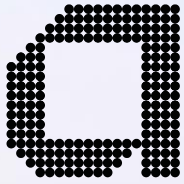

TCFD Product Report
abrdn UK All Share Tracker Fund

31 December 2022

Prepared by: abrdn

abrdn.com

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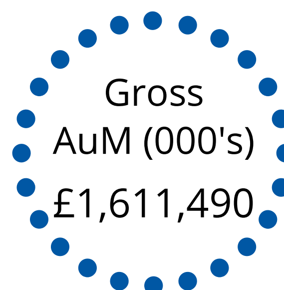
Portfolio Overview
abrdn UK All Share Tracker Fund



Fund investment objective	To generate growth over the long term (5 years or more) by tracking the return of the FTSE All-Share Index. Performance Target: To match the return of the FTSE All-Share Index (before charges). The Performance Target is the level of performance that the management team hopes to achieve for the fund. There is however no certainty or promise that they will achieve the Performance Target. The ACD believes this is an appropriate target for the fund based on the investment policy of the fund and the constituents of the index.
Purpose of the report	Climate change is the biggest challenge confronting us all. There is no planet B. At abrdn we view this in two ways, firstly by demonstrating leadership in our operations and secondly by reducing the carbon intensity in our own portfolios with a focus on real world decarbonisation towards net zero. abrdn recognises the growing demand from investors for more climate-related information about their investments as such, we have made disclosures we believe are consistent with the TCFD Recommended Disclosures within this report and we will continue to evolve and enhance our TCFD reporting, in line with data and industry developments. The Financial Stability Board (FSB) created the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations on the types of information that companies should disclose to support investors in appropriately assessing and pricing a specific set of risks related to climate change. In Policy Statement 21/24 the Financial Conduct Authority (FCA) have created a regulatory framework for asset managers, life insurers and FCA-regulated pension providers to make climate-related disclosures consistent with the recommendations of the TCFD. Due to the evolving nature of carbon metrics and methodologies and in some cases the nascent disclosure of carbon data in some asset classes and sectors there can be situations where we have low aggregated data coverage at a portfolio level. As a house we have adopted a principle of only reporting where we have greater than 50% data coverage - measured as the % of the portfolio's assets under management for which carbon data has been disclosed, partially disclosed or estimated by S&P Trucost. We expect that the number of portfolio's where we have not reported due to low data coverage will decrease over time as methodologies and reporting disclosures improve. This includes fund-of-fund structures and assets which due to their location or structure have nascent corporate disclosures,. In particular we will focus on working with third parties and data providers to improve coverage. However, at this stage we have adopted a conservative approach to ensure that reported data does not give a skewed perception of carbon impacts. For example if carbon data is only available for low carbon sectors but this only relates to a small portion of the holdings, this could lead to the entire portfolio appearing to be low carbon. However, once more carbon intensive sectors are reported in time, this could significantly alter the overall position and as such, we have taken the decision to only report where we have the majority (>50%) of data available. There are some investment types that due to their nature are not possible to report or estimate carbon metrics. These are typically money market investments that do not have a carbon profile, or synthetic products where methodological constraints mean that they are considered out of scope of these reports. For the first year of reporting, we are only reporting on credit bonds, listed govt bonds and listed equities due to poor or inconsistent data coverage in other asset types. We will review this year on year, and seek to enhance coverage in future years through alternative data providers, direct engagement and supporting broader industry initiatives.
Benchmark	FTSE All Share

Carbon Analysis
abrdn UK All Share Tracker Fund

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

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

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

Carbon Data Disclosure

Data Disclosure	Portfolio	Benchmark
Trucost Data Coverage (%)	98.7	98.6

Source: Trucost

Carbon Analysis
abrdn UK All Share Tracker Fund

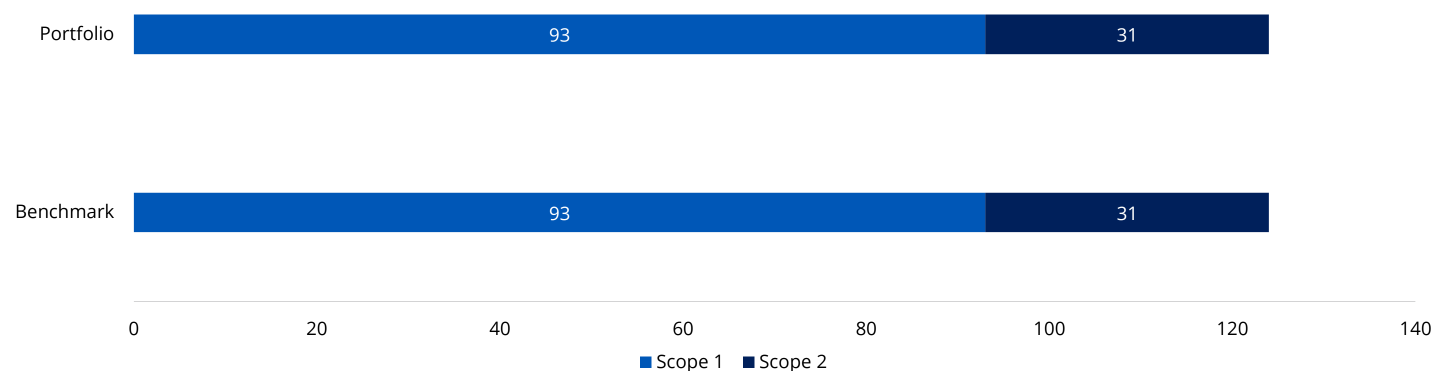
Portfolio Carbon Intensity

Weighted Average Carbon Intensity

Weighted average carbon intensity (WACI), is a normalised carbon intensity figure, expressed as tCO2e/million USD revenue. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's revenue.

In this instance company revenue is used to normalise emissions to allow for investors to account for a company's size and economic activity (e.g. typically larger companies will have a greater total emissions footprint but may be more carbon efficient on an intensity basis). Company revenue is a useful proxy for the economic activity of a company. Normalising emissions allows for more accurate comparisons between companies of different sizes and between funds of different sizes. However, volatility in revenues will impact WACI results and such revenue volatility is not always perfectly tied to actual economic activity or total emissions. Moreover, normalising emissions by revenue means that WACI does not perfectly reflect the carbon impact of an investment on the real-world.

How carbon intensive are the companies in my portfolio



Portfolio Carbon Intensity

How carbon intensive are the companies in my portfolio?

In tonnes of CO2e/million USD revenue	Weighted Average Carbon Intensity Scope 1 + 2	Scope 1	Scope 2
Portfolio	124	93	31
Benchmark	124	93	31
Relative Carbon Intensity (%)	100.0	100.0	99.9

A portfolio with a relative carbon intensity less than 100% indicates a lower carbon intensity versus the benchmark.

For example a portfolio with 90% relative carbon intensity has an intensity that is 10% lower than the benchmark.

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

Source: Trucost

Carbon Analysis
abrdn UK All Share Tracker Fund

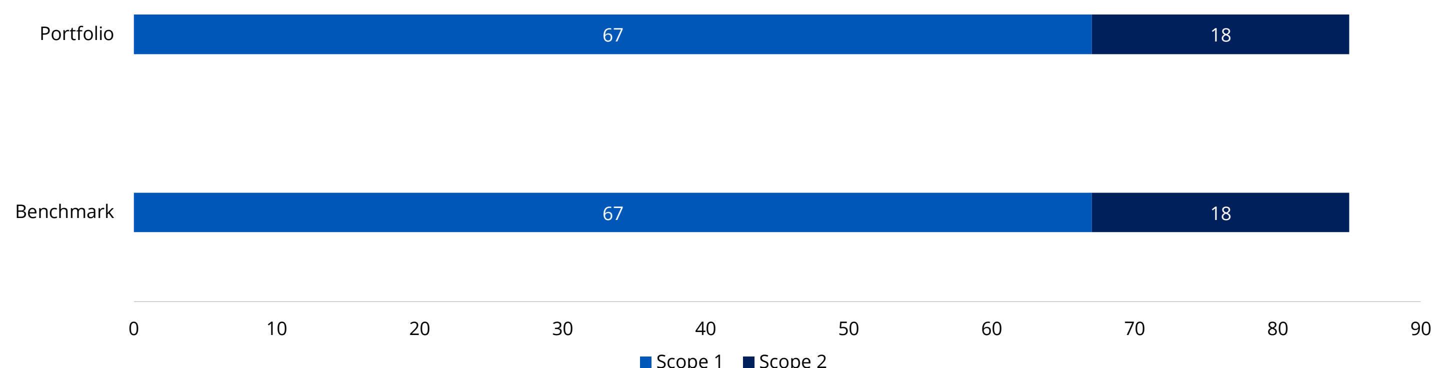
Portfolio Carbon Footprint

Economic Emissions Intensity

Economic Emissions Intensity (EEI) is a normalised carbon intensity metric, expressed as tCO2e/million USD invested. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's enterprise value including cash (EVIC). This is equivalent as dividing the portfolio Financed Emissions by the portfolio's AUM.

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

How carbon intensive are the companies in my portfolio



Portfolio Carbon Intensity

How carbon intensive are the companies in my portfolio?

In tonnes of CO2e/million USD Invested	Economic Emissions Intensity Scope 1 + 2	Scope 1	Scope 2
Portfolio	85	67	18
Benchmark	85	67	18
Relative Carbon Intensity (%)	99.9	99.9	100.0

A portfolio with a relative carbon intensity less than 100% indicates a lower carbon intensity versus the benchmark.

For example a portfolio with 90% relative carbon intensity has an intensity that is 10% lower than the benchmark.

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

Source: Trucost

Carbon Analysis
abrdn UK All Share Tracker Fund

Greenhouse Gas Emissions

Total Financed Emissions

Total Financed Emissions calculate the absolute total emissions, expressed as tCO_2e, that are attributed to the investor. The methodology used follows the Partnership for Carbon Accounting Financials (PCAF) and is recommended by TCFD. The attribution factor is calculated by taking the monetary size of the investment and dividing it by the investee company's enterprise value including cash. This attribution factor is then multiplied by the company's total emissions to calculate the final Financed Emissions result.

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

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

In tonnes of CO_2e	Emissions Scope 1 + 2	Scope 1 (direct)	Scope 2 (direct)
Portfolio	149,681	117,288	32,394
Benchmark	151,835	119,013	32,822
Relative to benchmark (%)	99.0	99.0	99.0
tCO_2 reduced versus benchmark	2,153	1,725	428

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

Source: Trucost

Climate Scenario Analysis
abrdn UK All Share Tracker Fund

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

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

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

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

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

abrdn, in conjunction with modelling partner Planetrics (a subsidiary of McKinsey), has developed a suite of climate scenarios to assess portfolios for climate risk. Currently this analysis covers public market equity and credit portfolios, but, elsewhere, lack of available data and risk assessment tools mean that progress has been more limited.

Overall our analysis is that most portfolios have little aggregate exposure to climate risk. For public equities, our climate scenario analysis suggests that by far the biggest climate risk for portfolios is associated with the transition away from fossil fuel energy to low carbon alternatives. Physical climate risks tend to be much more modest in the economic impact (though for some sectors, such as Real Estate, the impact can be more material dependent on location). So the core risk for investors arises from companies with carbon intensive products (e.g. coal, oil, gas) or operations (e.g. mining, electric power generation) that are highly exposed to this transition.

These activities are generally highly concentrated in a small number of sectors. Power utilities, oil and gas, and materials account for a disproportionate amount of the carbon intensity of global equity indices, but these sectors typically only have a small proportion of the weight in the index. By contrast, the technology, financials and healthcare sectors, which together typically account for half the index weight, only emit around 5% of carbon emissions.

There is also some variation across different regions. The carbon intensive sectors are not evenly distributed across regional equity indices. For example, UK, US, Europe and Japan equity benchmarks have a weighted average carbon intensity of 80-160tCO2e/$m revenue), but a few, particularly those focused on emerging markets have higher exposures (350tCO2e/$m).

The climate impact is therefore only likely to be material where significant fund allocation is to high-risk sectors. Even within high-risk sectors there are climate winners as well as losers. For example, in the utilities sector, in transition scenarios renewable power generators are winners and coal/gas generators are losers. The pattern is the opposite in 'hothouse' scenarios, but in both cases, winners can cancel out losers and the sector risk exposure can be reduced overall.

These factors – the small size of high-risk sectors, the fact that winners offset losers – when combined, mean that many portfolios have very small aggregate risk across all the specified TCFD climate scenarios. Nevertheless, climate scenario analysis is critical for identifying the drivers of climate uplift or impairment within a fund and highlighting the pockets of high-risk exposure. It should also be noted that for some sectors, such as Financials, the bulk of emissions (scope 3) are not accounted for in the analysis; nor does the analysis consider important drivers such as reputational risk.

abrdn is committed to using its influence to encourage companies with significant emissions to develop strategies to decarbonise their businesses and using the insight from our bespoke climate scenario analysis as an input into active analysis and to help develop climate solutions for clients.

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Glossary

Data Point	Definition
Carbon Emissions - Scope 1	Greenhouse gas emissions generated from sources which are owned or controlled by the company.
Carbon Emissions - Scope 2	Greenhouse gas emissions generated from the consumption of purchased electricity, heat or steam by the company.
Carbon Emissions - Scope 3	Greenhouse gas emissions that are a consequence of the activities of the company, but occur from sources not owned or controlled by the company, upstream and downstream of a company supply-chain, such as, the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity related activities (e.g.T&D losses) not covered in Scope 2.
Carbon emissions / Greenhouse Gas	Carbon emissions Is used as a generic term for the main greenhouse gas (GHG) emissions (carbon dioxide, methane, nitrous oxide, F-gases) in our reporting. This is synonmous to the term carbon dioxide equivalent (CO2e).
Carbon dioxide equivalent (CO2e)	This metric utilises global warming potentials of all the greenhouse gases as defined by the International Panel of Climate Change to calculate a single consistent metric for GHG impact in carbon dioxide equivalent terms.
Weighted Average Carbon Intensity (WACI)	Weighted average carbon intensity (WACI), is a normalised carbon intensity figure, expressed as tCO2e/million USD revenue. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's revenue.
Financed Emissions	This is the absolute tonnes of carbon dioxide equivalent (tCO2e) that is attributed or 'owned' by an investors, based on the value of the investment in an investee company. This metric is consistent to the PCAF Financed Emissions methodology, which is integrated into TCFD recommendations.
Economic Emissions Intensity (Carbon Footprint)	Economic Emissions Intensity (EEI) is the terminology used by PCAF - who introduced the use of EVIC. This metric is synonymous with 'carbon footprint'. EEI is a normalised carbon intensity metric, expressed as tCO2e/million USD invested. The portfolio weighting of each holding is multiplied by the ratio of the investee company's emissions normalised by the investee company's enterprise value including cash (EVIC). This is equivalent as dividing the portfolio Financed Emissions by the portfolio's AUM.
Enterprise value including Cash (EVIC)	Is a denominator used in both the Financed Emissions and Economic Emissions Intensity, EVIC is equivalent to traditional financial measure of EV, however, with cash included. This concept was developed by PCAF to produce a consistent Financed Emissions metric that can be used equivalently across equity and debt investors.
Carbon Intensive Sectors	We have determined the GICS Industry Groups: Utilities, Energy, Materials and Transportation as representing 'Carbon Intensive Sectors'.
Climate Change Scenario analysis	Climate change scenario analysis provides a quantitative assessment of the financial impact of a range of potential future climate change scenario pathways and related policy and technology scenarios on investments.
Probability Weighted Scenario	Weighted average scenario based on our latest assessment of probability across our full suite of 16 scenarios, resulting in a global temperature rise of 2.3C by 2100.
Early Action Scenario ('orderly' transition)	Strict and immediate policy action is put in place and is steadily ramped up to achieve an orderly transition that results in a global temperature rise of 1.7 oC by 2100.
Stricter Action Scenario ('disorderly' transition)	The implementation of strict policy action is delayed until 2030, resulting in a disorderly transition and a global temperature rise of 1.9C by 2100.
Current Policy Scenario ('hot house world')	No new policy action is implemented beyond what is already in place, resulting in a global temperature rise of 3.2C by 2100.
Transition Risk	Climate risks associated with the transition to a low-carbon economy, these include, demand creation, demand destruction, technology risk, carbon price risk, market risks etc...
Physical Risk	Climate risks associated to the physical impacts of climate change, these can be broadly categorised into acute risk (short-term impacts) and chronic risk (long-term impacts).
Climate Value at Risk	The associated financial risk measured based on a selected climate scenario.
GICS / BICS	GICS: Global Industry Classification Standard is an industry taxonomy developed by MSCI and Standard & Poor's. BICS: Bloomberg Industry Classification System is an industry classification system developed by Bloomberg.
PCAF	Partnership for Carbon Accounting Financials.
Glasgow Financial Alliance for Net Zero	The Glasgow Financial Alliance for Net Zero (GFANZ) is a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy.
Net Zero Investment Framework	The Net-Zero Investment Framework was developed by the Institutional Investors Group on Climate Change (IIGCC), it produced an alignment metric that is now being referred to as the maturity scale approach (as defined by GFANZ).
NZIF Maturity Scale Alignment	This alignment metric enables investors to cover the Binary Target Approach in more detail, categorising companies into levels of alignment as defined by the IIGCC NZIF recommendations.
Abatement	Abatement refers to the act of reducing the emissions of an activity (synonmous with decarbonisation).

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

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