



abrdn
Investments

This is a marketing communication. Please refer to the fund's prospectus and Key Investor Information Document (KIID or KID) before making any final investment decision.

abrdn SICAV I – Asian SDG Equity Fund

abrdn SICAV I – Emerging Markets SDG Equity Fund

Sustainable Development
Report 2023

[abrdn.com](https://www.abrdn.com)

Contents

| | | | |
|---------------------------------|----|--|----|
| Introduction | 3 | Case Studies | 13 |
| Process and Outcomes | 6 | Sustainable Energy | 13 |
| Theory of Change | 6 | Health & Social Care | 15 |
| Why invest in an unmet need? | 7 | Circular Economy | 17 |
| Pillars & Themes | 7 | Education & Employment | 19 |
| Why abrdn? | 9 | Financial Inclusion | 21 |
| Managing Impact Performance | 10 | Food & Agriculture | 23 |
| Engagement: A Pathway to Impact | 11 | Sustainable Real Estate and Infrastructure | 25 |
| | | Water & Sanitation | 27 |
| | | SDG Enablers | 28 |

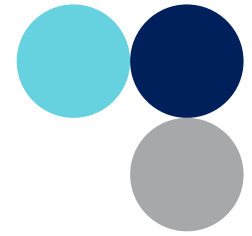


The SDGs aren't just a list of goals. They carry the hopes, dreams, rights and expectations of people everywhere.

António Guterres
United Nations Secretary-General
19 September 2023



Introduction



When the United Nations (UN) unveiled the Sustainable Development Goals (SDGs) in 2015, it gave voice to a widely shared aspiration: to secure the well-being of people everywhere, and to ensure that our planet thrives long into the future. Despite widespread commitment and pockets of progress, the UN's 2023 Sustainable Development update makes for a sobering read.

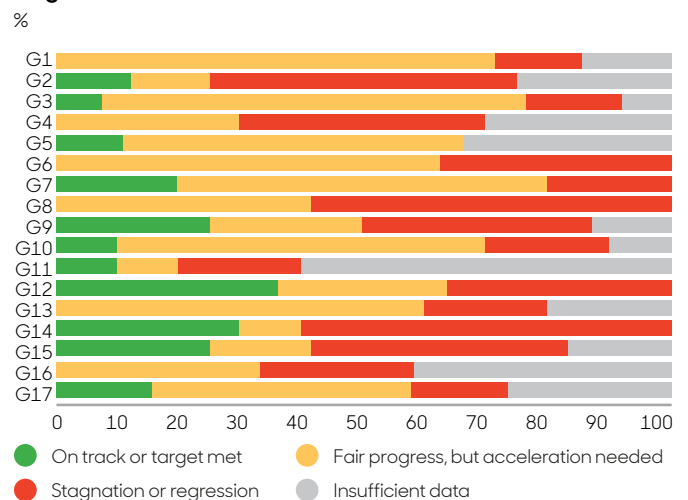
Halfway to 2030, **only 15% of the SDGs' targets are considered on-track, half are off-track, and a third have seen no improvement.**

Shockingly, some have moved below the baseline set in 2015.¹ Poverty, inequality and environmental degradation demand urgent action – and it's not happening fast enough. **Asia is expected to reach the Goals only in 2065**, a full 35 years behind schedule.² That means a child born in 2015, when the targets were set, will not see the benefits until they are 50 years old. By then, that child might have lived without access to essential health services, education or clear air.

The halfway point has also borne witness to a year with unnumberable climate anomalies. While flooding, wildfires, drought and cyclones don't discriminate, the ample resources available to the Northern hemisphere dwarf those of the Southern hemisphere. 2023 was officially declared the warmest year since global records began in 1850.³ More worryingly, the planet's ten warmest years in the 174-year record have all occurred in the decade from 2014 to 2023. With less than six years to go until the 2030 aspiration, the rate of progress simply must improve in order to put the planet and its people back on track, particularly in overcoming entrenched inequalities exacerbated by the COVID-19 pandemic and a fragile global political landscape.

Towards the end of the year, COP 28 achieved a momentous milestone: nearly 200 parties agreed to the world's first global stocktake around energy transition, signalling the beginning of the end for the fossil fuel era. Putting these headlines into practice will no doubt be more complex, yet keeping up this momentum will be critical to the delivery of tangible planetary benefits for all. As the President of the UN Economic and Social Council Paula Narváez made clear at UN General Assembly earlier in the year, **we must not let this moment slip away.**

Progress assessment for the 17 goals based on assessed targets, 2023 or latest data



Source: United Nations Department of Economic and Social Affairs (UN DESA) (2023).

¹ United Nations Department of Economic and Social Affairs (UN DESA) (2023). The Sustainable Development Goals Report 2023: Special Edition. Available at <https://unstats.un.org/sdgs/report/2023/The-Sustainable-Development-Goals-Report-2023.pdf> (Accessed 24 January 2024).

² United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) (2022). ESCAP's input to the thematic review of the High-Level Political Forum 2022. Available at [United Nations Economic and Social Commission for Asia and the Pacific \(ESCAP\) .: Sustainable Development Knowledge Platform](https://www.unescap.org/publications/sustainable-development-knowledge-platform) (Accessed 24 January 2024).

³ National Centers for Environmental Information (2024). Annual 2023 Global Climate Report. Available at [Annual 2023 Global Climate Report | National Centers for Environmental Information \(NCEI\) \(noaa.gov\)](https://www.noaa.gov/global-climate-report) (Accessed 22 March 2024).

Here at abrdn, whilst we recognise the scale of the challenge ahead, we also see opportunities. We believe that companies delivering sustainable solutions that help tackle some of the world's biggest problems have the potential to offer superior long-term financial returns. As they contribute to the sustainable development of underserved groups, these companies can do well by doing good.

Granted, the financial resources required to achieve the SDGs seem monumental – estimated at \$3.9 trillion annually – **yet they represent just 1% of global wealth.**⁴ The need for private capital to complement funding public is evident, and the role of private capital in delivering profit with purpose is critical. Only by directing resources towards sustainable development can we tackle the mega-threats faced by the planet and its global population. Asian and Emerging Markets offer some of the most compelling avenues to invest in and support progress towards the UN SDGs. **While these markets house over 80% of the world's population and generate over half of the world's GDP, developing countries hold less than 20% of global financial assets.**⁵

In the three years since the launch of abrdn's Asian and Emerging Markets SDG-aligned equity funds, we have faced sequential global crises – the COVID-19 pandemic and its far-reaching consequences, Russia's full-scale invasion of Ukraine, and the present conflict in the Middle East. This state of polycrisis exacerbates the need for sustainable development, and we see Asian and Emerging Markets leading the charge.

In the report that follows, you will learn about the many unmet needs abrdn has identified across Asian and Emerging Markets, and how innovative companies are working to profitably bridge the gap towards a fairer and more sustainable future for all – from addressing the financing needs of Indonesian entrepreneurs, to providing gainful employment in the Northeast of Brazil, to decarbonising logistics in Poland.

Only high ambitions can match the scope of the challenges ahead.



Catriona Macnair
Investment Director
Emerging Market Equities



David A. Smith
Senior Investment Director
Asian Equities

⁴ United Nations Development Programme (2023). Bridging the financing gap for SDGs. Available at <https://www.undp.org/eurasia/our-focus/development-impact/sdg-finance> (Accessed 24 January 2024).

⁵ OECD (2022). Global Outlook on Financing for Sustainable Development 2023. Available at [Global Outlook on Financing for Sustainable Development 2023 : No Sustainability Without Equity | OECD iLibrary \(oecd-ilibrary.org\)](https://www.oecd-ilibrary.org/publications/global-outlook-on-financing-for-sustainable-development-2023) (Accessed 24 January 2024).



In 2023, companies in our Asian and Emerging Markets SDG-aligned funds...



Avoided **2,796,621 tonnes of carbon-dioxide emissions** by enabling road-to-rail transition, deploying innovative logistics and developing energy-efficient technologies. This is equivalent to taking 603,000 gasoline-powered vehicles off the roads for a year.⁶



Sold over **3,000,000 electric vehicles** and provided batteries and essential components for many more, supporting electrification and the energy transition.



Invested over **\$4.5 billion in developing sustainable infrastructure** ranging from improving connectivity in rural areas, to grid improvements to support renewable energy, to energy-efficient transportation systems.

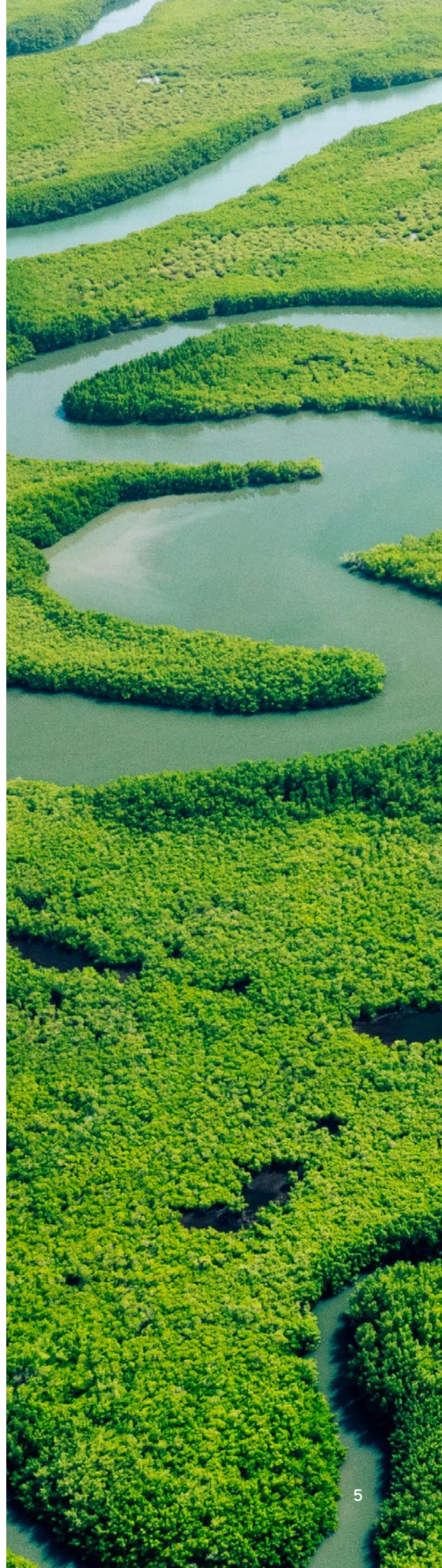


Extended credit to over 55 million borrowers in regions where access to bank accounts and financing is limited. This includes **37 million micro-, small- and medium-sized enterprises** in under-served regions of China, Indonesia and South Africa, and over **18 million female micro-entrepreneurs and rural borrowers** in India and Mexico.

All data included in this report pertaining to positive outputs by companies held in the funds is based on company disclosures and calculations by abrdn. Aggregated data is an approximation based on the information available as of the date of this report in the relevant companies' filings.



⁶ Based on the U.S. Environmental Protection Agency's [Greenhouse Gas Equivalencies Calculator](#), last updated in January 2024. Sourced 10 May 2024.



Process and Outcomes

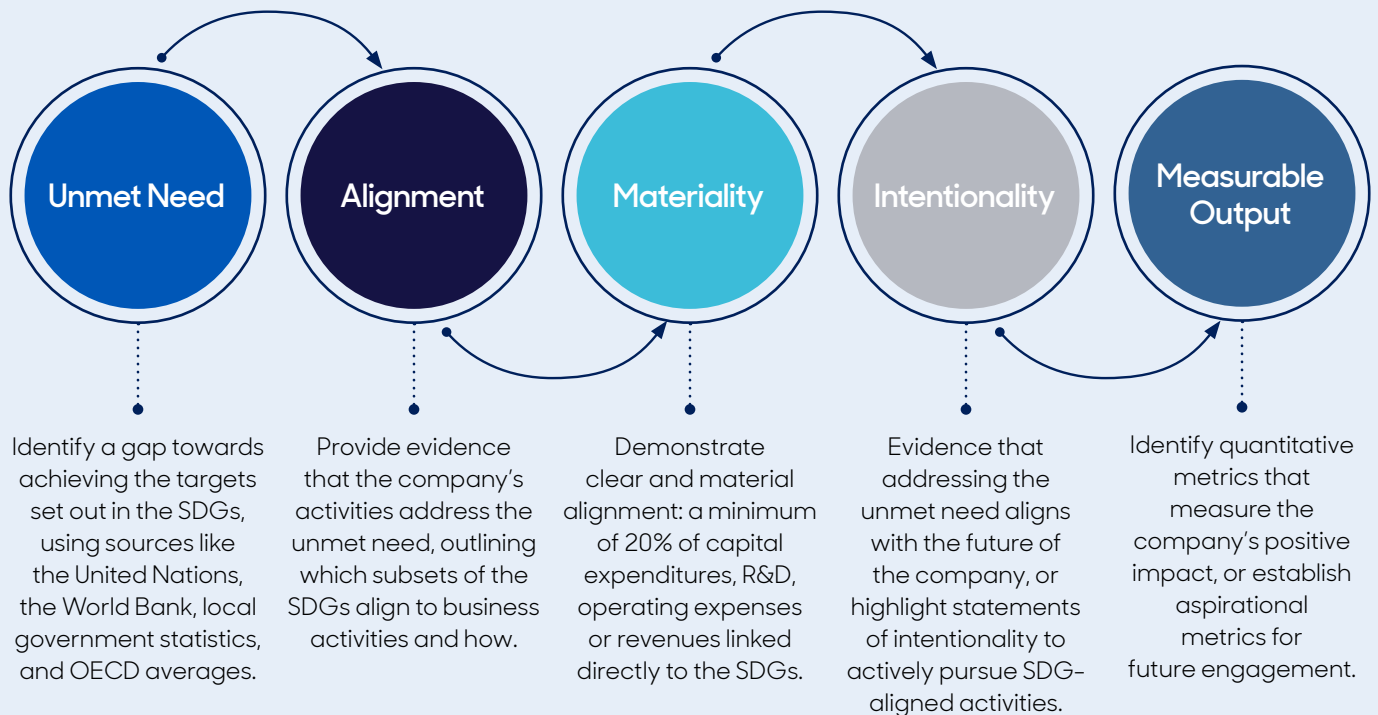


Theory of Change

The United Nations Sustainable Development Goals (SDGs) are a "blueprint to achieve a better and more sustainable future for all", encompassing 169 targets that touch on themes including reducing inequalities, supporting climate solutions, and enabling responsible consumption and production.

The Goals are highly relevant for Asian and emerging markets, which house almost all tropical rainforests across the globe, and where inequalities tend to be most stark.

How we determine alignment with the SDGs: abrdn's Theory of Change



An SDG-specific research note is undertaken on the basis of the above Theory of Change, incorporating an examination of any related negative externalities on a case-by-case basis. A distinct, cross-asset class **oversight group** is then responsible for peer reviewing this SDG-specific research and ultimately determining the SDG-aligned investible universe. Alongside cross-asset class investment expertise with a broad range of skills, this oversight group incorporates invaluable independent input and challenge from abrdn's Sustainability Group.

How do we monitor progress in delivering positive outcomes?

Company self-disclosure is a crucial part of our SDG-aligned investing approach. We believe if a company intends to deliver a product to address a specific environmental or social need, it must report the outputs

and outcomes. To gauge results, we rely heavily on company engagement and conversations with supervisory boards, executive management teams, and divisional heads.

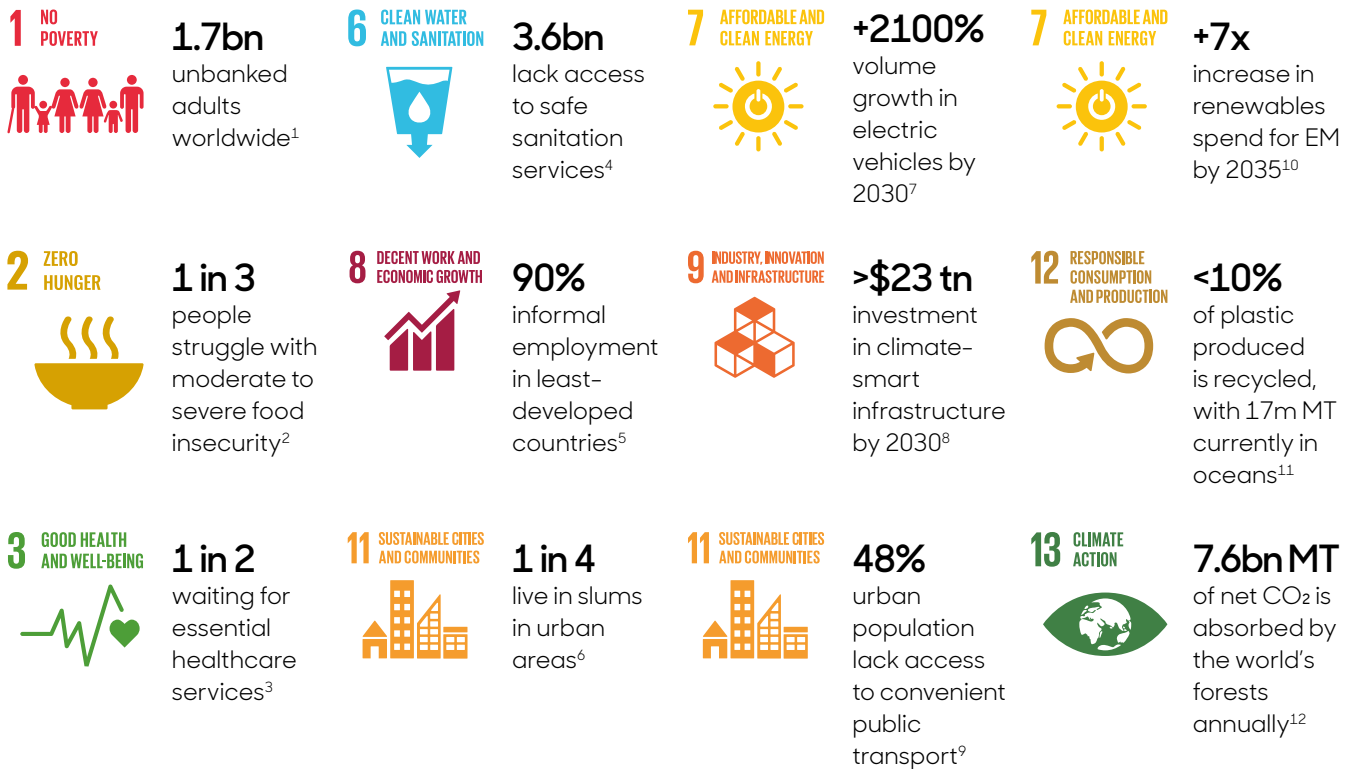
Our approach to reporting is based on the Global Impact Investing Network's stance that "context is critical to interpreting impact results in a robust and reliable way."⁷ In addition to case studies and pillar-level data discussed below, we analyse the outcomes companies supported using a country and/or regional lens.

We examine the context-specific outcomes against international sources, most frequently the World Bank databank, to understand how the impact delivered compares to the underlying country-specific issues and needs. Our primary objective is to assess the localised positive outcomes of our investee companies in the context of the global issues our portfolios target.

⁷ Global Impact Investing Network (2019). Evaluating Impact Performance. Available at <https://thegiin.org/publication/research/evaluating-impact-performance/> (Accessed 6 June 2024).

Why invest in an unmet need?

We consider unmet needs to represent a pool of unmet demand, and we seek out innovative companies tackling that sizeable addressable market by catering to the underserved. For example, **1.7 billion adults worldwide don't have access to a bank account**, while the many Emerging Markets report **over 50% informal employment**. Firms with the vision and quality to tap into these underserved groups in a profitable way have a blue ocean market ahead of them.



Source: abrdn, ¹ World Bank 2023, ² FAO, 2022; ³ WHO, 2017; ⁴ WHO, 2023; ⁵ ILO, 2022; ⁶ United Nations, 2022; ⁷ BofA Global Research, 2022; ⁸ IFC, 2018; ⁹ United Nations, 2022; ¹⁰ IEA, 2023; ¹¹ UNEP, 2021; ¹² Nature Climate Change, 2021.

Pillars & Themes

abrdn distilled the 17 United Nations Sustainable Development Goals (SDGs) into eight pillars of impact encompassing investable themes. The aim is to invest in companies whose products and services demonstrate **clear and material alignment with the SDGs**, and who provide local solutions to major global problems such as social inequality, climate change and unsustainable consumption and production.

We also invest in SDG Enablers – companies that are integral to supply chains enabling progress towards the SDGs, and meet the 20% materiality requirement, but whose impact is not reliably measurable, at present, via their final product or service.



Circular Economy



- Resource efficiency
- Material recovery and reuse



Sustainable Energy



- Access to energy
- Clean energy generation
- Energy efficiency



Food & Agriculture



- Access to nutrition
- Food quality
- Sustainable agriculture practices



Water & Sanitation



- Affordable housing
- Clean water
- Water efficiency



Health & Social Care



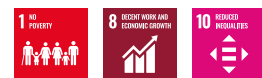
- Access to healthcare & social care
- Enhanced healthcare outcomes and systems
- Treating priority healthcare concerns



Financial Inclusion



- Access to basic insurance services
- Access to basic banking services



Sustainable Real Estate & Infrastructure



- Affordable housing
- Eco-construction and components
- Clean mobility



Education & Employment



- Access to education and skills development
- Quality employment and job creation



SDG Enablers



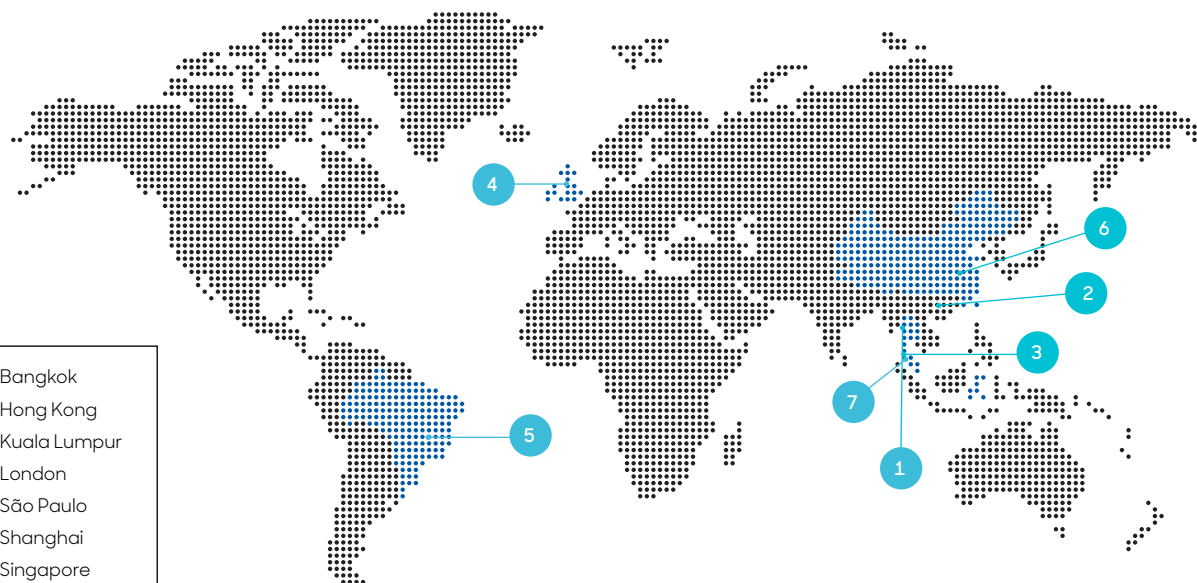
- Companies integral to supply chains and enable our other pillars



Why abrdn?

There is no substitute for in-depth research. Our Asian and Emerging Markets teams have an enviable footprint across the globe, with over 50 investment analysts across 7 offices, spanning Sao Paulo to Shanghai.

Our heritage of investing in Asia and Emerging Markets exceeds 35 years, with a longstanding focus on proprietary, bottom-up research to unearth quality companies. In each of the last 10 years, our team held between 860 and 1,200 meetings with companies.



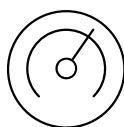
- 1. Bangkok
- 2. Hong Kong
- 3. Kuala Lumpur
- 4. London
- 5. São Paulo
- 6. Shanghai
- 7. Singapore



EM Assets

\$61

Billion



History of EM investing

33

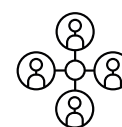
Years EM equity



Research

80+

Countries



Resources

100+

Investment professionals

\$44

Billion in EM equity

28

Years EM debt

1,000+

Companies

30+

Sustainability specialists

\$17

Billion in EMD

21

Years EM corporates

2,199

Company meetings

5

On-desk ESG* specialists

Source: abrdn, 30 September 2023.

*Environment, Social & Governance (ESG).

Managing Impact Performance

Measurable positive social and environmental outcomes are embedded in our SDG-aligned investment process, which seeks to establish and demonstrate material alignment through evidence-based research. We are long-term, proactive shareholders and believe feedback loops are central to ensuring lasting positive outcomes.

For this reason, we refresh and peer-review the alignment of each of our SDG-aligned holdings approximately once a year. Timely updates to our SDG-specific research has proven invaluable in shaping our portfolios, ensuring each company remains sufficiently relevant to tackling the SDGs.

Two 2023 examples help to bring this feedback loop to life.



1. Safaricom

When Kenyan telecommunications services provider **Safaricom** first launched its mobile wallet, M-PESA, in 2006, just 26% of the country's population had access to formal financial services. Today, **over 80% of the population has an account** at a financial institution or with a mobile-money service provider, above the world average of 76%. Kenyans own over 5% of the world's 586 million active mobile-money accounts.⁸

With over **80% market share in mobile money**, it's hard to deny the integral role that Safaricom has played and continues to play in the country's financial development. M-PESA has become synonymous with Kenya's successful progress towards financial inclusion, highlighted by the United Nations as a pioneer of such a model and an example of the kinds of products that can tackle limitations around the traditional financial systems.⁹

Without a demonstrable unmet need in the local market, Safaricom is no longer investable for our SDG-aligned funds. The gap we originally identified in Kenya no longer exists, thanks in no small part to Safaricom allocating capital to support M-PESA, thereby helping the country successfully tackle financial inclusion. Its story is testament to the potential of public companies to deliver a measurable, lasting impact.

Our aspiration is to unearth many more Safaricom-style companies.

⁸ GSMA (2023). State of the Industry Report on Mobile Money 2023. Available at <https://www.gsma.com/sotir/> (Accessed 18 April 2023).

⁹ UN Capital Development Fund (2022). Where in the World is Mobile Money Prominent? Available at <https://www.unCDF.org/article/7904/where-in-the-world-is-mobile-money-prominent> (Accessed 18 April 2023).



2. AIA

On the other side of the coin, we recently refreshed the alignment for Hong Kong life insurer, **AIA**, which established that the company's evolving strategy no longer supported clear and material alignment to the SDGs. Insurance protection gaps – the difference between what is insured and what should be insured – expose individuals and communities to potentially catastrophic expenses. **Broad-based access to insurance contributes positively to income equality and inclusive growth**, and companies extending that access to a broader set of under-served customers are often aligned with the objectives outlined in the SDGs, specifically Target 8.10.¹⁰

In recent decades, Asian countries experienced rapidly rising household income, and insurance coverage expanded off a low base. Today, as major economies in the region face the challenges of an ageing population and historically low interest rates, the productivity of each agent selling policies becomes an imperative. In light of this, AIA – with its vast reach and enviable pedigree – has chosen to focus on the mass affluent, higher-income demographic in China, which is far from underserved. **With excess savings in the bank and no salient affordability challenges, this demographic's needs are very much met and AIA failed to meet our Materiality threshold.**

Consistently delivering measurable positive outcomes requires rigour and intellectual honesty. When the time came to peer review the company's alignment with the SDGs, we leveraged broad-based expertise across our Asian and Emerging Markets Equities team, Asian and Emerging Markets Corporate Debt team, and abrdn Sustainability Group, as well as dedicated meetings with the company and industry experts. We concluded that, despite an impressive franchise and highly productive agent network, the company did not fit with our Theory of Change. Due to the lack of sufficiently material alignment to the SDGs, AIA is no longer investable for our Asian or Emerging Markets SDG-aligned funds.



¹⁰ Zheng L, Su Y. (2022). Inclusive Insurance, Income Distribution, and Inclusive Growth. Front Public Health. Available at [Inclusive Insurance, Income Distribution, and Inclusive Growth – PMC \(nih.gov\)](https://www.frontiersin.org/journal/publication/10.3389/fpubh.2022.911111) (Accessed 24 January 2023).

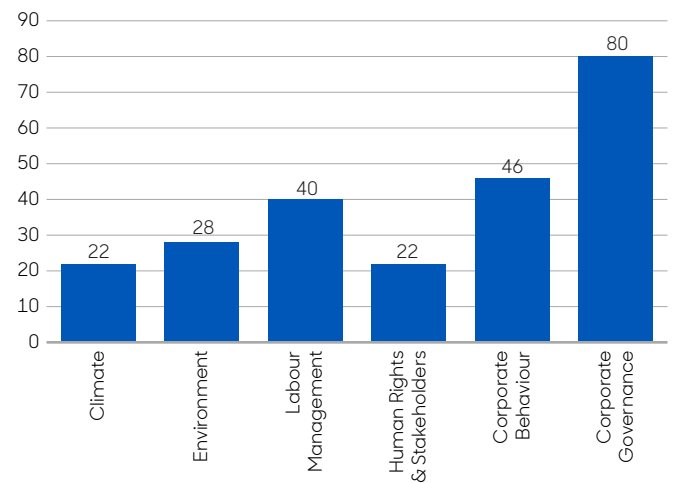
Engagement: A Pathway to Impact

While we believe the companies abrdn selects for our SDG-aligned portfolios are actively contributing to a fairer future for all through their business activities, the work does not stop once we have determined material alignment. abrdn's sizeable team of analysts proactively and frequently engages with companies on various aspects of stakeholder value. Working collaboratively with management teams, we seek to address inefficiencies, improve disclosures on alignment to the SDGs, mitigate financial and ESG risks, and drive positive change. In many instances, our engagement process involves setting milestones that we monitor and track continuously, revisiting progress at least once a year.

Reporting and disclosure standards vary across the globe, and particularly in Asian and Emerging Markets they are not yet where we would like to see them. By working with the companies held in the funds to enhance and improve disclosure around alignment and related outcomes, we believe that the companies will be increasingly recognised by the market for the positive contributions to society and the environment these public companies are making.

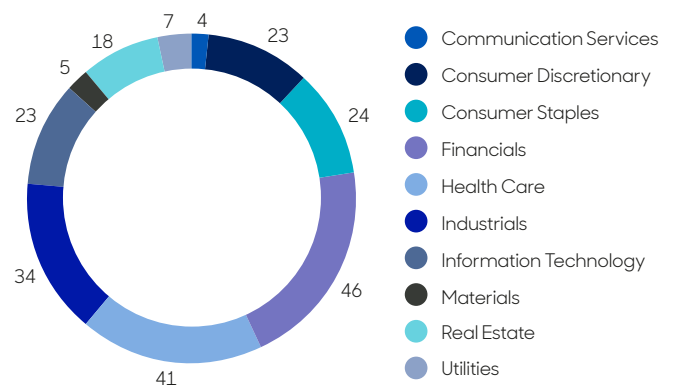
Combining abrdn's long-term investment horizon, established corporate relationships, and consistent messaging around SDG-related disclosures, we hope to steadily move from a case study-based report to one which consistently reports on the aggregate pillar-level outcomes generated by the companies in which we invest within our Asian and Emerging Markets SDG funds.

Number of engagements where we discussed...



From 31 December 2022 to 13 May 2024.

ESG engagements by sector



From 31 December 2022 to 13 May 2024.



Recent Engagements

| Company | Country | Most recent engagement | Key issues discussed | Engagement outcome |
|----------------------|--------------|------------------------|----------------------|--|
| Vitasoy | Hong Kong | Mar 2024 | Corporate governance | We discussed the mix of expertise on Vitasoy's Board of Directors. Specifically, we encouraged the company to add relevant FMCG experience. Our sense is that Vitasoy is currently endeavouring to refresh the Board, taking on board our feedback. |
| CATL | China | Mar 2024 | Circular economy | While CATL's recycling business yields lower returns than their core battery manufacturing operation, management intends to grow their recycling capacity by 10x to nearly 1,000 tonnes by 2025. This has two benefits: one is preserving resources by reusing key battery materials, and the other is securing raw materials, which will have tangible financial benefits for the company. |
| Raia Drogasil | Brazil | Mar 2024 | Labour management | We requested details on RD's remuneration structure at the store level. Wages vary across the country, but only entry-level positions carry the national minimum wage. In 2023, 35% of staff held these positions. RD emphasises career development opportunities for staff - be it in the wealthier Southeast or the poorer Northeast, RD stores tend to hire people without professional experience, without college degrees, often from poor families, who are trained within the company and often stay for years, climbing the ranks and establishing a career. |
| Yadea Group Holdings | China | Mar 2024 | Corporate governance | As relatively new shareholders of Yadea, our initial engagement efforts focused on sharing best practices. As a family-owned company, Yadea started to professionalise management and governance structures in recent years, and they were receptive to our suggestions for improvement. The company told us they will consider increasing the proportion of independent non-executive directors on the Board of Directors. |
| Vesta | Mexico | Dec 2023 | Climate | We have engaged with Vesta continuously since first investing in the company, and we have seen a marked improvement in disclosure and adoption of best practices through the years. Our most recent engagement point revolved around the company's green-certification target, which we felt would be achieved earlier than planned. This has in fact come to pass, as Vesta reported 28% of gross leaseable area was certified as of December 2023. We are now encouraging the company to adopt another set of stretch targets. |
| Clicks | South Africa | Nov 2023 | SDG Alignment | Throughout 2023, we engaged with Clicks on the kinds of disclosures we would like to see to continuously affirm the company's alignment with the SDGs. In a meeting, they told us 22.5% of Clicks stores are in lower-income areas and townships, and they have since started to disclose this in every earnings presentation. Additionally, Clicks are in the process of refreshing their long-tenured Board of Directors (an ask we put to them a few times), and recently revised their LTIP to replace total stock return with ROIC, a metric that we feel aligns more neatly with long-term value creation. |
| Samsung Biologics | South Korea | Nov 2023 | Governance | Samsung Biologics is rated B by MSCI, which we feel is low. The company kicked off a project with MSCI's licenced advisor in South Korea to evaluate and improve this rating, hoping to have good news in September 2024. Management was also receptive to our requests that they evidence intentionality to deliver positive impacts by ensuring faster, more cost-efficient development of essential pharmaceuticals. |

Case Studies





Case study

Sustainable Energy

Increasing renewables, decreasing emissions and improving access

Energy is central to almost every environmental and social issue the world faces, and it touches most aspects of daily life – from cooking to mobility to education. While impressive progress on electrification has been made, electricity represented only one-fifth of global energy consumption. An estimated **733 million people still lack access to electricity** and over **2.4 billion** people still use **dangerous and inefficient cooking systems**.¹¹

While meeting global climate goals is possible, it requires large-scale mobilization of private capital and deployment of renewables. Global annual improvements in energy efficiency must accelerate to reach the goals set out in the SDGs by 2030. abrdn's Sustainable Energy pillar considers three areas of energy: clean energy solutions, initiatives that promote energy efficiency, and services to expand access to energy.

Core themes include...

- Investment in electrification and renewable energy capacity expansion.
- Solutions to increase energy efficiency.
- Infrastructure enabling the transition to clean energy.

Companies in the Asian and Emerging Markets funds...

- Invested nearly **US\$2 billion to upgrade the electricity grids** in China and India in the last two years, developing technologies and infrastructure to accommodate renewable energy and ensure safe and stable power.
- Generated and distributed **29 million megawatt hours of renewable energy** – a year's worth of power consumed by nearly three million U.S. homes.¹²
- Reported **2,796,621 tCO₂e in avoided emissions**, equivalent to taking 603,000 gasoline-powered vehicles off the roads for a year.¹³



¹¹ United Nations Department of Economic and Social Affairs (2022). Tracking SDG7: The Energy Progress Report 2022. Available at <https://sdgs.un.org/publications/tracking-sdg7-energy-progress-report-2022-47726> (Accessed 19 April 2024).

¹² US Energy Information Administration (2024). How much electricity does an American home use? Available at <https://www.eia.gov/tools/faqs/faq.php?id=97&t> (Accessed 13 May 2024).

¹³ Based on the U.S. Environmental Protection Agency's [Greenhouse Gas Equivalencies Calculator](#), last updated in January 2024. Sourced 13 May 2024.



Case study

Equatorial Energia

Brazil
Utilities – Distribution



SDG 7.3

By 2030, double the global rate of improvement in energy efficiency.

Proprietary ESG Rating

2 – Leader

MSCI ESG Rating

BBB

ESG Risks

- Greenhouse gas emissions
- Biodiversity management and land use
- Business ethics

ESG Engagement

Our engagement to date has centred on the introduction of time-bound relative carbon intensity reduction targets. We feel this is an area where Equatorial lags peers, and we continue to raise the topic with management.

Theory of Change

Unmet need

When power is generated in a power station, it passes through a large and complex networks of transformers, overhead lines, cables and other equipment before reaching end users. In the process of transmission and generation, some of the electric energy that’s been generated is lost. **In Brazil, these electricity losses from the grid (known as technical losses) are 3x that of the USA.**

Technical losses are simplest to address through deployment of more advanced technologies and by upgrading existing infrastructure, both for long-distance transmission and for distribution at the local level. Improvements in transmission can be made, for example, by replacing inefficient wires, using superconductors that reduce resistance in wires, and by controlling power flow and high-voltage direct current. Similarly, improvements in distribution can be achieved by better managing the load and distribution of power, as well as reconfiguring distribution lines. Innovation, such as adopting digital technologies for routing power flows, play a role.

Intentionality

Equatorial Energia is an integrated electrical utility operating principally in the North and Northeast of Brazil. The company’s earnings are dominated by their electricity distribution business. Through their continuous investment into its asset base, Equatorial is upgrading the electricity grid, thereby reducing electricity losses and improving energy efficiency.

Materiality

Equatorial allocates approximately 95% of capital expenditures to expanding their distribution asset base.

Measurable output

| KPIs | 2023 | 2022 | 2021 |
|------------------------------------|------------|------------|------------|
| Renewable energy generated (MWh) | 4,384,735 | 4,569,457 | - |
| Renewable energy distributed (MWh) | 54,413,453 | 34,921,362 | 33,552,185 |





Case study

Health & Social Care

Ensuring access to quality, affordable essential care and enhancing care outcomes

The COVID-19 pandemic was a meaningful setback for health and social care standards across the world, as **decades of progress in reproductive health, maternal health and child health stalled or reversed**. In its 2023 progress report, the United Nations highlighted decreasing immunisation coverage and an increase in deaths from HIV, tuberculosis and malaria. Universal health coverage continues to face significant challenges, and close to **400 million people have faced financial hardship due to out-of-pocket healthcare expenditures**.¹⁴

Our alignment process for Health & Social Care targets two facets of reliable, equitable and effective services: access and innovation. We look for companies supporting and enabling drug discovery on priority diseases, improving accessibility and affordability of treatment, and contributing to broader coverage of essential health services in under-served areas. The pandemic also halted progress on universal health coverage, and health workers – already in short supply in many regions – have been stretched to their limits. Scaling up investment in health systems and drug development is essential to address the shortfall in healthcare services.

Core themes include...

- Affordable access to health and social care.
- Drug development for priority diseases.
- Broader coverage of essential services.

Companies in the Asian and Emerging Markets funds...

- Enabled access to **16,216 operational hospital beds** in Indonesia and Brazil, where health outcomes lag OECD averages and access to essential health services is limited.
- Allocated nearly **US\$ 2 billion to improve pharmaceutical development and treatment outcomes**, through R&D investment and capital expenditures in companion diagnostics, drug research and manufacturing, and advanced medical devices.
- Offered nearly **US\$1 million in pharmacy bursaries** over the last three years, helping to address a pharmacist shortage in South Africa.



¹⁴ United Nations Department of Economic and Social Affairs (2023). The Sustainable Development Goals Report 2023: Special Edition. Available at <https://unstats.un.org/sdgs/report/2023/> (Accessed 19 April 2024).



Case study

Vijaya Diagnostics

India
Healthcare – Healthcare Services



VIJAYA
DIAGNOSTIC
CENTRE



SDG 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality, and affordable essential medicines and vaccines for all.

Proprietary ESG Rating

2 – Leader

MSCI ESG Rating

Unrated

ESG Risks

- Corporate governance
- Disclosure

ESG Engagement

We engaged with Vijaya Diagnostics to highlight the detail we would like to see in their forthcoming sustainability report, including the company's alignment with the SDGs and granular disclosures outlining Vijaya's positive impact on health outcomes.

Theory of Change

Unmet need

Medical diagnostic testing is an essential input for better healthcare outcomes. The World Health Organization (WHO) consistently emphasises the importance of access to diagnostic testing, and how innovation and research in this space contributes to improved services for patients and greater accessibility to quality healthcare on a global scale.¹⁵

Globally, access to medical diagnostic is low: an estimated 47% of the global population has little to no access to these services. In India, there are only 1,151 accredited medical laboratories. By comparison, the United States has 260,000 accredited medical laboratories and only one-quarter of India's population.¹⁶

Intentionality

Vijaya Diagnostics offers comprehensive and high-quality diagnostic services in India, testing for preventative and curative purposes. Already the largest diagnostics provider in South India, the company set a target to open 15 new diagnostic centres each year, with over half of its capital expenditures going to tier-2 and tier-3 cities.

Materiality

100% of Vijaya's revenues are generated by medical diagnostics.

Measurable output

| KPI | 2023 | 2022 | 2021 |
|---|-------|------|------|
| Diagnostic tests carried out (millions) | 10.05 | 9.32 | 7.09 |
| New centres in Tier 2 and Tier 3 cities | 26 | 15 | 7 |
| Number of patients seen (million) | 3.18 | 3.62 | 2.63 |



¹⁵ World Health Organization (2023). Strengthening Quality Local Production: The First Week of Quality Wraps Up with Resounding Success. Available at <https://www.who.int/news/item/15-06-2023-strengthening-quality-local-production--the-first-week-of-quality--wraps-up-with-resounding-success> (Accessed 19 April 2024).

¹⁶ Fleming, Kenneth A et al. (2021). The Lancet Commission on diagnostics: transforming access to diagnostics. Available at [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(21\)00673-5/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(21)00673-5/fulltext) (Accessed 19 April 2024).



Case study

Circular Economy

Doing more and better with less

The 'make, use, dispose' consumption model has seen over **2.12 billion tonnes of waste** dumped on the planet each year. The world has finite resources, and its inhabitants are already consuming at a rate that requires the resources of **1.8 Earths each year**.¹⁷ And it's getting worse: waste generation is expected to outpace population growth through 2050, increasing by 65% to reach **3.8 billion tonnes**.¹⁸

The concept of a circular economy is to move to a model that extends the lifespan of products and materials and diverts waste away from landfills. The Circular Economy pillar targets companies that offer solutions to keep resources in use for as long as possible.

These products are designed to reduce pressure on natural resources and expand recycling services, which is extremely important given least **33% of global waste is not managed in an environmentally safe manner**.¹⁹

Core themes include...

- Waste prevented, recovered and/or recycled.
- Forest area protected and preserved.
- Investment in transition to less resource-intensive or more recyclable products.

Companies in the Asian and Emerging Markets funds...

- **Redirected 735,766 metric tons of waste from landfill to recycling**, contributing to environmentally-friendly waste management practices and supporting circular economy principles.
- **Planted over 19 million seedlings** that, over 10 years, can sequester enough carbon to offset over 2.5 million barrels of oil consumed.²⁰
- Set aside **61,000 hectares of land for conservation** – an amount of space that could fit 150,000 American football pitches.



¹⁷ The World Counts (2024). Global Waste Problem. Available at <https://www.theworldcounts.com/challenges/planet-earth/waste/global-waste-problem> (Accessed 19 April 2024).

¹⁸ United Nations Environment Programme (2024). Global Waste Management Outlook 2024. Available at <https://www.unep.org/resources/global-waste-management-outlook-2024> (Accessed 19 April 2024).

¹⁹ The World Bank (2022) What a Waste 2.0. Available at https://datatopics.worldbank.org/what-a-waste/trends_in_solid_waste_management.html (Accessed 19 April 2024) Based on the U.S. Environmental Protection Agency's Greenhouse Gas Equivalencies Calculator, last updated in January 2024. Sourced 13 May 2024.

²⁰ Based on the U.S. Environmental Protection Agency's [Greenhouse Gas Equivalencies Calculator](#), last updated in January 2024. Sourced 13 May 2024.



Case study

Mondi

South Africa
Materials – Pulp & Paper



SDG 12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Proprietary ESG Rating

2 – Leader

MSCI ESG Rating

AAA

ESG Risks

- Carbon Emissions
- Raw Material Sourcing
- Waste Management

ESG Engagement

We engaged with Mondi in December, focusing on the use of black liquor as a fuel source within their mills. This is a byproduct of the pulp recovery process, which the company views as circular given it originates from their forestry assets. We will continue to engage on the splitting out of emissions for this fuel usage from disclosures.

Theory of Change

Unmet need

In the 70 years to 2020, plastic production ballooned from 1.5 million metric tonnes to 367 million metric tonnes. At this rate, annual production will reach 1.6 billion metric tonnes by 2050. Meanwhile, plastic pollution is on course to double by 2030, and already accounts for 85% of all marine litter. Only 14–18% of plastics are recycled.

While the versatility of plastics has led to their wide adoption across sectors, usage is most prevalent in the packaging industry. This industry must find solutions to help prevent the growing prevalence of plastic pollution globally.

Intentionality

Mondi is a vertically integrated paper and packaging with large mills in South Africa, Slovakia and The Czech Republic. Mondi state that their purpose is to 'contribute to a better world by making innovative, sustainable packaging and paper solutions', and the company expects the recycled content of their total product portfolio to grow.

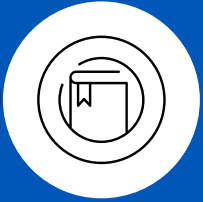
Materiality

In 2023, Mondi derived 85% of revenues from products that can be reused, recycled or composted.

Measurable output

| KPIs | 2023 | 2022 | 2021 |
|--|---------|---------|---------|
| Value of reusable, recyclable or compostable packaging products sold (US\$ millions) | 6,738 | 7,689 | 6,351 |
| Land set aside for conservation (hectares) | 61,025 | 70,547 | 70,777 |
| Waste diverted and recycled (metric tons) | 729,604 | 724,765 | 764,710 |





Case study

Education & Employment

Creating opportunities for marginalised or vulnerable people

Achieving full and productive employment and decent work for all requires businesses to invest in and support the development of their employees. Global efforts to reduce social inequalities and 'build back fairer' after COVID-19 must have education and employment at their core.

As things stand, an estimated **84 million children** and young people will still be out of school by 2030, and 300 million students will lack basic numeracy and literacy skills. Meanwhile, challenging economic conditions have contributed to an uptick in informal employment, with as many as **2 billion workers in precarious jobs** without social protection.²¹ These trends exacerbate entrenched inequalities and vulnerability related to per-capita income and living conditions.²²

As we look for companies positively impacting education services, we target those that expand access to affordable, quality education, and recognise the importance of prioritising diversity and reaching all socio-economic groups. And in defining 'fair' employment opportunities, we place a premium on wage growth and development opportunities – especially in underserved areas and for groups on the lower rungs of the income ladder – in addition to employee safety and equality.

Core themes include...

- Value created for those in informal or self-employment.
- Quality employment opportunities.
- Access to education and skills development.

Companies in the Asian and Emerging Markets funds...

- Enabled micro-, small- and medium-sized enterprises (MSMEs) to sell **US\$ 31 billion in gross merchandise value on Latin America's leading e-commerce platform**, providing a main source of income for 1.8 million families.
- Created over **29,000 jobs, many in under-employed regions** of Poland and Brazil, in the last three years, with average wages exceeding each country's minimum wage by double-digits.
- Trained **275 pharmacy interns in South Africa** since 2021, helping to address the country's pharmacist shortage and limited access to essential medicines.



²¹ United Nations Department of Economic and Social Affairs (2023). The Sustainable Development Goals Report 2023: Special Edition. Available at <https://unstats.un.org/sdgs/report/2023/> (Accessed 19 April 2024).

²² International Labour Organization (2021). Employment and informality in Latin America and the Caribbean: an insufficient and unequal recovery. Available at https://www.ilo.org/wcmsp5/groups/public/---americas/---ro-lima/---sro-port_of_spain/documents/genericdocument/wcms_819029.pdf (Accessed 19 April 2024).



Case study

Raia Drogasil (RD)

Brazil
Consumer Staples – Pharmacies



SDG 8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

Proprietary ESG Rating

1 – Best in Class

MSCI ESG Rating

A

ESG Risks

- Supply chain oversight
- Privacy & data security
- Labour management

ESG Engagement

In 2023 and into 2024, we have engaged with RD on their role in ensuring access to affordable medicine throughout the country, as well as the career progression and remuneration that they offer to employees.

Theory of Change

Unmet need

Brazil lags the OECD average on multiple development factors, amongst them income inequality.²³ When you drill down to the regional level, the disparity becomes even more stark, with wide differences in development indicators when comparing the South of the country with the North and Northeast.²⁴

The outcome of this regional disparity is that proximity to the South is closely associated with better work opportunities, while those in Brazil's less developed regions face higher levels of unemployment and much greater income inequality, with monthly wages as low as US\$ 200 in some states.²⁵

Intentionality

RD is the market leader in pharmacy retail in Brazil. With over 2,500 pharmacies across the country and a leading digital platform, it reaches over a fifth of all Brazilians. The average salary for shop floor employees at an RD pharmacy carries a double-digit premium over the national minimum wage in Brazil, and it is meaningfully higher than the average in the North and Northeast. As the company continues to expand into more municipalities, it offers gainful employment in areas with informality rates as high as 50% and a dearth of formal work opportunities.²⁶

Materiality

RD allocates approximately 36% of capital expenditures to expansion outside of the Southeast region.

Measurable output

| KPIs | 2023 | 2022 | 2021 |
|--|-------|-------|-------|
| Jobs created | 4,248 | 2,870 | 5,942 |
| Number of pharmacies | 2,868 | 2,697 | 2,490 |
| Number of municipalities with an RD pharmacy | 562 | 540 | 485 |



²³ OECD Better Life Index (2023), Brazil. Available at <https://www.oecdbetterlifeindex.org/countries/brazil/> (Accessed 14 May 2024).

²⁴ Affonso da Silva, Simone (2017). Regional Inequalities in Brazil: Divergent Readings on Their Origin and Public Policy Design. Available at <https://journals.openedition.org/echogeo/15060> (Accessed 14 May 2024).

²⁵ Agência de Notícias – IBGE (2019). Survey unveils unprecedented picture of the labor market in the interior of Brazil. Available at <https://agenciadenoticias.ibge.gov.br/en/agencia-news/2184-news-agency/news/25082-survey-unveils-unprecedented-picture-of-the-labor-market-in-the-interior-of-brazil> (Accessed 14 May 2024).

²⁶ Ibid.



Case study

Financial Inclusion

Tackle poverty in all its dimensions

Underserved groups are often marginalised or excluded from financial systems, which negatively impacts many other areas of their lives. Financial services act as a gateway to improving access to basic necessities like electricity, water, healthcare, housing and education. But there are still 1.7 billion adults – close to **one-third of the global population** – who do not have access to financial products or services. About half of these adults are women, poor households in rural areas, or those out of the workforce.²⁷ Additionally, about **712 million people globally live in extreme poverty**.²⁸

Our pillar identifies companies operating in countries and regions where there is low penetration of basic financial services for individuals, as well as those extending credit to micro, small and medium-sized enterprises (MSMEs) or groups that struggle to access financing.

Core themes include...

- Extending financial services to unbanked individuals.
- Addressing insurance gaps to help preserve accumulated household wealth.
- Increasing access to credit for SMEs.

Companies in the Asian and Emerging Markets funds...

- Insured over **62 million clients in countries with large protection gaps**, including India, Mexico and South Africa.
- Extended approximately **US\$ 171 billion in loans** to micro-, small- and medium-size enterprises (MSMEs) that otherwise struggle to access financing, in countries including Mexico, Peru, China and Indonesia.
- Provided access to financing and financial literacy training to over **18 million female micro-entrepreneurs** in rural areas.



²⁷ The World Bank (2022). Financial Inclusion Overview. Available at <http://www.worldbank.org/en/topic/financialinclusion/overview> (Accessed 19 April 2024).

²⁸ The World Bank (2024). Poverty Overview. Available at <https://www.worldbank.org/en/topic/poverty/overview> (Accessed 19 April 2024).



Case study

Bank Rakyat Indonesia

Indonesia
Financials – Banks



SDG 9.3

Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.

Proprietary ESG Rating

3 – Average

MSCI ESG Rating

A

ESG Risks

- Privacy & data security
- Business ethics

ESG Engagement

As the Indonesian government holds a majority stake in BRI, the Board of Commissioners' independent representation is dominated by civil servants. We routinely engage with BRI on increasing private-sector industry participation on the Board.

Theory of Change

Unmet need

Indonesia boasts in excess of 62 million micro, small and medium-sized enterprises (MSMEs), which **employ almost 97% of the country's total workforce**.²⁹ Supporting the development of these small businesses, their owners and employees will be an essential driver of Indonesia's future economic success. Yet, World Bank indicators show only 61% of the population had an account at a financial institution or mobile-money service provider in 2021, and the financial literacy index in Indonesia scored just 38% in 2019, dominated by adult aged 18–25 years old.^{30,31}

Intentionality

Bank Rakyat Indonesia (BRI) targets the country's MSME financing gap, using technology to champion financial inclusion across rural and remote island locations through its extensive branch and digitally-enabled agent networks. The bank has been shifting its focus towards micro loans in recent years and is working to promote financial literacy amongst businesses and individuals alike. In partnership with Pegadaian and PNM, Bank Rakyat Indonesia launched its Ultra Micro ecosystem in 2021. Bank Rakyat Indonesia is also very active in disbursing loans under the government-subsidised KUR programme, which keeps interest rates fixed at 6% for borrowers.

Materiality

Micro-businesses accounted for **43.3% of Bank Rakyat Indonesia's bank-only loans** in 2023. The figure is closer to 80% once MSMEs are included.

Measurable output

| KPIs | 2023 | 2022 | 2021 |
|--|------|------|------|
| MSME loans disbursed (US\$ billions) | 45 | 43 | 42 |
| Number of BRI micro borrowers (millions) | 14.0 | 14.4 | 13.3 |
| Number of micro borrowers in Ultra Micro ecosystem (million) | 36.9 | 35.3 | 31.0 |

²⁹ OECD iLibrary (2022). Indonesia – Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard. Available at <https://www.oecd-ilibrary.org/sites/13753156-en/index.html?itemId=/content/component/13753156-en> (Accessed 19 April 2024).

³⁰ The World Bank (2021). Account ownership at a financial institution or with a mobile-money-service provider, secondary education or more (% of population ages 15+) – Indonesia. Available at <https://data.worldbank.org/indicator/FX.OWN.TOTL.SO.ZS?locations=ID> (Data sourced 19 April 2024).

³¹ Otoritas Jasa Keuangan (2022). National Strategy on Indonesian Financial Literacy (SNLKI) 2021 – 2025. Available at [https://www.ojk.go.id/en/berita-dan-kegiatan/publikasi/Pages/National-Strategy-on-Indonesian-Financial-Literacy-\(SNLKI\)-2021---2025.aspx#](https://www.ojk.go.id/en/berita-dan-kegiatan/publikasi/Pages/National-Strategy-on-Indonesian-Financial-Literacy-(SNLKI)-2021---2025.aspx#) (Accessed 19 April 2024).





Case study

Food & Agriculture

Providing quality food and preventing land degradation

According to the UN, the world's population is projected to reach **9.8 billion** in 2050 and 11.2 billion in 2100, amplifying the demands placed on the Earth's natural resources. The resources required to feed the global population are already putting unsustainable demands on land, oceans, forests and biodiversity. In fact, **10 million** hectares of forest are destroyed every year. Commercial agriculture is the largest driver of deforestation, followed by subsistence agriculture.³²

Still, an estimated **1 in 10 people worldwide are suffering from hunger**, and a staggering **2.4 billion people** were moderately or severely food insecure in 2022, meaning they lacked regular access to adequate food.³³ A confluence of disruptions – from the COVID-19 pandemic to climate-related shocks to the war in the Ukraine – has undermined global food systems and posed additional threats to food security globally.

Our Food and Agriculture pillar covers both social and environmental concerns, with a twin focus around addressing hunger and nutrition, and at the same time promoting the sustainable use of the world's resources. We therefore look at access to nutrition, improved nutrition and services for farmers, as well as how food is produced and the impact of farming practices on the land, water, and biodiversity.

Core themes include...

- Deployment of sustainable agricultural practices.
- Higher crop yields through land and animal productivity.
- Increasing nutritional content.

Companies in the Asian and Emerging Markets funds...

- Produced plant-based drinks at only 4% of the emissions intensity of dairy products, which is comparable to **avoiding 2.5 million tonnes of carbon-equivalent emissions** – enough to power 328,835 homes for a year.³⁴
- Conducted in excess of **5,000 audits and verification projects** encompassing carbon neutrality, greenhouse gas emissions verifications and International Organization for Standardization (ISO) certifications.



³² WWF (2023). Available at <https://explore.panda.org/forests#thousand-cuts> (Accessed 19 April 2024).

³³ United Nations Department of Economic and Social Affairs (2023). The Sustainable Development Goals Report 2023: Special Edition. Available at <https://unstats.un.org/sdgs/report/2023/> (Accessed 19 April 2024).

³⁴ Based on the U.S. Environmental Protection Agency's [Greenhouse Gas Equivalencies Calculator](#), last updated in January 2024. Sourced 10 May 2024.



Case study Centre Testing

China
Industrials – Research & Consulting Services



SDG 15.3

By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

Proprietary ESG Rating

2 – Leader

MSCI ESG Rating

Unrated

ESG Risks

- Product quality
- Business ethics
- Human capital management

ESG Engagement

We have continuously engaged with Centre Testing since 2020 to understand ESG risk management initiatives in key areas. For example, on the question of human capital management, the company showcased its inhouse talent training model. Going forward, we will continue to engage the company on refining and improving disclosures evidencing alignment with the SDGs.

Theory of Change

Unmet need

Soil erosion is an environmental problem in China, where it is estimated that 2.7 million square kilometres of land are eroded. At the last census, around 18% of land plagued by water and soil erosion fell into the classifications of 'severe' and 'extremely severe', and as much as 28% of China's land was affected by water and soil erosion. China has set targets to bring this down to 27% by 2025 and to 25% by 2035.

Intentionality

Centre Testing is a first-mover in third-party environmental testing in China, and has established over 30 professional laboratories across the country. The company provides governments and enterprises with services ranging from planning, on-site investigation, sampling, analysis, reporting, all the way through to evaluation. With accurate conclusions, the company helps customers pursue healthy, safe and environmentally friendly working and living environments, improve environmental quality, and enhance public health.

Materiality

Environmental testing services comprise up to 25% of the company's revenues, illustrating alignment with SDG 15.3 to help restore degraded land and soil.

Measurable output

| KPIs | 2023 | 2022 | 2021 |
|--|-------|------|------|
| No. of greenhouse gas emissions verifications | 710 | 522 | 420 |
| No. of environmental impact and carbon emission audits by CTI (cumulative) | 4,720 | - | - |





Case study

Sustainable Real Estate and Infrastructure

Providing affordable and eco-friendly buildings and improving connectivity

As the global population grows and people move to urban areas in increasing numbers, the built environment has a key role to play in supporting social and environmental goals.

The buildings and construction sector accounts for over a third of global energy use and was responsible for **37% of global CO₂ emissions in 2022**.³⁵ While many countries have stated their ambitions to increase mitigate the environmental impact of buildings and construction, this needs to be matched by policy, regulatory action and continued investment. **Emissions remain 40 percent above the annual target** to reach net-zero carbon by 2050, and energy intensity must decrease by as much as 15 percent to match the target trajectory.

Besides 'green' building, progress on equitable and sustainable infrastructure is needed: **1.1 billion urban residents live in slums**, principally across Asia and Africa, and **air pollution contributes to one in ten deaths** globally.^{36,37} Well-planned and well-managed urban development can generate inclusive prosperity and equity.

Our Sustainable Real Estate and Infrastructure Pillar focuses on a variety of issues facing industry, infrastructure and sustainable cities and communities. This includes the provision of affordable housing, efficient building practices, environmentally friendly construction materials and solutions, and increased connectivity.

Core themes include...

- Investment in buildings and floor space awarded green certification.
- Efficient, sustainable, resilient and inclusive infrastructure solutions.
- Improving connectivity and access to services such as public transport and internet.

Companies in the Asian and Emerging Markets funds...

- **Reduced greenhouse gas emissions by 276,113 tCO₂e**, by powering 111 buildings with renewable energy. This is equivalent to the emissions avoided by 322,370 acres of U.S. forest in one year.³⁸
- Earned green certification (LEED or equivalent) for 6 buildings in the Philippines and India, and for over 500,000 square meters of warehousing space in Mexico. **Certified buildings use 18-39% less energy per square meter** than their counterparts.³⁹
- Delivered 892 million parcel to automated parcel machines in Poland, a method that emits about **95% less carbon than direct-to-door delivery**, thereby avoiding an estimated 171,946 tCO₂e.



³⁵ Global Alliance for Buildings and Construction (2023). Available at <https://globalabc.org/our-work/tracking-progress-global-status-report> (Accessed 05 April 2023).

³⁶ United Nations Department of Economic and Social Affairs (2023). The Sustainable Development Goals Report 2023: Special Edition. Available at <https://unstats.un.org/sdgs/report/2023/> (Accessed 19 April 2024).

³⁷ Our World in Data (2024). Air Pollution. Available at <https://ourworldindata.org/air-pollution> (Accessed 19 April 2024).

³⁸ Based on the U.S. Environmental Protection Agency's **Greenhouse Gas Equivalencies Calculator**, last updated in January 2024. Sourced 10 May 2024.

³⁹ US Energy Information Administration (2018). Comparison of energy data for green-certified and non-certified buildings in the 2012 Commercial Buildings Energy Consumption Survey (CBECS). Available at https://www.eia.gov/consumption/commercial/data/2012/pdf/green_buildings_cbecs.pdf (Accessed 13 May 2024).



Case study

InPost

Poland
Industrials – Transportation



SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

Proprietary ESG Rating

2 – Leader

MSCI ESG Rating

A

ESG Risks

- Health and safety
- Labour management

ESG Engagement

The milestones we set on disclosure of carbon emissions, emissions reduction targets, detail on remuneration KPIs and corporate behaviour policies have all been achieved. Future engagement efforts will centre around labour force management and tracking InPost’s ambition to bring all logistics employees in-house.

Theory of Change

Unmet need

The World Economic Forum estimates that urban last-mile delivery emissions are on track to increase by over 30% in the top 100 cities globally by 2030.⁴⁰ In Poland, the relatively under-penetrated e-commerce market is expected to double by 2027, potentially driving a surge in delivery-related emissions.⁴¹

Intentionality

InPost builds and operates a network of automated parcel machines (APMs) across Poland, with an increasing presence in Western Europe. It is the leading out-of-home e-commerce delivery company in Europe. Their delivery model emits up to **75% less last-mile CO₂** than conventional direct-to-door delivery. The automated parcel machine network also helps to minimise failed first deliveries, and its lower cost incentivises uptake of this greener form of logistics.

Materiality

67% of InPost’s total capital expenditures in 2023 were allocated to developing and expanding the company’s network of automated parcel machines across its various geographies, and Poland accounted for almost 48% of group capex in 2023. Additionally, **46% of InPost’s total revenues** in 2023 were generated by Polish automated parcel machines.

Measurable output

| KPIs | 2021 | 2022 | 2023 |
|--|------|------|-------------|
| Number of APMs in Poland (k) | 16.4 | 19.3 | 22.0 |
| % of Polish population living within 7-minute walk of InPost APM | 56% | 59% | 61% |
| Number of APM users in Poland (millions) | 14.9 | 16.8 | >18 |
| Number of merchants using InPost APMs in Poland (k) | 42.1 | 47.6 | Approx 52.0 |

Greater network density reduces the likelihood of a dedicated door delivery. 61% of the Polish population, 87% in urban areas, is now within 7 minutes’ walk of one of InPost’s 21,969 parcel lockers in the country.



⁴⁰ World Economic Forum (2020). The Future of the Last-Mile Ecosystem. Available at <https://www.weforum.org/publications/the-future-of-the-last-mile-ecosystem/> (Accessed 19 April 2024).

⁴¹ PwC (2022). By 2027, the value of the e-commerce market in Poland will increase by over PLN 94 billion to PLN 187 billion. Available at <https://www.pwc.pl/pl/media/2022/2022-07-11-do-2027-wartosc-rynku-e-commerce-w-polsce-wzrosnie-o-ponad-94-mln-zl-do-187-mln-zl.html> (Accessed 19 April 2024).



Case study

Water & Sanitation

Establishing access to safe, clean and sustainable facilities

Water supports all life and is a precious and finite resource. Yet, data suggests that progress on establishing universal access to basic sanitation and encouraging both the protection and responsible use of ocean resources is woefully lagging. **Persistent loss and degradation** have seen 81 percent of species dependent on inland wetlands declining since 1970.⁴²

Meanwhile, **2.2 billion people lack safely managed drinking water, while 1 in 4 people worldwide lack access to reliable handwashing facilities.** These services are essential to global health, yet the UN estimates that the current rates of progress would need to increase dramatically to reach universal coverage by 2030: sixfold for drinking water, fivefold for sanitation, and threefold for hygiene.⁴³ This could mean saving **829,000 lives** annually – the number of people who die each year from diseases directly attributable to unsafe water, inadequate sanitation and poor hygiene practices.⁴⁴

With a growing global population and the increasing prevalence of extreme weather events, more efficient use and management of water are critical to meeting increased demand and managing risks from droughts and flooding.

The pillar looks for companies whose products and services improve access to clean water and sanitations and improve efficiencies in existing infrastructure.

Core themes include...

- Access to clean drinking water.
- Water treatment systems and initiatives to reduce water consumption.
- Provision of safe and reliable sanitation services.

The companies available to us in the Water & Sanitation space tend to operate at the intersection of the public and private sectors. We struggle to find high-quality companies aligned to this pillar that meet the dual-outcome mandate of our Sustainable Development strategy: outputs that contribute to a fairer and more sustainable future for all, alongside the potential for strong financial returns.

In the past, we invested in a utilities operator supplying water in the Eastern seaboard of Thailand, a region facing water stress levels ranging from medium-high to extremely-high.⁴⁵ While the company was materially aligned with the aim of SDG 6 to ensure access to clean water and sanitation, a significant portion of revenues was tied to a government contract that expired, putting financial returns at risk – and concurrently illustrating the challenge of investing at the intersection of public and private interests.

We continue to search for companies that contribute to achieving the SDGs through clean water and sanitation.

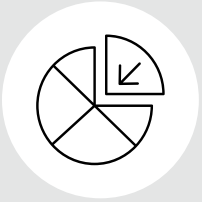


⁴² United Nations (2024). SDG 6. Available at <https://sdgs.un.org/goals/goal6> (Accessed 19 April 2024).

⁴³ United Nations (2024). Goal 6: Ensure access to water and sanitation for all. Available at <https://www.un.org/sustainabledevelopment/water-and-sanitation/> (Accessed 19 April 2024).

⁴⁴ UNICEF (2023). Triple Threat: How Disease, Climate Risks, And Unsafe Water, Sanitation And Hygiene Create A Deadly Combination For Children. Available at <https://www.unicef.org/media/137206/file/triple-threat-wash-EN.pdf> (Accessed 19 April 2024).

⁴⁵ World Resources Institute: **Aqueduct Country Ranking** (wri.org) (Data sourced 19 April 2024).



Case study

SDG Enablers

Establishing access to safe, clean and sustainable facilities

In addition to companies aligned with the eight impact pillars, the funds can also invest up to 20% in what we call SDG Enablers. These are companies whose products and services **enable a wider, SDG-aligned value chain**, facilitating the delivery of solutions in at least one (and most likely many) of the abrdn impact pillars. Whilst these businesses are integral to progressing towards the SDGs, they don't themselves have a direct and measurable positive benefit. In creating this basket of SDG Enablers, we avoid double-counting the positive operational outcomes derived along the length of the value chain.

We've been conservative in the way we approach this. In a construct that allows 'SDG Enabler' classification for any firm that is involved in a value chain, the net is unfairly and unreasonably wide. To counter this, we have instead focused on companies that play **an essential and material role in delivering positive social and environmental outcomes**, and without whom many of the products that have a positive effect on our impact pillars would not be possible. This means avoiding companies that are several steps removed from the ultimate positive outcome.

Enablers are playing a central role in achieving the SDGs, but they are doing so one step removed from the direct positive change – playing a crucial role in **enabling** rather than **driving** positive change.

Core themes include...

- Facilitating access to renewable energy.
- Reliable lithium battery functionality.
- Improved energy efficiency to optimise resource use.
- Reducing overall cost and time to discover essential medicines.

Companies in the Asian and Emerging Markets funds...

- **Invested over \$60 billion** to design and produce energy-efficient, advanced chips in 2023, through research and development (R&D) and capital expenditures.
- Produce **high-quality and reliable electrolyte materials** in Korea that are paramount to the performance of large batteries used within electric vehicles and energy storage solutions.
- Support smaller biotechnology firms in China and India, contributing to **lower costs and production efficiency** by offering their technical know-how and manufacturing expertise.





Case study

Samsung Biologics

South Korea
Healthcare – Biotechnology



SDG 3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

Proprietary ESG Rating

3 – Average

MSCI ESG Rating

B

ESG Risks

- Supply chain management
- Water management
- Quality control

ESG Engagement

In 2023 and into 2024, we have been engaging with Samsung Biologics to better understand various aspects of ESG management – from succession planning to quality control and supply chain management – in light of limited disclosure.

Theory of Change

The SDG-aligned value chain

Pharmaceutical products play a central role in improving human health and quality of life, positively impacting society. Some companies align clearly with our Health & Social Care pillar, as they work to cure some of world’s most deadly diseases, or develop ways to improve access to healthcare and make treatments more affordable.

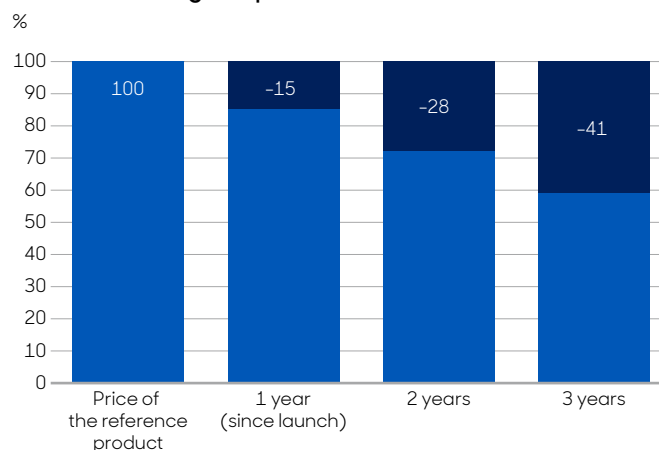
But in developing treatments and therapies, pharmaceutical companies are supported by a value chain of specialist companies that focus on research, development, and/or manufacturing of drugs. These companies, known as Contract Development and Manufacturing Organisations (CDMOs) and Contract Research Organisations (CROs), **help to reduce the cost of pharmaceutical research**, improve the ‘hit rate’ of trials, and bring more products to market more quickly.

Enabling positive change

Samsung Biologics is a fast-growing CDMO headquartered in Korea operating four plants, with a fifth to be opened in 2025. All together, these plants have a production capacity of 604,000 litres, making Samsung Biologics the largest CDMO globally. Through its services, the company reduces the overall cost and time to discover, manufacture, and market biologic treatments.

The company’s subsidiary, Samsung Bioepis, is focussed on the development and commercialization of biosimilars, the biologic equivalent of generic drugs. Bioepis plays a role in improving access to essential healthcare, developing comparable treatments at lower costs.

Price of Samsung Bioepis’ biosimilars in the US



Source: Samsung Biologics 2023 ESG Report.

abrdn SICAV I – Emerging Markets SDG Equity Fund

Please refer to the fund’s prospectus and Key Investor Information Document (KIID) or Key Information Document (KID) as applicable for full details of the risks and costs of investing in the fund before making any final investment decision. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.

Fund Objective

The Fund aims to achieve long-term growth by investing in companies in EM countries that, in our view, will make a positive contribution to society through their alignment with the United Nation’s Sustainable Development Goals (“SDGs”). The Fund aims to outperform the MSCI Emerging Markets Index (USD) benchmark before charges.

Fund manager(s) Catriona Macnair

Launch date 09/12/2020

Fund size \$28.06m

Base currency USD











Number of holdings 57*

Investment style Active

SFDR⁴⁶ Classification Article 9

* 60 holdings in total including 3 untradeable local Russian securities marked to zero.
Source: abrdn, 31 May 2024.

Top 10 Holdings

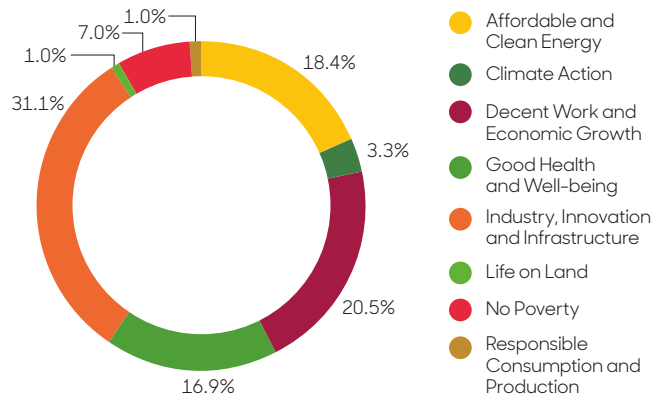
| Company | Weight (%) | Pillar | SDG |
|---------------------|------------|----------------------|---|
| TSMC | 9.5 | SDG Enablers |  |
| Samsung Electronics | 3.6 | SDG Enablers |  |
| ICICI Bank | 3.2 | Financial Inclusion |  |
| Power Grid Corp | 2.9 | Sustainable Energy |  |
| ASML | 2.7 | SDG Enablers |  |
| Kaspi.kz | 2.5 | Financial Inclusion |  |
| Chroma Ate | 2.5 | Sustainable Energy |  |
| Banorte | 2.4 | Financial Inclusion |  |
| Shenzhen Mindray | 2.4 | Health & Social Care |  |
| ASM International | 2.3 | SDG Enablers |  |

Source: abrdn, 31 May 2024. Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

⁴⁶ **Sustainable Finance Disclosure Regulation (SFDR)** Introduced by the European Commission (EC) and effective in March 2021, the regulation requires fund managers like abrdn to provide sustainability-related information about the funds they offer. The goal is to ensure investors have the information they need to make investment decisions in line with their sustainability goals and preferences. Articles 8 and 9 of the SFDR respectively prescribe the detailed disclosure requirements for products that promote environmental or social characteristics and products that have sustainable investments as their objective.

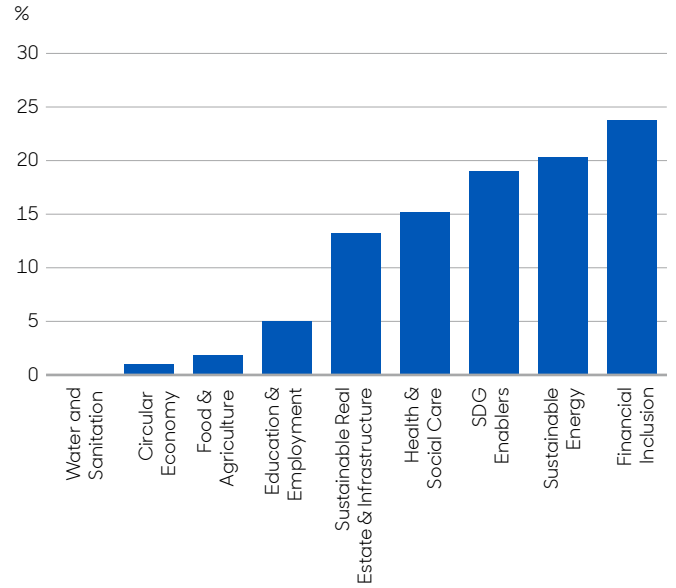
abrdn SICAV I - Emerging Markets SDG Equity Fund

Exposure by SDG



Source: abrdn, 31 May 2024.

Exposure by impact pillar



Source: abrdn, 31 May 2024.









abrdrn SICAV I – Asian SDG Equity Fund

Please refer to the fund’s prospectus and Key Investor Information Document (KIID) or Key Information Document (KID) as applicable for full details of the risks and costs of investing in the fund before making any final investment decision. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested.

| | | |
|--|---|---------------|
| Fund Objective | Fund manager(s) | David A Smith |
| The Fund aims to achieve long-term growth by investing in companies in Asia Pacific (excluding Japan) countries that, in our view, will make a positive contribution to society through their alignment with the United Nation’s Sustainable Development Goals (‘SDGs’). The Fund aims to outperform the MSCI AC Asia Pacific ex Japan Index (USD) benchmark before charges. | Launch date | 25/08/2020 |
| | Fund size | \$38.66m |
| | Base currency | USD |
| | Number of holdings | 54 |
| | Investment style | Active |
| | SFDR⁴⁷ Classification | Article 9 |

Source: abrdrn, 31 May 2024.

Top 10 Holdings

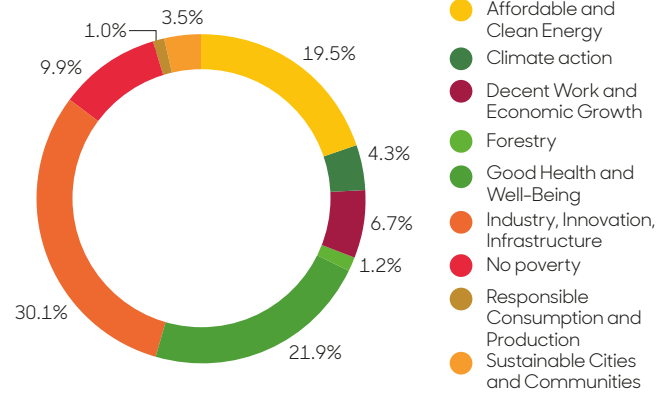
| Company | Weight (%) | Pillar | SDG |
|---------------------|------------|--|---|
| TSMC | 9.8 | SDG Enablers |  |
| CSL Limited | 4.7 | Health & Social Care |  |
| Power Grid Corp | 3.1 | Sustainable Energy |  |
| Goodman Group | 3.0 | Sustainable Real Estate & Infrastructure |  |
| ICICI Bank | 2.9 | Financial Inclusion |  |
| Samsung Electronics | 2.8 | SDG Enablers |  |
| Chroma Ate | 2.7 | Sustainable Energy |  |
| HDFC Bank | 2.6 | Financial Inclusion |  |
| Shenzhen Mindray | 2.6 | Health & Social Care |  |
| ASML Holding | 2.4 | SDG Enablers |  |

Source: abrdrn, 31 May 2024. Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

⁴⁷ **Sustainable Finance Disclosure Regulation (SFDR)** Introduced by the European Commission (EC) and effective in March 2021, the regulation requires fund managers like abrdrn to provide sustainability-related information about the funds they offer. The goal is to ensure investors have the information they need to make investment decisions in line with their sustainability goals and preferences. Articles 8 and 9 of the SFDR respectively prescribe the detailed disclosure requirements for products that promote environmental or social characteristics and products that have sustainable investments as their objective.

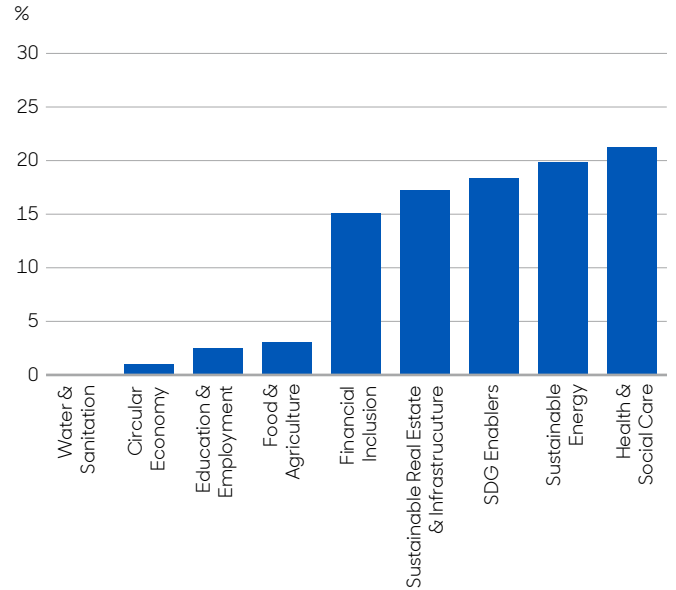
abrdn SICAV I – Asian SDG Equity Fund

Exposure by SDG

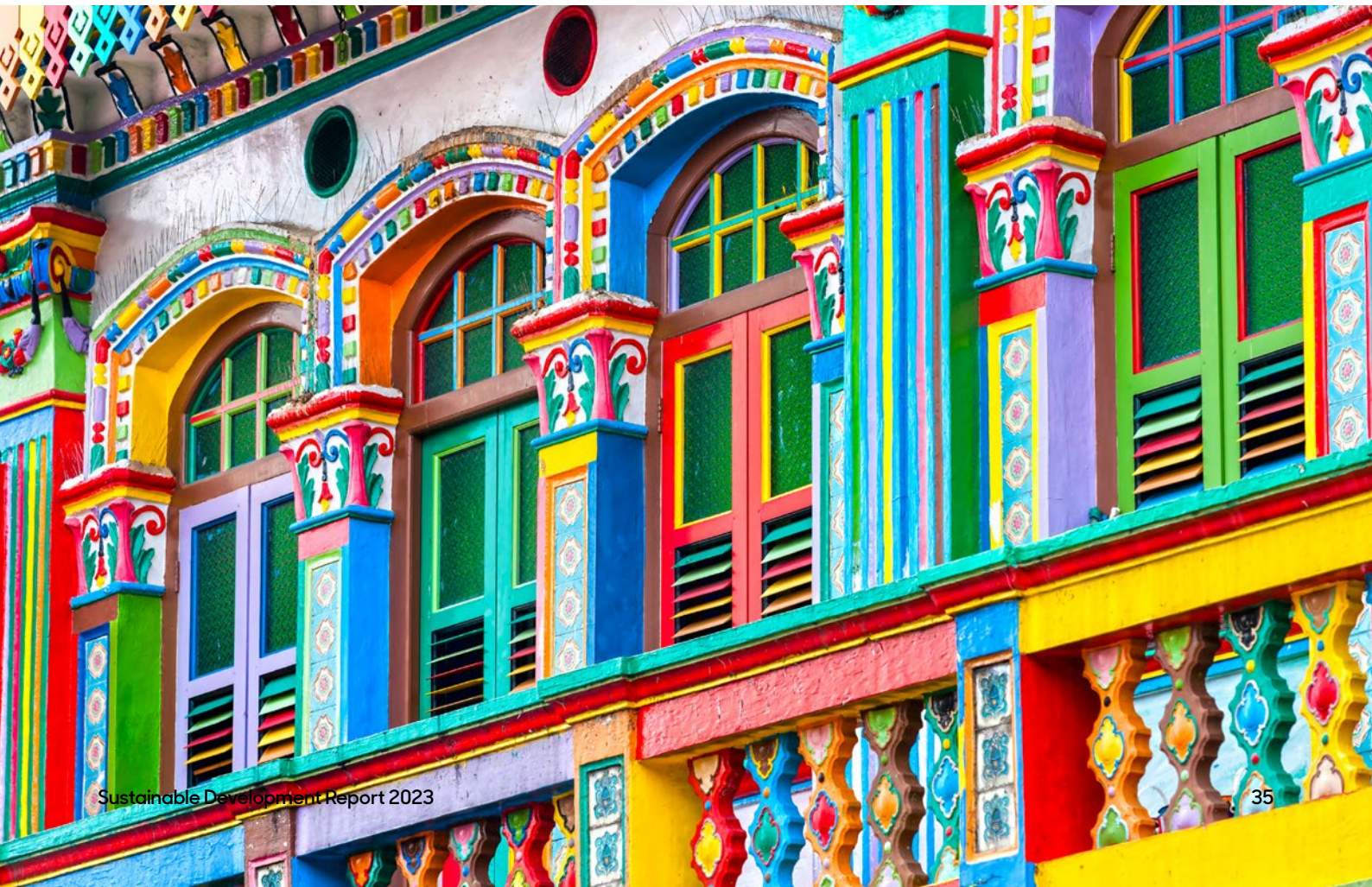


Source: abrdn, 31 May 2024.

Exposure by impact pillar



Source: abrdn, May 2024.



Contact us

Asian and Emerging Markets SDG Team

Responsible for portfolio construction



Catriona Macnair



Mubashira Bukhari
Khwaja



David Smith



Nina Petry



Fraser Harle

Important Information

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

To help you understand this fund and for a full explanation of risks and the overall risk profile of these funds and the share classes within them, please refer to the Key Investor Information Documents available in the local language, and Prospectus available in English, which are available on our website abrdn.com. The Prospectus also contains a glossary of key terms used in this document. A summary of investor rights can be found in English on our website abrdn.com/corporate/legal.

The funds are a sub-fund abrdn SICAV I, a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Investissement à Capital Variable (a "SICAV"). A summary of investor rights can be found in English on our website abrdn.com/corporate/legal. Any decision to invest should take into account all objectives of the funds. To help you understand these funds and for a full explanation of risks and the overall risk profile of the funds and the shareclasses within them, please refer to the applicable Key Investor Information Document or Key Information Document available in the local language, and Prospectus available in English, which are available on our website abrdn.com. The Prospectus also contains a glossary of key terms used in this document. This fund concerns the acquisition of units or shares in a fund, and not in a given underlying asset such as a building or shares of a company.

Details of our Sustainable and Responsible Investment Approach are published at abrdn.com under Sustainable Investing.

In Spain abrdn SICAV I has been registered with the Comisión Nacional del Mercado de Valores under the number 107.

In Switzerland: The information contained in the document is only intended for qualified investors pursuant to Art. 10(3) and (3ter) of the Swiss Federal Law of Collective Investment Schemes ("CISA"). The information is being given only to those persons who have received this document directly from abrdn Investments Switzerland AG and must not be acted or relied upon by persons receiving a copy of this document other than directly from abrdn Investments Switzerland AG.

In the United Kingdom: Deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. Under Luxembourg law, there is no compensation scheme available to UK investors in funds managed by such firms, which includes this fund.

The funds have been authorised for public sale in certain jurisdictions and private placement exemptions may be available in others. It is not intended for distribution or use by any person or entity that is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited.

This information is intended to be of general interest only and should not be considered as an offer, investment recommendation or solicitation to deal in the shares of any securities or financial instruments. Subscriptions for shares in the funds may only be made on the basis of the latest prospectus, relevant Key Investor Information Document (KIID) or Key Information Document (KID) and, in the case of UK investors, the Supplementary Information (SID) for the funds which provides additional information as well as the risks of investing. These may be obtained free of charge from the Fund Management company abrdn Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg or the local paying agents detailed below. All documents are also available on abrdn.com. The Fund Management company may terminate arrangements for marketing the fund under the Cross-border Distribution Directive denotification process.

In Switzerland these documents along with the fund's articles of association can be obtained from the fund's Representative and Paying Agent, BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, CH 8002 Zürich, Switzerland (Tel. 058 212 63 77). These documents and the articles of incorporation are available in English/Italian/German/ French free of charge on abrdn.com.

In Italy these documents can be obtained from one of the Paying Agents listed in the prospectus of the fund.

In Germany these documents can be obtained from the Paying Agent Marcard, Stein & Co. AG, Ballindamm 36, D-20095 Hamburg, in Austria from the Fund's Representative and Paying Agent Raiffeisen Bank International Aktiengesellschaft, Am Stadtpark 9, A-1030 Wien.

In France, these documents can be obtained from the Centralising Correspondent Agent: BNP Paribas Securities Services, 3, rue d'Antin, 75002 Paris, France.

In Belgium, these documents can be obtained from the Fund's Paying Agent, BNP Paribas Securities Services, Succursale de Bruxelles, 489, Avenue Louise, 1050 Bruxelles.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrđn*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrđn* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

* abrđn means the relevant member of abrđn group, being abrđn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

United Kingdom (UK): Issued by abrđn Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. 120637. Authorised in Luxembourg and regulated by CSSF.

Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Portugal, Spain, and Sweden: Issued by abrđn Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. B120637. Authorised in Luxembourg and regulated by CSSF.

Switzerland: Issued by abrđn Investments Switzerland AG. Registered in Switzerland (CHE-114.943.983) at Schweizergasse 14, 8001 Zürich.

For more information visit abrđn.com

abrđn.com

STA0724746760-001