



## **Aberdeen Investments: approach to climate change**

May 2025

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## Who we are

### Our spirit is our strength

For over a century, we've carried our Scottish spirit with us in everything we do. Our sense of adventure has taken us to new markets, and our courage to invest when others haven't has unlocked global opportunities. Our resilience through challenging markets has formed the foundation of our long-term strategy.

We are a global specialist asset manager, managing £359.6bn in assets for clients across 80 countries, with experts on the ground in more than 25 locations<sup>1</sup>. Our confidence allows us to harness our knowledge and focus on our core strengths so we can keep delivering for our clients.

Investment involves risk and possible loss of capital.

<sup>1</sup> All data, facts and figures are as of 31 March 2025.

# Introduction

**Climate change poses significant material financial risks, with the potential to disrupt economies, reshape industries, and impact financial systems – ultimately affecting our clients' investments.**

Recognising this, we are committed to integrating climate-related risks and opportunities into our investment analysis and active ownership practices. Our goal is to ensure that we are not only managing risks effectively but also identifying and capitalising on opportunities that arise from the transition to a low-carbon economy.

To support this, we have developed a comprehensive suite of climate capabilities grounded in high-quality, forward-looking data and analysis. These capabilities focus on real-world decarbonisation and the energy transition, enabling us to deliver investment solutions and insights that help our clients achieve both their sustainability-related and financial objectives.

This document outlines our methodology for embedding climate considerations into our investment processes and active ownership activities.



## Our focus areas

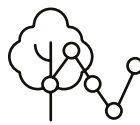
### Enabling clients to achieve their climate goals

We are constantly evolving our understanding and capabilities through our approach which is based on six focus areas:



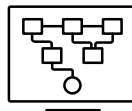
#### Research and data

We provide insights on how evolving policy and physical changes will impact sustainable investment themes and the data required to best support client expectations.



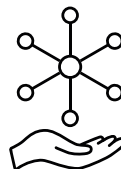
#### Investment integration

We develop tools and frameworks to support the integration of climate considerations into investment decision-making where there is a client interest in doing so.



#### Client solutions

We develop investment solutions and engage with clients to support their climate objectives.



#### Active ownership

We engage our highest financed emitters to seek transparency against transition milestones, as well as with priority companies to understand how they manage their nature-related risks.



#### Collaboration and influence

We enhance our own, and the markets', knowledge of material financial implications of the environmental transition, supporting our understanding of the evolving expectations around sustainable investment.



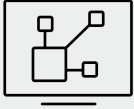
#### Disclosure

Disclosure helps us to better understand how effectively assets are managing their financially material environmental risks. In return, we know that clients benefit from our disclosures.



# Our climate approach

We use our climate building blocks to inform our investment approach and help clients integrate climate into their portfolios.



## Our building blocks

Our building blocks are proprietary tools and frameworks that enable our investment approach, supporting the integration of climate-related risk and opportunity into our decision-making processes and client portfolios. Tools, such as carbon metrics and scenario analysis, are available on-desk to our fund managers, with the objective of enabling climate-resilient portfolio construction and solutions development, working in addition to the expertise of dedicated sustainability and ESG professionals.

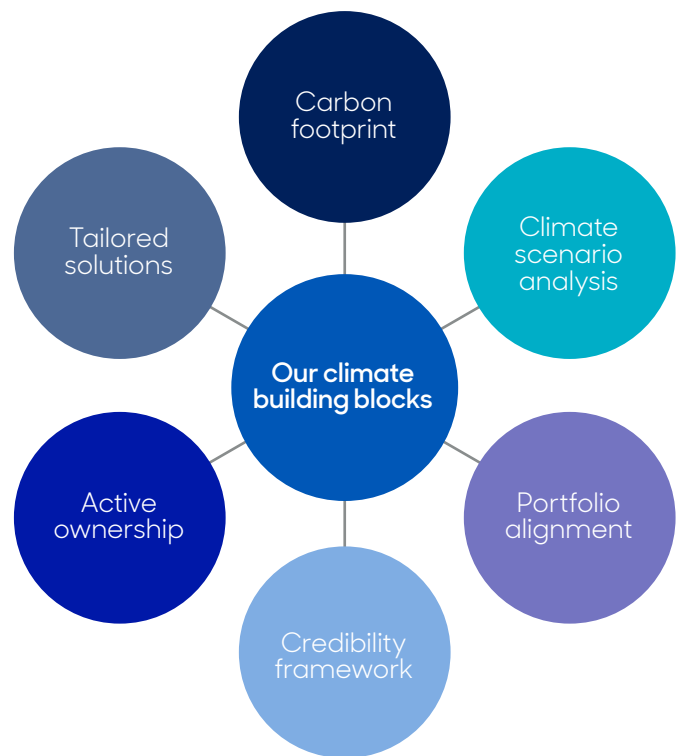


## A complementary approach

In managing portfolios for clients with carbon targets, a robust carbon footprinting tool is necessary to monitor progress against objectives. However, forward-looking tools play an increasingly critical role in delivering targeted outcomes. As climate investment integration matures and becomes more sophisticated, we have increased our range of integration methods, tools and frameworks, with greater focus on forward-looking tools.

We have developed a bespoke approach to climate scenario analysis that provides forward-looking, top-down assessments of financial impacts, as well as emissions pathway projections. These assessments can be combined with bottom-up portfolio alignment and credibility frameworks to enable company-level views of decarbonisation.

This combined insight informs our thematic active engagements, enabling us to take a holistic approach to climate integration within portfolio construction. This can be tailored to each client, each of which may have different objectives.



### Carbon footprint

Utilising the core carbon metrics to manage carbon exposures, identify carbon risks and meet decarbonisation ambitions.

### Climate scenario analysis

Forward-looking analysis using a bespoke scenario framework to identify asset- and portfolio-level climate risks and opportunities, and projected decarbonisation pathways.

### Portfolio alignment

Proprietary methodology to identify climate solution and transition leaders to support research and portfolio construction.

### Credibility framework

Assessment of company ambition levels versus their actions using a six-factor scoring scale to support investment integration.

### Active ownership

Targeting our highest-financed emitters to set clear and relevant milestones, focusing on assets that could have the biggest impact.

### Tailored solutions

Supporting investors on their journey to integrate climate change into their investment and reporting process.

## Applicability and coverage of our climate building blocks across asset classes

Our climate building blocks support decision-making across our investment process at different levels of integration. The matrix below maps our core building blocks against asset classes to give a view of applicability for various investment strategies. It is important to note that our building blocks enable a wider process, and insights may not be material to every investment decision.

Asset class	Portfolio carbon footprinting	Climate scenario analysts	Credibility assessment framework	Portfolio alignment	Active ownership	Tailored solutions
Equities	●	● — ○ — ●	○	●	●	●
Corporate Credit	●	● — ○ — ●	○	●	●	●
Quantitative Strategies	●	● — ○ — ●	○	●	●	●
Real Estate	●	●	○	●	●	●
Multi-asset	●	●	○	●	●	●
Sovereign bonds	●	●	○ — ●	●	●	●
Infrastructure	●	●	○	●	●	●
Private credit	●	●	○	●	●	●
Cash	●	●	○	●		
FX	●	●	○	●		
Derivatives	●	●	○	●		
Passive funds	●	●	○	●	●	●
Third party funds	●	●	○	●		
Execution only funds	●	●	○	●		

Key	Definition
● Full scope	The asset class is in scope of the tool or metric
● Partial scope	A proportion of the asset class is in scope to utilise the tool, or metric, or is in development
● Out of scope	The asset class is out of scope for the reporting year, but tool development is being explored
● Not applicable	The tool is deemed to be not applicable for the next 1–2 years, or deemed not relevant to the asset class
○ Enabler	The tool or processes better enables or enhances the outputs of another complementary tool

The purpose of this matrix is to provide an illustrative view of the applicability of climate building blocks to different asset classes. This is intended to inform stakeholders of how our tools can support climate-related risk management in our investment processes. This illustration is not a reflection of a particular product or investment strategy, and applicability should not be interpreted as a reflection of all investment decisions. There are many factors that drive decision-making, and our building blocks aim to inform cases where climate-related risks are material to specific circumstances and support the aggregate delivery of our climate strategy. This matrix also does not capture bespoke pieces of investment analysis.





## Engagement with companies to help identify and mitigate climate risk

### Supporting real-world decarbonisation

Within our Investments business, our climate engagement strategy is focused on understanding climate-related financial risks within our holdings and driving real-world decarbonisation. One way we can do this is through engaging with our largest publicly listed financed emitters to seek transparency on decarbonisation milestones and to advocate for increased disclosure. Our expectation is that companies are effectively managing climate risk, with our assessment of the credibility of a company's decarbonisation plan informed by our bespoke credibility framework and other relevant standards, such as the Climate Action 100+ Net Zero Benchmark.

### An engagement-led approach to climate risk

Active ownership is a powerful tool to mitigate financial risks and to influence real-world decarbonisation. It allows us to challenge companies on their transition strategies and to influence corporate behaviour. Our proprietary 'credibility framework' serves as a foundation tool for us to pinpoint transition leaders. However, to conduct a more proactive analysis – especially in regions with limited data and disclosure gaps – an engagement-led approach becomes imperative.

Our climate stewardship approach quantitatively assesses the integrity of companies' climate transition plans. It's built on the following indicators:

- A company has a clear and transparent decarbonisation plan.
- Policy support is favourable.
- Investments are made in net-zero-enabling technologies.
- The allocation for 'green' capital expenditure is specifically dedicated to environmental initiatives.

Active ownership helps us to hold companies accountable through monitoring progress and by setting milestones. We assess progress against these milestones and determine whether the company is likely to achieve their climate ambitions. We can escalate our concerns in a variety of ways, including revising our quantitative assessment of a company, taking voting action and by collaborative engagement.

## Collaboration and Influence

### Industry associations & statements

We collaborate with industry associations on a number of initiatives to encourage action and data transparency from the companies in which we invest. A list of these is available in our annual Sustainability and TCFD report. We are members of, and affiliated with, a wide range of industry bodies, trade associations and sustainability initiatives. This enables us to share knowledge, insights, ideas and perspectives.

### Collective engagement

We are willing to act collaboratively with other investors in seeking to protect and enhance shareholder value, or to otherwise address issues that are relevant to our clients' best interests.

To help us effectively participate in collective engagement, we maintain good working relationships with other institutional investors. We also support collaborative engagements organised by representative bodies and others, when these are aligned with our clients' interests.

We work with a number of organisations in order to participate in collective engagement. Examples of the most significant of these organisations include:

- The Investment Association
- The Council of Institutional Investors
- The Investor Forum
- The Asian Corporate Governance Association
- The Principles for Responsible Investment
- The Institutional Investor Group on Climate Change
- Climate Action 100+
- The 30% Club Investor Group.

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