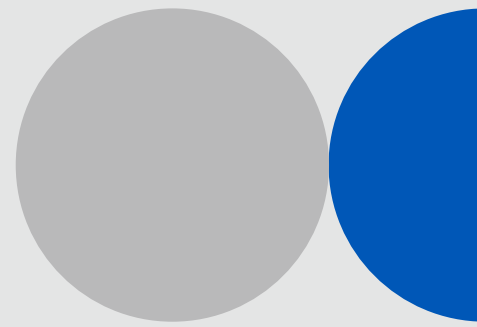


Responsible Investing

ESG integration in Equities

September 2021



We are responsible investors. At abrDN, our goal is simple. Make a difference – for our clients, society and the wider world.

This means ensuring we embed environmental, social and governance (ESG) considerations across all aspects of our business. For us it's about doing right thing – while aiming to help our clients achieve their long-term financial goals.

Here's how we apply our responsible investment approach to our Equities team.

Our core beliefs – why responsible investing is essential

Why is it so vital to integrate ESG factor into our equities process? There are three reasons:



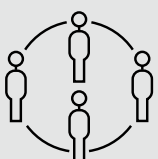
ESG is financially important

ESG factors directly affect corporate performance. In fact, companies that take their ESG responsibilities seriously tend to outperform those that don't.



It makes us better investors

Understanding ESG risks and opportunities, alongside other financial metrics, helps us to make more informed investment decisions for our clients.



It makes companies better too

Informed and constructive engagement helps corporations improve practices – protecting and enhancing the value of our clients' investments.

How we do it

We want to fully understand the equities we invest in. This takes extensive, high-quality fundamental and first-hand research for each company in our research universe.

We rank stocks using a systematic and globally applied approach. This helps us compare companies consistently on their ESG credentials, both regionally and against their peer group.

Key questions we ask include:

- How material are ESG issues for the company – and how are they being addressed?
- What is our assessment of the quality of this company's governance, ownership structure and management?
- Are the company's incentives and key performance indicators aligned with its strategy and the interests of shareholders?

Once we've considered the company's regional universe and peer group we can allocate it an ESG score of one to five. We apply this for every stock we cover globally.

Investment strategy and process

Assessments of ESG factors is integrated into every step of our equity investment process

Our engagement process

Engaging with companies is essential to assessing their ESG capabilities. Our process is made up of four interconnected stages, each as important as each other.

01

Monitor

Ongoing due diligence

We focus on:

- Business performance
- Company financials
- Corporate governance
- The key risks and opportunities

02

Contract

Frequent dialogue

- Senior executives
- Board members
- Heads of departments and specialists
- Site visits

03

Engage

Using our voice

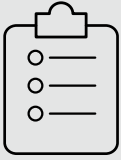
- Attend AGM/EGMs
- Always vote
- Explain voting decisions
- Maximise influence to drive positive outcomes

04

Act

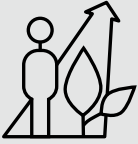
Consider all options

- Increase or decrease our shareholding
- Collaborate with other investors
- Take legal action if necessary



Gaining a fuller picture

We use a combination of external and proprietary in-house quantitative scoring techniques to complement and cross-check our analyst-driven ESG assessments.



Staying engaged, driving change

Active owners: We take the approach as owners of equities held in our portfolios, not just investors. That means, once we invest, we're committed to helping companies maintain or raise their ESG standards further. This includes using our position as shareholders to press for action.

What gets measured gets managed: We strongly encourage companies to set clear targets or key performance indicators on all material ESG risks.

Getting deeper insight: We don't limit our engagement to just senior management. We include many other stakeholders in the process, such as non-government agencies, industry and regulatory bodies, activists, and even the company's own clients.

Keeping score. How we rate companies on ESG

We allocate each company an ESG score between 1 and 5. This is applied across every stock we cover globally. Examples of each category and a small sample of our criteria are detailed below:

01

Best in class

- ESG considerations are material part of the company's core business strategy
- Excellent disclosure
- Makes opportunities from strong ESG risk management

04

Below Average

- Evidence of some financially material controversies
- Poor governance or limited oversight of key ESG issues
- Some issues in treating minority shareholders poorly

02

Leader

- ESG considerations not market leading
- Disclosure is good, but not best in class
- Governance is generally very good

05

Laggard

- Many financially material controversies
- Severe governance concerns
- Poor treatment of minority shareholders

03

Average

- ESG risks are considered as a part of principal business
- Disclosure in line with regulatory requirements
- Governance is generally good but some minor concerns



"By taking account of ESG factors, we get a more complete view of a company and the risks and opportunities it presents"

Devan Kaloo
Global Head of Public Markets

Market-leading insight to find the most sustainable companies

Our equity specialists deliver compelling market-leading investment insight, uncovering the best companies. To do this takes resources, experience and the right people on the ground. We have more than 140 equity professionals around the world, meeting companies, conducting in-depth research, and sharing their insights with the wider team.

Experienced ESG support for better investment decisions

Our Equity team doesn't work in isolation. It's supported by our experienced ESG Investment team, which undertakes sector and thematic research, engagement and voting. Our central investment team and 50+ ESG equity analysts support the first-hand company analysis from our investment managers.

They produce research on specific themes relevant to ESG – such as labour relations or climate change and sectors (such as forestry) to help us understand the investment landscape and highlight best practice.

The team works with experts from across the company, from our credit, real estate and multi-asset strategies, and our quant and risk analytics specialists. It also makes use of the knowledge and market views from our abrdn Research Institute, made up more than 30 economists.

Our commitment to responsible investing

As our client, we're committed to helping you accomplish your long-term goals through our core capabilities:

- ESG specialists and ESG Champions are an integral part of every team.
- Thematic sector and asset-level research help us make more informed investment decisions.
- Engagement leadership of our holdings across all asset classes – and voting on every shareholder resolution globally.
- Raising global standards by engaging with governments, regulators and industry bodies, working with other stakeholders to improve company practices.
- Continually working to develop innovative client solutions.

ESG principles at abrdn

Stewardship and ESG considerations are at the heart of everything we do at abrdn



... in our investment process

we integrate and appraise ESG factors in how we invest, to help generate the best long-term outcomes for our clients.



... in our client journey

we're committed to clarity and transparency with our clients – defining how we act in their interests delivering our stewardship and ESG principles and reporting on our actions to meet those interests.



... in our investment activity

we act as stewards of our clients' capital, and actively take steps to deliver long-term, sustainable value consistent with their objectives.



... in our corporate influence

We aim to deliver a better for our clients, the environment and society. To do this we actively advance policy, regulation and industry standards.

About abrdn

As a leading global asset manager, we're dedicated to creating long-term value for our clients.

As a client of abrdn, your investment needs are at the heart of everything we do. That's why considering ESG factors is fundamental to our equity process. It's vital to how we assess every investment case.

We offer a comprehensive range of investment solutions, and the very highest level of service and support.

120

Equity investment professionals

50

ESG specialists company-wide

£121

*(€135.9 billion) equity assets under management

Source: abrdn, as at June 2019.



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