We are futurists

Standard Life Aberdeen

TCFD and environment report 2020

Contents

The sections in this report are aligned with the four TCFD pillars and each pillar is split into two parts:

1. **It starts with us** - focusing on the key risks and opportunities affecting our corporate entity, and the direct and indirect impact of our operations on climate change.
2. **Investing with purpose** - as an asset manager, how we incorporate climate change issues into our investments to deliver on our responsibility to manage material risks to our clients' portfolios, and identify investment opportunities arising from the transition to a Net Zero carbon economy.

Within this document we also disclose details of how we manage natural capital within our operations, and how we are supporting biodiversity. Biodiversity loss and climate change are two sides of the same coin and we aim to support biodiversity while enabling the low carbon transition.

This symbol indicates a link to a **web-page or on-line document** where you can find more information.

Foreword

We believe that targeting sustainable outcomes improves our clients' long-term returns and delivers real world impact.

Stephen Bird
Chief Executive Officer

We must all take action today to shape the world we, and future generations, want to live in.

The world may not currently be on a trajectory to achieve Net Zero on the time lines set in the Paris Agreement. However, we are acutely aware of our responsibility to drive action to combat climate change and engage our clients on this as a responsible investor. With our eyes set firmly ahead, and drawing on our market leading climate research and investment capabilities, we're committed to being a positive catalyst for change.

We know that commitments need to be more than words, they need clear and specific targets along with transparent and credible reporting. For our operational emissions, our interim science-based target is to achieve a 50% carbon reduction by 2025. An important step towards Net Zero by 2050.

In our investments, we are committed to Net Zero directed investing across all asset classes. That means allocating capital to decarbonise the economy at an accelerated rate and developing Net Zero solutions to enable our clients to achieve their Net Zero 2050 goals.

It's not enough to simply decarbonise a portfolio – we believe that sustainable change will be driven by transition leaders and innovative climate solutions for a modern world. Developing these requires investment. We are building on our track record of successful engagement with our investee companies to support ambitious and credible decarbonisation goals. This aligns with the goals of the Institutional Investors Group on Climate Change (IIGCC) Net Zero Investment Framework (NZIF) that we helped to develop. Since our previous Task Force on Climate-related Financial Disclosures (TCFD) report we have also joined the Net Zero Asset Manager initiative.

Central to our approach is rigorous climate change research that shapes our investment decisions and solutions. We are also committed to transparency and will provide regular updates via our TCFD report and our ESG quarterly and client reports.

We are committed to driving definitive action on climate change – today, tomorrow, together.

Who we are

We are futurists

We harness the power of time

We leverage technology to connect

The curiosity of our talent creates opportunity

enabling our clients to be better investors

Investments

We are focused on growth markets and on clients who are actively investing. We are prioritising growth in Asia.

We are building our capabilities in growing asset classes reflecting changing investment aspirations. This business is powered by data and technology and we will invest in our technology to enable our clients to be better investors now and in the future.

Our strategy is to deliver superior investment performance consistently through time, deepening our client relationships.

Adviser

Our platforms are designed to deliver a great service experience and we are investing to make it even easier.

We are growing in the UK by earning the right to be the primary platform for our clients. We will relentlessly improve our platform through time, consistently delivering great service.

Our strategy is to power our growth through excellent technology, lead the market and be a natural consolidator as the market changes.

Personal

Asset management is converging with wealth management and this trend, together with the empowerment that technology brings, is our opportunity.

We are growing in the UK, and through further acquisition and investment in technology, we will maximise synergies across our business model.

Our strategy is to connect these businesses in a model that is central to meeting the needs of the UK savings and wealth market.

Enablers

Technology

Brand

Research

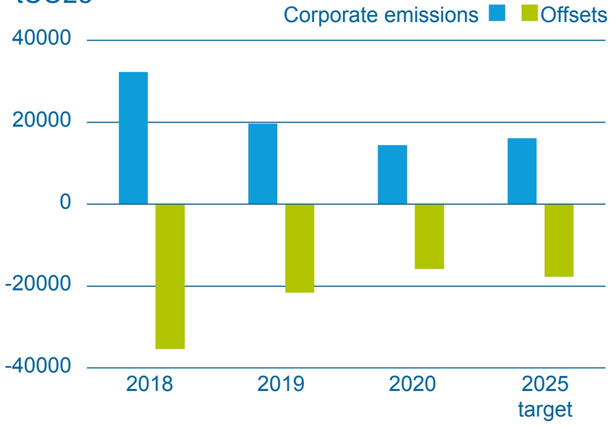
Partnerships

Investing responsibly to build a better world

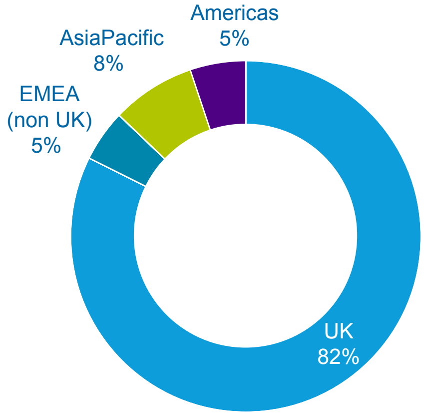
75
offices across

27
countries

Corporate emissions
tCO2e

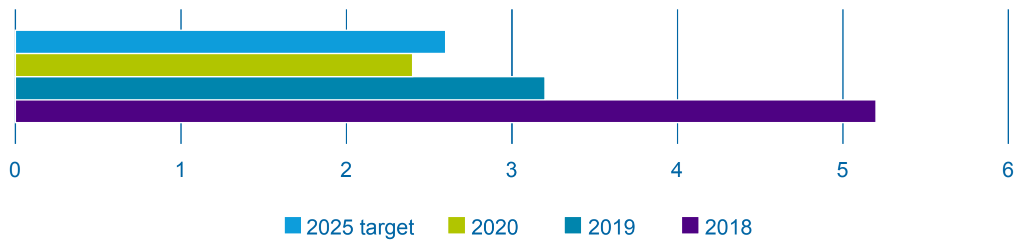


Total Full Time Equivalent employees 5,988



Carbon neutral
since 2020

tCO2e/FTE



Our environmental and climate-related aims, commitments and achievements

It starts with us

Material issue: **Climate change**

Key aims	Commitments	Actions	2020/21 Achievements
Support low carbon energy	Procure 100% renewable electricity at the offices we operate globally	Moved all our largest locations onto green tariffs	98% of electricity we procure is on a green tariff
Energy efficiency	Reduce total kWh use (50% reduction by 2025)	Improved efficiency within buildings, focusing on our largest sites. Strong energy requirements on any new lease. Consolidation of estate post-merger and new ways of working	Consolidation and implementation of efficiency measures led to 33% reduction in just one year
Actively support the aim of the Paris Agreement – to limit global temperature rise to well below 2 degrees	Net Zero targets. First step - 50% absolute reduction in Scope 1,2 and some Scope 3 emissions by 2025 Reduce carbon footprint per Full Time Equivalent (FTE). First step – 50% reduction by 2025	Stretching targets to reduce travel Improved efficiency within buildings, and enhanced energy efficiency requirements for new leases Partnering with Pawprint to deepen understanding of working from home emissions	Targets signed off by executive 33% reduction in emissions in just one year through consolidations and efficiency projects 2020 opened Pawprint pilot to 500 people, opened to all our people in 2021
	By 2025 engage with suppliers representing 50% of procurement spend to set science-based targets and strategies	Review of critical suppliers and their published emission reduction targets	
Carbon neutrality	Offset 110% of emissions, align with Oxford Principles for Carbon Offsetting	Our greenhouse gas emissions are externally verified. We then offset 110%	Offset 34,104 tCO2e in 2020 and 15,876 tCO2e in 2021. More detail in appendix II (Page 48).

Material issue: **Waste and Consumption**

Key aims	Commitments	Actions	2020/21 Achievements
Waste reduction	Single-use plastic reduction. First step remove all feasible single-use plastics by 2020	Single-use plastic statement published in 2018 and updated in 2019	Removed the largest single-use plastic wastes from our sites
Zero waste to landfill	Where we manage the waste contracts we will send no waste to landfill	Requirement of our procurement process for our main waste contractor	Achieved for the sites we operate since 2018 on our main waste contracts

Material issue: **Biodiversity**

Key aims	Commitments	Actions	2020/21 Achievements
Conservation/ biodiversity	Support conservation in local communities where we operate through our charitable strategy	New charitable giving strategy published in 2020, with a focus on biodiversity	Following a pilot, funding made available for community biodiversity projects
	Support biodiversity through offsetting	Partner with ClimateCare to support rainforest protection in Gola	Support helps to protect around 2,000 hectares of pristine rainforest

Investing with Purpose

Material issue: **Climate Change**

Key aims	Commitments	Actions	2020/21 Achievements
Support the aim of the Paris Agreement – to limit global average temperature rise to well below 2°C	Enable our clients to achieve their Net Zero ambitions Increase AUM aligned to Net Zero 2050 by actively working with clients Achieve Net Zero 2050 emissions in the real estate ASI manages	Joined Net Zero Asset Manager (NZAM) alliance Actively working with clients, including our largest client the Phoenix Group, to develop solutions Developing Net Zero 2050 solutions across all asset classes	Around 25% of our AUM is Net Zero 2050 aligned Published: Global Real Estate Net Zero Investment Framework Towards a long term Net Zero climate investment Strategy, with the Phoenix Group
Target sustainability outcomes across our investments	Reduce the carbon intensity of our portfolios Mobilise capital for Net Zero by investing in transition leaders and climate solutions Develop robust carbon intensity reduction targets to enable Net Zero Directed Investing ambitions	Systematic analysis of climate risks in our portfolios to ensure the majority of our funds are less carbon intensive than their benchmarks. Investing in 'transition leaders' – by considering carbon intensity and credible transition strategies	The majority of our Equities (73%), Fixed Income (52%) and Active Quantitative Investment Strategies (>95%) already have a carbon intensity below the benchmark.
Protect the value of clients' assets and fund performance	Integrate climate-related risks and opportunities into every investment decision based on rigorous climate related research and data	Deliver rigorous and innovative climate-related research Provide technology solutions to enable investment desks to access and integrate climate data into their decision making	Published market leading **climate scenario white paper** Launched our Power BI climate scenario analytics toolkit across investment desks
Influencing the transition through active ownership	Influence climate action via stewardship across all asset classes. Step up our actions, especially with highest carbon emitting assets across our holdings.	Actively engaging on climate individually and collaboratively via Climate Action 100+ and FAIRR. Focus on high emitting companies through a priority watch list and have time bound milestones. Voting against transition laggards (those scoring 1 or below on TPI)	Successfully influenced climate action via engagement Supported 54% of climate resolutions in 2020 Implemented process to vote against TPI laggards in 2021
Support the transition to low carbon energy	In our UK managed investment Real Estate, where we have procurement responsibility, we use renewable electricity	Moved all sites on to green tariffs	Achieved and maintained since 2019

Material issue: **Biodiversity**

Key aims	Commitments	Actions	2020/21 Achievements
Conservation/ biodiversity	In our UK managed investment Real Estate we aim to improve biodiversity	Working with our property manager to create positive biodiversity impacts	Implemented improvements ranging from wildflower areas to beehives (see Page 44)

part i

Governance and stakeholders

Our stakeholder highlights

Climate change

the top ESG theme our people said we should prioritise in our operations

54%

% of times we voted in favour of climate-related resolutions*

7

the number of climate-related consultations we've responded to

167

ESG climate change specific engagements with investee companies

*For remaining resolutions, we voted against.

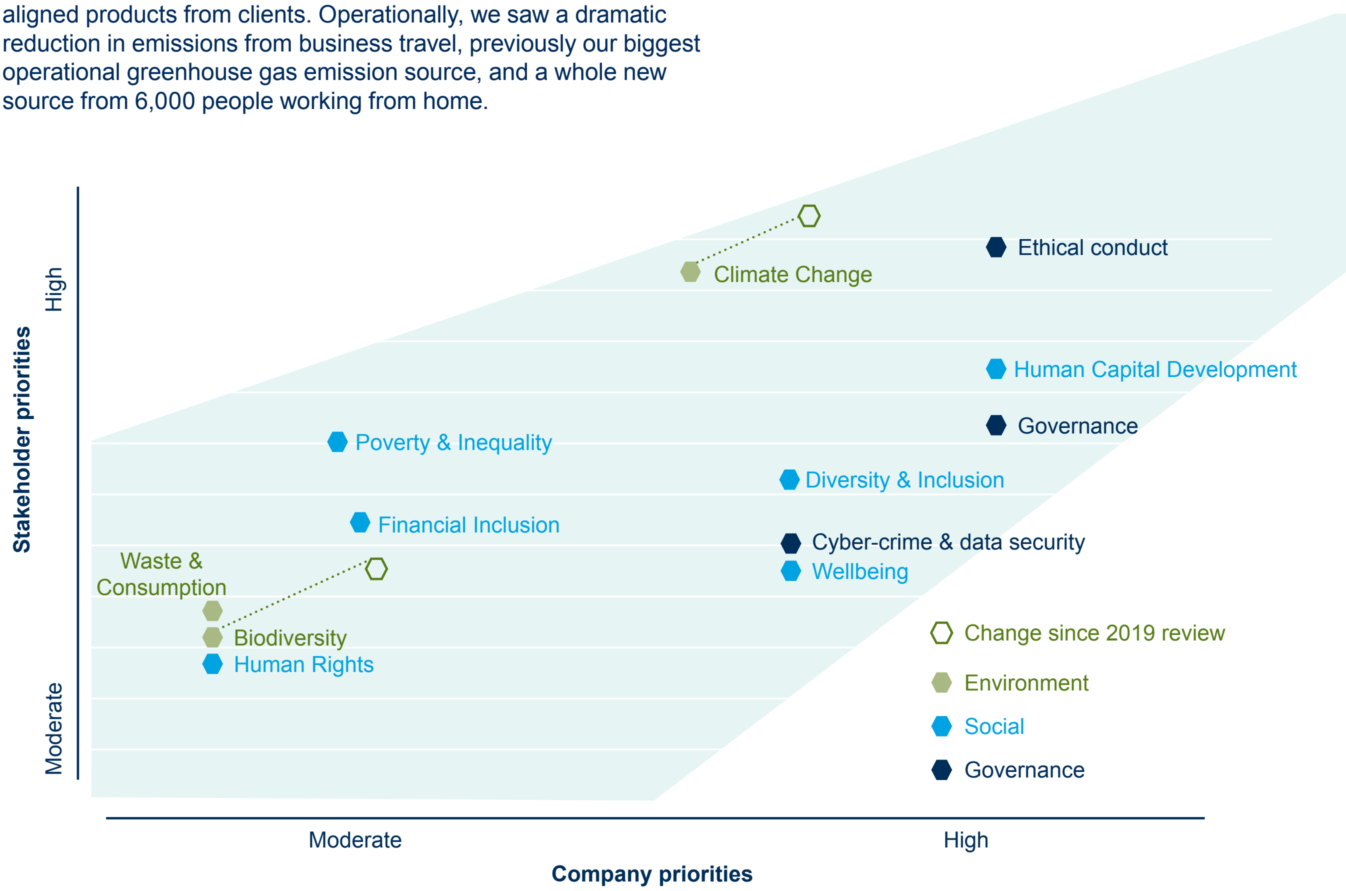
Material sustainability issues

To understand and prioritise the ESG issues that are most important to our stakeholders and our business, we undertook our most recent materiality review in 2019.

The output helps us to shape our strategy and approach, as well as tailor our reporting so we are highlighting the areas of interest to our stakeholders.

A lot has changed since our last materiality review. We've seen a big shift in awareness and understanding of the impacts of climate change - with protests, new regulation and extreme weather events across the globe. Stakeholders wanted us to continue focusing on not only reducing our own emissions but also on how we invest and allocate capital to enable the transition to a low-carbon economy.

In 2020 the pandemic shifted expectations again. COVID-19 has been linked to the destruction of habitat, increasing people's focus on the biodiversity crisis and climate change. As a business we've seen a rapid increase in interest in solutions and Net Zero aligned products from clients. Operationally, we saw a dramatic reduction in emissions from business travel, previously our biggest operational greenhouse gas emission source, and a whole new source from 6,000 people working from home.



Governance

This section provides detail on the following recommended TCFD disclosures:

a Board oversight of climate-related risks and opportunities

b Role of management in assessing and managing climate-related risks and opportunities

In 2020, we reviewed our internal executive governance structure to determine where we could make enhancements. We removed unnecessary layers of governance, supported considered and simplified decision making, and aligned to the individual accountabilities as designated under the Senior Managers and Certification Regime (SMCR).

Diagram 1 – Our corporate climate-related governance structure

Board

The Board and Board sub-committees including the Nomination and Governance Committee oversee a number of climate-related issues and reports – including our TCFD report- provide challenge and ensure we are ambitious in our plans.

Chief Executive Officer
Group climate change sponsor

As climate change sponsor, our CEO is responsible for overseeing climate-related risks and opportunities and delegates management to Executive Leadership Team members.

Executive Leadership Team (ELT)

The ELT consists of the most senior executives in the company, with relevant domain and geographical expertise. ELT meetings focus on four areas of the business's operational system: growth, operations, control, and talent. A number of ELT members have governance responsibility for climate-related issues. Operational oversight is delegated to the Chief Operating Officer, whilst investment oversight is delegated to the Chief Investment Officer. The Chief Brand, Marketing and Corporate Affairs Officer's function is responsible for monitoring compliance with key regulation and policies associated with climate change.

Chief Operating Officer

Chief Investment Officer

Chief Brand Marketing and Corporate Affairs Officer

Climate Change Working Group Corporate
- Review risk and opportunity radar
- Enable corporate climate change strategy
- Prioritisation, review and validation

ESG Investment Team
- ESG strategy and approach
- Standards and best practice
- Sustainable Solutions
- Research and Insights
- Data and Analytics
- Company engagement
- Cast proxy votes
- Support investment process integration

Climate Change Strategy Group Investments
- Review working group recommendations (see diagram 2)
- Address challenges
- Highlight key decisions that require approval
- Investment asset class representatives
- Integration of research from Research Institute

Corporate Sustainability
- Environmental strategy and compliance for operations
- Corporate GHG emissions
- Develops climate-related disclosures
- Internal and external communications

Diagram 2 – Our investment climate change governance structure

Chief Investment Officer (CIO)

Material issues raised to IMC and ESG Investment Forum

Any approval of key ESG - including climate-related decisions and budget are taken to the Investment Management Committee (IMC) and the ESG Investment Forum. The IMC consists of our asset class heads and other senior investments leaders. Its role is to run the global Investments function and advise the CIO and CEO on investment run management issues and capabilities.

The ESG Investments Forum is the place to help share insights and enhance understanding of ESG topics across investments.

Climate Change Strategy Group Investments – Sponsor, Chief Investment Officer
Chaired by the Head of Climate Change Strategy, the strategy group sets the strategic direction and reviews recommendations from the working groups, addresses challenges and highlights any key decisions that require IMC approval. It informs the ESG Investment forum by sharing minutes and outcomes. The senior members from cross-asset class investment desks are present on the group.

Recommendations, challenges and progress updates

Working Group: **Product Enablement**	Working Group: **Scenario Analysis**	Working Group: **Public Markets**	Working Group: **Private Markets**	Working Group: **COP26**

Business enablers

Technology
we use technology to improve performance and efficiencies

Research
we have a robust cross asset class research governance structure that oversees our rigorous climate change research, this feeds directly into investment decision making and product design

Reporting
we are enhancing the way we report on ESG measures for clients

Internal education
we inform the business on the latest research, activities and actions

Key to our governance structure is the radar of climate-related risks and opportunities. The radar is structured to follow our risk management process as well as aligning to TCFD. The working groups input into the radar to ensure that the material climate-related risks and opportunities are identified and have the necessary controls. The highest scoring radar risks and opportunities are detailed in the strategy section. In the last 12 months the ELT discussed plans and progress against our Net Zero objectives both from an operational and investment perspective. The Board-level Nomination and Governance Committee received presentations and approved key corporate sustainability disclosures, including this TCFD report.

part ii

Strategy

By focusing our global resources on our strategic growth priorities, we are building a long-term, sustainable business, whilst delivering for our clients today.

UK adviser and consumer market

In an aging population, individuals need to save more and start earlier. Our UK Adviser platforms and Personal vectors are focused on helping financial advisers and individuals invest. We aim to making their experience easier with products and solutions aligned to their desired outcomes.

Growth in Asia

The economic centre of gravity continues to move East and building on our strong legacy there is a major strategic focus. We are reconfiguring our business for faster growth in Asia, bringing global capabilities and local expertise.

Technology

We will complete our integration and yield the full operational and cost benefits of a simplified technology infrastructure. We will enhance our capabilities, to allow us to better match our solutions to client needs and support our investment teams' focus on continuously improving performance and a sustainable and efficient pattern of growth.

Private markets

In a world of low expected returns from liquid asset classes, fewer public companies and where traditional approaches to portfolio diversification are less efficient, private market and real estate opportunities are playing an increasingly important part in making our clients better investors.

Delivering client led growth

Solutions

Our institutional and wholesale clients are facing an increasing array of complex challenges and are focused on being able to achieve specific outcomes that meet their unique circumstances and objectives. These challenges range from understanding technology and business model disruption, through to the impact of long-term low interest rates and managing the transition to a Net Zero future.

Investing responsibly

In a rapidly changing world on a path to Net Zero, we believe targeting sustainability improves our clients' long-term returns. As futurists, we are relentlessly curious and seek to identify those technologies, companies and sectors that will thrive in the economy, environment and society of tomorrow. We will develop our products and solutions to target sustainability, in pursuit of improving long-term returns and empowering clients to make better informed investment decisions, to help them navigate this era of rapid change.

Client ecosystems

Data analytics and connected systems allow us to deliver the right solution, to the right client, at the right time. In well-designed ecosystems it is no longer necessary to own all parts of the value chain.

This section provides detail on the following recommended TCFD disclosures:

a. Climate-related risks and opportunities identified over the short, medium and long term

b. Impact of climate-related risks and opportunities on businesses, strategy and financial planning

c. Resilience of the organisation's strategy and business plans with regards to different scenarios

d. Factoring of climate-related risks and opportunities into relevant products or investment strategies

e. Impact of transition to low-carbon economy on products or investment strategies

> **"The impact of climate change goes beyond performance alone. We have a responsibility to deliver positive financial outcomes for our clients, but also contribute to the sustainability of the world they live in. As the effects of climate change become more apparent, clients increasingly want to ensure that how they are investing meets their core values and reflects their expectations. We aim to provide the products and services to meet these changing demands.**
>
> Rod Paris, Chief Investment Officer

At a corporate level, we assess climate-related risks and opportunities using our risk and control self-assessment process. Tables 1 and 2 list our key risks and opportunities assessed against likelihood and financial impact before we have applied our controls. After controls have been applied none of the identified risks are considered to be financially material to our business strategy. A number of the opportunities are material and have been linked into our growth strategy as outlined above.

Our growth strategy targets sustainability to improve our clients' long-term returns. Empowering clients to make better informed investment decisions helps them navigate this era of rapid change. Our growth strategy also views our actions through the lens of our different stakeholder groups. Tables 1 and 2 below detail how we mitigate against climate-related risks and also our realisation strategy for the opportunities and how this links to our strategic growth priorities.

Climate-related risks and opportunities are evolving quickly and therefore the materiality of risks could also quickly change. See Risk Management section for more detail.

We conducted our unique, industry leading climate-related scenario analysis exercise in 2020. This deepened understanding of the potential implications of climate-related transition risks and opportunities for investments and the resilience of our portfolios and investment strategies.

Rating	LOW			HIGH
Likelihood	**1.** 0-10% chance of occurrence in next 12 months (1 in 10 year event)	**2.** 11-30% chance of occurrence in next 12 months (1 in 5 year event)	**3.** 31-60% chance of occurrence in next 12 months (1 in 2 year event)	**4.** 61-100% chance of occurrence in next 12 months (1 in 1 year event)
Financial impact	1.	2.	3.	4.

UK adviser and consumer market	Growth in Asia	Technology	Private markets	Solutions	Investing responsibly	Client ecosystems

Table 1: Key climate-related risks

		Risk type	Potential financial impact (-)	Likelihood	Mitigation Strategy	Mitigation in action	Financial impact post control (-)	Strategic growth priority
Transitional	Policy and legal	Enhanced emissions-reporting obligations	Cost of analysis and data gathering and publication 3	4	• Process to identify and respond to regulatory and voluntary change • Develop the data and tools necessary for analysis and research • Carbon footprinting available for all funds • Power BI Tool embeds the output from the scenario analysis • Client reporting is being further automated	With more demand for detailed ESG reporting we are building advanced data analytics tools and increased automation. We have an in-depth project to ensure a robust response to new and evolving regulations such as mandatory TCFD report, EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR). We have expanded our fund carbon footprinting tool and climate change scenario analysis. We are disclosing portfolio-level ESG information for our major institutional clients and across a range of our public market funds (Page 40)	2	Technology Client ecosystems
Transitional	Policy and legal	Exposure to litigation	Reduced demand for products and services resulting from fines and judgments 3	1	• Regulatory team ensure right people are informed and new regulation and associated risks are monitored through our Risk system • Product Governance team ensure funds meet regulatory and client requirements and our product descriptions are transparent • Marketing and Distribution teams ensure we understand clients' needs	While there is increasing demand, there has also been limited standardisation as to what products are sustainable and this opens up a risk of mis-selling or greenwashing. The EU SFDR regulation aims to provide transparency and standardisation to help investors to make better comparisons between asset managers and ultimately make better informed financial decisions. To meet and exceed these requirements we launched our ESG Client Reporting campaign. In March 2021 we achieved compliance with EU SFDR Level 1 (Page 40).	2	Solutions Client ecosystems Investing responsibly

		Risk type	Potential financial impact (-)	Likelihood	Mitigation Strategy	Mitigation in action	Financial impact post control (-)	Strategic growth priority
Transitional	Market	Significant shifts on consumer preferences	Reduced revenue from decreased demand for products 4	4	• Enhance communication of our ESG credentials • Distribution teams ensure we understand clients' needs • Our in house ESG score integrates ESG criteria into our funds • We are developing products to meet the growing demand for low carbon solutions	ESG is a core component of our growth strategy – we ensure we are meeting clients' expectations by integrating ESG criteria into our funds and providing products with a specific focus on sustainability and low carbon or Net Zero outcomes. To complement our bottom-up House ESG Score we have also developed macro ESG, climate policy and gender equality indices that are being integrated into a growing range of macro investment processes. Our climate change investment approach is detailed on page 19.	2	**UK advisor and customer** **Growth in Asia** **Solutions** **Client ecosystems**
Transitional	Market	Climate-related risks impact the market	Abrupt and unexpected market impacts reduce the value of AUM, impacting the customer and reducing investment management revenue 4	4	There are a number of ways in which we protect our clients' investments from negative climate-related impacts: • Diversified portfolios • Embedded scenario analysis into our investment process • Embedded carbon footprinting • Engagement • Thematic notes disseminated across all investment • ESG house score in our fund analysis • Research led thematic notes for investment desks	Our scenario analysis suggests that the impact on aggregate global equities is modest in the near to medium term. There will be micro or stock specific impacts but these are focused on specific sectors and companies. We integrate the results of our scenario analysis and carbon footprinting data into our investment process using the Power BI tool (Page 31). We have regular engagement with high emitting companies, and those assessed as being more at risk to better understand risk exposure and steer companies to address potential issues. Our ESG Investment Team and Research Institute provide high quality thematic notes covering regulatory and societal changes, which are shared across all investment desks to inform investment decisions. We conduct policy assessments and our on-desk analysts produce and consider policy insights. This agenda is governed by a suite of steering groups that ensure that research is properly coordinated, prioritised and overseen. We also ensure our portfolios are well diversified to avoid exposure to carbon intensive industries' impact on the current fair value of most aggregate equity indices.	2	**Client ecosystems** **Private markets** **Investing responsibly**
Transitional	Reputation	Increased stakeholder concern or negative stakeholder feedback	Reduced revenue from decreased demand for products 3	4	• Operationally -aim to exceed stakeholder expectations on reporting, transparency and action • We support transitional policies and proactively engage with governments, regulators and industry organisations • We are an active investor • We integrate ESG criteria into all of our funds	**Operationally** We focus on reducing our carbon footprint and exceeding science-based targets, transparent emission reporting, offsetting 110% of residual emissions, engaging with our supply chain on Net Zero targets, and engaging our people with their own carbon footprint. **Investments** We joined the UK government's Race to Zero, supported mandatory TCFD reporting and work in collaboration with industry organisations, most recently the Net Zero Asset Managers alliance (Page 18) Active investor with strong record on engagement and proxy voting. House ESG score ensures the integration of ESG criteria into our funds.	2	**Investing responsibly**
Physical	Acute	Increased severity of extreme weather events such as cyclones and floods	Reduced revenue due to transport difficulties, damage to facilities 3	4	• Business continuity process • Flexible working • Insurance for travel and buildings	The biggest business disruption from extreme weather events would be the impact of travel both in terms of commute and business trips. We've increased remote access and flexibility (COVID-19 tested this). Travel insurance would cover most flights cancelled due to weather conditions and most impacts on our facilities.	2	

Table 2: Key climate-related opportunities

		Risk type	Potential financial impact (-)	Likelihood	Mitigation Strategy	Mitigation in action	Financial impact post control (+)	Strategic growth priority
Transitional	Products and services	Development and/or expansion of low emission goods and services	Increased revenue through demand for lower emissions products and services, better competitive position to reflect shifting consumer preferences, resulting in increased revenues 4	4	• Develop low carbon and Net Zero focused products • Identify the climate transition leaders • Develop climate toolkit	Develop low carbon and Net Zero focused micro and macro products. We already have a number of products and services, and are developing more. We conduct thematic research and engage with companies across sectors and regions to understand how best to identify leaders in the fields. Developing macro oriented funds. To complement our bottom-up House ESG Score we have also developed macro ESG, climate policy and gender equality indices that are being integrated into a growing range of macro investment processes. We have developed a climate toolkit which includes carbon footprinting and climate scenario analysis.	4	**Solutions** **Client ecosystems** **Investing responsibly**
	Markets	Access to new markets	Increased revenues through access to new and emerging markets (Increased diversification of financial assets) 4	3	Invest in new markets	We are supportive of policies and are engaged with key decision makers ensuring we are aware of developments.	4	**Investing responsibly** **Growth in Asia**
	Resource Efficiency	Use of more efficient modes of transport	Reduced operating costs, increased production capacity, resulting in increased revenues, benefits to workforce and reputation 3	4	• Increase VC/online meetings • Moving towards electric/hybrid cars • Travel reduction targets and strategy	The travel restrictions due to COVID-19 have made online meetings the new normal. We are reducing our fleet and replacing the remaining vehicles with hybrid or electric models. Most materially we've announced stretching travel reduction targets which link carbon to cost. This is managed on a monthly basis by our travel manager's carbon and cost meetings with divisions.	3	
		Move to more efficient buildings	Reduced operational costs, better working environment 3	4	• Building strategy linked to sustainability targets including energy efficiency • Efficiency projects	Moved to a more efficient location in Philadelphia saving over 20% in energy use. This shows the impact that our lease strategy can have. We are also continuing the roll out of our efficiency measures at our locations.	3	

It starts with us

As a corporate entity we want to ask more of ourselves than of the companies we invest in. Operationally, we focus on the material areas of our carbon footprint and have Net Zero targets for our Scope 1 and 2 and some Scope 3 greenhouse gas emissions. Our interim target is a 50% reduction by 2025. Our Scope 3 emissions cover primarily business travel and working from home emissions. More detail on this is provided on page 36 (Metrics and targets).

Because we focus on reducing our biggest emission sources first, we chose to add working from home emissions into our corporate greenhouse gas reporting and more importantly our Net Zero strategy. We first reduce where we can and then offset 110% of our emissions with accredited projects for those emissions we've yet to find solutions for.

We are also committed to engaging with our supply chain on setting their own Net Zero targets and have pledged to reach our suppliers representing 50% of spend by 2025.

Case study – Working from Home

The nature of our carbon footprint has changed drastically because of the pandemic, impacting our emission reduction strategy. Travel, which made up 65% of our footprint in 2019, represented only 14% of emissions in 2020. Meanwhile we went from having under 1% of our colleagues working from home, to over 95%. This meant energy use in our offices reduced, but home-working became our single largest source of emissions, accounting for 55% of our carbon footprint. While our offices are mostly efficient, peoples homes are less so, therefore working from home uses more energy in most circumstances.

We believe that home working is likely to be a lasting feature of working life from now on. We've therefore started to develop a strategy to tackle home-working emissions. This is important, because our policy has always been to tackle the largest emission sources first so that we can make the greatest impact.

We calculated our working from home emissions based on accepted, robust and audited models. We also partnered with eco-tech business, Pawprint, to monitor emissions from home-working. Initially we provided access to the app for 500 of our colleagues from around the world, but in 2021 we are expanding this to all our people. The app helps our colleagues understand and reduce their carbon footprint, while the data from this will supplement the models we use and help to improve their accuracy so we can robustly offset home-working emissions.

Investing with purpose

It is estimated that over the next 30 years, $50 trillion will be needed to invest in technologies to achieve global decarbonisation. Even if decarbonisation does not occur on Paris-aligned timeframes, a significant low carbon energy transition is inevitable. This transition is simultaneously one of the greatest opportunities and risks to our business. Understanding who the winners and losers of this shift will be will therefore generate better returns for clients. Developing the right products and managing our portfolios effectively is key to our strategy, underpinned by our market leading research processes and climate scenario analysis.

Our approach is focused on Net Zero directed investing across all asset classes.

> **“The cornerstone of our climate strategy is Net Zero directed investing. That means incorporating climate change into every investment decision, developing solutions for Net Zero 2050 and taking actions to achieve rapid decarbonisation in our portfolios and in the real world.**
>
> Eva Cairns, Head of Climate Change Strategy

We are committed to reducing the carbon intensity of our portfolios. We already systematically analyse climate risks in our portfolios – and as a result, the majority of our equity and credit funds are already less carbon intensive than their benchmarks. But we plan to go further and are developing a target-setting framework that will enable us to set more robust carbon-intensity reduction targets. We will publish more detail on this through 2021.

The essence of our recommended approach is to target decarbonisation of investment portfolios as rapidly as possible, and at a faster rate than most markets, subject to there being no detriment to the long-term risk-adjusted returns we deliver to our clients. We have developed a framework, supported by proprietary research and analysis, that we are deploying with clients, to enable sustainability outcomes to be achieved within the boundaries of the existing risk and return profiles of funds and mandates.

Case study: Joining the Race to Zero

We recently joined the **Net Zero Asset Manager (NZAM) initiative**, demonstrating our commitment to working collaboratively with clients to achieve Net Zero by 2050 or sooner.

For us NZAM means developing Net Zero solutions across asset classes to enable our clients to reach their Net Zero 2050 goals. We will also work with current, and prospective clients, to outline how goals can be delivered alongside risk-adjusted returns.

This builds on our contribution to the recently launched IIGCC Net Zero Investment Framework as we look to support real world decarbonisation through a number of measures. We are using the framework as a foundation for developing Net Zero solutions and are actively involved in the IIGCC Paris Aligned Investing Initiative to help develop best practice in the industry.

More detail about the action we're taking in our **Investing for Net Zero article**.

Climate change is core to our ESG integration process across all asset classes. We believe that understanding and managing the risks and opportunities related to climate change leads to better investment decisions, better outcomes for our clients, and a more sustainable world. Our climate change investment approach has six areas of focus and is aligned with the UN supported Principles of Responsible Investment investor agenda:

Table 3: Our investment approach

	Focus	Objective	Action	Aim
Investments	Research and data	Provide high-quality climate change insights and thematic research across asset classes and regions	• Carbon footprinting • Thematic research (hydrogen, food production, fossil fuels) • Climate Change Scenario White Paper	Invest today
	Investment integration	Integrate the potential impacts of climate-related risks and opportunities into our investment decisions	• ESG scorecard with climate change • 'ESG considerations' is part of our research note templates for fund managers • Carbon footprinting as core data to consider for our funds	
	Client solutions	Understand client needs regarding climate change and low-carbon product demand. Develop innovative solutions and products	• Bespoke product solutions for climate change focused investors • Net Zero 2050 aligned solutions • ESG integration as standard across all our products	
Corporate engagement	Investee engagement and voting	Understand investee exposure and management of climate change risks and opportunities. Influence investee companies via engagement and voting	• Regular engagement with companies on climate change • Climate Action 100+ collaborative engagement initiative to influence • We voted in favour of 54% of climate-related resolutions in 2020, from 2021 we are voting against TPI laggards (those scoring less than 1)	Change tomorrow
Policy and advocacy	Collaboration and influence	Collaborate with industry associations and participate in relevant initiatives. Engage with peers and policy makers to drive change and best practice	• Members of NZAM, PRI, IIGCC, Climate Financial Risk Forum (PRA/FCA led), Climate Action 100+, PPCA, TPI, FAIRR • Providing our views on climate matters to Governments	
Investment disclosure	Transparent disclosure	Disclose using the TCFD reporting framework, including additional disclosure for asset managers	• The publication of this report • Encouraging disclosure of the TCFD framework in engagements • Transparency via recently launched ESG client reports	

Climate scenario analysis

The transition and physical risks of climate change are wide reaching and impact every country, sector and company. Through climate scenario analysis, we wanted to develop a robust, forward looking, quantitative assessment of the possible implications of these risks and opportunities on our investments.

What we did

We have developed a bespoke approach to climate scenario analysis, that integrates and quantifies the macro and micro drivers of climate impacts on asset prices within a probabilistic framework. Our analysis includes 16 scenarios in total with projected 2100 temperature rises ranging from 1.4 to 4.1˚C. Our approach brings together seven industry standard off-the-shelf scenarios alongside seven more nuanced and plausible bespoke scenarios. We also include two probability-weighted scenarios, one of which captures the mean across the full range and another that captures the mean across only the Paris-aligned scenarios.

> **"By capturing more plausible central scenarios, and assigning realistic probability weights, we are in a much stronger position to integrate scenarios into our investment decision making and climate solutions for clients.**
> Jeremy Lawson, Chief Economist

Our models allow us to embed different assumptions about the underlying energy systems and the technology pathways that shape their evolution. The important drivers of regulation, policy and technological change are difficult to forecast over long horizons. To manage this uncertainty we can alter the scenarios' probability weighting as new information becomes available.

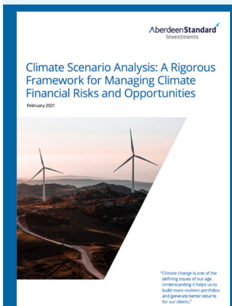
Drawing on the expertise of our external partner, Planetrics, we translate the scenarios into financial impacts across our managed assets:

i. Our scenarios are converted into economic shocks that incorporate direct impacts as well as indirect impacts due to changing patterns of demand.

ii. Effects on asset value streams are modelled as a function of a firms' exposure to these shocks, ability to react to them in terms of abatement or adaptation, and the nature of competition in their industries.

iii. Finally, we generate impairment estimates for individual securities, using standard asset-pricing models, which can be aggregated at sector, regional and portfolio level.

These impairment estimates are relative to a baseline that captures what we think the market is pricing at a given point in time.



Climate Scenario Analysis: A Rigorous Framework for Managing Climate Financial Risks and Opportunities, provides more detail of our methodology, alongside an overview of key results and an outline of our approach to integration.

What were the outcomes

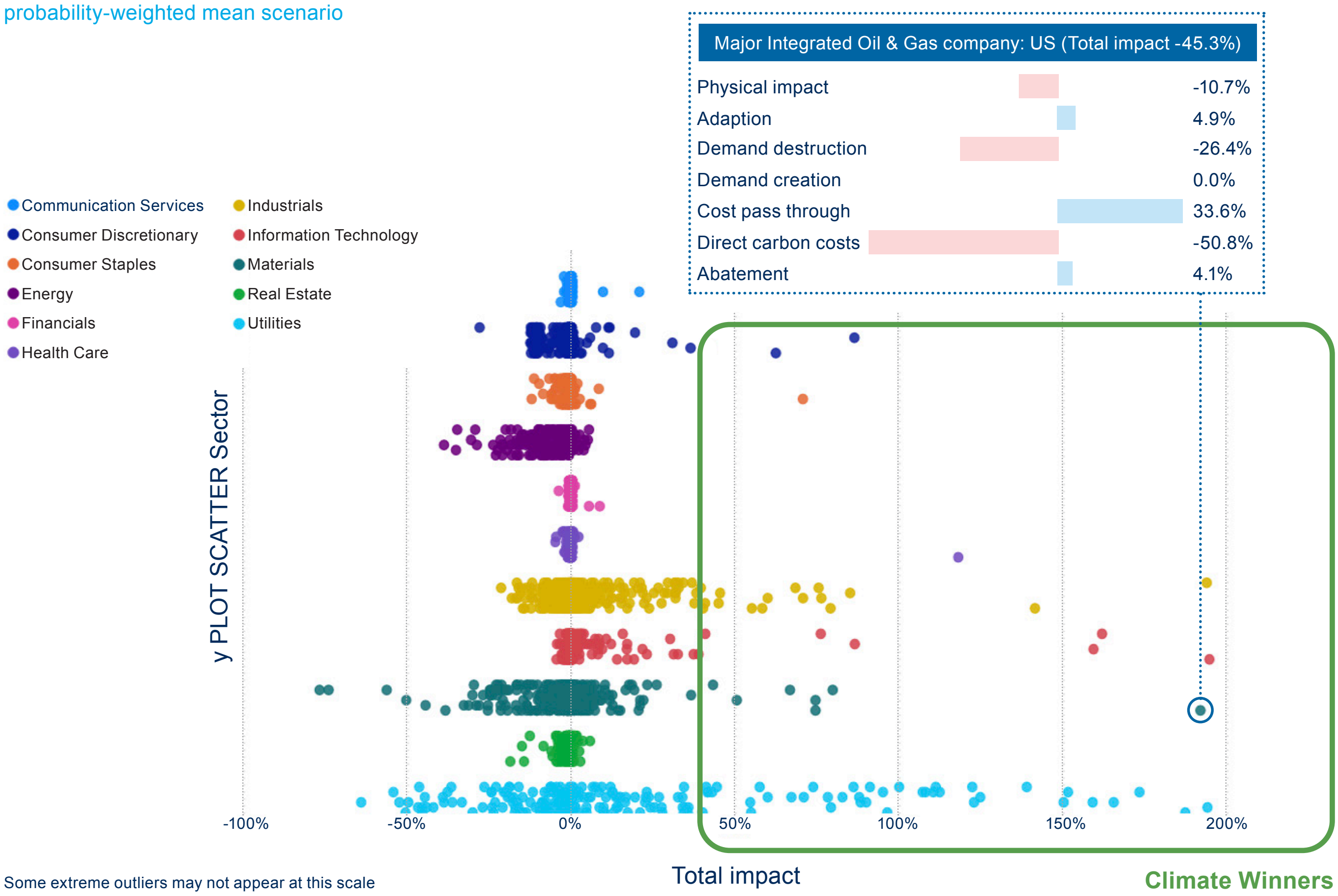
A major energy transition is taking place – it is just a question of scale, speed and composition. In terms of the future of energy, the most important takeaways from our analysis are that:

1. The transition to a lower carbon global economy will continue, but it will likely fall short of keeping temperatures below 2°C
2. The transition will be uneven across sectors and geographies
3. Solar PV is likely the biggest winner from the energy transition
4. Among fossil fuels, the outlook for coal is especially dire, while peak oil demand is likely just over a decade away
5. The role of natural gas as a transition fuel will depend on how cost effective carbon capture and storage is in comparison to renewable energy technologies

The diagram below shows anonymised impairment estimates across the companies listed in the MSCI Global Index, broken down by sector, under our probability-weighted mean scenario. We also show, for a representative firm, how those impairment estimates can be disaggregated into their key drivers, which helps us understand the nature of the business risk or opportunity.

Global utilities are likely to be the largest winner due to the growth of renewables (under no scenario does the sector suffer negative impairment). The fossil fuel energy sector is the largest loser from the energy transition. Most other sectors are, on average, more negligibly affected even under strict abatement scenarios because of their lower carbon intensity. Financial sector impacts are arguably understated because of the difficulty of measuring their full scope-three exposures through investments and loans. However, within aggregate sectors there is great dispersion across sub-sectors, firms and regions. This implies a large opportunity to draw on scenario analysis to actively manage investment portfolios, develop investment strategies that tilt towards climate-transition winners, and support thematic climate-solutions portfolios.

Anonymised impairment estimates across the companies listed in the MSCI Global Index, by sector, under our probability-weighted mean scenario



Some extreme outliers may not appear at this scale

How we are using this information

At individual company level, we are able to break the total impact down into its main drivers providing us with a clear way to assess the impairments or uplifts via the scenario analysis at asset level.

The insights from our analysis are now being embedded throughout the business and we are integrating our climate-scenario framework and insights into our business strategy, the key stages of our investment process and the development of climate-driven solutions to deliver superior outcomes for our clients:

Stock-level research - Identify risks and opportunities based on impact variation within sectors & regions and understand characteristics of winners & losers

Corporate engagement - Incorporate insights into engagement to understand risk mitigation and resilience, challenge strategies and encourage disclosure

Strategic Asset Allocation (SAA) - Reflect implications of climate scenarios on aggregate risk and return opportunities

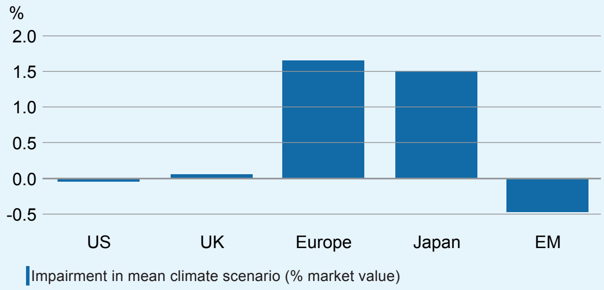
Investment solutions - Construct climate-resilient portfolios and client-driven products and benchmarks to support the low-carbon transition

More detail on how the scenario analysis outputs are used in our investment approach is given within the risk management section, page 27.

Case study – Using scenario analysis to enhance strategic asset allocation

We are incorporating our climate-scenario analysis into strategic asset allocation (SAA). By combining our standard economic scenarios with the mean impairment from our climate scenarios we can consider the long-term expected returns of a wide range of asset classes and consider how best to combine them into portfolios to meet long-term fund objectives. We've made changes to our SAA process to incorporate climate and other ESG objectives. This experience helped shape the IIGCC Net Zero Investment Framework, which has a strong focus on the role of SAA in enabling investors to meet Net Zero objectives.

The combination of high growth rates and low interest rates means that climate-solution sectors may justify relatively high expected returns in an SAA context. However, policy stringency and the direction of technological advances are uncertain. Our climate scenarios are invaluable tools for modelling this uncertainty. We can now assess the impact on returns across a range of different climate scenarios, consider whether climate-enhanced indices are likely to underperform or outperform their benchmarks, and to regularly retest assumptions on returns as market prices and climate policies shift.



Source ASI, April 2021

Assessment of fund and portfolio resilience

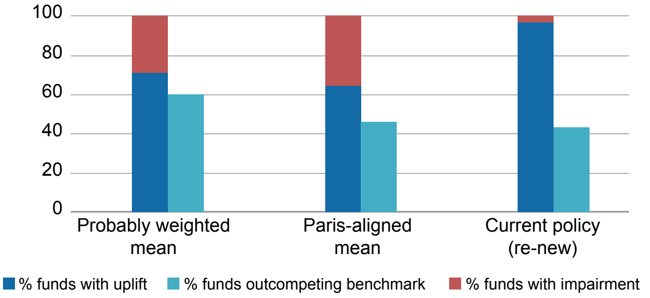
We can use the scenario analysis to understand how resilient our portfolios are to different, uncertain future pathways. Our Power BI tool enables every fund manager to understand the resilience of their portfolio to different scenarios and against the benchmark.

At fund level

We can use the results to test the valuation impact on individual funds under the different scenarios. Our Multi-Asset Climate Solutions fund, for example, comprises of companies that derive over 50% of their revenues from climate solutions. For this fund we saw that for most scenarios and in our scenario mean, the valuation implication was strongly positive.

At aggregate level

The results can be used to examine the resilience to different scenarios across our range of products. The chart below shows that under our mean scenario as well as the tail-ends of Paris-alignment and a continuation of current policy, at least 64% of equity portfolios show an uplift in value in comparison to the baseline.



Aggregate resilience of portfolios under key scenarios

Results for Fixed Income show that more than two-thirds of funds have a change in probability of default that outperforms the benchmark across all key scenarios.

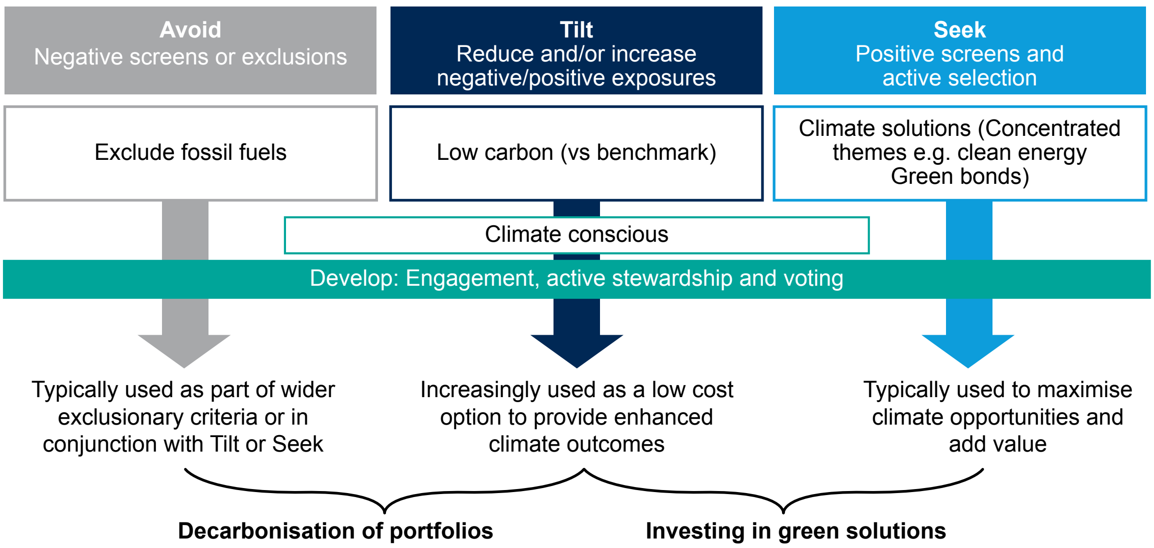
Unlocking Solutions

Our climate focused solutions offer a range of approaches to cater to different client needs. We categorise investors with climate expectations into four broad types:

Values investor	Sustainable investor	Thematic investor	Impactful investor
Want their portfolios to accurately reflect their environmental ethics and avoid a wider range of industries or companies	Want their investments to consider and manage climate risks more protactively e.g. reduced carbon footprint	Want to invest in companies that have a positive alignment to climate	Want to invest in companies that intentionally deliver products or solutions that have a measurable benefical environmental impact

We have fund ranges aligned to the outcome expectations for each of the above categories. As climate considerations are so important when it comes to sustainable investing, they are incorporated to varying degrees across the range. There are funds within the Thematic category for example that are purely focused on climate, while others incorporate climate considerations into broad sustainable mandates.

Each fund will either 'avoid, tilt or seek' or a combination of depending on whether the aim is to decarbonise the portfolio vs. benchmark or invest in companies that are actively contributing to the climate challenge through solutions.



Avoid

Our Ethical and Sustainable and Responsible ("SRI") fund ranges are examples of sustainable funds with broad mandates to invest in companies that are high quality from an ESG perspective and include both positive selection and negative exclusions. For example our Equity SRI approach has a list of exclusions at different revenue thresholds across thermal coal extraction, unconventional oil & gas extraction and electricity generation with a carbon emission intensity not aligned with the Paris Agreement 2 degrees scenario. The funds also target a carbon intensity lower than the benchmark.

Tilt

Our Sustainable Index strategies seek to generate a similar risk and return profile as the relevant standard MSCI index but with meaningfully improved sustainable outcomes. In addition to an improved overall ESG score vs. the standard index, the funds also aim to reduce carbon intensity by up to 50% and enhance green revenue scores by up to 50% vs. the standard market index. This is achieved primarily through tilting the portfolio to companies with superior carbon intensity and higher green revenues, while controlling the ex ante tracking error to the market index. We currently have Global and UK Equity funds in this range with plans to launch further funds for both Equity and Fixed Income.

Seek

We have funds with positive screens and active selection for those clients seeking to make an impact on the transition through investment. Our Multi-Asset Climate Solution fund is an example of the solutions we are building for clients like the Phoenix Group and our more generalist impact investing solutions.

Case Study - Multi-Asset Climate Solutions (MACS)

Partnering with The Big Issue Group we designed a fund for those wanting to invest in companies whose products and services play a decisive role in mitigating climate change and building a more sustainable future. These companies are expected to grow rapidly as the world accelerates its shift towards Net Zero carbon emissions.

"There is an urgent need to combat climate change. This Fund will help finance clean energy, electric vehicles and other technologies that will make a zero-carbon economy possible."
Craig Mackenzie - Head of ESG, Multi-Asset Solutions

Invest in companies whose products and services are helping to mitigate climate change and build a more sustainable future.

Participate in the rapid growth of companies that are leading the transition to a zero-carbon economy.

The multi-asset approach benefits from a broader spectrum of investment opportunities and diversification which helps to manage risk.

Excludes harmful activities

The Fund is driven primarily by its focus on climate solutions. But we want to make sure that, when we buy a green company, it isn't involved in harmful activities. The Fund excludes companies with material exposure to the following activities:

Fossil fuels: no holdings in coal miners, oil companies and related activities. We may include renewable energy companies, with small legacy fossil assets if there is a commitment to a rapid 100% renewable shift.

Nuclear power generation: while it is a source of low-carbon energy, concerns around safety, nuclear waste and high costs mean the Fund will avoid investments in nuclear power.

Biofuel production: the Fund will only invest where there are no material concerns about sustainability.

Carbon emissions: manufacturing green products emits carbon, just like any other kind of manufacturing. However, this is dwarfed by the carbon saved by using these products over their life cycle. But we also ensure the Fund's overall emissions are below the average for global equities.

Ethically controversial activities: companies that pass our strict positive criteria tend not to be involved in ethically controversial activities such as the production of weapons or tobacco, breaches of human rights or labour standards. But, to provide extra comfort we screen all of our investments to ensure we have no material exposure in these areas.

Solutions for Net Zero

We are developing frameworks and solutions for clients with Net Zero ambitions. Phoenix Group, our largest client, has set a Net Zero 2050 goal and we are developing solutions across different asset classes to help them achieve these goals including:

1. **Active Climate Transition (ACT)** - Our active Equities team is developing an investment approach based on the foundations of the IGCC's Net Zero Investment Framework (NZIF). Focused on identifying and investing in 'transition leaders' via the results of our climate scenario analysis and our evaluation of company targets and research on companies' decarbonisation potential and strategy.
2. **'Paris aligned' transition companies** - Our Fixed Income team is using analyst expertise, our climate scenario analysis data and external data to identify issuers that may be considered potentially 'Paris aligned' transition companies, as well as climate solutions providers for this portfolio.
3. **Net Zero Real Estate** - We've committed to work with all of our Real Estate clients to transition their portfolios to Net Zero by 2050.
4. **Strategic Asset Allocation** - We also incorporate Net Zero considerations into our SAA to reflect climate change as another dimension embedded in risk-return optimisations.

Case study – Supporting Solar

In 2020 we acquired a 100% stake in a turnkey portfolio of ground mounted solar photovoltaic (PV) farms. The portfolio in Poland was developed and constructed by Green Genius and consists of 41 state of the art individual projects with a total installed capacity of 40.4MW. All the projects have been awarded a 15 year contract-for-difference support mechanism ensuring stability of electricity pricing for the projects.

> **"In July 2019 we made our first investment in the Polish renewable infrastructure market. Over the course of just over a year, our solar PV portfolio in Poland has grown to over 350MW - which we believe to be the single largest portfolio in the market. We are deeply committed to playing an active role in the transition to a low carbon energy future.**
>
> Dominic Helmsley,
> Head of Economic Infrastructure

Private markets

We are active members of the IIGCC Paris Aligned Investing Initiative working group for Infrastructure and Private Equities and are assessing what Net Zero means in Private Markets. We lend to a number of sectors within the renewables space, including UK wind, solar and hydro power and district heating.

Impactful investor

We also have a number of more generalist impact investing solutions which aim to support the delivery of measurable, positive environmental and social impact while generating strong financial returns. For example, our Global Equity Impact Fund, which is aligned to the UN Sustainable Development Goals, includes companies that provide solutions for clean energy, energy efficiency and access to energy.

Wealth

We offer discretionary wealth management services dedicated to delivering client-focused solutions through mandates. We work with private clients, family offices, financial advisers, accountants, solicitors, trustees and charities. A range of investment solutions are available, each capable of being tailored to match specific requirements. In addition, we offer positively-themed Climate Active, Global Impact solutions and a sustainable Managed Portfolio Service offering sustainable investment across a range of risk profiles and access points.

Aberdeen Standard Capital's Global Impact Strategy – Aligned to the UN's Sustainable Development Goals, aims to have a positive social and environmental impact, while also delivering on clients' financial objectives. Expanding on our existing sustainable fund range, we have a strong pipeline of options catering for a range of different client sustainability requirements due for launch throughout 2021.

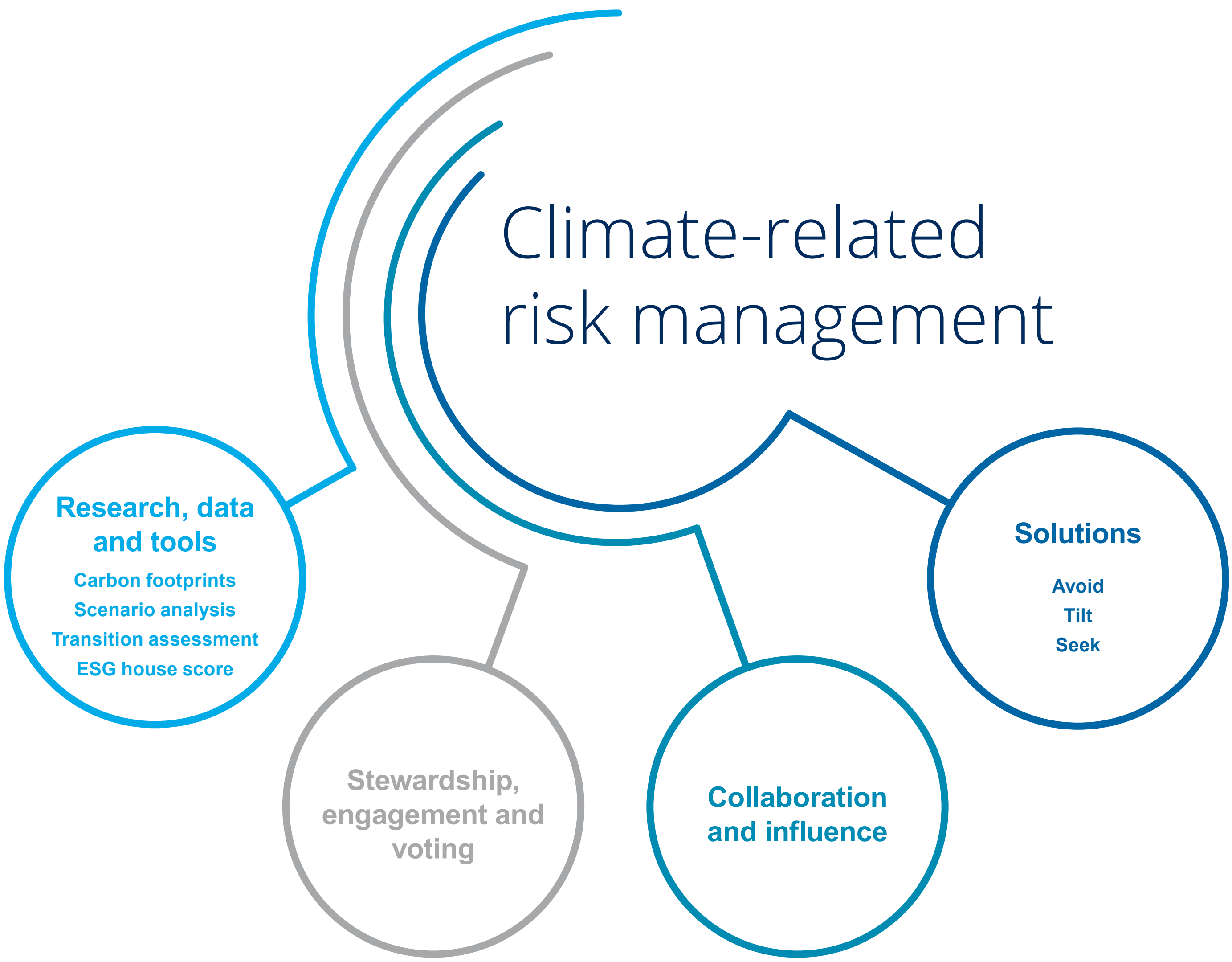
Personal

Through our platforms advisors and customers can access a number of these funds through our ISAs.

part iii

Risk Management

Effective risk-based decision making is essential to the delivery of the right outcomes for our clients, customers and all our stakeholders.



This section provides detail on the following recommended TCFD disclosures:

a. Processes for identifying and assessing climate-related risks

b. Processes for managing climate-related risks (including mitigation, transfer, acceptance and control)

c. Integration of processes related to identifying, assessing and managing climate-related risks into overall risk management

d. Describe how material climate-related risks are managed for each product or investment strategy

e. Describe engagement activity with investee companies to encourage better disclosure and practices related to climate related risks in order to improve data availability and asset managers' ability to assess climate-related risks

Our aim is to have a robust risk management process which protects our business and our clients from climate related risks while ensuring we are well positioned for the opportunities.

It starts with us

For over ten years we've identified operational climate-related risks through our climate risk and opportunity radar, in the last two years we've added investment risks to this as well. In 2018 we aligned our radar to the TCFD recommendations. The radar is based on our risk and control self-assessment process which assesses the inherent risk (that is the risk before the consideration of controls) against:

- Likelihood – the % chance of an occurrence in the next 12 months.
- Impacts – financial, customer, regulatory, reputational and process

The inherent risk is then scored after the consideration of the effectiveness of controls (both in terms of design and performance) currently in place.

We have a climate risk oversight group that evaluates material climate risks within our radar of climate-related risks and opportunities. Where we identify material risks to the business within the radar we escalate this up through our governance structure (Diagram 1). The management process determines whether we mitigate, transfer, accept or control risks.

Our climate-related risk and opportunity radar provides a score post existing controls. Where a score is very low (i.e. where the likelihood is low or the impact is low) then we may choose to accept the risk. Where this is not the case we ensure we have the correct controls in place to either prevent the risk or support the materialisation of the opportunity. More detail is provided in tables 1 and 2 on pages 14 to 16.

Investing with purpose

It is vital that investors understand how physical climate change and the energy transition may affect the long-term returns of the companies and markets they invest in. We believe that doing so will enable us to build more resilient portfolios and generate better long-term returns for clients. It is also increasingly demanded by asset owners and regulators.

Our investment approach as described on page 19 outlines how we identify and manage material climate-related risks for each product or investment strategy. Integrating climate change into our investment decisions is supported by rigorous climate change research, data and tools. We evaluate the financial materiality of climate-change transition and physical risks as well as opportunities across regions and sectors, and reflect this in our portfolio construction choices. We describe the tools and resources we use in more detail within this section.

Our in-house Research Institute, supported by our ESG Investment Team expertise, produces original research for use by our investment teams. It analyses the intersection of economics, government policy and markets, producing an assessment of the likelihood and impact of macro and systemic risks such as climate change and geopolitical issues.

We use a three-lines of defence approach to managing risks, including climate-related risks.

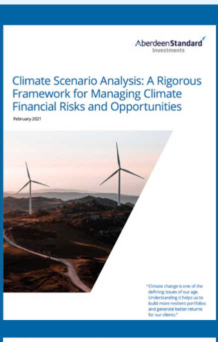
For risks in client portfolios, investment teams are the primary risk owners, or first line of defence.

Our risk management team, governed by the Risk and Capital Committee are the second line of defence.

Internal Audit objectively assesses our internal controls to ensure they are effective as a third line of defence.

Research, data and tools

Our research papers



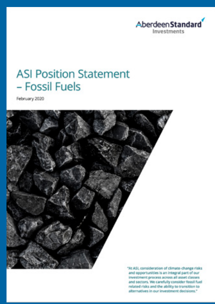
Climate Scenario Analysis white paper

Executive summary

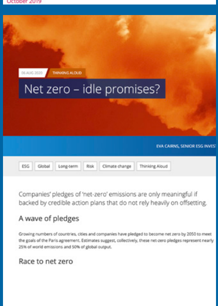
Full paper

Paris alignment position statement

Strategic Asset Allocation - Climates New Frontier



Fossil fuel position statement



Investing for Net Zero

Rigorous research is the foundation of our approach to understanding climate change impacts. Our climate-related research and scenario analysis 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 ESG Investment Team to support investment desks across all asset classes.

Our climate change toolkit

We have developed a range of tools to help integrate climate change into our decision making.

1 **Carbon footprinting data** – 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.

2 **Transition assessment** – We use a number of tools and data sources to assess whether companies have credible transition strategies, including the Transition Pathway Initiative (TPI), Climate Action 100+ Net Zero benchmark assessment, CDP and data from the Science-based Targets initiative (SBTi)

3 **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.

4 **Bespoke climate scenario analysis** – used to assess the impact by geography, sector and industry right down to the company level. Enabling us to assess the impact on future pricing and embed this into our thinking so we can achieve two main objectives:

- Climate-resilient portfolio construction: make current investment portfolios more climate-resilient to different 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.

5 **ESG House Score** – Our ESG House Score which is based on the collection of data for 140 key performance indicators (KPIs) arranged in categories aligned with frameworks such as Sustainability Accounting Standards Board (SASB) and the UN Global Compact. These KPIs allow us to assess the performance of companies in each category and to particularly analyse the possible adverse impact of our investment and the impact on client portfolios. One quadrant of this scorecard is environment which includes climate change and provides both backward (carbon footprint) and forward-looking data (such as targets and projects) to assess a company's response to its climate risks.

We developed PowerBI tools so our teams right across the business can access and analyse the climate change related data at asset, sector, region and portfolio level.

Case study –Developing a climate toolkit in Power BI

The power BI Tool enables on desk information on both Carbon Footprinting and the results from our climate scenario analysis to help fund managers make decisions with climate related information factored in.

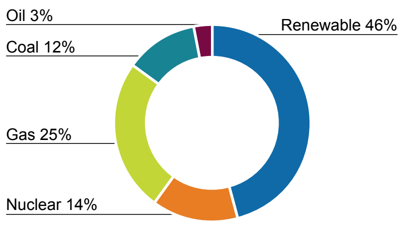
The carbon footprinting tool

The image below shows the summary portfolio carbon data available to investment desks from our carbon footprinting tool.

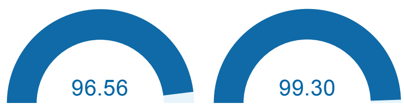
Example fund

Intensity	Weighted average carbon intensity (WACI) Scope 1 & 2 in tonnes of CO_2e/billion USD revenue	83.38		Low
	Weighted average carbon intensity (WACI) Scope 3 in tonnes of CO_2e/billion USD revenue	134.72		
	The portfolio carbon intensity compared to benchmark, Scope 1 & 2	52.3%		Low
	Total emissions Scope 1 & 2 (tonnes CO_2e)	17k	Scope 3 (tonnes CO_2e)	21k
Absolute	Trees needed to offest the emissions	86.92K	Cars taken off the road	6,913

Portfolio power generation mix



Trucost coverage %



Disclosure

Fund	Benchmark
18.75% Trucost estimate	16.60% Trucost estimate
24.92% Trucost estimate	28.89% Trucost estimate
56.33% Trucost estimate	54.51% Trucost estimate

The climate scenario analysis tool

The image below shows an example of the forward looking climate scenario analysis outputs at company level.

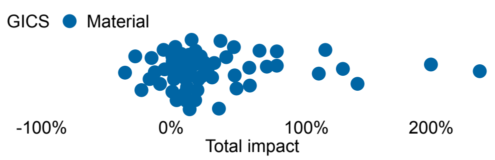
Metals and mining company

Probability weighted scenario	Paris weighted scenario	Current policy scenario
-4.72%	-11.88%	-2.55%
Sector average -1.42	Sector average -1.42	Sector average -1.42

Change in earnings growth

Probability weighted scenario
-2.55%
Sector average -0.10%

Comparison with peer: dispersion of total impact within sector for probability weighted scenario



Stewardship, engagement and voting

Stewardship, engagement and voting is critical to our approach, especially within Fixed Income and Equities. To effectively respond to the climate crisis, we expect companies to follow the TCFD recommendations and demonstrate:

- transparency on climate-related risks and opportunities
- a clear climate strategy
- robust, Paris Agreement aligned targets
- action to achieve the targets
- support of public policies that are aligned with the Paris Agreement's goals

We believe that companies managing these issues well are reacting effectively to climate-related risks and opportunities. If companies are not acting, we have a stewardship escalation process.

Engagement

We engage with companies about aligning their strategies with the Paris Agreement and setting appropriate greenhouse gas (GHG) emissions targets. We do this independently and collaborate with other investors as an active member of Climate Action 100+ (CA100+) and Farm Animal Investment Risk and Return (FAIRR).

In 2020, we led the engagement with E.On as part of our CA100+ involvement and discussed climate change related topics with a large number of companies including VW, KEPCO, BHP, Total, BP, General Motors, Arcelor Mittal and CRH. In 2021 FAIRR won the Sustainable Investment in Action award for their sustainable proteins engagement initiative which we have actively been leading with Nestle and Unilever.

Case Study – KEPCO

Korea Electric Power Corporation (KEPCO) generates, transmits, and distributes electricity in South Korea. It operates nuclear, fossil-fuel and alternative power plants via its six subsidiaries. It is 51% owned by the government.

We are holders of green bonds issued by both KEPCO and by one of its subsidiaries, Korea South-East Power. We originally engaged with KEPCO in order to understand its coal exposure and its long-term ESG strategy for its domestic and overseas markets, as well as the board-level oversight of sustainability and health and safety.

At the time of engagement, ~41% of KEPCO's power generation was from coal-fired power plants, and the issuer was actively pursuing coal-related investments overseas in Indonesia, Vietnam and Australia. We expressed our concern over active investment in heavy-greenhouse-gas-emitting activities internationally while pursuing renewable-energy expansion in its domestic market. In a letter to KEPCO's chairman in July 2020 we encouraged fuller and clearer public disclosures on ESG risks and an overarching sustainability strategy. We asked the board to achieve a number of milestones over the following 12 months. First, we asked that it establish board-level oversight of sustainability and health and safety. Second, we asked for more clarity on the domestic and overseas coal policy, which was causing stakeholder confusion and resulting in negative headlines. Third, we encouraged the board to link health and safety metrics to executive remuneration because there was a lack of detailed breakdown of standard health and safety metrics and track record.

In November 2020, KEPCO announced a number of important ESG commitments. These included a commitment to decommission domestic coal-fired power plants before the end of their lifespan and conversion to liquefied natural gas, and a declaration to move away from coal in KEPCO's overseas business. On the governance side, the company announced its intention to disclose in alignment with the TCFD recommendations and to establish an ESG committee. We believe that continuous engagement and our recommendations to the board were a significant influence on the company's long-term sustainability strategy.

Escalation

Periodically, we may encounter significant disagreements with our investments on matters relating to stewardship and ESG factors which will result in us having to escalate our engagement activity. The cause of such disagreements, and our strategy for resolving them, is the subject of discussion and agreement by our ESG Investment and asset class teams. The strategy is determined on a case-by-case basis. We have a number of strategies we can use for escalation:

1. **Collaborative engagement**
   In certain circumstances 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.

2. **Public statements**
   Where we feel it is beneficial to do so we will make our views known publicly so that our view is clear to clients and our wider stakeholders. Such statements can be made through the press or if appropriate through a statement made at the general meeting of a company. Such statements will be used when we believe that the additional scrutiny they bring, would help in achieving the change we are seeking.

3. **Voting/Ownership rights**
   We believe that voting at company meetings is one of our most important activities when investing on behalf of our clients. We therefore take great care to set high expectations in our custom voting. More detail of our voting process is provided in our **stewardship report**.

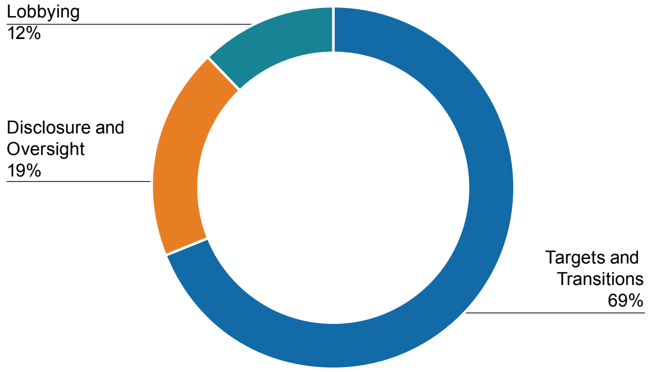
   We have a strong record of using our proxy voting to influence investee companies towards the transition to a low carbon world. In 2020, we voted in favour of the majority of resolutions related to climate change (54%) however, after detailed analysis of certain proposals we found that a vote in favour of management (and against the resolution) was warranted as companies transition to a low carbon economy. An example of our voting is a resolution filed at the AGM of Japan's Mizuho Financial Group. The resolution was the first to target climate change at a Japanese company and focused on the Group's role in financing fossil fuel companies and projects. Our support for the resolution placed us in the minority. But we will continue to push companies in which we invest to adapt.

   Our quarterly ESG reports, published on our website, provide details on engagements including those on climate change.

4. **Divestment**
   When we believe that concerns relating to ESG factors are significant and we have been unable to elicit changes that we believe are necessary to mitigate risks we may consider divesting from an investment. This allows us to protect our clients' portfolios when material ESG risks are not mitigated sufficiently.

Further detail on climate related voting statistics are shown below.

Climate Change topics in 2020



Source: Aberdeen Standard investments, October 2020.

Collaboration and influence

We work with industry associations, regulators and policy makers globally to drive change, including through improving standards, driving best practice, influencing regulation and developing capital allocation strategies. We share our time, expertise and research to do this. Aligning our expectations helps to increase pressure on investee companies and drives more effective change.

The key collaborative industry initiatives we were involved in in 2020 are provided in appendix i.

Case Study: Driving best practice by contributing to the Net Zero Investment Framework

In 2020 we contributed to the Institutional Investors Group on Climate Change Net Zero Investment Framework (NZIF) by being involved in the Paris Aligned Investing Initiative (PAII). The group was split into different asset class working groups and we co-chaired the SAA working group. The framework provides a robust foundation for how we develop Net Zero solutions, based on the following key features:

- **Decarbonising by investing in 'transition leaders'** – that means not just considering a carbon footprint, but taking a forward-looking view and assessing credible transition strategies.
- **Allocating capital to climate solutions** – that means investing in assets and companies that help the world decarbonise – from renewable infrastructure and low carbon buildings to electric vehicle manufacturers and energy efficient technology providers.
- **Net Zero stewardship** – that means developing a clear Net Zero engagement strategy with milestones and targets that focus on the most carbon intensive companies in the portfolio.

The PAII continues in 2021 to enhance and improve the framework and we are actively involved in private markets and implementation focused working groups.

Initiative highlights 2020/2021

RACE TO ZERO

IIGCC The Institutional Investors Group on Climate Change

Joined the Net Zero Asset Managers alliance initiated by the IIGCC, which is part of the UN Race to Zero

Transition Pathway Initiative

Research Funding Partners of the Transition Pathway initiative

PPCA

Powering Past Coal Alliance

GLOBAL ETHICAL FINANCE INITIATIVE

The Path to COP26

Strategic partners with Global Ethical Finance Initiative for their path to COP 26 campaign part iv

Metrics and targets

We measure and monitor our operational emissions, our investment carbon footprints and carbon intensity and share our progress towards the low carbon transition. We are always striving to improve.

Corporate metrics

Investment metrics

By 2025 we will reduce our operational GHG emissions by

50%

25%

of our AUM that is Net Zero aligned
as of April 2021

We are
carbon
neutral

73%

of our equity funds are less carbon intensive than the benchmark

This section provides detail on the following recommended TCFD disclosures:

a) Metrics used to assess climate related risks and opportunities in line with strategy and risk management

b) GHG emissions (Scope 1,2 and 3) and related risks

c) Targets used to manage climate-related risks and opportunities and performance against these targets

d) Metrics used to assess climate-related risks and opportunities in each product or investment strategy and metrics considered in investment decisions and monitoring

e) GHG emissions associated with each product or investment strategy normalised for every million $ including description of data and methodology

It starts with us

We always strive to improve transparency and meet and exceed, where possible, our stakeholders' expectations, which is why we chose to add working from home emissions to our Scope 3 reporting.

As a corporate entity we use a number of metrics to assess our strategy. We report Scope 1, Scope 2, and Scope 3 GHG emissions, where possible. We obtain third-party verification for our Scopes 1 and 2 emissions, as well as for some Scope 3 categories- business travel, transmission and distribution, and working from home.

We also report on energy use and various intensity targets, further disclosed within our **Corporate ESG Disclosure** document.

Scope 1 - 1,212 tCO2e

We have outlined a strategy to reduce our Scope 1 emissions by 50% by 2025. We will achieve this by efficiency measures in our estate (focusing on sites with the highest natural gas use), changes to our fleet, and improvements in refrigerant gas usage.

Scope 2 - 3,177 tCO2e

We have outlined a strategy to reduce our absolute Scope 2 emissions by 60% by 2025. We will achieve this by efficiency measures in our estate (focusing on sites with the highest use). The reduction is an absolute reduction in MWh and is not linked to green tariffs. We will continue to increase the proportion of MWh on green tariffs but reduction is our focus.

% of MWh from renewables

2018	2019	2020
68%	68%	77%

Scope 3 - 10,045 tCO2e

Our strategy for Scope 3 emissions reductions is focused on reducing our business travel and how we can influence a reduction in emissions associated with working from home.

tCO2e from business travel

2018	2019	2020	2025 target
22,030	12,811	1,933	6,259

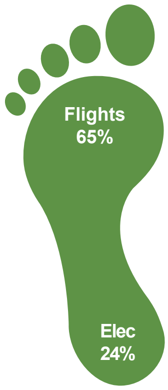
As a responsible employer we know that this matters to our colleagues and many want to take individual action. We have calculated our working from home emissions based on accepted, robust and audited models. We have also partnered with eco-tech business, Pawprint, to monitor emissions from home-working. We started with access for 500 colleagues to their app as a pilot, and are opening it to everyone to help them measure, understand and reduce their carbon footprint.

Data from this app will supplement the models we use and help to improve their accuracy so we can more robustly offset home-working emissions. We also are supporting colleagues to reduce their emissions through launching an electric car leasing colleague benefit.

Business travel, prior to 2020, was our largest emission source. But with the technology now in place we believe it is possible to significantly reduce our emissions from travel. We have set ourselves a stretching target of reducing these emissions by 72% against our 2018 baseline. We will manage this by linking carbon and cost, with each business division given a budget for both.

2018 32,218 tCO2e

Scope 1	Gas	6%
	Car	2%
	F-Gas	1%
Scope 2	Electricity	21%
	District Heating	1%
Scope 3	Flights	68%
	Transmission and distribution	1%



2019 19,669 tCO2e

Scope 1	Gas	6%
	Car	2%
	F-Gas	1%
Scope 2	Electricity	24%
	District Heating	1%
Scope 3	Flights and rail	65%
	Transmission and distribution	1%

2020 14,433 tCO2e

Scope 1	Gas	7%
	Car	1%
Scope 2	Electricity	24%
Scope 3	Flights and rail	13%
	Working from home	55%
	Transmission and distribution	1%

As a corporate the main risk is that we are not meeting stakeholder expectations. To mitigate against this, we provide transparent reporting and stretching reduction targets with a clear strategy to achieve them. Enhanced reporting and regulatory requirements are a linked risk and are managed through our environmental management system.

Targets and pledges	Scope	Status
50% reduction in operational emissions by 2025	Scopes 1 and 2 and Scope 3 (business travel, working from home, T&D)	55% reduction
Energy reduction	50% reduction in energy use	42% reduction
50% reduction in tCO2e/FTE by 2030	Scopes 1 and 2	50%
Carbon neutral	Scopes 1 and 2 and Scope 3 (business travel, working from home, T&D)	Achieved as of 2020
100% renewable electricity	For locations where we procure	98%

There are financial benefits to meeting and exceeding stakeholder ESG expectations. For example, the development of pricing incentives for revolving credit facilities.

Case Study - Revolving credit facility

We're proud to be one of the first financial services companies to have introduced sustainability features into our corporate credit facility. These innovative facilities require corporates to be able to provide non-financial KPIs which outlines commitment to sustainability and enable companies to access better loan rates. The price that we pay for the facility will be dependent on our performance against these three KPIs:

- Scope 1 and 2 greenhouse gas emissions per FTE
- Percentage of women in senior management roles
- UN Principles for Responsible Investment (PRI) annual assessment rating.

> **"We undertake refinancing of this facility in the normal course of business so we welcome the opportunity to link it to achieving our sustainability aims. These three targets represent core areas of focus for us; we take action to reduce our environmental impact, to improve gender representation at senior levels and to continue building on our responsible investment approach.**
>
> Stephanie Bruce,
> Chief Financial Officer

Investing with purpose

Robust quantitative and qualitative climate-related data is critical for effective investment decision making. This includes externally sourced data from specialist providers as well as data derived from our own research, analysis and engagements.

We take a forward looking view

Calculating the carbon emissions related to our investments is an important starting point to understand carbon exposure and develop baselines for decarbonisation. But more importantly, we take a forward looking view when constructing our portfolios. It's important to have a view on where we believe company or asset carbon emissions will be in the future based on their transition plans – and whether this matches the desired decarbonisation trajectory.

We use our climate scenario analysis framework to assess the risks and opportunities related to different climate scenarios and understand projected carbon trajectories at region, sector and company level. In our actively managed products evaluate companies' positioning and decarbonisation strategy and targets, coming to our own views on how well companies are positioned for transition – particularly for the largest emitters. This is based on active research and engagement, supported by data. Examples of climate change metrics we consider in our investment process are:

- Greenhouse gas emissions – absolute, intensity, trends over time (Source: Trucost)
- Financial impact on asset value and probability of default in a range of climate scenarios (in partnership with Planetrics)
- Transition Pathway Initiative (TPI) - Score on the quality of transition management
- Green revenues data and revenue alignment with EU taxonomy (Source: FTSE Russell)
- Science-based targets data
- Carbon Disclosure Project (CDP) scores
- ESG House Score (climate change score)
- Physical risk assessment – via our climate scenario tool and individual asset research eg assessment of water risk in a region using the WRI Aqueduct tool

Carbon Footprinting our portfolios

We currently provide a carbon footprint for a number of our portfolios in Fixed Income, Quantitative Investments and Real Estate, and are expanding the scope to other asset classes such as sovereign bond carbon footprinting which will be available in 2021.

Our specialist GHG emission provider is Trucost. They were selected based on their global coverage and their strong estimation methodology to address disclosure gaps. As a global asset manager this is particularly important as these gaps tend to be prevalent in emerging markets, private debt issuers and smaller companies.

The Weighted Average Carbon Intensity (WACI) shows a portfolio's exposure to carbon-intensive companies. As carbon-intensive companies are likely to be more exposed to carbon pricing mechanisms or other carbon regulatory risks, this metric is regarded as a useful indicator of a portfolio's potential exposure to transition risks (such as policy intervention or changing consumer behaviour) relative to other portfolios or benchmarks. The majority of our funds have a WACI below benchmark.

Table 4 WACI for our Equity ,Fixed Income Investments and Active Quantitative Strategies

Weighted Average Carbon Intensity (Scopes 1 & 2) Unit: Tonnes of CO2e per million $ revenue Portfolio	% AUM with WACI below benchmark	2020	2019	Notes
Equities (~20% of total AUM)				WACI is calculated by adding the Scope 1 & 2 emissions of companies in the portfolio, divided by million US$ of revenue and multiplying these by portfolio weights. The 2020 WACI data is as of January 2021 (for Equities and Fixed Income) and April 2021 for Active Quantitative Strategies. Emissions data has a 1-2 year lag, therefore 2020 carbon footprinting reports reflect 2018 or 2019 corporate emissions. Carbon intensity related to our Japanese equity portfolios in 2019 are reflected in the AsiaPac calculations in 2020 due to restructuring. Note that we consider Scope 3 emissions for companies and sectors where these are material, but due to data gaps and inconsistencies these are not incorporated into portfolio level reporting.
AsiaPac	77	271	377	
Global Emerging Markets	100	160	325	
Gloabal Equities	74	224	175	
Europe	22	177	153	
US	17	183	152	
UK	89	112	104	
Japan	-	-	60	
Small Cap	100	65	37	
Fixed Income (~20% of total AUM)				
EM Credit	68	339	869	
US HY	93	251	361	
Global IG	16	320	270	
US IG	92	327	232	
Euro IG	86	197	193	
Euro HY	94	82	181	
Sterling IG	89	153	161	
Active Quantitative Strategies (~ 2% of AUM)				
UK	100	114		
Europe	100	132		
US	100	117		
Asia Pacfic ex Japan	100	238		
Japan	100	77		
Global Emerging Markets	100	238		
Global Developed Markets	100	99		
Global All World	95	129		

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. This was one of the key reasons for WACI increases in the US and Europe where we invested in utility companies that we believe have strong decarbonisation strategies.

Our carbon footprinting is complemented with forward looking climate scenario analysis and an assessment of carbon emission reduction targets and transition plans. These forward looking measures usually have a higher weighting in our investment process.

Transparency

We want investors to be able to clearly see the sustainability characteristics of their investments, including the carbon footprint of the portfolios we manage on our clients' behalf. As such, we make ESG metrics, including carbon intensity, externally available for publicly-offered funds Product level WACI metrics are available to clients via our fund level client reporting.

Case study –Sustainable Finance Disclosure Regulation (SFDR)

SFDR aims to provide transparency on sustainability within financial markets in a standardised way. To make it easier for investors to make comparisons and ultimately make better informed financial decisions. We've gone beyond the regulation and now provide ESG client reports to enhance our disclosure of the sustainability information for clients.

The key change is the categorisation of funds and segregated mandates into one of three categories used to denote the product's "green" credentials. The table below shows which of the three categories, called Articles, our AUM currently sits under.

Article 6 products	Article 8 products	Article 9 products
Sustainability risks are integrated into investment decisions	Product promotes social or environmental characteristics provided the companies in which the investments are made follow good governance practices	Product has sustainable investment as its objective
AUM £90bn	**AUM £13bn**	**AUM £0.1bn**

To meet and exceed these requirements we launched our ESG Client Reporting campaign. This is a huge step in our commitment to deliver an industry-leading responsible investing proposition for both our existing and prospective clients. It provides greater transparency and enables our clients to better understand the integration of ESG into their portfolios and the sustainability outcomes this provides. We are rolling these reports out over 2021 to cover Equity, Fixed Income and Quantitative Strategies, including carbon metrics as a priority.

> **"We're delighted to announce the launch of our ESG client reports which we believe will support the conversations that lead to more sustainable outcomes and investor comparability. We know that we have to show our clients, not just tell them and, while we have a lot more to do, we're committed to delivering on that goal.**
>
> Jane Nicholls,
> Head of ESG Client

Fund example of the information provide to clients

77.8% Lower
carbon intensity relative to the Benchmark

33
Number of meetings where we voted

42%
of meetings with at least one vote against management

3rd
Peer Group MSCI Quartile Rating

5/5
Globes - Morningstar Sustainability rating

AA
Fund MSCI ESG Rating

Targets

We are currently developing a target setting framework to support our climate change activities with a focus on three areas:

1. Decarbonisation targets

We are committed to reducing the carbon intensity of our portfolios. We already, through our research and climate scenario analysis, systematically analyse climate risks in our portfolios and as a result the majority of our funds are less carbon intensive than their benchmarks. We plan to go further and are developing a target setting framework to set robust carbon intensity reduction targets to help achieve our Net Zero directed investing ambitions.

2. Net Zero AUM targets

We are members of the NZAM and have committed to

- Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach Net Zero emissions by 2050 or sooner across all assets under management.
- Develop Net Zero 2050 solutions to enable our clients to meet their goals using the results of our climate change scenario analysis.
- Set an interim target for the proportion of assets to be managed in line with the attainment of Net Zero emissions by 2050 or sooner. We are currently at 25% of our assets aligned with Net Zero AUM and are committed to increasing this further.

In our Real Estate, we have committed to working with all our clients to align their portfolios to Net Zero 2050 and have published a Net Zero investment framework

3. Engagement targets

We are continuing to evolve our climate focused engagement with companies and are developing specific targets to engage with the highest carbon emitting companies in our portfolios. This is in line with the approach set out in the Net Zero Investment Framework.

part v

Waste & biodiversity

Zero

% of our waste going to landfill through our main waste contracts in the UK, since 2013

29

Real Estate Investment sites with wild flower friendly hedging and shrubbery implemented in 2020

One million

disposable cups prevented since we launched our single-use plastics policy in 2018

4

Spaces supported through our pilot community greenspace project in 2020

Waste

Over consumption of non renewable resources and generation of waste adds to the environmental crisis.

It starts with us

We reduce our use of energy and material where possible and, where material to our impacts, we manage consumption through our procurement process.

In our operations, we have targets for removing single-use plastics and being a zero-waste to landfill business, and are focused on minimising our use of non-renewable resources. In the UK our procured cut-sheet paper is 100% sustainably sourced and we are taking this approach globally.

In 2018 we made big steps in reducing our use of single-use plastics, committing to removing all single-use plastics from our offices where feasible by 2020. We tackled all our material sources of single-use items, however we have been set back by the pandemic. We will continue to seek ways to get back to reducing single-use items under 'new normal'.

Single-use plastics approach
www.standardlifeaberdeen.com/single-use-plastics-approach

We send no waste to landfill from the UK offices where we manage the waste, and are working with our landlords at our other large sites.

Investing with purpose

We have a number of articles on waste and consumption issues for investors to consider.


Plastic, plastic everywhere — including in our drinks


Coca-Cola Icecek

Biodiversity

We face unprecedented species extinction rates. Not only are the species themselves at risk, so is everything connected to them, which includes us.

It starts with us

Operationally, we focus on educating our people through biodiversity information sessions, and working with charities and partners on projects which benefit nature and habitats. In 2020 we launched a new charitable giving strategy on the theme of building connections. We aim to design equitable and impactful charity partnerships which are aligned to our strategy and enable colleagues to use their skills to benefit society. Volunteering is one of the biggest ways we benefit charities and local communities. We also launched a community greenspace project pilot, which aims to give back to local environments that have been crucial to individuals' wellbeing during the pandemic (see page 45).

Connecting people

We support projects to help people reach their potential or which bring people together. Projects may be about overcoming barriers or promoting sustainable development to benefit communities experiencing social isolation or disadvantage.

Connecting planet

We fund projects to enable people to engage with and protect nature, or which support habitat and wildlife restoration. This supports wellbeing, builds community cohesion, and ensures wildlife and ecosystems can thrive for generations to come.

Another way we support biodiversity is through our partnership with ClimateCare. We support accredited offset projects that help people to engage with and protect nature, and to support habitat and wildlife restoration. This in turn promotes wellbeing, builds community and helps wildlife and ecosystems thrive for generations to come.

Our business has pledged support to the Gola Rainforest in Sierra Leone, a global biodiversity hotspot, as well as a renewable wind and solar power project in India.

Investing with purpose

Through our investments we aim to ensure that we are going beyond just minimising harm, by looking at benefits that will enhance the local environment and community – including enhancing biodiversity – through our Real Estate Impact Dial. The infographic below shows the biodiversity projects we have and are developing through the investment real estate we manage.

More about our investment approach

In 2021 we joined the observer group for the Taskforce on Nature-related Financial Disclosures (TNFD) which aims to help financial institutions to shift finance from destructive activities and toward nature-based solutions.

Biodiversity activity in investment real estate

1 beehive implemented
+5 planned

9 bird boxes implemented
+25 planned

8 bug/bee hotels implemented
+25 planned

13 drought tolerant planters implemented
+22 planned

27 properties with sustainable planting implemented
+42 planned

14 properties with wild flower areas implemented
+65 planned

29 properties with wild flower friendly hedging and shrubbery implemented
+43 planned

1 property with habitat survey implemented
+6 planned

3 water courses/ponds planned

Case study – Connecting Planet

The community greenspace project aims to give back to local environments that have been crucial to individuals' wellbeing during the pandemic.

The 12 month pilot programme pairs business mentors and funding to four local greenspaces and is delivered in partnership with the City of Edinburgh Council. The funding is used to improve the biodiversity of the greenspaces, for example through replacing dead trees, creating a community orchard, and restoring hedgerows.

Volunteers for each greenspace work to build relationships with the local community and encourage them to responsibly use the space.

> **"The generous funding from Standard Life Aberdeen has allowed us to purchase and plant a variety of trees, shrubs, and ferns for Dalry Cemetery. Public reception and feedback has been excellent - people have been delighted to see new additions after a long period of historic neglect.**
>
> Jakob Assarsson,
> Friends of Dalry Cemetery

Appendix i Collaborations and memberships

Organisation	Abbreviation	Summary
Climate Action 100+	CA100+	CA100+ is made up of 545 global investors who are responsible for more than $52 trillion in assets under management across 33 markets. We are a founding signatory and an investor participant, which means we are responsible for direct engagements with focus companies (high emitting), individually and/or collaboratively.
ClimateCare	-	ClimateCare helped create the voluntary carbon market and pioneered carbon finance for community development projects. We work with ClimateCare to offset our operational greenhouse gas emissions.
Coalition for Climate Resilient Infrastructure	CCRI	We are members of the CCRI, the coalition aims to ensure that physical climate risks are systematically integrated into investment decisions.
Farm Animal Investment Risk and Return	FAIRR	The FAIRR initiative has been helping to drive change in the animal agriculture sector. Working closely with investors, FAIRR produces and analyses data from the world's largest protein producers and manufacturers to help minimise risks and maximise profits. We are members of FAIRR and involved in collaborative engagement with companies involved in the animal-derived food production.
Global Ethical Finance Initiative	GEFI	GEFI oversees, organises and coordinates a series of programmes to promote finance for positive change. We are supporters of the GEFI 'path to COP26' programme.
Institutional Investors Group on Climate Change	IIGCC	We are members of the IIGCC and actively involved in a number of working groups, including the Paris Aligned Investment Initiative. We have contributed to the IIGCC Net Zero Investment Framework and co-chaired the Strategic Asset Allocation sub-group.
Net Zero Asset Managers initiative	NZAM	The NZAM initiative launched in December 2020. We are signatories to the initiative which aims to galvanise the asset management industry to commit to a goal of Net Zero emissions. NZAM is part of the Glasgow Financial Alliance for Net Zero.
PawPrint	-	We partnered with eco-tech business, Pawprint, to monitor emissions from home working and empower our people to understand their own carbon footprint.
Powering Past Coal Alliance	PPCA	We are members of the PPCA, a coalition of national and sub-national governments, businesses and organisations working to advance the transition from unabated coal power generation to clean energy.
Principles for Responsible Investment	PRI	We are signatories to PRI a UN-supported network of investors that works to promote sustainable investment through the incorporation of environmental, social and governance considerations.

Organisation	Abbreviation	Summary
Task Force on Climate-related Financial Disclosures	TCFD	We are TCFD supporters and published our first TCFD report in March 2020.
Taskforce on Nature-related Financial Disclosures	TNFD	In 2021 we joined the TNFD observer group. The TNFD aims to help financial institutions to shift finance from destructive activities and toward nature-based solutions.
The Investment Association	IA	The Investment Association (IA) represent investment managers in the UK. We are members of the IA's climate change working group and other sub-groups (e.g. TCFD disclosure and investment opportunities).
The Prudential Regulation Authority Climate Risk Forum	PRA	The PRA is a UK financial services regulatory body, formed as one of the successors to the Financial Services Authority. We are members of their Climate Financial Risk Forum and are actively involved in working groups including disclosure, scenario analysis and innovation. In 2020 we contributed to publications from the working groups, for example providing a case study for the climate scenario analysis guidelines.
Transition Pathway Initiative	TPI	We are research funding partners of the TPI, a global, asset-owner led initiative which assesses companies' preparedness for the transition to a low carbon economy.
United Nations Environment Programme Financial Initiative	UNEP FI	UNEP FI is a partnership between UNEP and the global financial sector to mobilize private sector finance for sustainable development. We signed the Global Investor Statement on Climate Change 2019 to encourage stronger climate action and the Just Transition statement to ensure that the social implications of climate change are considered.

Appendix ii Carbon offsetting

We are progressing towards the Oxford Principles for Net Zero Aligned Carbon Offsetting.*

Oxford principles for Net Zero aligned carbon offsetting	How we are meeting these principles
Cut emissions	We prioritise the reduction of our emissions. We reduced our absolute emissions by 39% in 2019 and have targets to reduce our operational emissions by over 50% by 2025 (against our 2018 baseline).
Maintain transparency - disclose emissions, accounting practices and they types of offsets employed	We have disclosed our emissions since 2006 and have them externally assured each year. We detail our accounting practices in our KPI document. We detail the types of offsets we deploy in our Annual Report and Accounts.
Use high quality offsets	We offset via two verified voluntary projects: The first is a Gold Standard wind turbine project in India. The second project is a Verified Carbon Standard Climate, Carbon and Community rainforest protection project in Gola. We chose offsets that we knew where verifiable and correctly accounted for and have a low risk of non-additionality, reversal, and creating negative unintended consequences for people and the environment.
Revise offsetting strategy as best practice evolves	We review our practice every three years.
Shift to carbon removal offsetting	We currently support reduction projects through our offsetting but are looking to move to removal projects.
Shift to long-lived storage	We recognise the need to move to long-lived storage, and will consider this within our offsetting strategy post 2025.
Support the development of Net Zero aligned offsetting	As long-lived storage comes into the market we'll look to support with longer term agreements, work with other peers on sector specific alliances.
Supporting the restoration and protection of natural and semi-natural ecosystems in their own right	We understand that ecosystems secure goods and services on which we depend, including a resilience to the impacts of climate change. That they contribute to carbon storage over the long term. We support this through our offsetting choices and through our charitable giving strategy.
Adopting and publicising these Principles	We are doing this by publishing this document.

* https://www.sustainabilityexchange.ac.uk/files/oxford_offsetting_principles.pdf

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