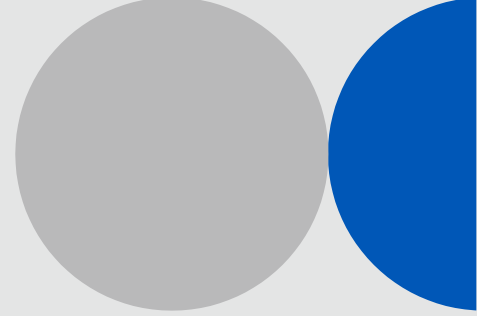


abrdn SICAV I

Emerging Markets SDG Equity Fund

June 2023



Summary

Our Emerging Markets SDG Equity Fund seeks to generate strong long-term performance by allocating capital to companies that may deliver a strong financial return and demonstrate – via their products, services, and actions – a clear and material alignment to one or more of the United Nation’s (UN) Sustainable Development Goals (SDGs).

In doing so, companies reflect a commitment to help address the world’s most pressing problems and support a shift to a more sustainable economy. The SDGs are designed to address the world’s major long-term challenges. These include climate change, growing social inequality, and unsustainable production and consumption. We believe alignment with the SDGs creates tangible opportunities for companies to contribute positively to society and the environment, while simultaneously enhancing the long-term financial value of the business.

This fund is subject to article 9 of the Sustainable Finance Disclosure Regulation (“SFDR”).

The Investment Framework

There are three core principles which underpin our “Emerging Markets Sustainable Development Goals Equity Investment Approach” and the time we dedicate to ESG analysis as part of our overall equity research process:

- ESG factors are financially material and impact corporate performance
- Understanding ESG risks and opportunities alongside other financial metrics allows us to make better investment decisions.
- Informed and constructive engagement helps foster better companies, enhancing the value of our clients’ investments.

As part of their company research, our stock analysts evaluate the ownership structures, governance and management quality of the companies they cover. They also assess potential environmental and social risks that the companies may face. These insights are captured in our company research notes.

Our stock analysts work closely with dedicated ESG specialists who sit within each regional investment team and provide industry-leading expertise and insight at the company level. These specialists also mediate the insights developed by our central ESG Investment team to the stock analysts, as well as interpret and contextualise sector and company insights.

Our central ESG investment team provides thought leadership, thematic and global sector insights, as well as event-driven research. The team is also heavily involved in the stewardship of our investments and supports company engagement meetings where appropriate.

To measure financial performance, the fund’s reference index is the MSCI Emerging Markets Index. The Fund aims to outperform the index before charges. While the index is representative of the investment opportunities we explore for the Fund, the index is not constructed using any environmental or social criteria.

ESG Assessment Criteria

Our SDG Equity strategies will follow a fundamental, bottom-up investment research process in which ESG analysis and company engagement are integral parts of our assessment of the investment potential of all companies.

Identifying alignment to the UN Sustainable Development Goals

The Emerging Markets SDG Equity Fund follows our “Sustainable Development Goals Equity Investment Approach.” This approach identifies companies which are aligned to the Sustainable Development Goals. These goals are designed to address the world’s major long-term challenges. These include climate change, growing social inequality, and unsustainable production and consumption.

The Fund will invest in companies with minimum of 20% of their revenue, profit, capital or operating expenditure or research and development linked to the UN’s SDGs.

For companies classified in the benchmark as “Financials”, alternative measures of materiality may be used. We require 20% materiality as measured by (i) new or existing loans to underserved clients if those target loans are growing on an annualised basis over three years; or (ii) new or existing underserved customers if those target customer numbers are growing on an annualised basis over three years; or (iii) pre-provision operating profits generated by underserved clients. The Fund will also invest up to 20% in SDG leaders. These are companies that are considered to be integral to the supply chain for progressing towards the UN’s SDG’s, but may not currently meet the 20% materiality requirement. Distinct company research notes for each stock in the Sustainable Development funds capture and formally document the SDG impact made by each company and the needs they meet.

Pillars	Sub-themes
Circular Economy	<ul style="list-style-type: none"> Resource efficiency Material recovery and reuse
Sustainable Energy	<ul style="list-style-type: none"> Access to energy Clean energy Energy efficiency
Food and Agriculture	<ul style="list-style-type: none"> Access to nutrition Food quality Sustainable agriculture
Water and Sanitation	<ul style="list-style-type: none"> Access to water and hygiene Clean water Water efficiency
Health and Social Care	<ul style="list-style-type: none"> Access to healthcare and social care Enhanced healthcare Drug development
Financial Inclusion	<ul style="list-style-type: none"> Access to financial services
Sustainable Real Estate and Infrastructure	<ul style="list-style-type: none"> Affordable housing Eco-construction Improved access
Education and Employment	<ul style="list-style-type: none"> Access to education and skills development Quality employment and job creation
SDG Leader	<ul style="list-style-type: none"> Companies that are integral to the supply chain for progressing towards the UN SDGs, or do not currently meet our materiality requirements.


SUSTAINABLE DEVELOPMENT GOALS



ESG Quality

Within our equity investment process, we analyse for all companies the foundations of each business to ensure proper context for our investments. This includes the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat. We also consider the quality of its management team and analyse the environmental, social and governance (ESG) opportunities and risks impacting the business and appraise how well these are managed. We assign a proprietary score (1 indicates best in class and 5 indicates laggards) to articulate the quality attributes of each company. The ESG Quality rating is important consideration in assessing if a stock is a sustainable leader or improver.

Companies eligible for inclusion in the fund must be rated 3 or better on ESG Quality and total Quality.

5 key components of Quality assessed by abrdn’s analysts for all companies under coverage					
Industry	Business Model	ESG	Management	Financial Strength	
Analyst ESG Rating	1	2	3	4	5
	Best in Class 				Laggard
Examples of inputs	Strong Corporate Governance	Good Corporate Governance	Governance is generally good but some minor concerns	Known governance issues/poor treatment of minority shareholders	Severe governance concerns
	Strong management of the most material E&S risks and revenue growth from E&S opportunities	Strong management of the most material E&S risks and revenues from E&S opportunities	Mixed management of E&S risks	Limited oversight of key ESG issues	Poor treatment of minority shareholders
	Excellent disclosure	Good disclosure	Disclosure in line with regulatory requirements	Evidence of some financial material controversies	Many financially material controversies

ESG Commitments

The Fund has the following ESG commitment:

- **Carbon Footprint** – The Fund will target to have a Carbon Intensity that is lower than the benchmark, as measured by the abrdn Carbon Footprint Tool (which uses Trucost data for Scope 1&2 emissions). This tool enables analysis of company, sector, and the overall portfolios carbon footprint.

Sustainable Investments

The SFDR provides a general definition of “Sustainable Investment”. The minimum proportion of Sustainable Investments for this fund is 75%.

In line with the SFDR definition, abrdn has developed an approach on how to satisfy the three criteria for Sustainable Investments in the relevant Funds as set out below. The three criteria are:

1. **Economic Contribution** - The economic activity makes a positive contribution to an environmental or social objective.
2. **No Significant Harm** - The investment does not cause Significant Harm (“Do No Significant Harm”/ “DNSH”) to any of the sustainable investment objectives.
3. **Good Governance** - The investee company follows good governance practices.

If the investment passes all of the above three tests, it can then be deemed as a Sustainable Investment. Additional information on the Article 9 approach to making Sustainable Investments is detailed in the SFDR Annex, appended to the fund prospectus.

Exclusions and Restrictions Criteria

The Fund targets to exclude at least 20% of the Fund’s investment universe (defined as equities and equity-related securities of companies that are under active research coverage by the investment team and are listed, incorporated or domiciled in Emerging Markets, or companies that derive a significant proportion of their revenues or profits from Emerging Market countries operations or have a significant proportion of their assets in those countries), through a combination of ESG Assessment Criteria outlined above and the negatives screening detailed in the table below.



For more details please visit our website at www.abrdn.com under “Sustainable Investing” where we have position statements on various ESG-related issues.

Screen	Criteria	Data Source
Normative screening	The fund excludes investments that: Fail to uphold one or more principles of UNGC ¹ , ILO ² or OECD guidelines for Multinational Enterprises. ³	We utilise a combination of external data sources, including MSCI and our own internal research and insights, as well as sustained engagement.

¹ Ten Principles of the UN Global Compact <https://www.unglobalcompact.org/what-is-gc/mission/principles>

² International Labour Organisation’s Fundamental Principles and Rights at Work Branch (FUNDAMENTALS) <https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/departments-and-offices/governance/fprw/lang--en/index.htm>

³ Organisation for Economic Co-Operation and Development (OECD) guidelines for Multinational Enterprises <https://mneguidelines.oecd.org/>

State-owned enterprises	Are state-owned enterprises in countries subject to international sanctions or that materially violate universal basic principles. ⁴	We utilise a combination of external data sources, including MSCI and our own internal research and insights.
Norges Bank IM	Companies that appear on the NBIM exclusions list.	The exclusion list is based on recommendations from the Council on Ethics moderated by the Ministry of Finance. Found here: https://www.nbim.no/en/the-fund/responsible-investment/exclusion-of-companies/
Weapons	Have any tie to controversial weapons ⁵ covering; cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, white phosphorus, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers.	MSCI
	Have a revenue contribution of 5% or more from conventional weapons. ⁶	MSCI
Tobacco	Have a revenue contribution of 5% or more from tobacco wholesale trading or are tobacco manufacturers. ⁷	MSCI
Gambling	Have a revenue contribution of 5% or more from gambling.	MSCI
Alcohol	Have a revenue contribution of 5% or more from alcohol. ⁸	MSCI
Thermal Coal	Have a revenue exposure to thermal coal. Have a tie to thermal coal unless the company meets at least one of the following criteria: <ul style="list-style-type: none"> • Have a SBTi5 target set at well-below 2°C or 1.5°C, or have a SBTi 'Business Ambition for 1.5°C' commitment or an equivalent target that is compatible to achieving net zero by 2050 	MSCI, investment research

⁴ As part of the research, we examine a number of environmental, social, governance and political (ESGP) factors within our research. Our ESGP framework rates countries on 18 indicators across the four pillars – environmental, social, governance and political. The ESGP scores provide useful information for identifying long-term factors and tendencies that might not be fully factored into sovereign bond spreads.

⁵ https://www.msci.com/eqb/methodology/meth_docs/MSCI_Global_ex_Controversial_Weapons_Indexes_Methodology_Nov2019.pdf

⁶ The UN Programme of Action on Small Arms and Light Weapons (PoA) and the Arms Trade Treaty (ATT).

⁷ This is supported by the MPOWER strategy developed in 2007 by the WHO to cut tobacco use and raise taxes on tobacco products.

⁸ MSCI Values Based Exclusion Criteria on Alcohol

<https://www.msci.com/documents/1296102/14524248/MSCI+ESG+Research+BISR+Methodology+Overview.pdf>

	<ul style="list-style-type: none"> • Have less than 10% of CapEx dedicated to thermal coal-related activities and not with the objective of increasing revenue • Have more than 50% of CapEx dedicated to contributing activities.⁹ 	
Unconventional Oil & Gas Extraction	<p>Have a revenue exposure to unconventional oil and gas unless production capacity is not increasing and the company meets at least one of the following 3 criteria:</p> <ul style="list-style-type: none"> • Have a SBTi target set at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment or an equivalent target that is compatible to achieving net zero by 2050 • Derive less than 5% of its revenues from unconventional oil and gas-related activities • Have more than 50% of CapEx dedicated to activities which contribute positively to environmental objectives. 	MSCI, investment research
Conventional Oil & Gas¹⁰	<p>Have a revenue exposure to conventional oil and gas extraction are allocated the GICS sector designation “Energy” unless the company meets at least one of the following 4 criteria:</p> <ul style="list-style-type: none"> • Has a revenue contribution of less than 5% from oil and gas-related activities • Has set SBTi target at well-below 2°C or 1.5°C, or have a SBTi ‘Business Ambition for 1.5°C’ commitment or an equivalent target that is compatible to achieving net zero by 2050 • Has less than 15% of capex dedicated to oil & gas related activities and are not intending to increase revenue • Has more than 15% of CapEx dedicated to activities which contribute positively to environmental objectives. 	MSCI, investment research
Electricity Generation and alignment with Transition Pathway	<p>Are directly involved in electricity generation which has a carbon emission intensity inconsistent with the Paris Agreement 2 degrees scenario.</p> <p>Until 2025, electricity utilities with a carbon intensity lower than the annual thresholds below and that are not structurally increasing coal- or nuclear-based power generation capacity, are eligible: Max g.CO2/kWh 374 in 2022; 354 in 2023; 335 in 2024; and 315 in 2025).</p>	Trucost or MSCI

⁹ Contributing activities can consist of activities included in the EU Taxonomy or other economic activities that contribute to environmental objectives. For example, if the renewable energy capacity increases, this would fulfil this criterion. <https://ec.europa.eu/sustainable-finance-taxonomy/>

¹⁰ https://www.febelfin.be/sites/default/files/2019-02/quality_standard_-_sustainable_financial_products.pdf

Electricity Generation	Are directly involved in electricity generation and are making new investments in thermal coal or nuclear energy generation capacity.	Investment research
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The above sets out the screens that are applied for this Fund. We cannot exhaustively list screens that are not applied and it is important for investors to be clear that the interpretation of ESG and sustainability criteria is subjective, meaning that the Fund may invest in companies which do not align with the personal views of individual investors.

Investment in financial derivative instruments, money market instruments and cash may not adhere to this approach.

Active Stewardship

Active Ownership

In our view, good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly in relation to its customer, employees, shareholders, and the wider community. We also believe that markets and companies which adopt best practices in corporate governance and risk management – including the management of environmental and social risks – are more likely to deliver sustainable, long-term investment performance.

As owners of companies, the process of stewardship is a natural part of our investment approach as we seek to benefit from their long-term success on our clients’ behalf. Our fund managers and analysts regularly meet with the management and non-executive directors of companies in which we invest.

Voting

Voting analysis is carried out for all general meetings in actively-held companies. Vote instructions on our holdings are decided by analysts in our regional and ESG investment teams. We subscribe to proxy research providers IVIS and ISS and use their research to support our own analysis rather than automatically following recommendations of any third party. Our decisions will reflect our knowledge of companies, and insights gained through engagement. The involvement of our investment managers in voting decisions allows us to ensure proxy voting remains an integral part of the investment process.

ESG Engagement

Engagement with company management teams is key and a standard part of our equity investment process and ongoing stewardship programme. It provides us with a more holistic view of a company, including current and future ESG risks that the firm needs to manage and opportunities from which it may benefit. It also provides the opportunity for us to discuss areas of concern, share best practice and drive positive change. Priorities for engagement are established by:

- The use of the ESG House Score, in combination with
- Bottom-up research insights from investment teams across asset classes, and
- Areas of thematic focus from our company level stewardship activities.

Stock Lending

abrdn ESG funds take part in our Stock Lending programme, details of which can be found in the prospectus. Collateral held on behalf of ESG funds is currently restricted to Government bonds and securities issued by constituents of the MSCI ESG Screened indices; further detail on these indices can be found at <https://www.msci.com/esg-screened-indices>.

Divestment approach

Disinvestment from companies is required:

- If it becomes in breach of any of the negative or norms-based screens
- The ESG Quality rating falls below 3

Should the review of a security result in it being deemed non-compliant, the intention would be exit as soon as is practicably possible, but generally never longer than 3 months, allowing for market conditions.

Additional Disclosures

For further information about the Fund, including the prospectus, annual report and accounts, half-yearly reports, the latest share prices, or other practical information, please visit www.abrdn.com where documents may be obtained free of charge.

Further information can also be obtained from:

abrdn Investments Luxembourg S.A.

35a, Avenue J.F. Kennedy

L-1855 Luxembourg

Telephone: (+352) 46 40 10 820

Email: asi.luxembourg@abrdn.com

The rights of investors in this Fund are limited to the assets of this Fund.

For further information about Paying agents, Depositories, Custodians and Administrators, please refer to the Prospectus.

abrdn Investments Luxembourg S.A. may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the Prospectus for the Fund.