



## **Carbon Report**

### **abrdn MyFolio Multi-Manager IV Fund**

31 December 2024

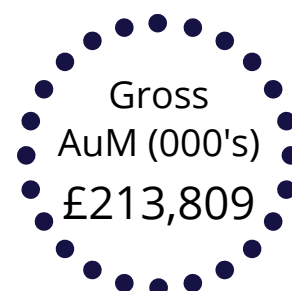
Prepared by: Aberdeen

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# Portfolio Overview

## abrdn MyFolio Multi-Manager IV Fund



|                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <b>Fund investment objective</b> | <p>To generate growth over the long term (5 years or more) while being managed to a defined level of risk. The fund is part of the MyFolio Multi-Manager range, which offers five funds with different expected combinations of investment risk and return. This fund is risk level IV, which aims to be the second highest risk fund in this range.</p> <p>Risk Target: The defined level of risk referred to above that the management team is targeting is within the range of 60-90% of world stock markets (represented by the MSCI World Index), over 10 years. There is no certainty or promise that this target will be achieved. The Risk Target has been chosen as it represents a risk range which is appropriate for the fund.</p> |
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|                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| <b>Purpose of the report</b> | <p>Climate change poses financial and societal risks. At abrdn we aim focus on our fiduciary duty to our clients by better understanding the financial risks that climate change poses to our investments. As a business ourselves we also look to reduce our own carbon footprint and provide transparent reporting on this. abrdn recognises the growing demand from investors for more climate-related information about their investments as such, we have made disclosures we believe are consistent with the TCFD Recommended Disclosures within this report and we will continue to evolve and enhance our TCFD reporting, in line with data and industry developments. The Financial Stability Board (FSB) created the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations on the types of information that companies should disclose to support investors in appropriately assessing and pricing a specific set of risks related to climate change. In Policy Statement 21/24 the Financial Conduct Authority (FCA) have created a regulatory framework for asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the recommendations of the TCFD.</p> <p>Due to the evolving nature of carbon metrics and methodologies and in some cases the nascent disclosure of carbon data in some asset classes and sectors there can be situations where we have low aggregated data coverage at a portfolio level. As a house we have adopted a principle of only reporting where we have greater than 50% data coverage - measured as the % of the portfolio's assets under management for which carbon data has been disclosed, partially disclosed or estimated by a third-party provider.</p> <p>We expect that the number of portfolio's where we have not reported due to low data coverage will decrease over time as methodologies and reporting disclosures improve. This includes fund-of-fund structures and assets which due to their location or structure have nascent corporate disclosures. In particular we will focus on working with third parties and data providers to improve coverage. However, at this stage we have adopted a conservative approach to ensure that reported data does not give a skewed perception of carbon impacts. For example, if carbon data is only available for low carbon sectors but this only relates to a small portion of the holdings, this could lead to the entire portfolio appearing to be low carbon. However, once more carbon intensive sectors are reported in time, this could significantly alter the overall position and as such, we have taken the decision to only report where we have the majority (&gt;50%) of data available. There are some investment types that due to their nature are not possible to report or estimate carbon metrics. These are typically money market investments that do not have a carbon profile, or synthetic products where methodological constraints mean that they are considered out of scope of these reports. We are currently only reporting on corporate credit bonds, listed govt bonds and listed equities due to poor or inconsistent data coverage in other asset types. We will review this year on year, and seek to enhance coverage in future years through alternative data providers, direct engagement and supporting broader industry initiatives. Since the first year of reporting, we have taken steps to evolve our ESG data architecture, enhancing the consistency of calculation and aggregation across in-scope asset classes and evolved underlying security issuer mapping to underlying ESG data.</p> |
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# Carbon Analysis

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Carbon footprinting refers to the use of various carbon metrics that are a useful starting point for understanding exposure to carbon within a portfolio and can be informative in identifying potential climate transition risks. Carbon metrics are also one of the various metrics that can help investors better understand the impact of their investments on the climate.

We split carbon metrics out by Scope 1, 2 & 3 in line with the Greenhouse Gas Accounting Protocol Standards best practices.

It is important to consider that carbon footprinting has inherent limitations. Firstly, emissions data is backward-looking and should be complemented with forward-looking analysis of the entity's transition plans. Secondly, each carbon metric has its own idiosyncratic strengths and weaknesses, and each metric can be driven by short-term volatility unrelated to emissions. Lastly, emissions are not necessarily the most appropriate indicator of climate risk. For example, there are many climate solutions that operate within carbon intensive sectors, potentially falsely implying elevated climate risks when compared to other sectors or a broad market benchmark.

### Carbon Data Disclosure

| Data Disclosure              | Portfolio |
|------------------------------|-----------|
| Number of Holdings with Data | 22,412    |
| Trucost Data Coverage (%)    | 95.3      |

Includes positions held indirectly through other Aberdeen funds, only where data is available

# Carbon Analysis

## abrdn MyFolio Multi-Manager IV Fund

The TCFD regulation requires fund managers to disclose portfolio exposure to carbon emissions and other sources of climate risk. For multi-asset portfolios this can be a complex task. A simple active equity fund may have 40 companies in its portfolio, a multi-asset fund can have thousands of companies spread across many sub-funds, as well as holdings in non-corporate assets like government bonds, real estate and derivatives. This makes assessment complex. For core public market equity and credit portfolios we have been able to make good progress, but, elsewhere, lack of available data and risk assessment tools mean we have made less progress. For public equities and credit, our climate scenario analysis suggests that by far the biggest climate risk for portfolios is associated with the transition away from fossil fuel energy to low carbon alternatives. Physical climate risks tend to be much more modest in the economic impact. So, the core risk for investors arises from companies with carbon intensive products (e.g. coal, oil, gas) or operations (e.g. mining, electric power generation) that are highly exposed to this transition.

The good news is that these activities are highly concentrated in a small number of sectors. In the MSCI World Index, the utilities sector alone accounts for 47% of carbon intensity but less than 3% weight in the index. More than two thirds of the carbon intensity comes from utilities, energy and materials sectors which only account for 10% of the combined index weight. Conversely, the technology, financials and healthcare sectors account for 17% of the total carbon intensity & more than 50% weight in the index.

There is some variation across different equity regions. The carbon intensive sectors are not evenly distributed across regional equity and bond indices. Most equity portfolios have fairly low carbon intensity. For example, UK, US, Europe and Japan equity benchmarks have a weighted average carbon intensity of 80-160tCO<sub>2</sub>e/\$m revenue, but a few, particularly those focused on emerging markets have higher exposures (350tCO<sub>2</sub>e/\$m). Corporate bond portfolios tend to be a bit more carbon intensive than equity indices (200-220tCO<sub>2</sub>e/\$m).

Other asset classes - government bonds, real estate - measure carbon exposure in ways that are not directly comparable with equities and credit. Where we have been able to make comparisons, our view is that these assets have carbon risk exposures that are much lower than the average for equities and credit. The activities that are financed by government bonds (government spending on education, healthcare, social security etc.) are not, in most cases, particularly carbon intensive. Real estate emissions are also low relative to industrial equity sectors.

Overall, our analysis suggests that while multi-asset portfolios have pockets of exposure to carbon intensive activities, these more risky exposures are, for most of our funds, heavily diluted by much larger exposures to business sectors and asset classes with little climate risk. This means that most multi-asset funds are not materially exposed to carbon or climate risks.

Nevertheless, abrdn is committed to using its influence to encourage companies with significant emissions to develop strategies to decarbonise their businesses. This should reduce risks further.

Our carbon data is sourced from Trucost, a leading provider of carbon emissions data. We utilise security-level data from Trucost to aggregate and calculate the carbon intensity of our fund of funds. This approach represents a significant improvement over using fund-level data from third-party suppliers, as it allows us to capture the unique composition of each fund more effectively and reduce reliance on generic or averaged data that may not accurately reflect the specific climate risks associated with our investments.

By adopting this security-level approach, we enhance the precision of our carbon calculations, providing more detailed insights into the carbon footprint of our fund of funds. This method also

# Carbon Analysis

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### Portfolio Carbon Intensity

#### Weighted Average Carbon Intensity

Weighted average carbon intensity (WACI) is a measure of carbon emissions normalized by revenues. Since revenues are a relevant comparison point across all issuers, the metric can be used for portfolio decomposition and attribution analyses across sectors and asset classes. The WACI is calculated by summing the product of each company's weight in the portfolio or loan book with that company's carbon-to-revenue intensity. The avoidance of apportioning with the WACI approach means that there is no direct connection to real-world emissions.

How carbon intensive are the holdings in my portfolio?

| Asset Class                            | Scope 1   | Scope 2   | Scope 3   | Scope 1 and 2 | Scope 1, 2 and 3 | Data Coverage % | Weights at 31.12 % |
|----------------------------------------|-----------|-----------|-----------|---------------|------------------|-----------------|--------------------|
|                                        | Portfolio | Portfolio | Portfolio | Portfolio     | Portfolio        | Portfolio       | Portfolio          |
| Weighted average*<br>(tCO2e/\$m sales) | -         | -         | 908.00    | 151.78        | 1,059.79         | 95.78           | 91.64              |

Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream and Downstream Value Chain emissions  
In the case of sovereign emissions the concept of 'scopes' are more nascent compared to their use in corporate emissions reporting. In this instance, the sovereign emissions reported above represent the country territorial emissions plus imported emissions.  
Trucost data is partly based on estimated figures. Therefore, the reporting should be estimated based on the best available data and used for guidance.  
Coverage % based on number of holdings  
\* Weighted average calculated for equity and credit assets only

# Carbon Analysis

## abrdn MyFolio Multi-Manager IV Fund

### Portfolio Carbon Footprint

#### Economic Emissions Intensity

Economic Emissions Intensity (EEI) is a normalised carbon intensity metric, expressed as tCO<sub>2</sub>e/million USD invested. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's enterprise value including cash (EVIC). This is equivalent as dividing the portfolio Financed Emissions by the portfolio's AUM.

In this instance EVIC represents the total value of a company's equity and debt, allowing investors to normalise emissions by company size, based on equity and debt valuations. (i.e. typically larger company's will have a greater total emissions footprint but may be more carbon efficient on an intensity basis). Normalising emissions allows for more accurate comparisons between companies of different sizes and between funds of different sizes. However, volatility in EVIC will impact EEI results and EVIC volatility is not always perfectly tied to actual economic activity or total emissions. Moreover, normalising emissions by EVIC means that EEI does not perfectly reflect the carbon impact of an investment on the real-world.

We currently only apply EEI to equity and corporate bond assets.

How carbon intensive are the holdings in my portfolio?

| Asset Class                                            | Scope 1   | Scope 2   | Scope 3   | Scope 1 and 2 | Scope 1, 2 and 3 | Data Coverage % | Weights at 31.12 % |
|--------------------------------------------------------|-----------|-----------|-----------|---------------|------------------|-----------------|--------------------|
|                                                        | Portfolio | Portfolio | Portfolio | Portfolio     | Portfolio        | Portfolio       | Portfolio          |
| Weighted average*<br>(tCO <sub>2</sub> e/\$m invested) | -         | -         | 443.61    | 71.52         | 515.13           | 80.81           | 91.64              |

Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream and Downstream Value Chain emissions  
Trucost data is partly based on estimated figures. Therefore, the reporting should be estimated based on the best available data and used for guidance.  
Coverage % based on number of holdings  
\* Weighted average calculated for equity and credit assets only

# Carbon Analysis

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### Greenhouse Gas Emissions

#### Total Financed Emissions

Total Financed Emissions calculate the absolute total emissions, expressed as tCO<sub>2</sub>e, that are attributed to the investor. The methodology used follows the Partnership for Carbon Accounting Financials (PCAF) and is recommended by TCFD. The attribution factor is calculated by taking the monetary size of the investment and dividing it by the investee company's enterprise value including cash. This attribution factor is then multiplied by the company's total emissions to calculate the final Financed Emissions result.

It is important to consider that Financed Emissions will be principally driven by the size of the investment made in a company and therefore, larger funds will tend to have higher Financed Emissions. Moreover, volatility in a company's EVIC can lead to changes in Financed Emissions between equity and credit investors.

We currently only apply financed emissions to equity and corporate bond assets.

What emissions are "owned" by the portfolio based on company ownership?

| Asset Class                                    | Scope 1   | Scope 2   | Scope 3   | Scope 1 and 2 | Scope 1, 2 and 3 | Data Coverage % | Weights at 31.12 % |
|------------------------------------------------|-----------|-----------|-----------|---------------|------------------|-----------------|--------------------|
|                                                | Portfolio | Portfolio | Portfolio | Portfolio     | Portfolio        | Portfolio       | Portfolio          |
| Total Financed Emissions (tCO <sub>2</sub> e)* | -         | -         | 77,821.18 | 12,546.84     | 90,361.82        | 80.81           | 91.64              |

Total emissions owned increase with the size of the portfolio and are therefore not comparable across funds.

\*Calculated for equity and credit assets only



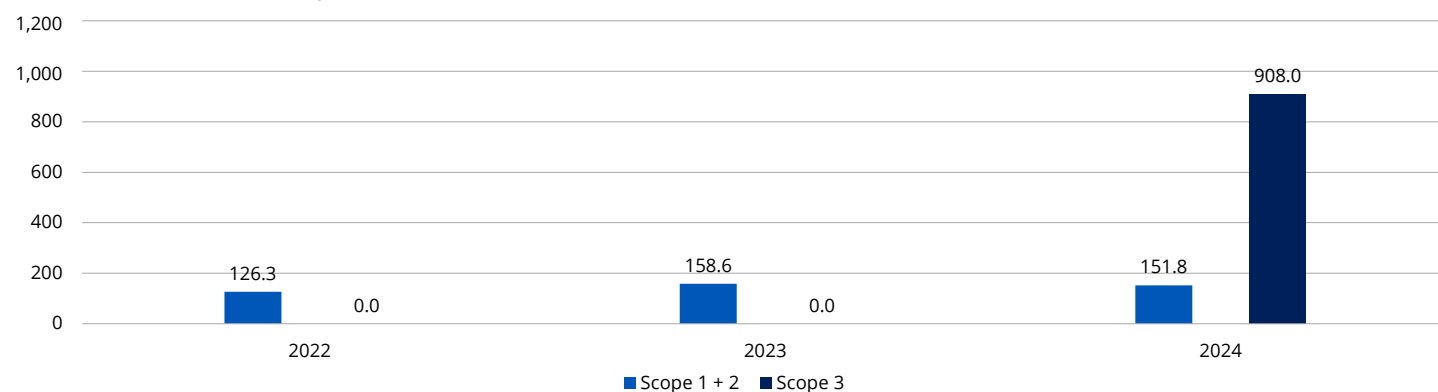
# Carbon Analysis

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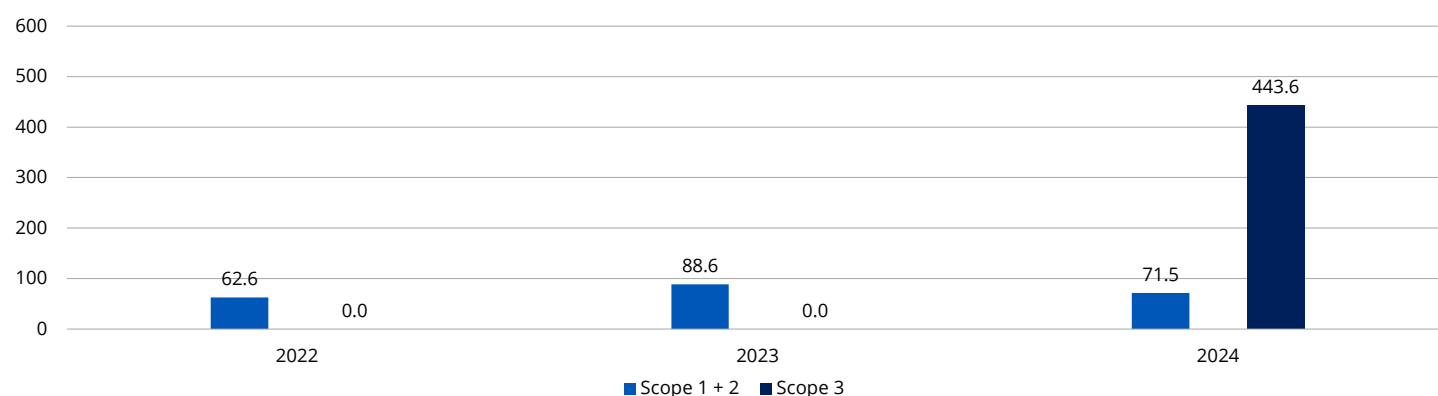
### Historical Annual Comparison

Historical carbon footprint data is not recalculated, but rather reflects data available as of the date of historical reports. For 2022 year end, underlying Scope 3 emissions data was not available in full across all Scope 3 categories and was therefore excluded from our reporting. As the breadth of Scope 3 data coverage and provision has improved in subsequent years, the data has been included in our reporting. However, there continues to be considerable disclosure gaps across Scope 3 emissions categories at the corporate disclosure level, requiring data providers to rely on significant estimation.

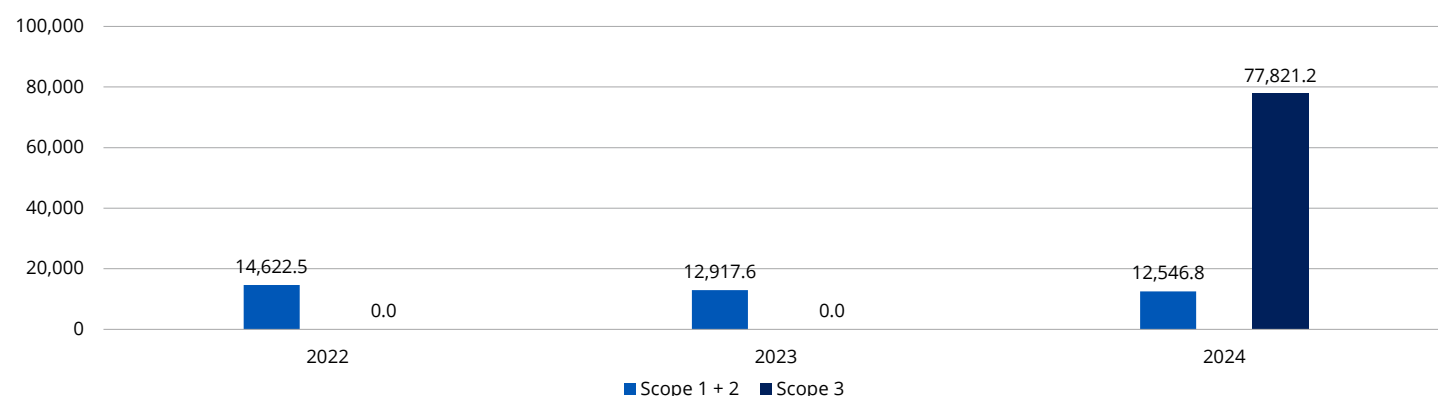
### Portfolio Carbon Intensity (WACI)



### Portfolio Carbon Footprint (EEI)



### Greenhouse Gas Emissions (TFE)



Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream and Downstream Value Chain emissions  
Trucost data is partly based on estimated figures. Therefore, the reporting should be estimated based on the best available data and used for guidance.

# Carbon Analysis

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### Exposure to Carbon Intensive Sectors

Even though the climate transition will have far-reaching consequences across supply-chains, when considering carbon exposure, the majority of emissions are highly concentrated in just a few sectors, as classified by GICS/BICS.

We have determined the GICS Industry Groups: Utilities, Energy, Materials and Transportation as representing 'Carbon Intensive Sectors'. Below we outline the portfolio weighted exposure to these sectors.

We consider a 'high concentration' to be a 1.5x exposure relative to a representative benchmark.

The fund has exposures across a wide range of asset classes. While some asset classes have small pockets of exposure to carbon intensive sectors, others have no exposure at all. Overall carbon intensive sectors are a small percentage of the overall portfolio.

# Climate Scenario Analysis

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### Climate Value at Risk

Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change pathways and related policy and technology scenarios on investments.

These impacts are driven by:

**Transition risks and opportunities:** direct and indirect carbon costs, and abatement measures to counteract these costs; demand destruction for emissions-intensive goods, and demand creation for goods with abatement potential.

**Physical risks:** impacts of chronic physical risks and increased physical damages to real assets caused by more extreme weather events; adaptation measures to help counteract these risks.

**Market dynamics:** the ability to compete in the market and pass on climate-related costs.

Our analysis provides bottom-up quantification of the financial implications of these direct and indirect economic shocks. The analysis considers the specificities of each security and its sensitivity to those shocks, and thereby assesses the impact on annual value stream. These are consolidated into financial impacts at asset level and can then be aggregated to assess the impact at fund level.

Abdrn has partnered with Planetrics, a subsidiary of McKinsey to assess portfolios for climate risk. The results tend to follow a similar pattern to the results of the carbon analysis described above.

Overall our analysis is that most multi-asset portfolios have little exposure to climate risk. Our data shows that across the specified climate scenarios, the impact on multi-asset portfolios is negligible - equivalent to the kind of volatility we see within a single quarter for an equity fund.

There are several reasons for this low-risk exposure.

Most of the fund allocation is to sectors where climate risk is very small - technology, financials and healthcare comprise 50% of global equity markets but see very low climate risk across the three TCFD scenarios (Orderly Transition, Disorderly Transition, and Current Policy). Allocations to high-risk sectors (energy, utilities, industrials, materials) is mostly fairly small.

Within many high-risk sectors there are both climate winners and losers. For example, in the utilities sector in transition scenarios, the renewable power generators are winners and coal/gas generators are losers. The pattern is the opposite in hothouse scenarios, but in both cases winners cancel out losers and sector risk exposure is reduced.

Multi-asset portfolios also hold significant exposure in asset classes with low climate risk. For example, our data indicates that credit portfolios have much lower risk than equity portfolios. Although credit indices can be a little more carbon intensive than equity benchmarks, this is more than offset by two other factors when assessing climate risk. First, credit has relatively short maturity; a 10-year bond is not exposed to climate risks which tend to be more severe in the distant future. Secondly, credit is inherently less exposed to risk due to its seniority. Similarly, climate risks for other asset classes such as developed market government bonds are even more modest.

These factors - the small size of high-risk sectors, the fact that winners offset losers, and the fact that non-equity asset classes tend to have low climate risk - when combined mean that most multi-asset portfolios have very small aggregate risk in all three of the specified TCFD climate scenarios.

# Appendix

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# Glossary

| Data Point                                         | Definition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Abatement                                          | Abatement refers to the act of reducing the emissions of an activity (synonymous with decarbonisation).                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Carbon dioxide equivalent (CO <sub>2</sub> e)      | This metric utilises global warming potentials of all the greenhouse gases as defined by the International Panel of Climate Change to calculate a single consistent metric for GHG impact in carbon dioxide equivalent terms.                                                                                                                                                                                                                                                                                                          |
| Carbon emissions / Greenhouse Gas                  | Carbon emissions is used as a generic term for the main greenhouse gas (GHG) emissions (carbon dioxide, methane, nitrous oxide, F-gases) in our reporting. This is synonymous to the term carbon dioxide equivalent (CO <sub>2</sub> e).                                                                                                                                                                                                                                                                                               |
| Carbon Emissions - Scope 1                         | Greenhouse gas emissions generated from sources which are owned or controlled by the company.                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Carbon Emissions - Scope 2                         | Greenhouse gas emissions generated from the consumption of purchased electricity, heat or steam by the company.                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Carbon Emissions - Scope 3                         | Greenhouse gas emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company, upstream and downstream of a company supply-chain, such as, the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity related activities (e.g.T&D losses) not covered in Scope 2.                                                                                         |
| Carbon Intensive Sectors                           | We have determined the GICS Industry Groups: Utilities, Energy, Materials and Transportation as representing 'Carbon Intensive Sectors'.                                                                                                                                                                                                                                                                                                                                                                                               |
| Climate Change Scenario analysis                   | Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change scenario pathways and related policy and technology scenarios on investments.                                                                                                                                                                                                                                                                                                                |
| Climate Value at Risk                              | The associated financial risk measured based on a selected climate scenario.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Current Policy Scenario ('hot house world')        | No new policy action is implemented beyond what is already in place, resulting in a global temperature rise of 3.2C by 2100.                                                                                                                                                                                                                                                                                                                                                                                                           |
| Early Action Scenario ('orderly' transition)       | Strict and immediate policy action is put in place and is steadily ramped up to achieve an orderly transition that results in a global temperature rise of 1.7 oC by 2100.                                                                                                                                                                                                                                                                                                                                                             |
| Economic Emissions Intensity (Carbon Footprint)    | Economic Emissions Intensity (EEI) is the terminology used by PCAF - who introduced the use of EVIC. This metric is synonymous with 'carbon footprint'. EEI is a normalised carbon intensity metric, expressed as tCO <sub>2</sub> e/million USD invested. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's enterprise value including cash (EVIC). This is equivalent to dividing the portfolio Financed Emissions by the portfolio's AUM. |
| Enterprise value including Cash (EVIC)             | Is a denominator used in both the Financed Emissions and Economic Emissions Intensity, EVIC is equivalent to traditional financial measure of EV, however, with cash included. This concept was developed by PCAF to produce a consistent Financed Emissions metric that can be used equivalently across equity and debt investors.                                                                                                                                                                                                    |
| Financed Emissions                                 | This is the absolute tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e) that is attributed or 'owned' by an investors, based on the value of the investment in an investee company. This metric is consistent to the PCAF Financed Emissions methodology, which is integrated into TCFD recommendations.                                                                                                                                                                                                                         |
| GICS / BICS                                        | GICS: Global Industry Classification Standard is an industry taxonomy developed by MSCI and Standard & Poor's. BICS: Bloomberg Industry Classification System is an industry classification system developed by Bloomberg.                                                                                                                                                                                                                                                                                                             |
| Glasgow Financial Alliance for Net Zero            | The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy.                                                                                                                                                                                                                                                                                                                                                              |
| Net Zero Investment Framework                      | The Net-Zero Investment Framework was developed by the Institutional Investors Group on Climate Change (IIGCC), it produced an alignment metric that is now being referred to as the maturity scale approach (as defined by GFANZ).                                                                                                                                                                                                                                                                                                    |
| NZIF Maturity Scale Alignment                      | This alignment metric enables investors to cover the Binary Target Approach in more detail, categorising companies into levels of alignment as defined by the IIGCC NZIF recommendations.                                                                                                                                                                                                                                                                                                                                              |
| PCAF                                               | Partnership for Carbon Accounting Financials.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Physical Risk                                      | Climate risks associated to the physical impacts of climate change, these can be broadly categorised into acute risk (short-term impacts) and chronic risk (long-term impacts).                                                                                                                                                                                                                                                                                                                                                        |
| Probability Weighted Scenario                      | Weighted average scenario based on our latest assessment of probability across our full suite of 16 scenarios, resulting in a global temperature rise of 2.3C by 2100.                                                                                                                                                                                                                                                                                                                                                                 |
| Stricter Action Scenario ('disorderly' transition) | The implementation of strict policy action is delayed until 2030, resulting in a disorderly transition and a global temperature rise of 1.9C by 2100.                                                                                                                                                                                                                                                                                                                                                                                  |
| Transition Risk                                    | Climate risks associated with the transition to a low-carbon economy, these include, demand creation, demand destruction, technology risk, carbon price risk, market risks etc...                                                                                                                                                                                                                                                                                                                                                      |
| Weighted Average Carbon Intensity (WACI)           | Weighted average carbon intensity (WACI), is a normalised carbon intensity figure, expressed as tCO <sub>2</sub> e/million USD revenue. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's revenue.                                                                                                                                                                                                                                           |

**Past performance is not a guide to future results. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.**

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