

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name: **Asian Credit Sustainable Bond Fund**

Legal entity identifier **2221004DUVC2YZH1DH93**

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

It made **sustainable investments with an environmental objective: %**

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective: %**

No

It promoted **Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 51.34% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

To promote the environmental and social characteristics, the Fund applied ESG assessment criteria, ESG screening criteria and promoted good governance including social factors.

We used our proprietary research framework to analyse the foundations of each business to ensure proper context for our investments. This included the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat.

The Fund was underpinned by our well-established active management approach of security selection tailored to the overall environment, which combined fundamental and ESG considerations into our



individual name, sector and top-down portfolio construction decisions.

An assessment of a company's sustainability was supported by proprietary company rating models and a deeply embedded ESG framework utilising on-desk Fixed Income and central ESG resources.

The Fund:

- Excluded companies identified as not having sustainable business practices. This was achieved through a set of exclusions, which identify controversial business activities and ESG laggards i.e. companies rated poorly based on their management of ESG risks within their business.
- Engaged with companies to gather a forward-looking insight into management of ESG risks, opportunities and actively influenced the management of these factors in line with best practice standards.
- Targeted an equal or better ESG score compared to the benchmark.
- Targeted a lower carbon intensity than the benchmark.
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The Fund sought to:

- Generate consistent risk-adjusted outperformance using our active management approach of stock selection tailored to the overall environment.
- Benefit from our active engagement with companies, where we encourage positive changes in corporate behaviour.
- Construct a portfolio that invests in companies with strong Environmental, Social and Governance practices.
- Leverage the support and insights of our large, dedicated Fixed Income team and embedded ESG specialist resources.

We also applied an ESG Risk Rating of Low, Medium, High (Low is better) to each issuer. This is credit profile-specific and represents how impactful we believe ESG risks are likely to be to the credit quality of the issuer now and in the future. The key areas of focus were the materiality of the inherent Environmental and Social risks of the sector of operation (e.g. extraction, water usage, cyber security) and how specific companies manage these risks, combined with the quality and sustainability of their corporate governance. This materiality assessment was combined with a judgement on the timeframe over which these ESG risks may have an impact. Our analysts utilised an ESG Risk Rating Framework to support making these assessments. This is a proprietary tool designed to help focus the knowledge and expertise of credit analysts in a systematic way to substantiate the overall ESG Risk Rating (Low/Medium/High) assigned to debt issuers.

Additionally, our proprietary ESG House Score, developed by our central ESG investment team in collaboration with the Quantitative investment team, was used to identify companies with potentially high or poorly managed ESG risks. The score was calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector. This allowed us to see how companies rank in a global context.

To complement this, we also utilised our active stewardship and engagement activities. This Fund had a financial benchmark that was used for portfolio construction but did not incorporate any sustainable criteria and was not selected for the purpose of attaining these characteristics. This financial benchmark was used as a comparator for both Fund performance and the Fund's binding commitments.

Sustainability indicators measure how the environmental or social characteristics promoted by the

● **How did the sustainability indicators perform?**

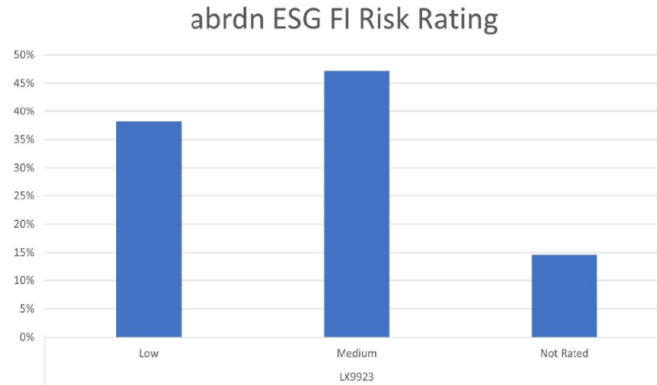
ESG Assessment Criteria

financial product are attained.

We apply an ESG Risk Rating of Low, Medium, High (Low is better) to each issuer. This is credit profile-specific and represents how impactful we believe ESG risks are likely to be to the credit quality of the issuer now and in the future.

In line with the fund exclusions, no ESG high risk issuers are held.

*Please note that the ESG Risk Rating only applies to corporates and financial institutions and therefore portfolio holdings in bonds including but not limited to sovereigns, sub-sovereign bonds and cash will not have a rating. These will be presented as Not Rated.



ESG screening criteria

We confirm that during the reporting period, binary exclusions are applied to exclude the particular areas of investment related to UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal. These screening criteria apply in a binding manner and there are no holdings in the fund that fail the agreed criteria.

Our proprietary ESG House Score, developed by our central sustainability team in collaboration with the Quantitative investment team, is used to identify companies with potentially high or poorly managed ESG risks. The score is calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector.

We confirm that during the reporting period the Fund excluded companies with the highest ESG risks, as identified by the MSCI ESG rating. This is implemented by excluding the bottom 10% of issuers with MSCI ESG rating that are in the benchmark.

Carbon intensity

We confirm that during the reporting period the portfolio performed better than the benchmark, in line with our commitment to target 10% lower carbon intensity relative to the benchmark

Weighted Average Carbon Intensity (WACI) in tonnes of CO2e / million USD revenue					
	Scope 1 & 2	Scope 1	Scope 2	Scope 3 Upstream	Scope 3 Downstream
Portfolio	359.15	321.82	37.33	27.57	555.32
Benchmark	545.71	490.12	55.59	98.95	671.42
Relative carbon intensity %	65.81	65.66	67.16	27.87	82.71

ESG Fund Rating

We confirm that during the reporting period the Fund achieved a better ESG rating based on MSCI data when compared with the benchmark.

Promotes good governance including social factors

We confirm that during the reporting period the Fund focused engagement and analysis on governance and that using the MSCI ESG Rating and the FI Risk Rating, we avoided those companies with the worst governance practices other than those detailed above.

● **...and compared to previous periods?**

N/A

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

(1) The Fund's sustainable investments will contribute to either environmental or social objectives, or both. Where the objective relates to the environment, the investment will contribute to at least one of the following objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, and the protection and restoration of biodiversity and ecosystems. Where the objective relates to social matters, the investment will contribute to social objectives in line with one of the Sustainable Development Goals. [The objectives of the sustainable investments may vary from time to time depending on the specific activity or investment. No specific environmental or social objective is being targeted, from those listed above.]

(2) Sustainable Investment Methodology

The objective of the sustainable investment is to make a contribution to solving an environmental or social challenge, in addition to not causing significant harm, and being well governed. Each sustainable investment may make a contribution to Environmental or Social issues. In fact, many companies will make a positive contribution to both. abrdn use the six environmental objectives of the Taxonomy to inform Environmental contributions, including: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. In addition, abrdn use the 17 Sustainable Development Goals and their sub-goals to supplement the EU Taxonomy topics and provide a framework for considering Social objectives

An economic activity must have a positive economic contribution to qualify as a Sustainable investment, this includes consideration of Environmental or Socially aligned revenues, Capex, Opex or sustainable operations. abrdn seek to establish or estimate the share of the investee company's economic activities/contribution towards a sustainable objective and it is this element that is weighted and counted towards the Sub-fund's total aggregated proportion of Sustainable Investments.

abrdn uses a combination of the following approaches: i. a quantitative methodology based on a combination of publicly available data sources; and ii. using abrdn's own insight and engagement outcomes abrdn overlay the quantitative methodology with a qualitative assessment to calculate an overall percentage of economic contribution towards a sustainable objective for each holding in a Fund.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters.

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

As required by the SFDR Delegated Regulation, the investment does not cause Significant Harm (“Do No Significant Harm”/ “DNSH”) to any of the sustainable investment objectives. abrdn have created a 3-step process to ensure consideration of DNSH:

i. Sector Exclusions

abrdn have identified a number of sectors which automatically do not qualify for inclusion as a Sustainable Investment as they are considered to be causing significant harm. These include but are not limited to: (1) Defence, (2) Coal, (3) Oil & Gas Exploration, Production and associated activities, (4) tobacco, (5) gambling and (6) alcohol.

ii. DNSH Binary Test

The DNSH test, is a binary pass/fail test which signals if the company passes or fails criteria for the SFDR Article 2 (17) “do no significant harm”. Pass indicates under abrdn’s methodology the company has no ties to controversial weapons, less than 1% of revenue from thermal coal, less than 5% of revenue from tobacco related activities, is not a tobacco producer, and has no red/severe ESG Controversies. If the company fails this test, it cannot be considered a Sustainable Investment. Abrdn’s approach is aligned with the SFDR PAIs included within tables 1, 2 & 3 of the SFDR Delegated Regulation and is based on external data sources and abrdn internal insights.

iii. DNSH Materiality Flag

Using a number of additional screens and flags, abrdn consider the additional SFDR PAI’s indicators as defined by the SFDR Delegated Regulation to identify areas for improvement or potential future concern. These indicators are not considered to cause significant harm and therefore a company with active DNSH materiality flags may still be considered to be a Sustainable Investment. abrdn aim to enhance the engagement activities to focus on these areas and seek to deliver better outcomes by resolving the issue.

— ***How were the indicators for adverse impacts on sustainability factors taken into account?***

Principal adverse impacts consideration

The Fund considers the following PAIs in its investment process, this means that there is pre- and post-trade monitoring is in place and that every investment for the Fund is assessed on these factors to determine its appropriateness for the Fund.

- PAI 1: GHG emissions (scope 1 and 2)
- PAI 10: Violations of the UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- PAI 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Adverse impacts monitoring

Pre investment, abrdn applies a number of norms and activity-based screens related to the above PAIs, including but not limited to:

- UNGC: The Fund uses norms-based screens and controversy filters to exclude companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights, as well as state owned entities in countries which violate norms.
- Controversial Weapons: The Fund excludes companies with business activities related to controversial weapons (cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, white phosphorus, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers).
- Thermal Coal Extraction: The Fund excludes companies with exposure to the fossil fuels sector based on percentage of revenue from thermal coal extraction.

abrdrn apply a fund specific set of company exclusions, more detail on these and the overall process is captured within the Investment Approach, which is published at www.abrdrn.com under "Fund Centre".

Post-investment the above PAI indicators are monitored in the following way:

- Company carbon intensity and GHG emissions is monitored via our Climate tools and risk analysis
- On an on-going basis the investment universe is scanned for companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights.

Post-investment we also undertake the following activities in relation to additional PAI's:

- Dependent on data availability, quality and relevance to the investments the consideration of additional PAI indicators will be on a case-by- case basis.
- abrdrn monitors PAI indicators via our ESG integration investment process using a combination of our proprietary house score and 3rd party data feeds.
- Governance indicators are monitored via our proprietary governance scores and risk framework, including consideration of sound management structures, and remuneration.

Adverse impacts mitigation

- PAI indicators that fail a defined pre-investment screen are excluded from the investment universe and can not be held by the fund.
- PAI indicators that are monitored post investment which fail a specific binary test or are considered above typical are flagged for review and may be selected for company engagement. These adverse indicators may be used as a tool for engagement, for example where there is no policy in place and this would be beneficial abrdrn may engage with the issuer or company to develop one, or where carbon emissions are considered to be high, abrdrn may engage to seek the creation of a long-term target and reduction plan.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Yes, all sustainable investments are aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights. Breaches and violations of these international norms are flagged by an event-driven controversy and are captured in the investment process, and in turn excluded from consideration as a sustainable

investment.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

(1) GHG Emissions Scope 1 & 2 and carbon footprint: This is undertaken via monitoring of the carbon benchmark and we confirm that during the reporting period that the portfolio performed better than the benchmark and in line with our overall commitment.

(2) Exclusions: We confirm that screening in line with our approach documents has been undertaken during the reporting period



What were the top investments of this financial product?

Largest Investments	Sector	% Assets	Country
SK Hynix Inc	Technology	3.46	Korea (South)
Busan Bank Co Ltd	Financials	3.40	Korea (South)
Kasikornbank PCL/Hong Kong	Financials	3.01	Thailand
Hutchison Whampoa International 03/33 Ltd	Financials	2.54	United Kingdom
AIA GROUP LTD	Financials	2.19	Hong Kong
Lenovo Group Ltd	Technology	2.14	China
Shriram Finance Ltd	Financials	2.13	India
Industrial Bank of Korea	Unclassified	2.13	Korea (South)
Sands China Ltd	Consumer Cyclical	2.08	Macao, SAR China
Royal Capital BV	Consumer Non-cyclical	2.07	Philippines
Standard Chartered PLC	Financials	2.05	United Kingdom
Network i2i Ltd	Communications	2.05	India
Korea Electric Power Corp	Utilities	2.04	Korea (South)
KB Kookmin Card Co Ltd	Financials	2.03	Korea (South)
QBE Insurance Group Ltd	Financials	2.02	Australia

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is:

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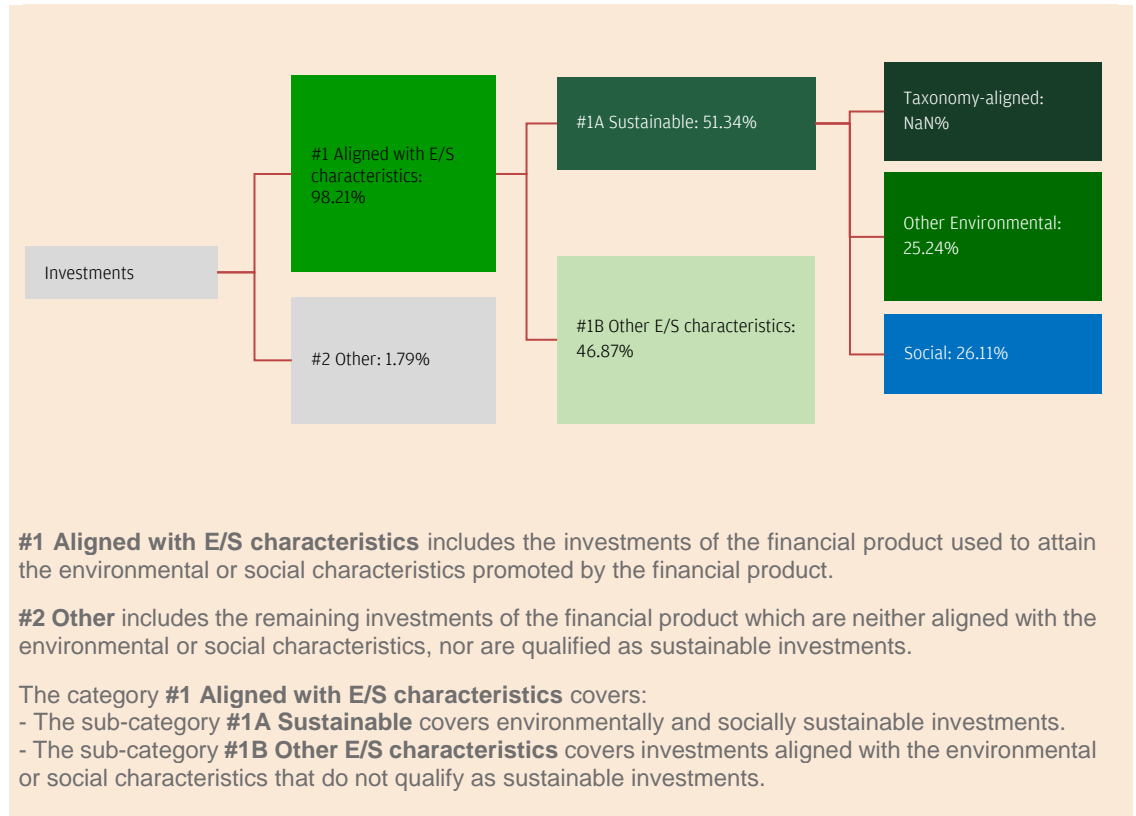
What was the proportion of sustainability-related investments?

Asset allocation describes the share of investments in specific assets.

● *What was the asset allocation?*

The fund committed to hold a minimum of 90% of the Fund's assets aligned with E/S characteristics. Environmental and social safeguards are met by applying certain PAI's, where relevant, to these underlying assets. Within these assets, the Fund commits to a minimum of 15% in Sustainable

Investments. The Fund invests a maximum of 10% of assets in the "Other" category, which include cash, money market instruments and derivatives.



● *In which economic sectors were the investments made?*

Sector	Sub-sector	% Assets
Financials		49.28
Consumer Cyclical		12.16
Communications		11.83
Utilities		7.75
Technology		6.72
Consumer Non-cyclical		4.00
Basic Materials		3.84
Energy		2.19
Industrials		0.00

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

The fund holds 0% sustainable investments with an environmental objective aligned with the EU Taxonomy. This assessment has not been subject to an external review.

These sustainable investments will not be EU Taxonomy aligned as the environmental objective does not have associated technical standards for comparison and relevant data is not available to confirm alignment.

Yes

In fossil gas

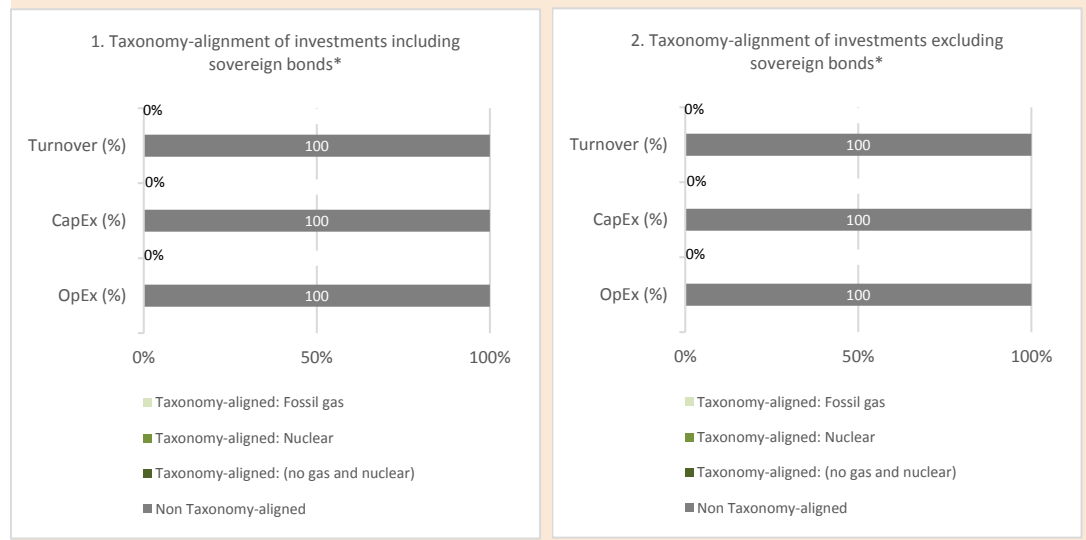
In nuclear energy

No

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure (Capex)** showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure (Opex)** reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



This graph represents % of the total investment.

*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● What was the share of investments made in transitional and enabling activities?

The fund holds 0% investments made in transitional and enabling activities.

● How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 22/852.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective not aligned with the EU Taxonomy was 25.23% of assets as at the year end date and is representative of the Reference Period



What was the share of socially sustainable investments?

The share of sustainable investments with a social objective is 26.10%



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The Fund invested 1.79% of assets in the “Other” category. The investments included under "other" are cash, money market instruments, derivatives and may also include sovereign bonds. The purpose of these assets are to meet liquidity, target return or manage risk and may not contribute to the environmental or social aspects of the Fund. There are certain environmental and social safeguards that are met by applying PAI's. Where relevant, these are applied to the underlying securities



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund has applied ESG assessment criteria, ESG screening criteria and promoted good governance including social factors. The fund has also engaged with issuers on topics which may include Climate change, Environment, Labour, Human rights, Corporate Governance and Behaviour.



How did this financial product perform compared to the reference benchmark?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

● *How does the reference benchmark differ from a broad market index?*

Not applicable

● *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

Not applicable

● *How did this financial product perform compared with the reference benchmark?*

Not applicable

● *How did this financial product perform compared with the broad market index?*

Not applicable