues with a platform to grow.</li> <li>We run a 'reverse mentoring' programme so that senior leaders learn what inclusion means for more of our people.</li> </ul>
DEI related opportunities		Identified financial impact	Our realisation strategy
People	Access to talent	Our strength in diversity enables us to deliver more value for our clients, with linked increases to performance	<ul style="list-style-type: none"> <li>We track our progress for gender and ethnic representation through public disclosure and targets.</li> <li>Our 'Future Leaders' programme supports the development of talent with the medium to long-term potential to be part of our Executive Leadership Team.</li> </ul>

Note: This does not directly reflect our view of the companies we invest in, with our related thinking outlined in our Stewardship report.

<sup>1</sup> The referenced parent leave policy applies to UK colleagues only and excludes colleagues from interactive investor, which maintains independent colleague benefits from other abrdn entities.

# Gender pay



## What is the gender pay gap?

The gender pay gap is the difference in the average pay of men and women in a company, regardless of the job they do. It is not the same as equal pay. The Equal Pay Act in the UK legally requires that men and women working for the same employer must get equal pay for doing 'equal work': the same, similar, equivalent or of equal value. We report our UK gender pay and bonus gaps under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 using a 'snapshot date' of 5th April each year.

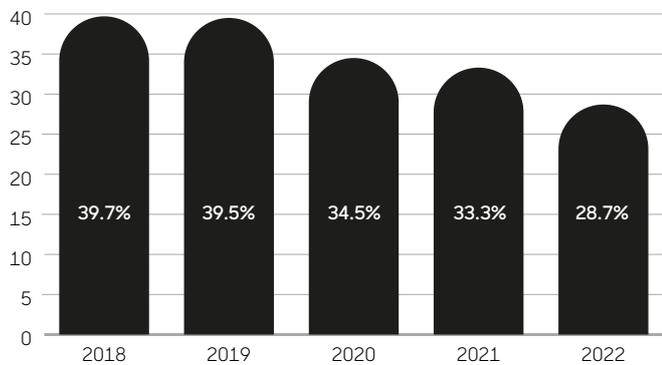
## What is our commitment?

We are committed to achieving gender balance at all levels of our organisation. We also believe that being transparent about our actions will help to improve progress in our business and across our industry. A key factor driving our pay and bonus gaps is that we have more men in senior roles and more women in more junior roles. That is why we target our actions at key points across the business, including hiring, promotions and organisational design.

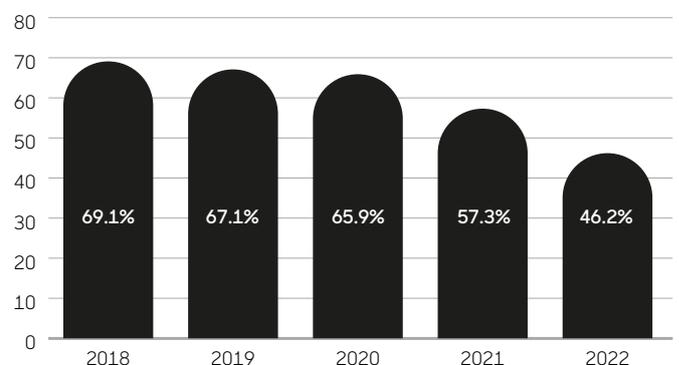
What actions are we taking?	What impact is this having?
<p><b>01</b> We set targets for representation of women at all levels across the organisation</p>	<ul style="list-style-type: none"> <li>Women at Board and senior leadership levels have increased in line with our 2025 targets (<a href="#">page 52</a>).</li> </ul>
<p><b>02</b> We have a gender action plan to focus actions on attraction, retention and progression of women at early, mid and senior career stages (<a href="#">page 29, DEI report</a>)</p>	<ul style="list-style-type: none"> <li>Blended working is our standard working model for colleagues.</li> <li>We offer equal parent leave and working family support<sup>1</sup>.</li> <li>Women included in our graduate intake (UK) increased from 45% (2021) to 61% (2022).</li> <li>75% of mid-career women returners converted to permanent roles in 2021.</li> </ul>
<p><b>03</b> We set a collective industry target to reduce the industry gender pay gap by 50% by 2030 – in partnership with the Diversity Project</p>	<ul style="list-style-type: none"> <li>Contributed to this target by reducing our mean and median pay and bonus gaps for the fifth consecutive year.</li> </ul>
<p><b>04</b> We signed the HM Treasury Women in Finance Charter</p>	<ul style="list-style-type: none"> <li>Increased DEI metrics in our Executive Director variable pay scorecard in 2022 to incentivise performance and increase senior accountability for progress.</li> </ul>

## In 2022, our gender pay & bonus gaps reduced for the fifth consecutive year

UK Mean gender pay gap



UK Mean gender bonus gap



**Scope of disclosure**

Our data is reported for UK colleagues only, using a snapshot date of 5th April 2022. The data therefore excludes colleagues from interactive investor, with our acquisition completed in on 30th May 2022. This information was first reported in our standalone [DEI report](#).

<sup>1</sup> See [page 56](#) for further details on parent leave policies across the abrdrn Group.

# Gender pay



**abr dn combined employing entities with over 250 employees**

	Median 2022	Mean 2022
Gender Pay Gap	24.2%	28.7%
Gender Bonus Gap	47.4%	46.2%
Pay Quartiles	Female	Male
Q4 (Upper)	27%	73%
Q3 (Upper Middle)	41%	59%
Q2 (Lower Middle)	51%	49%
Q1 (Lower)	58%	42%
Proportion Receiving Bonus	50.9%	66.2%

We confirm that the gender pay calculations are accurate and meet the requirements of the Equality Act 2010 (Gender Pay Gap information) Regulations 2017.

The calculations, data and assertions in this document have been verified by abr dn plc.

This information for 2022 was first reported in our standalone **DEI report** along with our material disclosure of gender pay calculations for each of our employing entities employing over 250 colleagues. Our next gender pay gap disclosure will be published later in 2023 (taken using a snapshot of 5th April 2023).

# Working inclusively



## Benefits and support

Our way of working globally is intended to proactively support colleague wellbeing. The biggest change we have seen in recent times is the move to a blended working model, which is now our standard way of working. With this, we have empowered our people managers to work with their teams to support greater flexibility in how and where we deliver for our clients.

In the UK, our 'special leave' policy enables colleagues to take different types of leave, such as paid carers leave, to meet responsibilities outside of work.<sup>1</sup> Our objective is to prioritise inclusivity and, in 2019, we launched industry-leading equal parent leave in the UK, with the policy being recognised by Equileap as a 'global leader' in 2021. In 2020, we launched equal parent leave in Ireland and US. We know that equitable leave policies have a significant role to play in removing barriers and promoting female engagement with the workforce, with our research series 'A Woman's Place' driving this insight.

We also have a range of opt-in benefits, such as Cycle2Work, electric car leasing, and financial wellbeing planning and guidance.

## Colleague-led networks

We have 11 active colleague networks that serve as important, focused, platforms to bring like-minded colleagues together to connect and raise internal awareness on important issues, including mental health, LGBTQ+, and our impact on the natural world.

Our networks host regular events, available to all colleagues, with a focus on bringing people together and challenging potential bias. Our networks often work in partnership with external organisations to support this, with speakers often invited to deliver new perspectives and experiences. Members from the networks can also influence our business processes and help shape design through bi-monthly insight's sessions. Networks also have direct engagement with our Board and our senior leaders.

Alongside our colleague-led networks, in 2022 we set up more informal peer-to-peer 'sharing communities' where colleagues can connect, share and learn from others in a safe space on any topics. So far, we have communities covering topics relating to menopause, neurodiversity and Christianity.



**More on colleague networks in our Diversity, equity, and inclusion report**

**In 2022 our Environmental Champions Network celebrated its 10th anniversary and we marked the achievement with several events across our regions. The purpose of the network is to Conserve, Connect, and Inspire and our network members live these values across abrdn and beyond. In 2022 our members took part in 11 volunteering events globally ranging from beach cleaning to urban agriculture. We also hosted an array of spotlight speakers, who shared stories on conservation and ways to help our environment. In 2023 we will continue to work together to make a positive difference both within abrdn and for our local communities.**

**Katherine Travers**, Chair of abrdn Environmental Champions

<sup>1</sup> These policies do not include colleagues from interactive investor, which operates with independent benefits and programmes from other abrdn entities.

# Fair work



## Our commitment

We have been an accredited UK Living Wage employer since 2014 and in 2020 were one of the first companies to be accredited as a Living Hours employer. What this means in practice is that we ensure all our UK colleagues (approximately 80% of our global workforce) are paid above, or in line with, the UK Living Wage and that all colleagues are paid above the minimum wage in their country of work, globally. In the UK, we extend this commitment to third party suppliers working on our UK premises and our **Global Third Party Code of Conduct** details our linked expectations for any global third parties that we work with.

In September 2022 the Living Wage Foundation uplifted the Living Wage rate, due to increasing cost of living pressure across the UK, and we responded quickly by uplifting our third party suppliers not already paid above the new rate of pay. This action includes UK third party suppliers working with interactive investor, with associated uplifts taking place prior to the end of December 2022. This is well in advance of the May 2023 expectation for compliance with the accreditation.<sup>1</sup>

## Supporting our people

We took steps to support our colleagues due to the increased rise in cost of living globally. We implemented a permanent salary increase of £1,500 (FTE equivalent) from 1st October. This applied to colleagues earning £75,000 or less (or local country equivalent) and/or had not had a significant salary increase (10% or more) since April 2021. Our approach aimed to provide meaningful support to colleagues feeling the greatest cost of living pressures, within the context of a challenging and uncertain macro environment.

## Supporting our communities

Our charitable giving strategy is focused on supporting 'Tomorrow's generation' through our abrdn Charitable Foundation. In response to ongoing cost of living pressures in the UK, we donated £100,000 to The Trussell Trust, as targeted support for families facing immediate-term pressures to meet essential needs.

Our objective through charitable giving is to develop powerful partnerships to deliver a measurable impact – but it is important to reflect that this specific measure of support is by no means a long-term solution to a real crisis, which requires wider systemic change. More on our charitable giving activity from **page 76**.

### What is Living Wage?

In the UK, the Living Wage Foundation monitors and sets a Living Wage threshold based on the deemed hourly rate needed to meet the cost of living beyond the minimum threshold mandated by legislation. Living Wage rates are updated periodically and were last updated on 22 September 2022, to £10.90 across the UK and £11.95 for London.<sup>2</sup> Whereas UK minimum wage at the time of writing is £9.50.

### What is Living Hours?

Also overseen by the UK Living Wage Foundation, the Living Hours accreditation provides greater security for workers.

Three key standards underpin the commitment:

- Decent notice periods for shifts: of at least 4 weeks' notice, with guaranteed payment if shifts are cancelled within this notice period.
- A guaranteed minimum of 16 hours a week (unless the worker requests otherwise).
- The right to a contract that reflects accurate hours worked.

Living Hours is intended to help combat insecure work across the UK, with the three key standards ensuring fair treatment of workers on flexible contracts.



<sup>1</sup> As at 31 December 2022, interactive investor had not explicitly aligned to Living Hours, with further work required to determine next steps.

<sup>2</sup> Accurate as at 31 December 2022.

# Health and safety



## Ensuring the health, safety, and wellbeing of all our colleagues and third party suppliers working on our premises is of paramount importance.

Our physical environments are relatively low-risk compared to other sectors, but we have the appropriate structures and processes in place to manage health and safety risks, with the goal to protect the wellbeing of those we work with.

### Governance and oversight

Our global health and safety policy sets out the standards we adhere to and is applicable to our entire operations, with our Board taking overall responsibility throughout abrdn. Our Chief Executive Officer oversees health and safety matters on behalf of the Board, and delegates responsibility for management of operational aspects to our Chief People Officer. Our UK Health & Safety Committee, chaired by our Chief People Officer, meets at least twice annually to consider any material health and safety matters, including the effectiveness of existing policies and practices. The Board maintains oversight on an annual basis through the review of a health and safety report, which includes a summary of significant activities, by region, for the reporting year.

### Testing our policies and procedures

All our colleagues work in comparable environments across our global offices but the majority (approximately 80%) of our people are based in the UK, which is therefore the region with highest risk due the volume of our people working from our UK offices.

We employ an external consultancy to visit all our UK offices on an annual basis, in order to review our health and safety approach and fire safety compliance. The findings from this assessment are populated as actions on a risk management system, with an assigned resolution timescale based on the noted severity of the risk. In 2022 we outsourced our UK workplace function to a contracted provider, who now take responsibility for addressing these actions, but with oversight from our UK Health & Safety Committee.<sup>1</sup>

We also conduct risk assessments for our work activities. Our goal is zero reportable workplace accidents and 95% of risks to be controlled at the point of audit. All accidents and incidents are investigated.

### Transparency through reporting

Though our colleagues work in low-risk environments, accidents can and do happen and we believe in the principle of reporting relevant information publicly as standard practice.

#### Physical safety

**0** Global fatalities  
(2021: 0)

**7** Workplace accidents  
(2021: 2)  
Our return to our office environments following pandemic restrictions, correlates with an increase of workplace accidents.

**1.5%** Absences  
(2021: >1%)  
Around 1.5% of total working days scheduled in 2022 were taken as sick days. The coverage for reporting is 97% of employees.

#### Provide training

**99%** Mandatory training  
completion  
All colleagues complete mandatory training on health and safety via an e-learning module. The completion rate disclosed is that of the most recent module.

#### Blended working

We continue to operate using a blended working model. Our colleagues value the flexibility this affords and we believe this creates a more agile and resilient organisation. We want our offices to be places where we can connect and collaborate together, but we have embedded the infrastructure which allows us to work effectively wherever we are.

<sup>1</sup> In 2022 interactive investor took part in health and safety audits organised by abrdn, but the output of the assessment was managed by the interactive investor workplace teams, versus the process noted above.



# Governance:

## Integrity and transparency



### Our approach to reporting on governance

abrdrn plc reports in line with the UK Corporate Governance Code on an annual basis in our Annual report. We are also signatories to the UK Stewardship Code and produce a standalone report against the 12 principles.

Other key documents relate to our expectations for conduct – both for **our people**, and **third party relationships**. We also report on our approach to responsible tax matters in a **separate document**. Our disclosure in this report is intended to provide an overview of our material governance topics, with additional detail given in the noted documents and reports.



[Link to our Annual report](#)



[Link to our Stewardship report](#)

---

Integrating sustainability	60
Stewardship	62
Ethical conduct	63
Speaking up	64
Mandatory compliance training	65
Vulnerable customers	66
Data privacy	67
Responsible tax	68
Financial crime	69
Cyber and information security	70
External affairs	71
Responsible communication	72
Procurement	73

# Integrating sustainability



## Division of responsibilities

abrdn plc operates using a governance framework aligned to the principles of the UK Corporate Governance Code (2018), with a full overview provided from page 75 in our **Annual report**. Our climate-related governance follows this model, and we provide specific detail on **page 9**, with a view to meeting the recommendations of the TCFD framework and our obligations under the FCA Listing Rules requirements.



[Link to our Annual report](#)

## Taking a forward-looking view

We are taking a forward-looking view and are advancing our governance beyond climate and towards sustainability as a whole. This approach is aligned to emerging global standards for sustainability disclosure and will strengthen our governance due to the interlinked nature of material sustainability topics.

Related risks and opportunities can manifest differently across our diverse business and this approach will leverage the strength of our vector model as we apply diverse perspectives, and expertise, to emergent sustainability topics. Our intention in 2023 is to establish a group-wide sustainability decision-making forum to ensure a cohesive abrdn view to our Board.

The landscape for corporate sustainability is evolving at pace and it's important that we have the expertise and agility to address emergent subjects quickly, within the bounds of our strategic objectives as a business. We direct management energy and expertise primarily through thematic working groups focused on material sustainability topics. These groups assess sustainability risks and opportunities and escalate, where appropriate, issues through our functions, leadership, and governing bodies.

Our working groups have specific areas of focus but maintain sufficient flexibility within the business to evolve with the changing landscape. We believe this practical model enables sustainability effective decision-making across the business, but are alert to the need to coalesce this diverse activity in a manner which supports effective long-term oversight from our Board. Our forward-looking view is intended to support this, with an illustrative model provided on **page 61**.



## Case study

### Sustainability in action

In early 2022 we announced the evolution of our sustainable investing approach with the appointment of a Chief Sustainability Officer for the Investments Vector alongside a newly established leadership team. The team takes a global view and leads on: sustainable investing, active ownership, and sustainability research capabilities. This is further supported by our Sustainability Institutes in APAC and Americas, which provide relevant regional capabilities for our clients and wider reporting obligations.

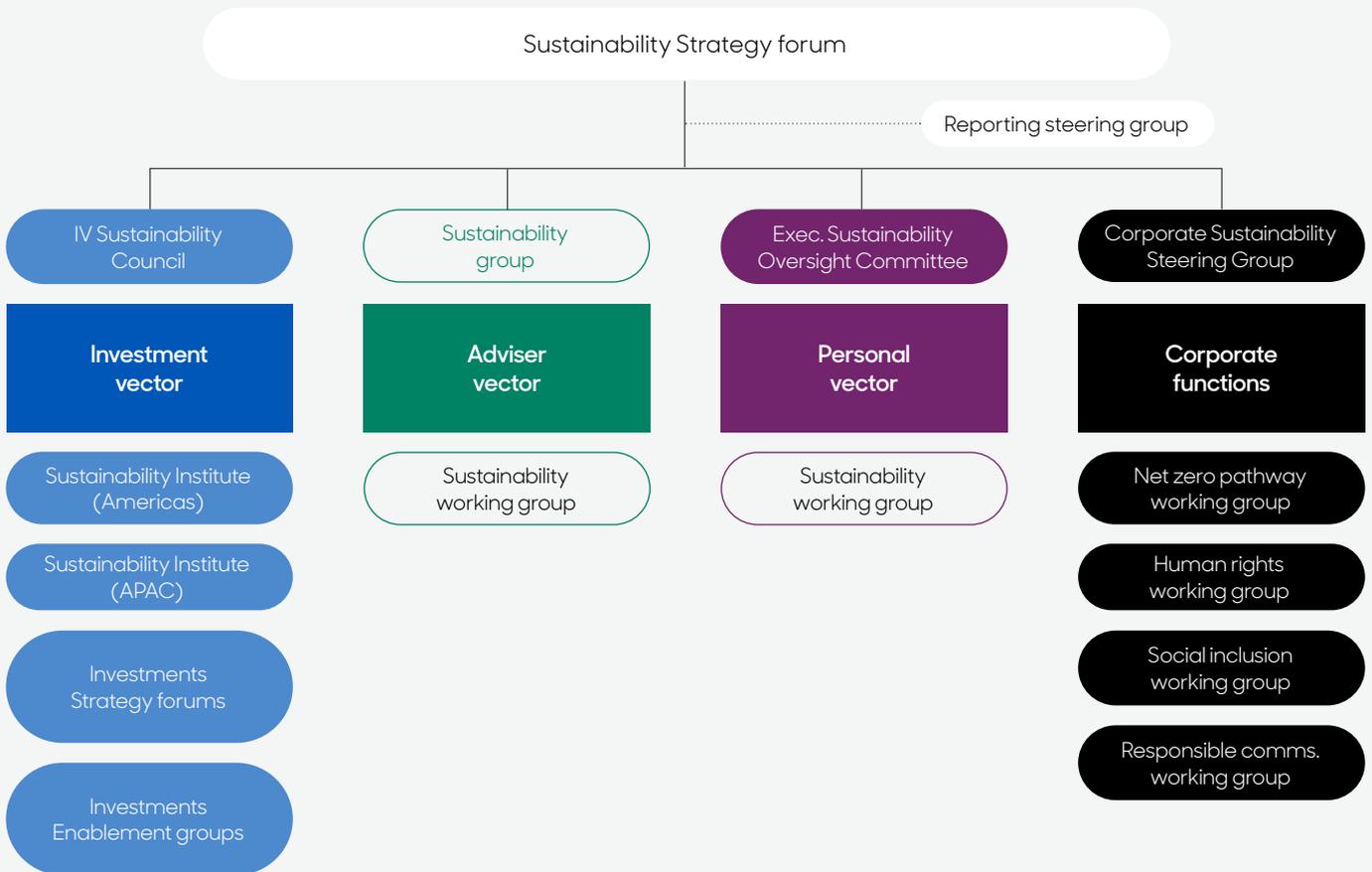
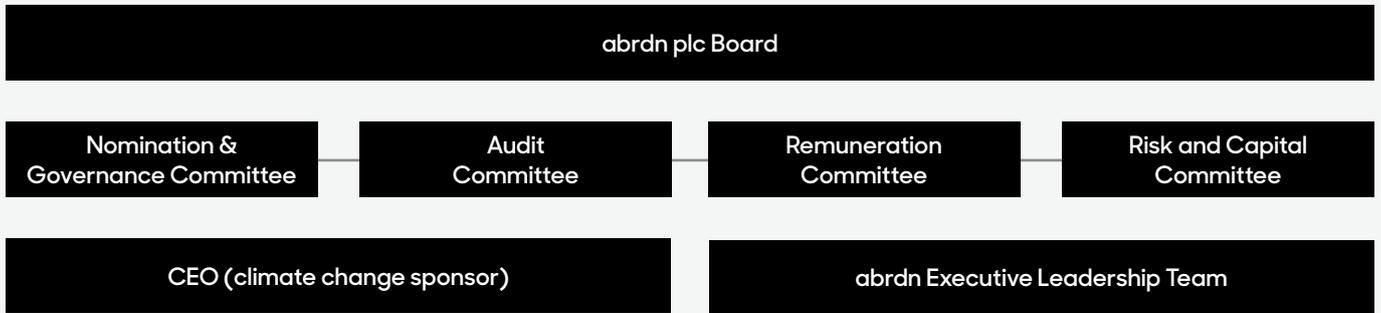
Our operational activity is also supported by a distinct sustainability team, with further roles embedded throughout the business including: a sustainability lead for procurement, diversity, equity, and inclusion team, and new expertise from interactive investor. These teams support the integration of sustainability at abrdn and take prominent roles in our thematic working groups.

### Enabling effective oversight

Our assessment of the long-term corporate sustainability landscape reflects an increasing need for the integration of sustainability topics across the business, with our sector subject to increased scrutiny and enhanced standards of disclosure. Sustainability is increasingly reflected in strategy, risk management, and company culture. The Board and Directors oversee these matters and provide challenge and approval to management assessment.

To better support this oversight, we intend to implement a sustainability learning programme for our Directors' from 2023, which will supplement existing knowledge and updates from management. This programme will deliver an independent view on sustainability trends, regulatory environment, and notable risks and opportunities. This will form part of our ongoing Board training and development processes led by our Chair. More detail on Director induction and development on page 82 of our **Annual report**.

# Integrating sustainability



Key - applicable to all colours:  
 Operating functions   
  Existing working group   
  Pending implementation

**This model is forward looking**

abrdn plc operates through three vectors, with support from specific corporate functions. We integrate sustainability governance using thematic working groups, which are subject to evolution as the requirements of the business and regulatory landscape change. This model is a high-level view and does not capture every forum, information flow, and decision-making authority. The model reflects our current and near-future intention and the specific components are subject to change. Best practice for sustainability governance continues to evolve and so will our policies and processes.

# Stewardship



Our role as active owners is an essential function of our governance at abrdn. We have a duty to be engaged owners of the assets in which we invest, as we aim to enhance and preserve the value of our clients' investments.

Our belief is that a full and thorough understanding of sustainability factors enables better investment decisions, which is why we continue to take steps to further embed these considerations into our processes. Examples of actions we have taken to do this in relation to climate-related risks and opportunities are detailed from **page 25**, as part of our TCFD-aligned disclosures.

Our Stewardship report goes further to detail how we integrate sustainability into decision-making, engage with the companies we invest in, and influence change through voting.

 [Link to our Stewardship report](#)

## Our aims and commitments

To meet the needs of our clients and key stakeholders, and create benefits for the economy, society and environment, we focus on these core areas:

**01**

**Our investment process:** we integrate and appraise ESG factors in our investment process, with the aim of generating the best long-term outcomes for our clients consistent with their risk and asset allocation preferences.

**02**

**Our investment activity:** we actively take steps as stewards to deliver long-term, sustainable value consistent with our clients' objectives and risk tolerance.

**03**

**Our client journey:** we clearly define how we act in our clients' interests in delivering our stewardship and ESG principles and transparently report on our actions to meet those interests.

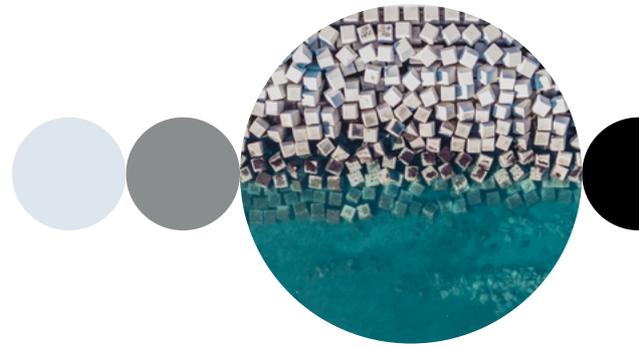
**04**

**Our corporate influence:** we actively support enhancements to policy, regulatory and industry standards to deliver a better future for our clients, the environment and society.

**05**

**Our corporate activity:** we gather data to understand and manage the material ESG factors in our own operations to ensure our own impact contributes to positive outcomes for all stakeholders.

# Ethical conduct



## Our global code of conduct describes the principles and standards that we hold ourselves to and ask all our employees to consider in every decision and action they take.

All our employees receive training on the content and meaning of the code and are required, at least annually, to confirm that they have read and agree to abide by its principles.<sup>1</sup> Our global code of conduct is a public document, with the latest version available [here](#).

### Managing conflicts of interest

Effective management of conflicts of interest is at the core of good ethical conduct, and a key aspect of the global regulatory and legislative conduct risk agenda. We ensure that all appropriate steps are taken to identify and prevent any conflicts of interest. Our policies and procedures address conflicts that may arise from: personal account dealing, gifts and hospitality, information exchange, and through our voting as investors.

All abrdn employees are required to complete a conflicts of interest e-learning module every two years, with tailored training also targeted to specific business areas and roles. This training is designed to enhance employee understanding and detail individual responsibilities in relation to conflicts of interest. The most recent module was completed by 99% of abrdn employees. In addition, all colleagues are required to complete annual attestations related to personal account dealing and potential conflicts of interest.

### Treating clients and customers fairly

We are committed to building enduring relationships with our clients and customers, with the objective of delivering valued outcomes through our products and services. This means adhering to the high personal standards outlined in our code of conduct and recognising that expected needs and outcomes will change during the course of our relationship. We have a duty to safeguard the individual interests of our diverse clients and customers, and must ensure our actions are taken with integrity and in a lawful manner.



[Link to our Annual report](#)



[Link to our Global Code of Conduct](#)

### Doing the right thing?

The critical thing we must do across all our actions and decisions is the right thing – but what is the right thing? Everything we do must be with honesty, integrity, and within lawful boundaries. We are guided by these key behaviours but must also reflect that the 'right thing' is not always straightforward as we serve a diverse range of clients, customers, and respect the planet and communities we operate within. Our vision of the right thing is outlined throughout this report, as we are transparent on our material actions linked to the sustainability of our business and impacts beyond our direct operations.

We also must engage with our stakeholders to determine what the right thing is for them. This is something we do every day as we manage our relationships, but we also periodically assess viewpoints in line with our responsibilities and understanding of best practice. In 2022 we carried out our sustainability materiality review and asked our people, clients, investors, third party suppliers and others to input on our greatest areas of impact. We disclose the initial results of our assessment from [page 83](#) and will use this information to shape our corporate sustainability priorities and actions.

We also have the channels in place for stakeholders to tell us about incidents where we may not be doing the right thing, and we encourage a Speak Up culture across our business and third party relationships. More on this on [page 64](#).

<sup>1</sup> Colleagues from interactive investor attest to an independent Code of Conduct upon joining the company, and do not follow the abrdn attestation process.

# Speaking up



## Importance of speaking up

We are committed to operating in an honest and transparent way across abrdn, and the importance of doing the right thing extends to speaking up should there be an issue relating to any aspect of our conduct. We have a duty to raise any concerns related to our regulatory responsibilities and behaviour that may be in breach of our global code of conduct. This principle helps to protect our clients, customers, colleagues, and our business, as we act with integrity and take accountability for our actions.

## Reporting channels

If our colleagues have a concern, we encourage them to report this to their manager. This is our suggested first point of contact as this direct relationship is often the best way to resolve any day-to-day challenges we face.

It is important, therefore, to understand how colleagues feel about the openness of communication channels within their team and reporting line. Our anonymous annual engagement survey finds that 81% of respondents agree their team has open and honest two-way communication. This measure is important as it reflects the trust of our colleagues in everyday reporting lines, with our objective to create a safe environment where all colleagues feel empowered to express concerns. We are aware of the role our culture plays in support of this, with more detail on [page 44](#).

Specific concerns in relation to working conditions, or colleague relationships can often be resolved informally, but we also have a formal grievance procedure in place should there be a need to follow a different process. Grievance procedures follow regional guidance and information is available to colleagues via our intranet and HR platform. All concerns raised are taken seriously and any victimisation, harassment, discrimination or bullying of anyone will not be tolerated and will be considered a disciplinary matter.

## Confidential Speak Up service

Recognising the importance of multiple reporting channels and the ability to raise concerns anonymously, an independent Speak Up service is available globally to clients, colleagues, third parties and anyone who may wish to raise a concern about our conduct. The service is managed independently by Safecall and is available 24 hours a day, seven days a week, in multiple languages.

UK colleagues can contact the Speak Up reporting line on 0800 915 1571 – and all other countries can find locally available lines on our global intranet.

Anyone can contact Speak Up via an online form on the dedicated website: [www.safecall.co.uk/report](http://www.safecall.co.uk/report)

## We monitor all reports to Speak Up and carry out proportionate investigations based on the nature of report

Any concern raised via the Speak Up service is taken seriously and investigated to the extent possible. The anonymous nature of the service is important but it can limit our ability to provide feedback to any concerned parties.

**In 2022 we received 11 reports via the Speak Up service, versus 10 reports in 2021.**

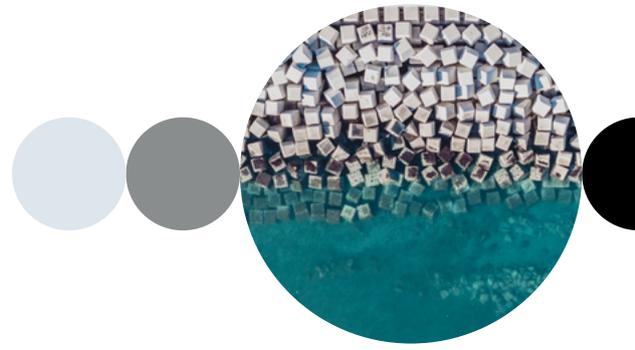
Our Audit Committee maintains oversight over the Speak Up arrangement and receives periodic updates, with a specific report on related matters provided annually. We report the total number of reports as a point of transparency and note no clear variance in the nature, or volume, of reports received.



**Our code of conduct provides further detail on reporting conduct matters externally**



# Mandatory compliance training



## Developing required competencies

abrdrn provides mandatory training to colleagues to ensure clear understanding of critical regulatory and legal obligations on the organisation and individuals.

This content is refreshed annually and delivered via e-learning modules, and we maintain an associated compliance training policy to outline requirements, and disciplinary actions linked to failure to complete the learning. Actions linked to non-compliance begin with informal interventions, with potential consequences scaling up to and including dismissal.

**99% of mandatory training had been completed by colleagues globally as at 31 December 2022.**

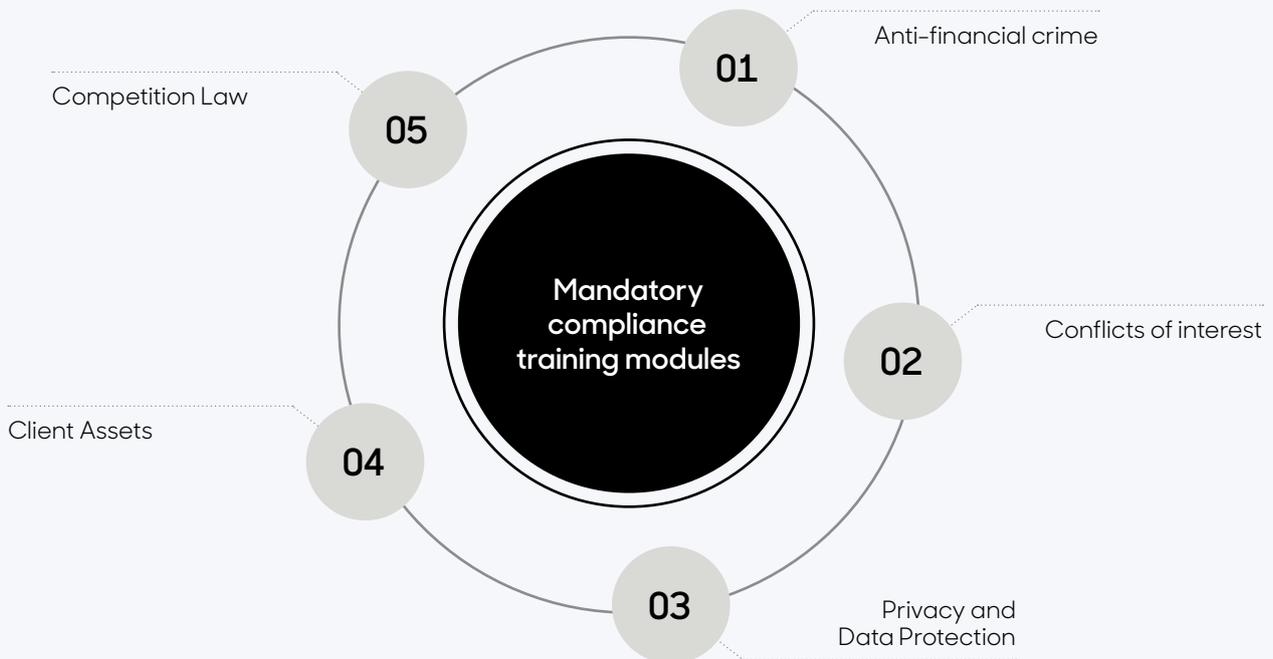
The aggregate rate of completion is monitored as part of our Board Risk Appetites and reported to the Risk and Capital Committee as part of abrdrn’s enterprise risk management framework.

This is within the defined risk appetite for the business. This percentage is reported in aggregate and includes individuals out of the business on extended leave, for example, who are exempt from training until returning to work.

We continually review our mandatory compliance learning suite to ensure it remains current and reflects changes to any regulations or business requirements. This ensures our training best supports our colleagues and customers.

interactive investor has its own suite of mandatory compliance modules in place to support their business and meet their regulatory requirements.

**We have a comprehensive programme of mandatory compliance training, which are tailored to individuals depending on their role and location. This programme includes topics covering the following:**



## Bespoke training

In addition to mandatory training for all colleagues, some business functions and roles are required to complete training to develop competencies relevant to specific aspects of their responsibilities. An example of this would be support of vulnerable customers for colleagues in customer facing roles (page 66). We also have voluntary training programmes to support personal development, with more detail from page 49.

# Vulnerable customers



## Supporting vulnerable customers

Through our three vectors, we serve a diverse range of clients and customers that need access to products and services that meet specific needs. It is essential for us to recognise where elements of our products and services are not inclusive and that our conduct fairly represents the opportunities and outcomes available. Our governance framework reflects our focus on supporting all our customers, including those dealing with vulnerabilities, and our vector CEOs lead our related actions across abrdn.

This starts with identifying groups who need priority care to ensure none of our customers are left behind. If our customers are marginalised, or experience challenges of accessibility related to health, life events, capability or financial resilience, it is vital that we are able to tailor our services appropriately. This reflects the fact that our customers may require access to their savings, investments, or pension drawdown particularly in response to short-term events such as the cost-of-living crisis.

We also recognise that not all vulnerabilities are static. Some customers may have specific short term needs, and others may require longer term support. We engage across multiple channels and recognise that a considerable proportion of our customers value being able to communicate with us in a number of ways, for example by phone, in person, and online. We have built this into our strategy across our vectors.

We have invested in bespoke training to ensure that our colleagues are equipped to support and identify requirements for priority care, with specific focus on colleagues in customer facing or customer supporting roles. Our focus extends into our recruitment processes, as we look to ensure our future colleagues are prepared to provide inclusive services to all our customers.

It is also essential that all our communications are easy to understand, and we have controls in place to ensure that everything we say about our products and services represents the expected outcomes. We can support customers' additional visual needs via large font or braille updates; alongside sign-language, language interpretation, and other necessary adaptations, should they be needed. We are also able to signpost external support services where appropriate.

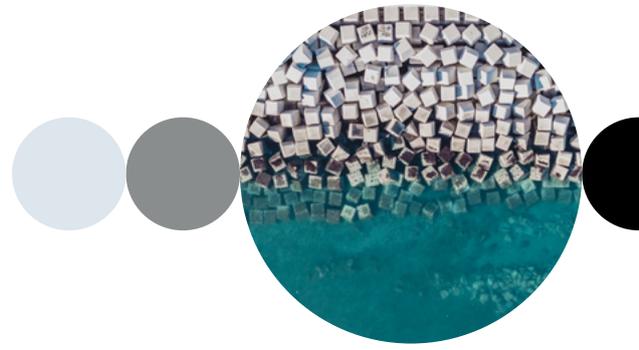
If our customers are dissatisfied with our service, we ensure that no unreasonable barriers are in place when raising concerns or switching providers. Delivering good outcomes is at the forefront of our thinking, and we will always prioritise customer needs should there be a conflict of interest or differing views.

We are also supporting initiatives that aim to increase general financial literacy and support informed investment decision making. This principle forms a key part of our charitable giving strategy through the abrdn Charitable Foundation, as we fund projects that help people overcome barriers and realise their potential – creating a better future for themselves and their families. More on this from [page 76](#).

### Note on interactive investor

The commitment to meeting the needs of vulnerable customers is consistent across abrdn plc and is inclusive of interactive investor. ii retains an operating model with a separate Vulnerable Customers Policy, with ultimate oversight from the abrdn plc Board as a subsidiary entity.

# Data privacy



## Our data privacy responsibility

The nature of our work means that colleagues will collect and use personal information as part of day-to-day responsibilities. It is therefore vital that the information we process is in line with abrdn’s statutory obligations under various privacy and data protection laws and internal policies.

We take a three-pillar approach with the following objectives:

- support our colleagues to understand their responsibilities and abrdn’s data privacy obligations
- enable the collation of necessary evidence of compliance and appropriate assessment of risks
- track local compliance from first-line teams against the required minimum standards.

## Privacy notices

To inform all data subjects (e.g. our customers, clients, shareholders and colleagues) as to what personal information we process and for which purposes, we publish relevant privacy notices on our external websites and other supporting collateral, including product/fund application forms and terms of business.

These explain:

- what personal information we collect
- the purposes for which we use personal information
- who we may share personal information with and why
- how we protect personal information
- and the rights of those individuals whose personal information we collect and use, and how they can exercise their rights.

## Our three-pillar data privacy approach:

### Education is the foundation of our approach

We educate colleagues through mandatory compliance training and practical resources.

Our intranet hub provides the information and tools to support our colleagues in day-to-day roles. The hub provides information on local data protection laws, 'how to' guides to help colleagues know what they need to do to ensure abrdn processes personal data in line with its obligations, and latest related news. We also have data protection champions across our business, which support local awareness and aim to embed and evidence compliance.

### Privacy Management Framework

Our management solution provides a consolidated view of personal data processing across the business.

The tool supports regulatory horizon scanning, serves as a repository for analysis, provides a base for collation and evidence for compliance, and supports a holistic view of all personal data processing across abrdn. Our Data Privacy Office manages this external web-based solution, which also supports our assessment of data privacy risks associated with new, or changes to existing business processes.

### Policy and standards

Our policy sets clear standards for our first line teams to support compliance with applicable local laws.

Our internal data protection policy is applicable to our global teams and signed off on a biannual basis by our Data Protection Officer. Any exceptions to the policy are addressed with the first line teams required to attest e.g., higher-risk areas such as HR, or client facing operational teams.

## Reporting data incidents

Data incidents are logged by first-line teams and monthly reports are produced for relevant second-line risk forums to ensure sufficient visibility of any breaches across the business. This process ensures that appropriate actions are taken to address identified risks and manage data in line with abrdn’s statutory obligations. All incidents are assessed by the Data Privacy Office to determine severity, with no breaches reported to abrdn’s regulators in calendar year 2022.

# Responsible tax



## Our tax strategy

We seek to operate responsibly in all our tax matters and recognise its importance across our stakeholders, from our clients, customers and employees to our shareholders and the contribution we make to society more widely.



More on our approach in our Tax report



Further detail on our contribution in our Annual report

## Our principles

The principles of our tax strategy are closely aligned to the standards and behaviours we expect from all of our colleagues.



### Responsibility

We recognise the importance of the contribution we make to public finances through our payment of taxes and take into account the needs of all our stakeholders in the way we manage our tax affairs.



### Purpose

We do not seek to apply an aggressive interpretation of tax legislation and we will not undertake any transaction whose sole or main purpose is the creation of a tax benefit greater than that intended by legislation.



### Sustainable tax development

We discuss tax policy and regulation development with tax authorities, government and international organisations to ensure the sustainable and effective development of tax rules.



### Transparency

We work cooperatively and transparently with HMRC and other tax authorities.



### Control

We operate a strong governance framework in managing and controlling our tax risks.



### Compliance

We ensure that we meet our tax compliance and reporting obligations.

**Our total tax contribution consists of the taxes paid by our company to tax authorities, and the taxes our company collects that are then passed to tax authorities.**

#### Taxes paid

These are the taxes that our company pays to tax authorities where we have operations.

#### Taxes collected

These are the taxes that we are obliged to collect and then pay to tax authorities arising from our operations across the globe.

**£186m**

Total taxes paid in 2022

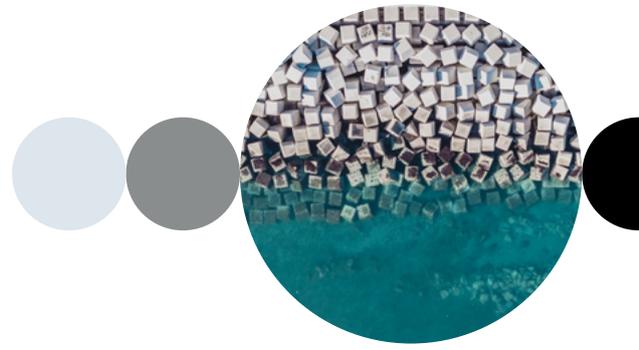
**+£257m**

Total taxes collected in 2022

**=£443m**

Our total tax contribution for 2022

# Financial crime



## Financial crime

Tackling financial crime is not just about adhering to laws and regulation, it is also about preventing harm to people and society. We have a zero-tolerance approach to bribery and corruption, money laundering, and terrorist financing. We provide colleagues with tools that enable them to be aware of financial crime risk, to know what to look out for, and to understand both their and the company's responsibilities.

### Policies and procedures

- Our Anti-Financial Crime and Anti-Bribery policy, and corresponding procedures, aim to prevent and detect money laundering. The standards, which must be complied with, include maintaining appropriate records for the minimum prescribed periods.
- This policy also covers bribery in all its forms, direct or indirect political contributions, facilitation payments and our risk appetite. A senior manager has overall responsibility for ensuring adherence.
- Our Gifts and Hospitality policy and register are designed to support the avoidance of actual or perceived conflicts of interest. All gifts and hospitality above a threshold must be registered and are monitored by our Compliance department. Hospitality or gifts valued above our defined limit require specific approval and may be rejected unless there are special circumstances which justify the exception.
- We have operating guidelines for record keeping approval procedures and appropriate behaviour.

### Internal control systems

We monitor and review implementation of procedures designed to prevent money laundering and bribery and make improvements where necessary. Internal control systems and procedures are subject to regular audits to provide assurance that they are effective in countering bribery and corruption.

## Training

We provide various training formats for colleagues including an annual mandatory e-learning module on financial crime, tailored face to face training for key departments, and a hub on our intranet with everything that colleagues need to know including how to raise any concerns via our whistleblowing mechanism. We also have a company-wide network of compliance managers and local Money Laundering Reporting Officers (MLROs) in each region.

## Client due diligence

We verify clients before investment funding is allowed – this includes certifying documents, and formal searches against known or suspected terrorist lists as well as Politically Exposed Persons (PEP) lists via external screening providers. PEP clients are subject to enhanced due diligence and Senior Management and the MLRO must sign off PEP clients or other clients from countries, businesses, and products with the greatest risk of money laundering or terrorism financing. We also gather an in depth understanding of a client's business and investment objectives and activity for ongoing monitoring to identify potentially suspicious activity. If a colleague believes a client's activity to be suspicious, they must report this to the designated MLRO.

# Cyber and information security



## It is vital we take steps to protect company, client and employee information from cyber-attacks, data breaches and any other form of misuse.

We have a robust Information Security framework with an ISO27001-based information security policy, covering all aspects of cyber security including governance and policy, technical standards, management of regulatory requirements, and incident management. Security is everyone's responsibility and the oversight of the policy is led by our Chief Security and Resilience Officer with regular reporting to a Board-level governing committee. Our policy framework in combination with our Enterprise Risk Management (ERM) framework, provides a structure for an internal control system to manage risks to the confidentiality, integrity and availability of information and systems.

### Security

Our Security, Resilience & Protection department drives the organisation's focus on security and resilience providing guidance and oversight across cyber, information security and operational resilience, whilst also driving a risk-aware culture.

SRP is a central function with a global responsibility that includes:

- Analysing cyber risks and threat intelligence, monitoring our network and infrastructure for any exceptions or signs of breaches, and responding to any cyber security incidents.
- Maintaining a framework for a consistent approach to incident and crisis management across our global organisation. This framework can be applied during all incidents: from short term, low impact location specific incidents, through to potential strategic crises impacting our operations in multiple regions.
- Guiding, teaching and advising colleagues to help them understand their security responsibilities as well as the security risks which are most relevant to our business.
- Developing policies and, with Risk, overseeing the framework and management of risks. In addition, leading the work that assesses our third party suppliers to ensure that their controls and procedures are appropriate to protect information and data, and to deliver resilient services.

### Resilience

Crisis and incident management, business continuity and disaster recovery are crucial to risk management. In the event of a threat to the business (such as a cyber-attack or environmental incident), we must be able to respond rapidly and effectively to protect the best interests of our clients, shareholders and our staff and to ensure the ongoing operation of our business.

Our Operational Resilience teams are responsible for the resilience and continuity framework and processes including the underlying analysis and support as part of our ISO22301 certification and implementation of operational resilience. This is designed to ensure that the organisation can continue to function through an operational interruption.

### Training and awareness

Data privacy, information and cyber security e-learning training modules are mandatory for all employees including temporary employees and contractors.

With a move to hybrid working patterns and an expanding digital presence, phishing continues to be the primary means of gaining a foothold to compromise an organisation. We focus on phishing resilience and conduct regular exercises that simulate phishing attacks and deliver focused training to our employees. This ensures everyone stays vigilant and knows how to recognise and report suspicious emails alongside our technical security controls.

During 2022 we dedicated more resources to raising awareness as a vital component of our resilience to these threats, this included:

- Appointing a security awareness lead and hiring an additional security awareness consultant to provide specific focus on the topic.
- Onboarding new technologies that allow us to engage with our colleagues in a timelier manner than ever before.

These changes give us the ability to react more quickly to the evolving threat horizon and keep our people as current and up to date as possible.

## External affairs

Our External Affairs team supports the implementation of our corporate sustainability strategy through our engagement with policymakers and regulators on relevant areas of policy – including emerging sustainability disclosure standards, green taxonomies and transition pathways.

While we engage directly with policymakers on behalf of the company and our stakeholders we also respond to government and regulatory consultations, contribute evidence to parliamentary inquiries and work closely with our trade associations to help shape industry positions.

**abrdn is an apolitical organisation. As a global investment company we engage regularly with policymakers across the jurisdictions in which we operate on issues relevant to our business, our stakeholders and wider society. However, this engagement takes place within strong parameters. We do not make donations to political parties, political campaigns, elected representatives, election candidates (including independent candidates) or their agents and we do not provide non-financial support to any organisations or individuals which would compromise our apolitical status.**

### Industry-wide collaboration

As a global investment company we work with a wide range of external stakeholders – including government, parliamentarians, regulators and trade bodies – to drive positive change. We do so by sharing our knowledge, insights, ideas and views which can help shape policy and contribute to better outcomes for our clients, our shareholders, our people and wider society.

For example, our Chief Executive Officer, Stephen Bird, is a board director of the Investment Association, one of our key trade bodies in the UK, and Amanda Young, our Chief Sustainability Officer for our Investments vector, is chair of its Sustainable and Responsible Investment Committee. This enables us to influence the direction of industry thinking on issues such as sustainable finance and responsible investment. We also play an active role in many other trade bodies and initiatives, further details of which can be found from [page 97](#).

### Sustainability disclosure standards

We are strong supporters of efforts to establish a global framework for sustainability disclosure standards. This is an area of increasing focus for policymakers who share our concerns about the lack of interoperability between different regimes which creates additional cost and complexity. This is an important issue for abrdn as an international investor seeking to allocate capital on behalf of our clients.

In 2022 we responded to a wide range of consultations on disclosure standards, including the International Sustainability Standards Board (ISSB) proposals for a global baseline for sustainable disclosures for capital markets. We continue to monitor the disclosure landscape for sustainability, which will have long-term implications for abrdn as a corporate entity and our business vectors, particularly our Investment vector, and will enable increased comparability for our clients and investors.

# Responsible communication



We communicate as abrdn to meet regulatory obligations, inform our clients, market our services, and elevate our brand. We do this across diverse channels and at a scale which includes global audiences, but also individual people from different backgrounds and geographies.

Everything that we communicate must be clear, fair, and not misleading. We follow a principle of transparency, but all communication – including this report – carries a level of risk in that we could misrepresent our actions, or intention, and this could adversely impact our clients, investors, and connected stakeholders.

We are particularly alert to the risks associated with communicating sustainability. The definition of the word itself is contentious – with the regulatory landscape yet to coalesce, and significant nuance regarding underlying environmental, social, and governance topics, with our role in financial services subject to increasing scrutiny.

Sustainability also represents a significant opportunity for our business, and many others. The economic changes associated with a transition to a lower-carbon economy, for example, create space to capitalise on new opportunities. This makes sense for abrdn as investors, as we look at ways to better enable our clients desired outcomes and mitigate long-term risks. This also makes sense for the companies and assets we invest in, as market and consumer demand evolves, both positively and negatively, in relation to sustainability-related issues and impacts.

Given the related opportunity, there is a natural appetite to communicate the actions we are taking, and the long-term intentions that reflect our ambition. We are also challenged by our regulators, clients, and other stakeholders to demonstrate that we are keeping pace with evolving expectations and deemed best practice. The complexity of the subject and pace of change brings heightened communications risk for sustainability, with potential regulatory and reputational consequences. Labels of 'greenwashing' and 'greenhushing' are tied to deemed failings in sustainability communication, which call out observed deficiencies in credibility and transparency.

Taking this risk seriously means acknowledging that we will not always deliver the perfect message, and that our genuine good intentions could lead to potential misrepresentation in the context of our diverse and global business. We have processes in place to mitigate this risk, but are alert to the need to continuously review and develop our communications – as we reflect what sustainability means for abrdn, and the opportunity we have to add value.

## Our marketing communications

Across our marketing teams, communications are produced and distributed using a content management system (CMS). This ensures a consistent, auditable process is followed, that suitable subject matter experts (SMEs) review and approve relevant communications, and that content is maintained accurate and up-to-date. As part of this process, a central Marketing Risk team review external promotional material to ensure that it follows FCA guidance and that communications are 'clear, fair and not misleading'. This includes managing materials related to sustainability. The CMS system also hosts guidance on how to produce compliant communications.



## Social media

The open-forum nature of social media brings heightened risk for all communications, including sustainability. abrdn's social media policy is maintained by the marketing teams, and the Marketing Risk team monitor social media posts by 'authorised users', who are abrdn colleagues authorised to publish content on personal or company social media accounts after successfully completing enhanced training. The Marketing Risk team provide regular feedback to abrdn's social media posters on best practice.

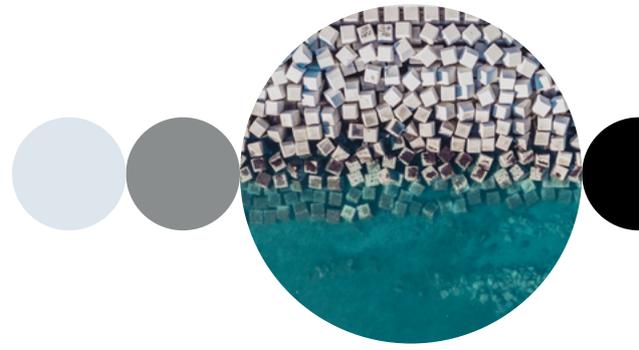
Q

### Case study

#### Training on sustainability risk in communications

In response to the increased focus on sustainability, our Marketing Risk team have developed and delivered training sessions to our marketing colleagues to highlight common challenges that could lead to 'greenwashing', and ways we can better avoid risks of misrepresentation. This is a practical session that works through examples of common clichés and challenges our teams to think critically as to the potential risks.

# Procurement



## Acknowledging our wider impacts

Our impact as abrdn extends beyond our direct operations and the investment decisions we make on behalf of our clients. We purchase goods and services from a large number of third parties, with related impacts on people, the planet, and the economy. Our objective is to mitigate significant sustainability-related risks in our supply chain and ultimately to realise opportunities to benefit communities and the environment. This is a significant undertaking, and we acknowledge the complexity of third party relationships as we take steps to enhance our due diligence, track specific metrics, and support third parties with fair and inclusive practices. We are particularly alert to the human-rights risks from interconnected supply chains and our **Modern Slavery Statement** reports additional information.

## Minimum expected standards

We expect our third parties to adhere to the same high standards and behaviours that we ask of our colleagues and outline our expectation in our **Global Third Party Code of Conduct**. This includes complying with all applicable laws and regulations, protecting human rights, providing a safe place of work and minimising our direct and indirect environmental impact.

We launched our code in 2017 and review the principles annually to reflect our latest thinking. All our third party relationships are expected to adhere to the principles, but we also recognise specific legal and cultural environments in which our third parties operate.

## Due diligence processes

In 2021 we implemented our revised Global Third Party Risk Management Framework, which strengthened our risk assessment process for onboarding third parties. Our process is designed to identify material risks associated with a specific type of service, and we look to identify specific sustainability-related risks linked to data privacy, climate change, and human rights. Before procuring any service, we complete a service risk assessment questionnaire (SRAQ), which informs the questions we ask to third parties during formal due diligence. Identified risks are challenged by internal subject matter leads to determine proportionate mitigation efforts and to support decision-making.

We want to work with a diverse range of third parties and recognise the importance of a proportionate process, which is accessible to small to medium enterprises. Our process is therefore tailored based on the scale, type, and potential risk of the service.

## Developing a long-term process

In order to credibly deliver on our ambitions for net zero and objectives for inclusivity as abrdn, we need to take a strategic approach to sustainability in our supply chain. We are committed to transparency but need data to track our progress, engage priority third parties, and for long-term planning. The availability of this data remains a challenge and we need to deploy the right tools, with appropriate oversight, to support meaningful progress.

In 2022 we appointed a Third-Party Sustainability Lead, which reflects our commitment to advancing our sustainability strategy through our supply chain – with immediate priorities to build on our existing processes and accelerate reporting of key metrics, such as related carbon data. We are also committed to increased transparency whilst we develop long-term processes. This includes visibility of key third party relationships on **page 74**.

### Updating on our pledge

Our supply chain represents a significant source of carbon emissions, and our objective is to understand the intention of our third parties to reduce their impacts, with the first step being to set appropriate net zero targets.

In 2020 we pledged to review our material third party relationships and engage, where necessary, to monitor alignment with our own operational net zero ambitions. We have reviewed our top 50% of third parties by spend and note that 81% of these have committed to a net zero target as at 31 December 2022, with the remaining 19% stating carbon neutral operations through carbon offsets. The remaining third parties have confirmed their intention to develop a net zero approach over the coming years.

Intention is not action, and we commit to monitoring specific progress by reporting our related Scope 3 emissions in future, as we progress the decarbonisation of our operational activities. More on our existing progress from **page 36**.

## Treating third parties fairly

We ask our third parties to inform us if they have any issues or concerns with our Code of Conduct and our anonymous grievance mechanisms (**page 64**) are available for all those working with us. We expect our own commitments to UK Living Wage and Hours (**page 57**) are reflected through employment contracts and we are signatories to the UK Prompt Payment code, with a policy to pay all third parties within 30 days of invoice receipt. Our objective is to create an equitable and inclusive working environment for our people and third parties, and our actions as abrdn must reflect this.

# Procurement



## What does our supply chain look like?

Our direct supply chain consists of 2,500+ individual third parties – of this supply base, less than 250 third parties account for around 90% our spend. Our supply chain provides necessary financial, professional, and technological services that enable us to deliver value for our clients across our three vector strategy.

**The information in the charts below illustrates where our significant third party relationships are and the high-level services we procure for our business.**

This information is presented to evidence our commitment to transparency, as we continue to build out long-term processes to support the identification and mitigation of sustainability-related risks in our supply chain. We are working towards more active engagement with key third parties and will put in place appropriate targets to measure our progress in future.

### Note on interactive investor

The information on this page reflects abrdn plc and is inclusive of interactive investor to the extent that data has been combined for visibility purposes only. ii retains an operating model with separate day-to-day management of third parties but with ultimate oversight from the abrdn Board as a subsidiary entity.

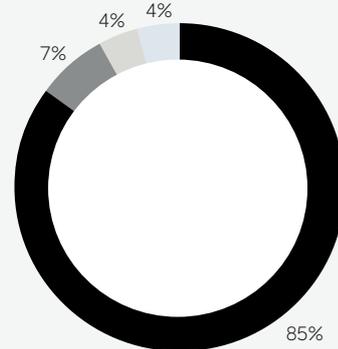
## Visibility of our direct third parties:

**2500+**

Number of third parties

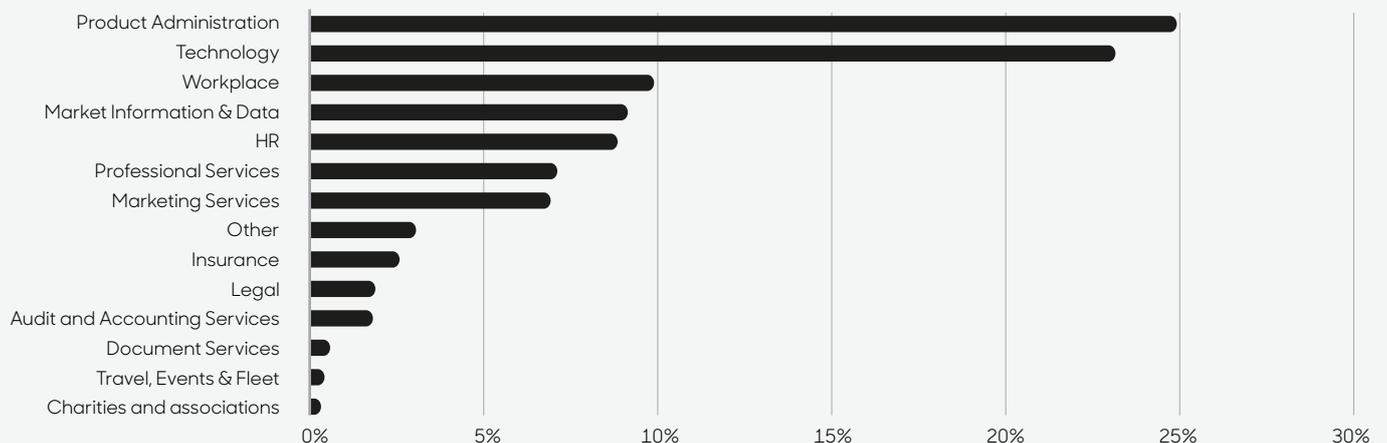
**90%**

Less than 250 third parties account for around 90% of spend



● Group & UK ● US ● EMEA (ex UK) ● APAC

## Spend by type of services:





# Community impact:

## Tomorrow's generation



---

Strategy and governance	76
Overview of our contribution	77
Overview of our impact	78
Hello World	79
UNESCO	80
Introducing new powerful partnerships	81
Volunteering	82

# Strategy and governance



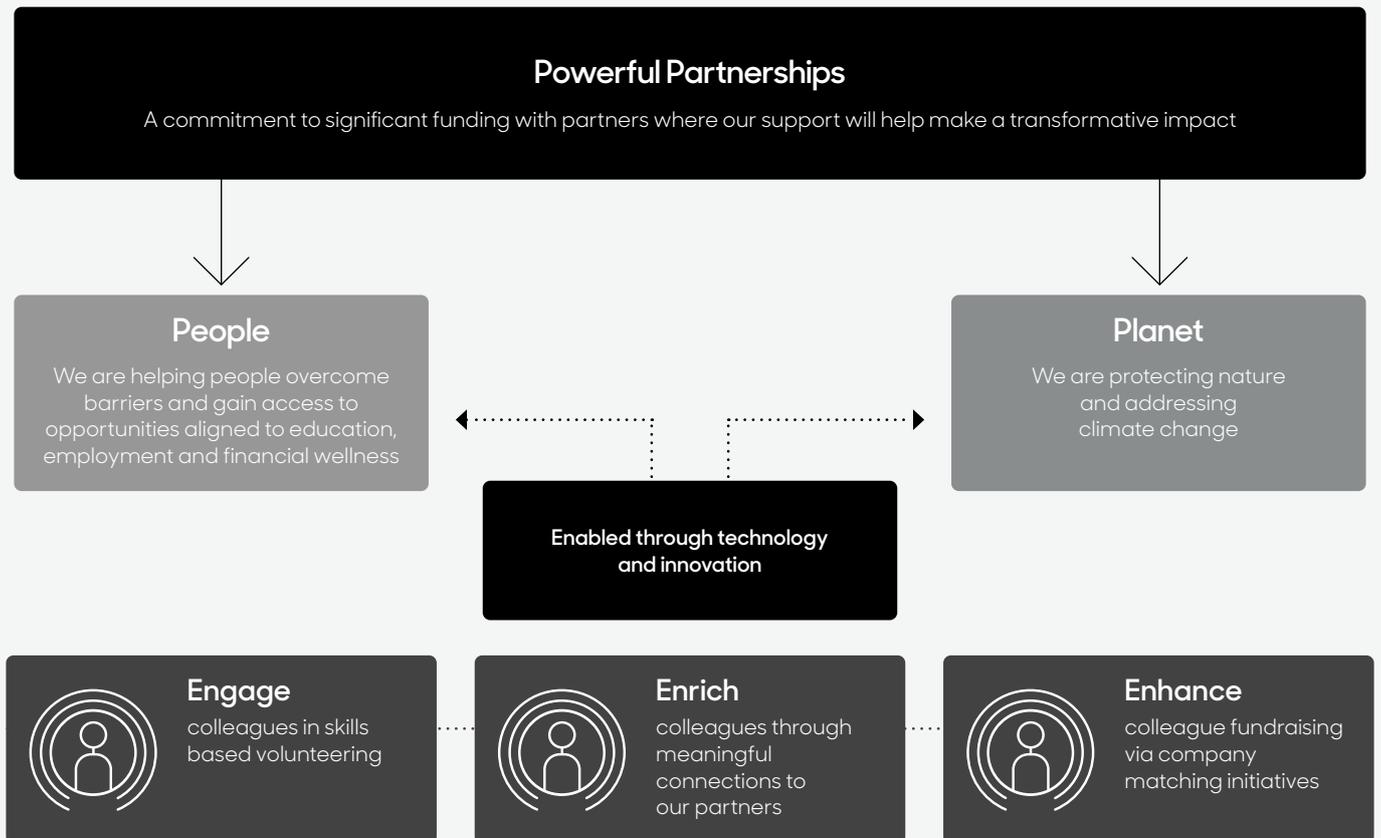
## Our strategy

Our giving strategy is embedded in our corporate sustainability function and we aim to create fair and impactful charity partnerships which are aligned to our strategy and engage colleagues to use their skills to benefit society. The focus of our charitable giving strategy is 'Tomorrow's generation'. We build charity partnerships to align with one of two main categories – People and Planet – to help us create a positive social and environmental impact for future generations, within local communities and across the globe.

## Our governance

Our giving strategy is governed through the abrDn Charitable Foundation, with our Board of Directors meeting quarterly to consider new partnerships. The Board of Directors for the abrDn Charitable Foundation has six members, including two independent Directors. The Board provides oversight and guidance for our charitable giving activities globally. Though it is important to note that some community support or sponsorship activity is governed directly through abrDn plc. interactive investor also retains discretion over specific community partnerships and supports Manchester Mind, Children's Heart Surgery Fund, and MyBnk as key partners.

## Tomorrow's generation



# Overview of our contribution

## Our commitment

One of the most tangible ways we support our communities, and provide our people with the opportunity to make a wider difference, is through our charitable giving strategy and related partnerships. We are committed to supporting our powerful partnerships strategy through significant contributions and continue to enhance the support our colleagues provide independently.

Our total contribution is consistent year-on-year, as we enable our partners to deliver meaningful projects and create more impacts for global communities.

## Reflecting on our impacts

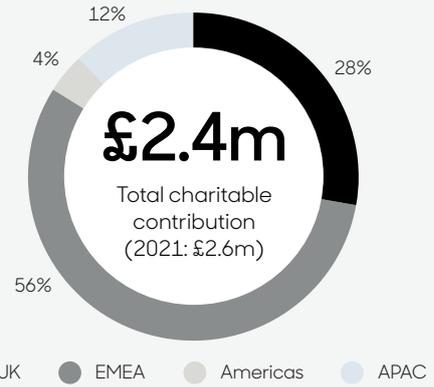
We work closely with our powerful partners to design fair and impactful projects in support of tomorrow's generation. Our related financial contribution is intended to be transformative and to enable partner charities to deliver meaningful projects beyond their existing capabilities. Case studies on Hello World and UNESCO illustrate this in action (from **page 79**) and we require all strategic partners to report periodic progress, so we can consider our contributions in aggregate.

We also support localised giving through our colleague forums, or as donations in support of specific causes linked to global events. The nature of this giving means that some of this can be unrestricted, with smaller charities not always resourced to support impact reporting. We build this into our thinking and give support in a structured way wherever possible.

In 2022, we engaged our regional colleagues to vote on partners aligned to our giving strategy but with programmes applicable to their geographies. This format enabled colleagues to engage directly with the selection process, and we will support the continuation of this connection through the delivery of two-year projects.

Many of our colleagues are passionate supporters of specific causes, or organisations, and we enable this at an individual level through company matching initiatives. We support regular contributions via payroll giving, or enhance one-time fundraising with our matching initiative. We also want to encourage our colleagues to use their time to volunteer in their communities, with more detail on **page 82**.

We continue to build on our strategic approach and will report transparently on our contributions and impacts. More detail on our impacts on **page 78**.



### Donations

**£1.7m**

**Strategic partners**

Donations direct to our powerful partnerships in 2022.

**£96k**

**Colleague forums**

Donations direct to charities selected by our regional colleagues in 2022.

**£377k**

**Thematic giving**

Donations in support of specific causes linked to global events, or select localised grants.

### Fundraising

**£34k**

**Matched contribution**

abrdn matching of colleague fundraising through our Fundraise Plus scheme. Colleagues fundraised and donated £160k voluntarily.

### Payroll giving

**£105k**

**Matched contribution**

abrdn matching of colleague giving through our Give As You Earn scheme. Colleagues donated £180k voluntarily.

### In-kind giving

**£112k**

**Volunteering time**

The value of colleague volunteering time based on number of hours volunteered divisible by average UK hourly rate.

Note: The chart above does not capture the regional split matched contributions and volunteering time but is inclusive of other noted figures.

# Overview of our impact



## How do we measure impact?

Our powerful partnerships approach to charitable giving is focused on supporting charities to make measurable impacts for people and planet. We require our strategic partners to outline project-specific KPIs and to estimate the contribution of the project towards the UN Sustainable Development Goals. We receive periodic updates from our partners, which we collate and report as below.

Impacts take time to measure, and our reported value (£979k) is therefore different to our total 2022 charitable contribution of £2.4m. This distinction is important as our powerful partnerships are often multi-year and impacts are not typically realised at the point of funding. We will continue to enhance our impact reporting as we work with our existing strategic partners and onboard new projects.

### 2022 community impact reporting:

**£979k**  
Total value of reported 2022 impacts

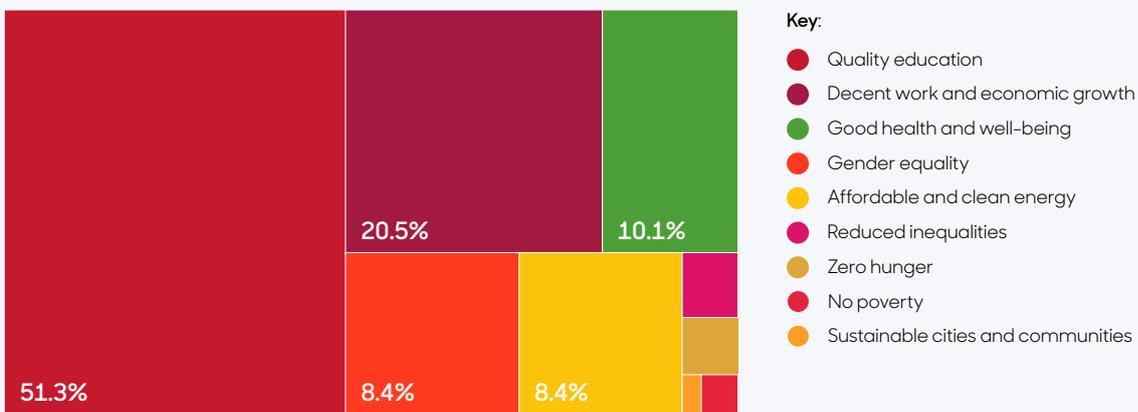
**8**  
**partnerships**  
Reporting impacts in 2022

**37,596**  
**beneficiaries**  
Reported by our partners

### What are we supporting:



### Impact supporting UN Sustainable Development Goals:



This information is estimated by our charity partners based on the nature of funded projects. The figures are representative of focus areas only and should not be interpreted as absolute contributions. Beneficiary information is reported by our partners using a standard template but should be considered an approximate figure only.

# Hello World

## A year of progress

In 2021, we announced our partnership with Hello World, whose mission is to bridge the digital divide by improving connectivity for disconnected communities. Hello World partners with communities to build 'Hello Hubs' – solar powered internet kiosks, fitted with eight screens loaded with leading educational software, so that children can learn, access digital educational resources and improve their future by connecting globally. Our initial funding of £1 million is supporting the build of 64 abrdrn 'Hello Hubs', which will provide up to 80,000 people with access to internet and digital education content.

**Our investment to date has enabled Hello World to operate at new scales and work with 26 local communities who now have access to internet through an abrdrn Hello Hub.**

Our initial donation to Hello World has supported the scaling of the locally employed team in Uganda and the infrastructure necessary to deliver the targeted 64 Hubs. The Hubs are built by the community for the community and it is vital that the Hubs are delivered in a sensitive way for positive impacts to be felt. We are expecting an increase in completed builds over the next year, but this will always be done through Hello World's community led ethos.

## Looking ahead our next phase

In 2022 we committed to the evolution of our partnership through a further donation of £1 million, which will support Hello World to deliver community led development programmes enabled by the capabilities of the abrdrn Hello Hubs.

We collaborated on an initial approach through our 'Hub mentors programme' in 2021, which saw 24 abrdrn mentors connect with Hello World Community Support Officers (CSO) to share skills and ideas, and, through technology, the opportunity to build meaningful connections that were previously impossible.

This programme is indicative of the potential the Hubs provide for connectivity and learning opportunities, and the next phase of our partnership will provide the resource to support the exploration of new programme ideas – unlocking the full potential of the Hubs for communities and enabling increased opportunities for tomorrow's generation.



Approximately  
**25,000**  
users of abrdrn  
Hello Hubs



**26**  
abrdrn Hello  
Hubs built

Note: The figures for abrdrn Hello Hubs and number of Hub users reflect the status as at 31 December 2022. We are targeting a total of 64 abrdrn Hello Hubs by the end of the partnership term.

# UNESCO



**In March 2022 we announced a three-year partnership between the abrdn Charitable Foundation and UNESCO to promote environmental sustainability through research and education with the goal of developing innovative solutions to environmental problems.**

Our commitment of €750,000 will support UNESCO programmes focused on environmental sustainability, climate change and ocean science. abrdn and UNESCO have established an advisory board of representatives to select programmes from biosphere reserves and UNESCO sites, with the selected projects supporting UN Sustainable Development Goals including Clean Water and Sanitation (SDG 6), Climate Action (SDG 13), Life Below Water (SDG 14), and Life On Land (SDG 15).

This partnership with UNESCO supports tomorrow's generation by promoting the research of sustainability solutions linked to environmental impacts, with the stability and restoration of the natural world critical for our collective futures. During the first year of the project, the representatives of our advisory board selected five projects, which will complete in August 2023, focused on distinct environmental impacts across five countries. Each project places an important emphasis on education, as well as promoting the importance of innovative 'blue' and 'green' solutions for climate change mitigation and sustainable development. Each project will develop specific reporting indicators linked to the UN Sustainable Development Goals, with oversight from our advisory board.



**Asterousia Mountain Range Biosphere Reserve, Crete**  
Key focus: Marine litter



**Ohrid-Prespa Transboundary Biosphere Reserve, North Macedonia**  
Key focus: Protection of natural springs



**Kozjansko and Obsotelje Biosphere Reserve, Slovenia**  
Key focus: Biodiversity of grassland



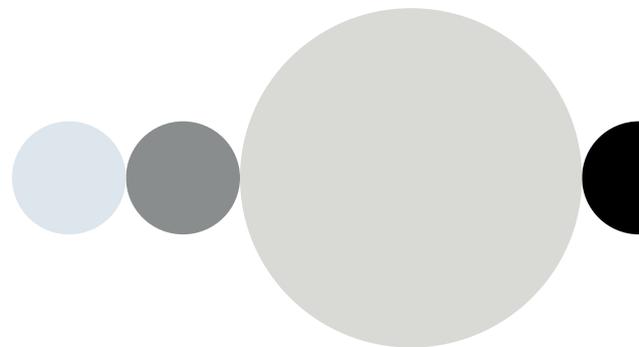
**Brighton & Lewes Downs Biosphere Reserve, UK**  
Key focus: Urban water management



**Tuscan Islands Biosphere Reserve, Italy**  
Key focus: Impact of climate pressures on groundwater



# Introducing new powerful partnerships



## MyBnk

### Supporting financial education

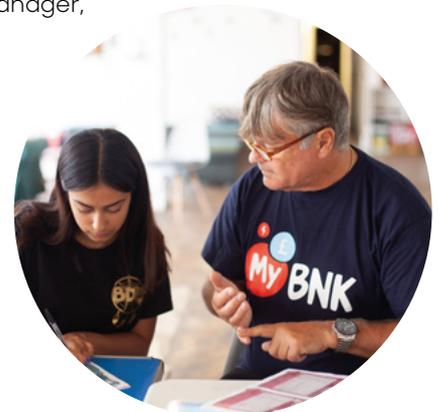
In 2022 we launched a three-year partnership with MyBnk, whose mission is to empower young people to take charge of their future by bringing money to life.

Over the three-year partnership we will support MyBnk to deliver financial education programmes to young adults in the UK through a series of money management workshops, focused on household finance including budgeting, banking, and digital financial skills – with the potential to reach up to 10,000 individuals during the partnership. The abrdrn Charitable Foundation has committed £600,000 in support, and we are looking for opportunities for our people to support directly through skills-based volunteering.

Our partnership with MyBnk is a natural reflection of our strategy, as we support tomorrow's generation to manage their financial future and reflect a commitment to support financial inclusion as abrdrn. As the partnership progresses, we will work with MyBnk to track the impacts of the programme and offer direct support through leveraging our expertise wherever possible.

**We are excited to be supporting MyBnk over the next three years, by working together we can make a difference to the financial confidence of young people across the UK. The partnership will support new research into financial wellness and provide opportunities for our people to engage through skills-based volunteering.**

**Kirsty Brownlie,**  
Sustainability Manager,  
Social Impact



## The Alan Turing Institute

In 2022 we committed £1,000,000 to support The Alan Turing Institute in its mission to change the world for the better using data science and artificial intelligence research.

Over two years, we will enable a global research programme to monitor and collect biodiversity data, with the goal of bridging the knowledge gap between insect populations and ecosystem impacts, and as indicators of climate change. Insects play a critical role in ecosystems and leveraging novel technologies will enable a more developed understanding of existing populations and environmental dependencies. This is key in mitigating negative consequences from climate change and in progressing the ambition of a nature-positive world.

The project will use automated monitoring technologies that will result in open access biodiversity data for global research communities. As the project progresses, expected opportunities for citizen science will bring together a community of global volunteers to develop image classification models – advancing the capability of the technologies and engaging colleagues, and communities, on this important issue. The project will commence in 2023 and we look forward to sharing more as it develops.



**We are delighted to be building a new powerful planet partnership with the Alan Turing Institute – the UK's leading national institute for data science and artificial intelligence – it's an exciting opportunity to support crucial environmental research in an innovative and inspiring way.**

**Holly O'Donnell,**  
Environment Manager

# Volunteering



## Our volunteer policy and contributions

We want to encourage our people to be part of our local communities, and we provide three paid days volunteering leave for our people every year to contribute. This policy also extends to time spent outside of usual working hours. We engage directly with our charity partners to find opportunities for our people to make an impact, but also support colleagues to volunteer more broadly. Our giving strategy is focused on connecting people to opportunities, and protecting the natural world, which comes through in aggregate as the things our people are volunteering their time towards.

## Enhancing colleague giving

Many of our people are passionate supporters of a variety of charitable causes and we enhance their contributions through company matching initiatives, such as our Fundraise Plus and Give As You Earn (GAYE) programmes. This is in addition to our strategic contributions via our powerful partnerships strategy.



## How we spent our time<sup>1</sup>



## Volunteering and matched giving

# 2,842

 Volunteering hours

Total volunteering time recorded by abrdn plc colleagues under our volunteering policy in 2022. This does not include interactive investor, which did not have a volunteering policy in 2022.

<sup>1</sup> We ask our colleagues to disclose the nature of any volunteering time taken using our special leave policy, but this is a voluntary disclosure and therefore the disclosure rate is not 100%. The reported figures are accurate with the caveat that not all volunteering time is disclosed by colleagues.



# Materiality:

## Approach and assessment



---

Defining the landscape	84
Updating our assessment	85
Our material sustainability topics	86

# Defining the landscape



## Taking a forward looking view

Our previous sustainability materiality assessment was conducted in 2019 with the intervening period subject to geopolitical upheaval, increasingly extreme weather events, and global economic pressures. We have also been through a period of evolution as abrdn, as we implement a diversified strategy to reflect a changing investment landscape.

Our updated assessment – completed in early 2023 – is therefore a timely refresh of our material topics and will support our forward looking sustainability priorities. Our view of best practice has also evolved, and we have completed a 'double materiality' assessment in line with our understanding of emergent disclosure standards.

## Accelerating disclosure landscape

International sustainability disclosure frameworks will create a new standard, with increased scrutiny, expectation, and obligation for sustainability reporting. Though yet to coalesce – it is clear that emergent global frameworks will mandate an assessment of material sustainability topics, and potential impacts on business, communities, and the natural world.

We are advocates of efforts to establish a global framework, which will support our ambitions as a corporate entity, and our ability to assess sustainability risks and opportunities as investors. We note, however, a continued uncertainty relating to interoperability between jurisdictions, which could lead to challenges of comparability and confusion for stakeholders. As we prepare for the changing disclosure landscape, we continue to invest in our own capabilities and will follow our view of best practice, which includes our updated assessment of materiality.

### Q What is a materiality assessment?

A A sustainability materiality assessment reflects the relative significance of topics, such as climate change, in view of the ability of an enterprise to impact, or be impacted by the identified topic. The likelihood and significance of a potential impact is what determines materiality, which can be expressed through either financial or non-financial lenses.

### Q How is materiality defined and assessed?

A There are two primary lenses through which materiality can be considered, which we refer to as 'financial materiality' and 'impact materiality'. Financial materiality reflects the ability of topics to alter the enterprise value of a business, or information significant enough to influence investment decision-making. Impact materiality more closely reflects the external impacts on the economy, environment, and communities generated as a consequence of a sustainability topic. The combination of both considerations is referred to as 'double materiality', which is the method applied to our revised assessment.

### Q Who determines material topics for abrdn?

A Our business has global impacts on the economy, environment, and communities – but what this means, and what is important varies by stakeholder group. There are some sustainability topics that could be considered universally material, such as climate change, but a credible assessment of materiality should engage the views of all important stakeholders to a business. We have sought inputs from our investors, clients, colleagues, third party suppliers and select NGOs, which has informed our output. The relative significance of topics also changes over time and it is important to update the assessment periodically to reflect this.

# Updating our assessment



Our materiality assessment reflects the sustainability topics assessed as the most significant for abrdn to prioritise, and we followed an independent assessment process.

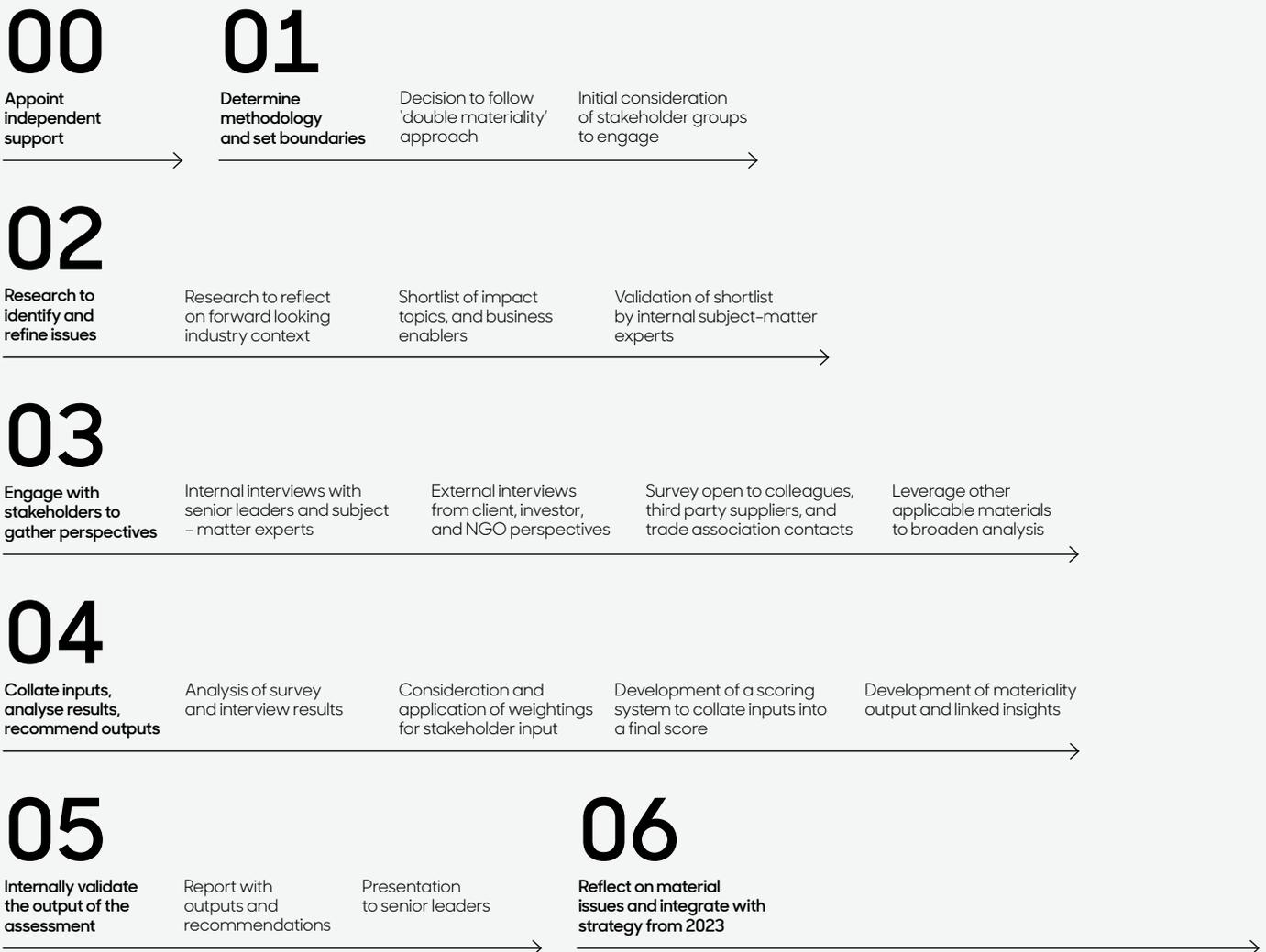
## Following a transparent process

Sustainability materiality assessments are an evolving discipline, and the outputs must be bespoke in order to be credible and actionable. The process benefits from an independent view in order to limit potential bias and provide a sense of best practice. We engaged a sustainability consultancy to support our assessment and apply a standardised methodology. We outline our process below, with a view to being transparent as to our assessment.

## Reflecting on challenges to the process

As an evolving discipline, there is no common standard for double materiality assessments. We applied our view of best practice, recognising that the process will evolve in future. The output is also necessarily reflective of the input, which requires active engagement from a broad range of stakeholder groups. Though we have made efforts to capture key stakeholder views, the voluntary nature of engagement, and resource constraints, are limiting factors.

### Overview of assessment process:



# Our material sustainability topics



Our assessment reflects our latest understanding of material sustainability topics for our business. This is not a fixed perspective but does serve as a timely refresh as we look ahead to our priority areas of focus. In comparison to our previous assessment, we note that our conduct as abrdn continues to be fundamental to the success of our business, and that climate change is material as both a risk and opportunity. Diversity, equity and inclusion also remains a significant priority, with other focus areas, including human rights and labour rights, and cyber-security and data privacy, being drawn into sharper focus. We also note that both biodiversity and natural capital and community support and development are identified as emerging topics, with the potential to increase in importance in the short to medium term.

As we reflect on the output of our assessment, we will further consider how we, as abrdn, best enable effective outcomes and appropriate management of the risks and opportunities posed by each topic. We have structures through which we can act, and influence, such as with our investment and active ownership approaches, and the culture we build for sustainable operations. Our intention for 2023 is to use this assessment to inform our decision-making, but it is important to reflect that the output is not an absolute view and we will continue to revisit our thinking.

## Understanding the output

All topics identified are material and will be important components of our evolving sustainability strategy. The illustration below reflects the relative materiality of each topic from both a financial and impact perspective. We have grouped the topics across three priority levels to identify areas of focus as we look ahead strategically:

### Level 1

Topics considered to pose the greatest relevance to our ability to create value and/or reflect highest outward impacts on society and the environment.

### Level 2

Topics considered very significant and requiring active management as components of our sustainability strategy.

### Level 3

Topics considered important but with relatively less significance, versus other identified topics.





# Appendix:

## Data and disclosure

---

Targets and progress	88
Environment: Operations	89
Environment: Investments	91
Social	92
Governance	95
Rating and pledges	96
Sustainability commitments	97

# Targets and progress



## Environment

Target/pledge	Year	Material issue	Sustainable Development Goals (SDG) impact	2022 progress
Net zero in our operations across Scope 1, 2 and material scope 3 categories	2040	Climate change	SDG 13	Reduced our reported operational scope 1, 2 and 3 by 56% versus a 2018 base year
Interim target of 50% reduction across our operations	2025	Climate change	SDG 13	Reduced our reported operational scope 1, 2 and 3 by 56% versus a 2018 base year
Engage with suppliers representing 50% of procurement spend to set net zero targets	2025	Climate change	SDG 13	81% of our third party suppliers representing 50% of procurement spend have set net zero targets
Offset 100% of operational emissions, aligned with Oxford Principles for Carbon Offsetting	Ongoing	Climate change and Biodiversity and natural capital	SDG 13 and SDG 15	We will voluntarily offset 100% of reported operational emissions from 2022
Reduce total kWh use by 50%	2025	Climate change	SDG 7	63% reduction since 2018
Reduce carbon footprint per Full Time Equivalent (FTE) by 50%	2025	Climate change	SDG 13	47% reduction since 2018
Procure 100% renewable electricity at the offices we operate globally	Ongoing	Climate change	SDG 7	99.6% of electricity procured on a green tariff
Avoid the use of single-use plastics within offices	Ongoing	Waste, consumption, and circularity	SDG 12	All material sources of single-use plastics removed from offices
Where we manage the waste contracts, we send zero waste to landfill	Ongoing	Waste, consumption, and circularity	SDG 12	In place since 2018 for our main waste contracts
Reduce the carbon intensity of the assets we invest in by 50% vs a 2019 baseline	2030	Climate change	SDG 13	In-scope public market portfolios achieved a 27% weighted averaged carbon intensity reduction versus a 2019 baseline. See <b>page 32</b> for detail, including real estate reductions and AUM coverage
Increase our AUM managed in line with net zero 2050	Ongoing	Climate change	SDG 13	Around 30% of our AUM is currently expected to be managed in line with net zero 2050. We aim to increase this by continuing actively engage with our clients as well as supporting net zero goals with our fund range
Achieve net zero emissions in our global managed investment real estate	2050	Climate change	SDG 13	<b>Page 34</b> for detail
In our UK managed investment Real Estate, where we have procurement responsibility, we use 100% renewable electricity	Ongoing	Climate change	SDG 13	In the UK, 100% landlord procured energy is from renewable tariffs and we have transitioned all European portfolios to 100% renewable energy as part of the tendering processes
In our UK managed investment Real Estate aim to improve biodiversity	Ongoing	Biodiversity and natural capital	SDG 15	<b>Page 40</b> for detail

## Social

Target/pledge	Year	Material issue	SDG linkage	2022 progress
40% female, 40% male and 20% any gender within our Board and our senior leadership	2025	Diversity, equity, and inclusion	SDG 5	45% female and 55% male within our Board 39% female and 61% male within our senior leadership
50% women across our company	2025	Diversity, equity, and inclusion	SDG 5	43% female across our company
One additional Board member who identifies as ethnic minority	2025	Diversity, equity, and inclusion	SDG 10	One Board member identifies as minority ethnic

# Environment: Operations



## Environment

Measure	Unit	2022	2021	2018 (baseline)	Definition
Scope 1	tCO <sub>2</sub> e	817	1,061	2,667	Scope 1 GHG emissions from natural gas, fluorinated gases (F-Gas), fleet and diesel
Scope 2 – Location based	tCO <sub>2</sub> e	2,031	2,396	7,069	Scope 2 GHG emissions from purchased electricity
Scope 2 – Market based	tCO <sub>2</sub> e	687	769	4,376	Scope 2 GHG emissions from purchased electricity
Scope 3 – Location based	tCO <sub>2</sub> e	11,398	8,838	22,482	Scope 3 indirect GHG emissions from business air travel, electricity transmission and distribution losses, and electricity consumption by a third party data centre
Scope 3 – Market based	tCO <sub>2</sub> e	7,217	8,691	22,107	Scope 3 indirect GHG emissions from business air travel, electricity transmission and distribution losses, and electricity consumption by a third party data centre
Business flights	pkm	14,103	2,011	62,234	Passenger km travelled on business flights through our travel providers
Business rail	pkm	2,391	669	-	Passenger km travelled on business rail journeys through our travel providers
Road	pkm	650	297	2,965	Passenger km travelled by car for business and claimed through expenses
Total business travel	pkm	17,143	2,978	65,200	Passenger km travelled on business journeys through our travel providers
Total GHG emissions per FTE (location based)	tCO <sub>2</sub> e/FTE	3	2	5	Total GHG emissions per FTE, including reported Scope 1, 2, and 3 emissions
Total GHG emissions (Scope 1 and 2 only) per £m of total income	tCO <sub>2</sub> e/£m	2	2	5	Gross global combined Scope 1 and 2 emissions for the reporting year in metric tonnes CO <sub>2</sub> e per unit currency total revenue
Total GHG emissions per £AUMm	tCO <sub>2</sub> e /£bn	28	23	58	Scope 1, 2 and 3 (location based) for the reporting year per £bn AUM
Total energy consumption	MWh	13,027	14,910	35,109	Total energy consumption (electricity, natural gas & stationary diesel)
Energy consumption UK	MWh	10,639	12,410	26,658	Total energy consumption in the UK (electricity, natural gas & stationary diesel)
Electricity used	MWh	8,759	9,608	23,440	Total electricity consumption
Natural gas used	MWh	3,348	4,787	10,109	Total natural gas consumption
District Heating	MWh	168	170	1,468	Total MWh consumed through district heating
Stationary diesel	MWh	3	3	92	Total MWh consumed through stationary diesel
Electricity used under a green/renewable tariff	MWh	6,911	7,782	15,856	Total MWh used under a green/renewable tariff
Procured electricity under a green tariff	%	99.6	99.5	98	Total kWh under a green/renewable tariff where we procure the energy
Waste	tCO <sub>2</sub> e	5	2	-	Total tCO <sub>2</sub> e of waste consumed from our largest office locations

<sup>1</sup> This report, originally published on 28 February 2023, was updated on 07 July 2023 to correct a drafting error. The impacted figure is electricity procured under a green/renewable tariff (MWh) for the 2022 reporting year. No changes have been made to the underlying data or the other energy consumption figures noted.

# Environment: Operations



## Greenhouse Gas Protocol

Category	Category meaning	Unit	2022	2021	2018 (base year)	Notes
<b>Scope 1</b>						
Direct emissions from company owned/controlled facilities and vehicles	Emissions associated with direct fuel combustion and refrigerant gases used in cooling	tCO <sub>2</sub> e	817	1,061	2,667	
<b>Scope 2</b>						
Electricity, steam, heating & cooling for own use	Indirect emissions released to the atmosphere from the use of electricity and district heat we purchase for our buildings	tCO <sub>2</sub> e	2,031	2,396	7,069	
Scope 2 location based	A calculation of electricity use which considers the average emissions intensity of the local power grids where we operate	tCO <sub>2</sub> e	2,031	2,396	7,069	
Scope 2 market based	A calculation of electricity use based on specific purchase contracts we have made with our energy suppliers	tCO <sub>2</sub> e	687	769	4,376	
<b>Scope 3</b>						
Purchased goods & services	Emissions associated with purchased supplier goods and services	tCO <sub>2</sub> e	-	-	-	Not currently reported
Capital goods	Emissions associated with capital goods purchased or acquired by abrdn in the reporting year	tCO <sub>2</sub> e	-	-	-	Not currently reported
Fuel and energy related activities (not included in scope 1 or 2)	Emissions from transmission and distribution losses associated with supply of electricity	tCO <sub>2</sub> e	150	180	451	
Upstream transportation and distribution	Emissions associated with tier 1 third-party transportation and distribution of purchased products and services	tCO <sub>2</sub> e	-	-	-	Not currently reported
Waste from operations	Disposal and treatment of waste generated in abrdn's operations (in facilities we own or control)	tCO <sub>2</sub> e	5	2	-	
Business travel	Transportation of employees for business-related activities (in vehicles we do not own or operate)	tCO <sub>2</sub> e	4,175	639	22,031	
Employee commuting	Emissions generated by colleagues travelling to and from our offices from home	tCO <sub>2</sub> e	-	-	-	Not currently reported
Upstream leased assets	Operation of assets leased and reported by abrdn, not captured as scope 1 & 2	tCO <sub>2</sub> e	-	-	-	Not currently reported
Downstream transportation and distribution	Emissions associated with transportation and distribution of sold products	tCO <sub>2</sub> e	-	-	-	Not deemed to be applicable
Processing of sold products	Processing of intermediate products by third parties prior to sale by abrdn	tCO <sub>2</sub> e	-	-	-	Not deemed to be applicable
Use of sold products	Emissions generated from the use of goods and services sold by abrdn in the reporting year	tCO <sub>2</sub> e	-	-	-	Not deemed to be applicable
End-of-life treatment of sold products	Waste disposal and treatment of products sold by abrdn at the end of their life	tCO <sub>2</sub> e	-	-	-	Not deemed to be applicable
Downstream leased assets	Operation of assets owned by abrdn (lessor) and leased to other entities	tCO <sub>2</sub> e	-	-	-	Not currently reported
Franchises	Operation of franchises	tCO <sub>2</sub> e	-	-	-	Not deemed to be applicable
Investments (as asset owner)	Emissions related to investments made as an asset owner. This does not equate to investments managed on behalf of our clients (page 32-33)	tCO <sub>2</sub> e	-	-	-	Not currently reported
Employees working from home	Emissions generated by employee remote working	tCO <sub>2</sub> e	7,068	8,017	-	

<sup>1</sup> This report, originally published on 28 February 2023, was updated on 04 May 2023 to correct two drafting errors related to business travel and employees working from home. No changes have been made to the underlying data.

# Environment: Investments



## Weighted Average Carbon Intensity (Scopes 1 & 2)

		% AUM with WACI below benchmark	2022 Average WACI	% AUM with WACI below benchmark	2021	2020	2019
<b>Equities</b>							
<b>Equities (15% of total AUM)</b>							
Asia Pacific Equity	AsiaPac	96	276	77	265	271	377
Global Emerging Markets Equity	Global Emerging Markets	100	164	100	236	160	325
Global Equity	Global Equities	67	183	74	216	224	175
European Equity	Europe	17	107	22	136	177	153
North American Equity	US	98	118	17	134	183	152
UK Equity	UK	40	175	89	155	112	104
Smaller Companies Equity	Small Cap	100	53	100	43	65	37
<b>Equities Total</b>		<b>83</b>	<b>178</b>				
<b>Fixed Income</b>							
<b>Fixed Income (11% of total AUM)</b>							
EM Credit	EM Credit	49	979	68	959	339	869
US HY	US HY	100	312	93	312	251	361
Global IG	Global IG	43	227	16	227	320	270
US IG	US IG	67	324	92	284	327	232
Euro IG	Euro IG	94	104	86	102	197	193
Euro HY	Euro HY	80	314	94	302	82	181
Sterling IG	Sterling IG	48	111	89	106	153	161
<b>Fixed Income Total</b>		<b>61</b>	<b>190</b>				
<b>Quants</b>							
<b>Active Quantitative Strategies (4% of total AUM)</b>							
UK	UK	100	86	100	105	114	128
Europe ex UK	Europe	100	88	100	120	132	221
US	US	100	109	100	130	117	175
Asia Pacific ex Japan	Asia Pacific (excluding Japan)	100	192	100	238	238	411
Japan	Japan	100	60	100	62	77	87
Global Emerging Markets	Global Emerging Markets	100	236	100	307	238	429
Global Developed Markets	Global Developed Markets	100	108	88	117	99	223
Global All World	Global All World	-	-	55	150	129	473
<b>Active Quantitative Strategies Total</b>		<b>100</b>	<b>95</b>				

When interpreting WACI changes over time, it is important to understand the drivers. Carbon intensity numbers may increase due to falling revenues even if absolute emissions decline. Regional averages may change due to fund closures or new funds launching. We may also increase our exposure to carbon intensive companies which we believe to be credible transition leaders, which can lead to a short-term increase in WACI which we expect to reduce over time.

The figures reported in this table are consistent with our previous reporting of WACI and are reported here for continuity and transparency. The figures on page 32 related to our carbon intensity target are not directly comparable to this table due to a difference in scope. This is our first year of reporting against the carbon target, and we will reflect on the presentation of these metrics in future reports.

## Social



Employees	Unit	2022	2021	Definition
Number of employees	#	5,225	5,072	Total global number of employees
<b>Personnel by region:</b>				
UK	#	4,215	4,000	
EMEA (non UK)	#	266	275	
Asia Pacific	#	462	491	
Americas	#	282	306	

Overall data	Global	Board	CEO-1/2	People managers
Female representation	43% (Target: 50% +/- 3%)	45% (Target: 40%)	39% (Target: 40%)	36%
Minority ethnic representation	(see regional data)	9% (Target: 18%)		
Disability	1% (11% of colleagues have disclosed)			
Non-heterosexual colleagues	2% (46% disclosure rate)			
Non-Cisgender colleagues	<1% (47% disclosure rate)			

Female representation: Departmental data	Unit	2022	2021
Investments	%	40	34
Asset Class – Equities	%	38	39
Asset Class – Alternative Investment Strategies	%	32	30
Asset Class – Fixed Income	%	27	25
Asset Class – Multi Asset Solutions	%	28	29
Asset Class – Quantitative Investments	%	17	16
Asset Class – Real Assets	%	30	33
Asset Class – Private Equity	%	45	N/A

Regional data – UK	Unit	2022	2021
Female representation	%	42	45
Ethnicity – Asian	%	4	3
Ethnicity – Black	%	1	1
Ethnicity – Mixed Ethnicity	%	1	1
Ethnicity – Other	%	<1	<1
Ethnicity – White	%	49	52
Ethnicity – Prefer not to say	%	1	1
Ethnicity – Not disclosed	%	44	41
Ethnicity – Minority ethnic representation	%	6	6

Early Careers	Unit	2022 <sup>1</sup>	2021
Graduates – Female Representation	%	61	45
Graduates – Minority ethnic Representation	%	26	32
Graduates – Went to a state school	%	58	N/A
Graduates – Attended a non-Russell Group University	%	48	48
Graduates – came through a diversity partnership	%	52	37
Interns – Female representation (UK)	%	45	49
Interns – Female representation (US)	%	86	50
Interns – Female representation (APAC)	%	50	38
Interns – Minority ethnic representation	%	45	43
Interns – came through a diversity partnership	%	49	18
Trainees/School Leavers – Female representation	%	17	23
Trainees/School Leavers – Minority ethnic representation	%	17	23
Trainees/School Leavers – Attended a state school	%	72	86
Trainees/School Leavers – came through a diversity partnership	%	28	37

Regional data – US	Unit	2022	2021
Female representation	%	37	37
Ethnicity – Asian	%	6	7
Ethnicity – Black	%	5	4
Ethnicity – Mixed Ethnicity	%	1	1
Ethnicity – Other	%	1	1
Ethnicity – White	%	73	74
Ethnicity – Hispanic or Latino	%	6	7
Ethnicity – Prefer not to say	%	<1	<1
Ethnicity – Not disclosed	%	7	6
Ethnicity – Minority ethnic representation	%	19	20

<sup>1</sup> The reported Early Careers metrics do not include interactive investor as at 31st December 2022.

## Social



Regional Data – APAC	Unit	2022	2021
Women	%	53	56
Ethnicity – Asian	%	59	
Ethnicity – Black	%	0	
Ethnicity – Mixed Ethnicity	%	1	
Ethnicity – Oceania	%	<1	
Ethnicity – Other	%	1	
Ethnicity – White	%	6	
Ethnicity – Prefer not to say	%	1	
Ethnicity – Not disclosed	%	32	

Global Data – Age	Unit	2022	2021
22 and under	%	3	7
23–35	%	31	28
36–50	%	47	46
51–60	%	17	17
61 and over	%	2	2

Employee data	Unit	2022	2021	Definition
CEO to median worker pay UK	Ratio	25:1	45:1	Ratio of CEO to median worker pay (50th percentile) for total remuneration of FTE UK employees
Women executives	#	2	3	Women employed by the company who are on the Executive Leadership team
Women in management positions in revenue generating functions	%	32	46	Women in management positions in the following areas of the company: Investments, Adviser and Personal vectors
Employees in pension scheme	%	97	94	Percentage of employees in the company pension scheme (data covers FTE in the UK and excludes ii colleagues)
Employee share ownership	%	36	48	Percentage of employees on our payroll who are contributing to one of our employee share options
Employee representation	%	70	78	Proportion of colleagues represented by an association or trade union
Employee turnover	%	23	31	Number of employees that left the company within the past year as a percentage of the total number of employees. This excludes acquisitions and divestments
Voluntary turnover	%	16	13	Number of employees that left the company voluntarily within the past year as a percentage of the total number of employees. This excludes acquisitions and divestments
Involuntary turnover	%	7	18	Number of employees that left the company involuntarily within the past year as a percentage of the total number of employees. This excludes acquisitions and divestments
Women in part time roles	%	84	92	Percentage of part time workforce that is female
Full time to part time FTE	%	94	92	Percentage of employees who are full time
Contractor versus employee FTE	%	3	<1	Number of contractors as a percentage of total number of employees

## EEO-1

Job categories	Hispanic or Latino		Not Hispanic or Latino Male					Female					Overall totals		
	Male	Female	White	Black or African American	Native Hawaiian or Pacific Islander	Asian	American Indian or Alaskan Native	Two or more races	White	Black or African American	Native Hawaiian or Pacific Islander	Asian		American Indian or Alaskan Native	Two or more races
Executive/ Sr. Officials & Mgrs	0	0	↑12	0	0	0	0	0	↑5	0	0	↑1	0	0	↑18
First/Mid Officials & Mgrs	↓3	↓0	↑29	↓0	0	↓1	0	0	↓13	0	0	↓1	0	0	↓47
Professionals	↓5	5	↓89	↑2	0	↓10	0	1	↓45	3	0	↓5	0	1	↓166
Technicians	0	0	1	0	0	0	0	0	0	0	0	0	0	0	1
Sales workers	3	2	↓16	0	0	↓1	0	0	↓1	1	0	0	0	0	↓24
Administrative support	2	2	↓2	↑3	0	0	0	↑1	↓16	5	0	1	↓0	0	↓32
<b>Total</b>	<b>13</b>	<b>↓9</b>	<b>↓149</b>	<b>↑5</b>	<b>0</b>	<b>↓12</b>	<b>0</b>	<b>↑2</b>	<b>↓80</b>	<b>9</b>	<b>0</b>	<b>↓8</b>	<b>↓0</b>	<b>1</b>	<b>↓288</b>

Note: Originally reported in 2022 DEI report. You can read more about our EEO-1 submission and our CCA commitments in our [DEI report](#).

Unless stated otherwise all data is accurate as at end of December 2022. This data encompasses: All active staff excluding: Contractors, Shell Accounts, NEDs. Please note different diversity characteristic metrics only includes staff members based in locations where we are legally able to collect the respective type of diversity data. Please note senior leader figure also exclude PA/EA population, staff on garden leave. Investment decision making roles are defined as job families: Investment Professionals, Portfolio Management, Product Specialists (not product specialists/CPM), Research and Private Placement.

# Social



<b>Learning and development</b>	<b>Unit</b>	<b>2022<sup>1</sup></b>	<b>2021</b>	<b>Definition</b>
Employees covered by performance appraisals	%	100	100	Percentage of employees covered by performance appraisals
Employee training spend	£m	4	4.4	External spend on employee training including support through degrees and qualifications, and job specific training programmes
Employee training hours	hours	23.5	21.8	Average number of hours employees participated in training
Employee training hours male	hours	24.3	22.4	Average number of hours of training provided to male employees (on an FTE basis)
Employee training hours female	hours	22.5	20.8	Average number of hours of training provided to female employees (on an FTE basis)

<b>Health and safety</b>	<b>Unit</b>	<b>2022</b>	<b>2021</b>	<b>Definition</b>
Absentee rate	%	1.5	<1	Average number of sick days per FTE as a percentage of total days scheduled
Absentee rate – data coverage	%	97	94	% of employees in workforce used to measure absentee rate
Workforce accidents – employees	#	7	2	Number of accidents at the company resulting in harm to employees
Fatalities	#	0	0	Number of contractor and employee fatalities

<b>Measure</b>	<b>Unit</b>	<b>2022</b>	<b>2021</b>	<b>Definition</b>
Community spending	£m	2.4	2.6	Total contribution including cash, time and in-kind giving
Total volunteer time	hours	2,842	2,685	Total number of hours employees have logged as volunteering time
Total charities supported	#	112	95	Total number of charitable organisations supported

<sup>1</sup> The reported Community Spending metrics does not include interactive investor as at 31st December 2022.



## Sustainability Accounting Standards Board (SASB) – disclosure topics and accounting metrics

Our disclosure against the SASB framework follows our approach in 2021, with the intention to provide consistent disclosure across reporting periods. We will reflect on our approach in 2023 as we monitor the sustainability disclosure landscape.

Topic	Accounting metric	Disclosure against the framework
Transparent Information & Fair Advice for Customers	(1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings.	abrdrn is aware of no employees subject to the proceedings described.
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product related information to new and returning customers.	abrdrn sustained no monetary losses of this nature in the reporting period (based on the population of covered employees, as defined by SASB, on 31 December 2022).
	Description of approach to informing customers about products and services.	For all products we provide comprehensive product literature including the fund offering documents (Prospectus and Key Investor Information Document) as well as marketing materials such as fund factsheets.
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees.	Percentage figures are noted on <b>page 92</b> , with further information in the Social section of this report from <b>page 52</b> .
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of ESG issues, (2) sustainability themed investing, and (3) screening.	Descriptions of specific investment strategies and integration approaches are available on our website. Our disclosure in the table below relates to assets under management across our sustainability funds, where we apply themes and screens to meet client sustainability demands.
	Description of approach to incorporation of ESG factors in investment and/or wealth management processes and strategies.	
<b>AUM in sustainability funds (including thematic and screening)</b>		
<b>Asset Class</b>		<b>2022 (£bn)</b>
		<b>2021 (£bn)</b>
Active Equities		15.1
Fixed Income		8.7
Multi Asset		14.7
Private Equity		0.9
Real Assets		0.6
Quantitative		4.4
<b>Total</b>		<b>37.4</b>
		<b>30.0</b>
	Description of proxy voting and investee engagement policies and procedures.	A detailed description of these policies and procedures can be found in our <b>Stewardship report</b> .
Business ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations.	abrdrn sustained no monetary losses in the reporting period as a result of legal proceedings associated with financial industry laws or regulations.
	Description of whistleblower policies and procedures.	We offer colleagues an independently managed reporting process, including our Speak Up hotline, if they want to raise any concerns anonymously ( <b>page 64</b> ). Our third parties can also use the service.

# Rating and pledges



Organisation	Unit	Metric	Last updated	Previous metric
MSCI: ESG Rating	Rating	AAA	Apr-22	AA
S&P Corporate Sustainability Assessment (CSA)	Score (up to 100)	72	2022 Assessment year	69
	Peer group percentile	Top decile		Top decile
CDP: Climate Change	Rating	B	2022 Assessment year	C
Sustainalytics: ESG Risk Rating	Rating	Low risk	Oct-22	Low risk
World Benchmarking Alliance (WBA)	Score (up to 100)	37.6	2022 Assessment year	Not applicable
	Ranking: Financial System	#15		
	Ranking: Asset managers	#1		
Bloomberg Gender–Equality Index	Score (up to 100%)	77.50%	2022 Assessment year	73.10%
Principles for Responsible Investment	Rating	5-star PRI rating across 9 investment modules, with 4 awarded for the remaining 9 modules.	2021 reporting Cycle	Reporting framework new in 2021
Global Real Estate Sustainability Benchmark (GRESB)	The GRESB Real Estate assessment measures fund ESG performance, awarding green stars for reaching an absolute level of performance.	In total, 21 of our real estate Funds participated in GRESB in 2022. All 21 Funds achieved a GRESB 'Green Star'. A total of four Funds achieved 5-star ratings. A further four Funds achieved 4-star ratings, while nine achieved 3-star ratings and four achieved 2-star ratings. Five of our Funds achieved 1st place in their respective peer group. Of the 21 Funds submitted to GRESB, 15 Funds improved or maintained scoring year-on-year.		

# Sustainability commitments



## Sustainability memberships and affiliations

We are members and affiliated to a wide range of industry bodies, trade associations, and sustainability initiatives. This enables us to share knowledge, insights, ideas and perspectives – which can help contribute to better outcomes for our clients, our shareholders, our people and wider society. Selected examples of sustainability-related initiatives are outlined in the table below, with the list intended to be representative but not exhaustive.

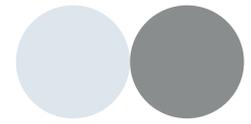
Region	Name	Description
UK	#10000BlackInterns	To support more Black candidates into our industry at intern level.
UK and Asia Pacific	30% Club	Launched in 2010, the 30% Club encourages all businesses to aim for 30% women on Boards. We have signed an Investor code of conduct and have representation in Australia and Malaysia.
UK	All Party Parliamentary Corporate Governance Group	We have been a member of this group since 2012 and engage regularly on contemporary corporate governance issues.
UK	Armed Forces Corporate Covenant	Through this covenant we have committed to support the Armed Forces Community. We recognise the value Serving Personnel, both Regular and Reservists, Veterans and military families contribute to our business and our country.
Asia Pacific	Asia Investor Group on Climate Change (AIGCC)	The AIGCC is an initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing. AIGCC members come from 11 different markets in Asia and internationally, and include asset owners and managers with a combined AUM of over US\$39 trillion.
UK	Black Professionals Scotland	Facilitates networking and professional development of Black professionals working in Scotland. Colleagues were involved in setting the organisation up.
UK	Bloomberg Gender Equality Index	This global benchmark on gender equality was created to drive transparency and provide investors with standardised information on how companies are advancing women in the workplace. We have been included for five years in a row.
Global	CDP	We are signatories to CDP and participate in an annual disclosure as a corporate entity.
Global	Climate Action 100+	This is a collaborative initiative between asset owners and managers to engage with high-carbon emitters, influence increased disclosure, and encourage positive behaviour in relation to climate risk management.
US	Corporate Call to Action (CCA)	By joining the Corporate Call of Action, we are part of a CEO coalition aiming to establish measurable commitments to address racial justice and social change. We publish our EEO-1 data and encourage others to do the same.
UK	Diversity Project	We have worked with this investor coalition since inception and setup the Diversity Project Scotland chapter in 2019. As a Supporter Firm, we work with upReach to deliver the Investment Springboard programme, helping 170 undergraduates from less-advantaged backgrounds to pursue a career in the investments and savings industry.
UK	Equileap	Our work on gender equality was ranked 72nd by Equileap who research and rank over 3,500 public companies. They named us as the best company globally for paid parental leave.
Asia Pacific	Financial Women's Association Singapore	We have been a corporate member since 2015 and are actively involved in their Male and Female Champion Initiative, mentoring programme, and providing speakers for and participating in their events.
UK	Girls are Investors (GAIN)	GAIN aims to inform young women about the financial services industry and build their professional networks.
Global	Global Investor Governance Network (GIGN)	We were a founding member of the GIGN. This is an initiative which brings together governance representatives from major global investors in an informal network which considers global governance issues and developments.
Global	Good Work Coalition	We are a member of this coalition of investors, asset owners, companies, and NGOs, which aim to address workforce and labour issues and champion fair work practices.
UK	HM Treasury Women in Finance Charter (WIFC)	We were amongst the first signatories to WIFC in 2016, pledging to increase gender balance in our senior management populations and across our industry.

# Sustainability commitments



Region	Name	Description
UK	Impact Investing Institute (III)	III encourages greater investment with the intention of generating positive, measurable social and environmental impacts alongside financial returns. We are a founding supporter and have a place on their advisory committee.
UK/EU	Institutional Investors' Group on Climate Change (IIGCC)	The IIGCC is a European membership body for investor collaboration on climate change, with a mission to support and enable the investment community in driving significant and progress by 2030 towards a net zero and resilient future.
UK	The Investment Association	The Investment Association is a UK representative body for asset owners and asset managers. We have representation on the following committees: Stewardship Committee, Remuneration & Share Schemes Committee, Sustainability & Responsible Investment Committee.
UK	Investment20/20	We have provided employment opportunities to young people through I2020 for a number of years.
Global	Investor Alliance for Human Rights (IAHR)	We are a member of the IAHR, which seeks to equip the investment community with expertise and opportunities to put the investor responsibility to respect human rights into practice.
UK	Investor Forum	We are members of the Investor Forum, which states a purpose to position stewardship at the heart of investment decision-making by facilitating dialogue, creating long-term solutions and enhancing value.
UK	Living Wage and Living Hours	Our accreditations as a Living Wage and Living Hours employer means we pay all of our UK employees and third party suppliers working on our premises a living wage, as well as provide guaranteed hours. We are part of the Living Wage Scotland and Living Hours leadership groups, in order to continue influencing best practice for tackling issues around insecure work.
Global	Net Zero Asset Managers (NZAM) Initiative	We are a member of the Net Zero Asset Managers initiative, which is an initiative for asset managers to work in collaboration with clients to achieve net zero by 2050 or sooner.
UK	PRA/FCA Climate Financial Risk Forum	We are members of this forum to demonstrate support in the development of best practice guidance related to climate change in the UK.
Global	Principles for Responsible Investment (PRI)	We are signatories to PRI, which is a UN supported network of investors that works to promote sustainable investment through the incorporation of environmental, social and governance factors.
UK	Race At Work Charter	In October 2018, we were proud to become one of the founding signatories of the UK's Race at Work Charter, demonstrating our commitment to attracting ethnic minority talent and removing any barriers in order to retain and develop a diverse group of talented people.
Asia Pacific	Responsible Investment Association of Australasia (RIAA)	The RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. We are one of over 500 members representing US\$29 trillion in assets under management.
UK	SEO London - Her Capital	This programme aims to support ethnic minority women who are university students into graduate roles through mentoring and skills development.
Global	Task Force on Climate Related Financial Disclosure (TCFD)	We support the TCFD framework as the global standard for climate disclosure and produce annual disclosures in-line with recommendations against the four pillars of: governance, strategy, risk management, and metrics and targets.
Global	Taskforce on Nature-related Financial Disclosures (TNFD)	TNFD is developing and delivering a risk management and disclosure framework for organisations to report and act on evolving nature-related risks. We are members of the TNFD forum, which works globally to develop the framework.
Global	Transition Pathway Initiative (TPI)	TPI assesses companies' readiness for transition to low carbon economy. We are an early supporter and research sponsor.
UK	UK Sustainable Investment & Financial Association (UKSIF)	We are members of this industry body for sustainable and responsible finance in the UK. UKSIF represents a diverse range of financial services firms committed to these aims, with 300+ members, managing over £1.9 trillion in assets under management.
Global	UN Global Compact	We are a signatory to the Global Compact which is a non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

# Independent Assurance Statement



## 1. Introduction and Objectives of Work

Bureau Veritas UK Ltd (Bureau Veritas) has been engaged by abrdn to provide limited assurance of its selected sustainability performance indicators for inclusion in abrdn's 2022 sustainability disclosures (the 'Report'). The objective is to provide assurance to the Client and its stakeholders over the accuracy and reliability of the reported information and data.

## 2. Scope of Work

The scope of our work was limited to assurance over the following information included within the Report for the period 1st January 2022 to 31st December 2022 (the 'Selected Information'):

1. Percentage of women at Board level
2. Percentage of women in the global executive population
3. Percentage of women in the global workforce
4. Percentage of minority ethnic Board members
5. Greenhouse Gas (GHG) Scope 1 emissions
  - Fluorinated gas (F-gas), stationary fuel, company cars, natural gas
6. Greenhouse Gas (GHG) Scope 2 emissions (location based)
  - Electricity, district heating
7. Greenhouse Gas (GHG) Scope 3 emissions
  - Category 3: Transmission & distribution losses,
  - Category 5: Waste generated in operations,
  - Category 6: Business travel by air and train
8. Annual total energy kWh
  - Electricity, natural gas, company cars, stationary fuel and district heating

## 3. Reporting Criteria

The Selected Information needs to be read and understood together with abrdn's internal KPI definitions and the reporting methodology included in the sustainability disclosures, as set out the Report.

The carbon reporting methodology for abrdn aligns with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition).

## 4. Limitations and Exclusions

Excluded from the scope of our work is assurance of information relating to:

- Activities outside the defined assurance period;
- Positional statements of a descriptive or interpretative nature, or of opinion, belief, aspiration or commitment to undertake future actions;
- Other information included in the Report other than the Selected Information and;
- Our work was limited to head office based activities and understanding how abrdn consolidates and reconciles data provided by country offices. The reliability of the reported data is dependent on the accuracy of data collection and monitoring arrangements at market/site level, not addressed as part of this assurance.

# Independent Assurance Statement



The following limitations should be noted:

- This limited assurance engagement relies on a risk based selected sample of sustainability data and the associated limitations that this entails
- The reliability of the reported data is dependent on the accuracy of metering and other production measurement arrangements employed at site level, not addressed as part of this assurance
- This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist.

## 5. Responsibilities

This preparation and presentation of the Selected Information in the Report are the sole responsibility of the management of abrdn.

Bureau Veritas was not involved in the drafting of the Report or of the Reporting Criteria. Our responsibilities were to:

- obtain limited assurance about whether the Selected Information has been prepared in accordance with the Reporting Criteria;
- form an independent conclusion based on the assurance procedures performed and evidence obtained; and
- report our conclusions to the Directors of abrdn.

## 6. Assessment Standard

We performed our work to a limited level of assurance in accordance with International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (effective for assurance reports dated on or after December 15, 2015), issued by the International Auditing and Assurance Standards Board.

## 7. Summary of Work Performed

As part of our independent assurance, our work included:

1. Conducting interviews with relevant personnel of abrdn head office.
2. Reviewing the data collection and consolidation processes used to compile Selected Information, including assessing assumptions made, and the data scope and reporting boundaries;
3. Reviewing documentary evidence provided by abrdn;
4. Agreeing a selection of the Selected Information to the corresponding source documentation;
5. Assessing the disclosure and presentation of the Selected Information to ensure consistency with assured information.
6. Re-performed a selection of aggregation calculations of the Selected Information;
7. The waste KPI had a 2022 methodology including 6 months of estimation that was reviewed.
8. ii's data was assured for the full year of 2022 and included as part of abrdn's reported data since the acquisition in June 2022.

A 5% materiality threshold was applied to this assurance. It should be noted that the procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

## 8. Conclusion

On the basis of our methodology and the activities and limitations described above nothing has come to our attention to indicate that the Selected Information as stated in the scope of work above is not fairly stated in all material respects.

## 9. Statement of Independence, Integrity and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 190 years history. Its assurance team has extensive experience in conducting verification over environmental, social, ethical and health and safety information, systems and processes.

Bureau Veritas operates a certified<sup>1</sup> Quality Management System which complies with the requirements of ISO 9001:2015, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, quality reviews and applicable legal and regulatory requirements which we consider to be equivalent to ISQM 1 & 2<sup>2</sup>.

Bureau Veritas has implemented and applies a Code of Ethics, which meets the requirements of the International Federation of Inspections Agencies (IFIA)<sup>3</sup>, across the business to ensure that its employees maintain integrity, objectivity, professional competence and due care, confidentiality, professional behaviour and high ethical standards in their day-to-day business activities. We consider this to be equivalent to the requirements of the IESBA code<sup>4</sup>. The assurance team for this work does not have any involvement in any other Bureau Veritas projects with abrdh.



### Bureau Veritas UK Ltd.

Registered in England & Wales, Company Number: 1758622  
Registered Office: Suite 206 Fort Dunlop, Fort Parkway, Birmingham, B24 9FD

**London, 16th February 2023**

Bureau Veritas UK | 5th Floor, 66 Prescott st, London E1 8HG

<sup>1</sup> Certificate available on request.

<sup>2</sup> International Standard on Quality Management 1 (Previously International Standard on Quality Control 1) & International Standard on Quality Management 2.

<sup>3</sup> International Federation of Inspection Agencies – Compliance Code – Third Edition.

<sup>4</sup> Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants

For more information visit [abrdn.com](http://abrdn.com)

abrdn Group comprises abrdn plc and its subsidiaries. abrdn plc is registered in Scotland (SC286832) at 1 George Street, Edinburgh EH2 2LL.

**abrdn.com**

AA-070723-165413-8