

# Helping abrdn challenge transition laggards and identify transition leaders

**abrdn** is a global asset manager with £457 billion AUM (as of 30 Dec 2020). As a founding member of the UN PRI and member of the Net Zero Asset Manager initiative, integrating climate change into the investment process and developing solutions for net zero is a key area of focus for the firm. abrdn is also an early supporter and research funding partner of the TPI.

## Enabling the transition to net zero in the real world

An important component of abrdn's climate change approach is to invest in companies that have credible targets and plans to make the transition to net zero happen. Eva Cairns, Head of Climate Change Strategy at abrdn highlights: 'All sectors need to transition. Taking a forward-looking view on where we believe companies will be and how well they are preparing for the transition is key. We use TPI data as an important input to identifying transition leaders and laggards in a consistent way'



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This enables abrdn to take action in two ways:

### 1) Incorporating TPI scores into voting to challenge transition laggards

Given the importance abrdn places on incorporating climate change into its active ownership decisions and in seeking to hold boards to account on climate inaction, the firm took the decision to incorporate TPI Management Quality scores as a data point in its internal voting policy in 2021. The first step was to vote against the Report and Accounts of companies which scored a Level 0 or 1. Directing concerns against the Report and Accounts enabled abrdn to emphasise the importance they place on companies' climate related disclosures and actions.

abrdn is strongly of the view that engagement and voting goes hand in hand. As such, where laggards are held actively, this is flagged to investment analysts who have the opportunity to engage with companies on their climate change approach prior to voting. This meant there were some instances where voting action was not taken at the 2021 AGM, and instead chosen as a future escalation tool – depending on the outcome of the engagement and any improvements seen to the TPI score. In cases where there is no vote on the Report and Accounts a vote against a different item may be actioned. So far, in 2021, abrdn has voted against the Annual Reports of fifteen companies due to their low TPI score and against one governance committee chair.

For example, they voted against the Financial Statements at the AGM of Yanzhou Coal Mining Company (TPI Level 1). At Berkshire Hathaway Inc. (TPI Level 0) they voted against the re-election Chair of the Governance Committee, Walter Scott Jr, as there was no vote on the Annual Report.

### 2) Incorporating TPI scores into the investment process to help identify transition leaders

abrdn incorporates climate risks and opportunities into its investment process via different tools such as carbon footprinting, climate scenario analysis and a transition assessment tool. The latter is particularly important for identifying transition leaders that may be suitable for abrdn's climate fund range. A number of data inputs are pulled into a climate transition assessment tool, including the TPI management quality score and carbon performance data. This provides an initial view that is then enhanced via active research and engagement.

abrdn does not just use the final TPI scoring output, but also the checklist for each scoring level to help shape company engagement. The checklist provides useful and clear examples of questions to be asked of a company when determining the robustness of its approach to climate change. In addition, abrdn has incorporated some of TPI's raw carbon performance data in screening tools that seek to quantify a company's approach to the climate transition. This was recently done when assessing companies in the US steel sector, such as Nucor and Steel Dynamics to benchmark them against peers globally.

Overall, TPI data provides an excellent resource to help feed into abrdn's view of credible transition leaders and influence those identified as laggards through their active stewardship approach.



For more detail visit:  
[aberdeenstandard.com/en/responsible-investing/climate-change](https://aberdeenstandard.com/en/responsible-investing/climate-change)

“ TPI data provides a consistent way of assessing transition leaders and laggards ”

**Eva Cairns**, Head of Climate Change Strategy