

Product name: **Emerging Markets SDG Equity Fund**

Legal entity identifier **213800G9VXZZAEETMY47**

### Sustainable investment objective

Does this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <b>X</b> Yes	<input type="radio"/> <input type="radio"/> <b>No</b>
<input checked="" type="checkbox"/> It made <b>sustainable investments with an environmental objective</b> : 32.67% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input type="checkbox"/> It promoted <b>Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> with a social objective</li> </ul>
<input checked="" type="checkbox"/> It made <b>sustainable investments with a social objective</b> : 65.72%	<input type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>

**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.



### To what extent was the sustainable investment objective of this financial product met?

SDG: The Fund aims to achieve long term growth by investing in companies in Emerging Market countries which in our view will make a positive contribution to society through their alignment achieving the United Nation's Sustainable Development Goals ('SDGs'). Our SDG proposition focuses on companies making a material, intentional, positive contribution to the environment and society. The specific methodology and criteria are outlined within our prospectus and website disclosures.

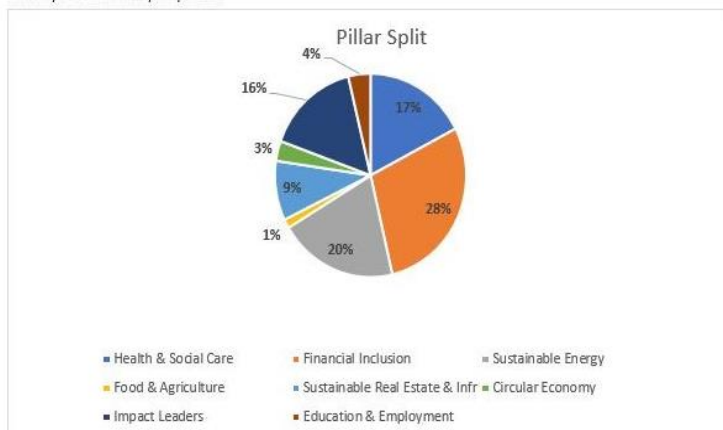
For the relevant Prospectus, see here: <https://kiid.kneip.com/Entity/%E2%80%9Dhttps://www.abrdn.com/docs?editionId=c26e3e90-beb5-4534-8b2d-9fd8b0dc67ef%E2%80%9D>

For the Fund's Sustainable Investment Approach, see here: <https://www.abrdn.com/docs?editionId=441eae07-72cc-4a0e-a2f1-a7a444d5eefc>

The sustainable development goal strategies invest in companies that make positive and material contributions to environmental and social challenges aligned with at least one of eight impact pillars or are an SDG Leader. The pillars and associated sub-themes and indicators were developed using the UN SDGs. But above all, we aim to align our sustainable development objectives with the most pressing global problems according to the UN. Therefore as the needs of the world change, our impact pillars might evolve. The linkages with the SDGs are illustrated in the table below.

Pillars	Sub-themes	Sustainable Development Goals
Circular Economy	<ul style="list-style-type: none"> <li>Resource efficiency</li> <li>Material recovery and reuse</li> </ul>	12, 15
Sustainable Energy	<ul style="list-style-type: none"> <li>Access to energy</li> <li>Clean energy</li> <li>Energy efficiency</li> </ul>	7, 13
Food and Agriculture	<ul style="list-style-type: none"> <li>Access to nutrition</li> <li>Food quality</li> <li>Sustainable agriculture</li> </ul>	2, 14, 15
Water and Sanitation	<ul style="list-style-type: none"> <li>Access to water and hygiene</li> <li>Clean water</li> <li>Water efficiency</li> </ul>	6, 14, 15
Health and Social Care	<ul style="list-style-type: none"> <li>Access to healthcare and social care</li> <li>Enhanced healthcare</li> <li>Drug development</li> </ul>	1, 3, 5, 6, 14, 15
Financial Inclusion	<ul style="list-style-type: none"> <li>Access to financial services</li> </ul>	1, 3, 5, 8, 10
Sustainable Real Estate and Infrastructure	<ul style="list-style-type: none"> <li>Affordable housing</li> <li>Eco-construction</li> <li>Improved access</li> </ul>	1, 3, 8, 10, 11, 17
Education and Employment	<ul style="list-style-type: none"> <li>Access to education and skills development</li> <li>Quality employment and job creation</li> </ul>	4, 5, 8, 10
SDG Leader	<ul style="list-style-type: none"> <li>Companies that are integral to the supply chain for progressing towards the UN SDGs, or do not currently meet our materiality requirements.</li> </ul>	

Fund exposure to the impact pillars:

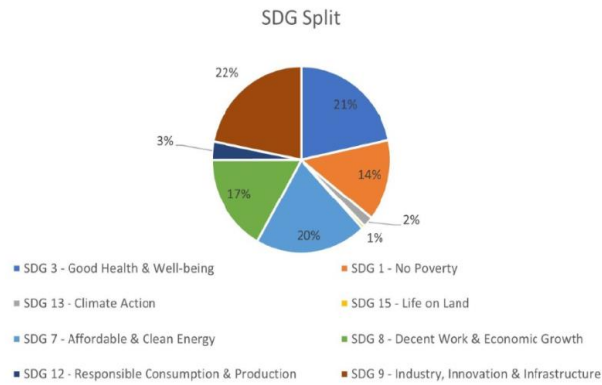


**Sustainability indicators** measure how the sustainable objectives of this financial product are attained

### ● How did the sustainability indicators perform?

The Fund invested in companies with a minimum of 20% of their revenue, profit, capital or operating expenditure or research and development linked to the UN's SDGs. For companies classified in the benchmark as 'Financials', alternative measures of materiality are used based on loans and customer base.

The breakdown of holdings aligned to the SDGs and to SDG leaders was:



The Fund achieved a 72.84% lower carbon intensity than the benchmark as at 30 Sept 2023 (on a WACI basis). The Fund also excluded at least 20% of the Fund's investment universe as at 30 Sept 2023. Further, key performance indicators (KPIs), or targeted outputs, have been set for each company held in the Fund in order to assess how products and services contribute to positive social and environmental outcomes globally. These KPIs in addition to case studies and additional analysis are reported annually in the Fund's SDG Report. Please see the most recent annual SDG report (available here: [SDG report](#)) for full discussion on these KPIs as they will vary year by year. We also 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.

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

N/A

● **How did the sustainable investments not cause significant harm to any 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.

We have created a 3-step process to ensure consideration of DNSH:

i. Sector Exclusions

We 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. Our 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, we 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. We aim to enhance our engagement activities to focus on these areas

**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.

and seek to deliver better outcomes by resolving the issue. However, such indicators are not considered to cause significant harm and therefore a company with active DNSH materiality flags can still be considered to be a sustainable investment.

### ***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 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.

abrdn 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.abrdn.com](http://www.abrdn.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.
- abrdn 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 abrdn may engage with the issuer or company to develop one, or where carbon emissions are considered to be high, abrdn 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.



### **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?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is:  
- - 30/09/2023

Largest Investments	Sector	% Assets	Country
TAIWAN SEMICONDUCTOR MANUFAC	Information Technology	8.52	Taiwan, Republic of China
AIA GROUP LTD	Financials	4.02	Hong Kong
DINO POLSKA SA	Consumer Staples	3.52	Poland
ICICI BANK LTD	Financials	3.45	India
BANK RAKYAT INDONESIA PERSER	Financials	3.09	Indonesia
RAIA DROGASIL SA	Consumer Staples	3.00	Brazil
POWER GRID CORP OF INDIA LTD	Utilities	2.88	India
GRUPO FINANCIERO BANORTE-O	Financials	2.85	Mexico
WEG SA	Industrials	2.75	Brazil
HOUSING DEVELOPMENT FINANCE	Financials	2.72	India
LG CHEM LTD	Materials	2.66	Korea (South)
SHENZHEN MINDRAY BIO-MEDIC-A	Health Care	2.56	China
RICHTER GEDEON NYRT	Health Care	2.32	Netherlands
CHROMA ATE INC	Information Technology	2.28	Taiwan, Republic of China
CORP INMOBILIARIA VESTA SAB	Real Estate	1.98	Mexico

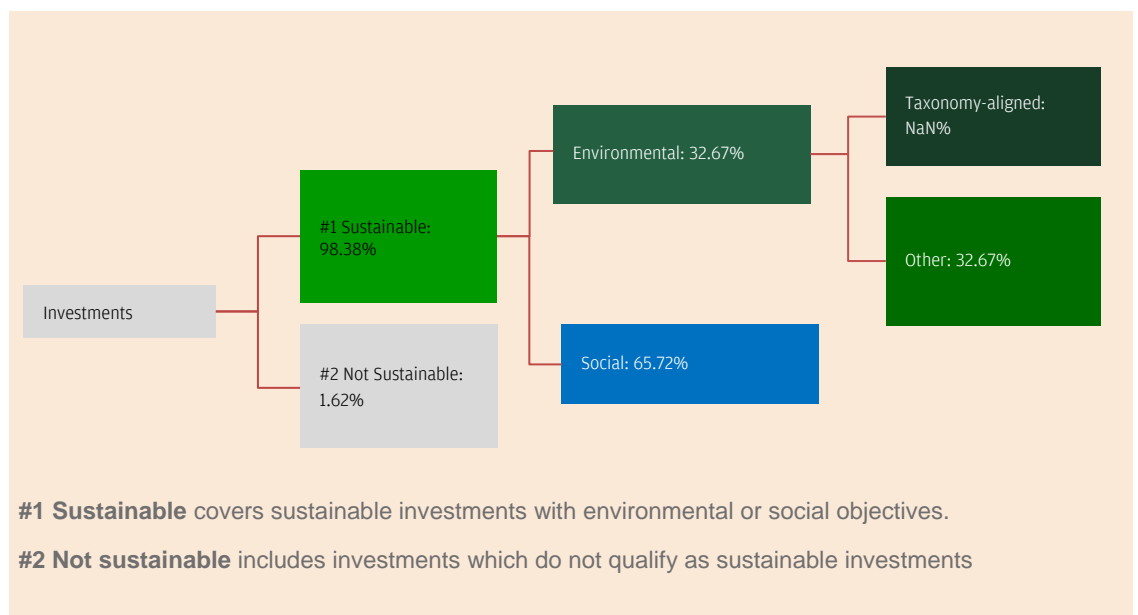


## What was the proportion of sustainability-related investments?

**Asset allocation** describes the share of investments in specific assets.

### ● What was the asset allocation?

The fund committed to hold a minimum of 75% in Sustainable Investments, including a minimum commitment of 15% to assets with an environmental objective and 15% to social objectives. The Fund invests a maximum of 25% of assets in the “Non Sustainable” category, which is mainly made up of cash, money market instruments and derivatives.



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

Sector	Sub-sector	% Assets
Financials	Banks	15.84

Information Technology	Semiconductors & Semiconductor Equipment	11.95
Consumer Staples	Consumer Staples Distribution & Retail	10.07
Financials	Insurance	8.72
Health Care	Pharmaceuticals Biotechnology & Life Sciences	8.70
Industrials	Capital Goods	7.83
Utilities	Utilities	6.10
Information Technology	Technology Hardware & Equipment	5.36
Health Care	Health Care Equipment & Services	5.14
Materials	Materials	4.71
Real Estate	Real Estate Management & Development	4.59
Industrials	Transportation	3.29
Information Technology	Software & Services	1.87
Financials	Financial Services	1.84
Consumer Discretionary	Consumer Discretionary Distribution & Retail	1.36
Consumer Discretionary	Automobiles & Components	1.06
Consumer Staples	Food Beverage & Tobacco	0.90
Industrials	Commercial & Professional Services	0.57

**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

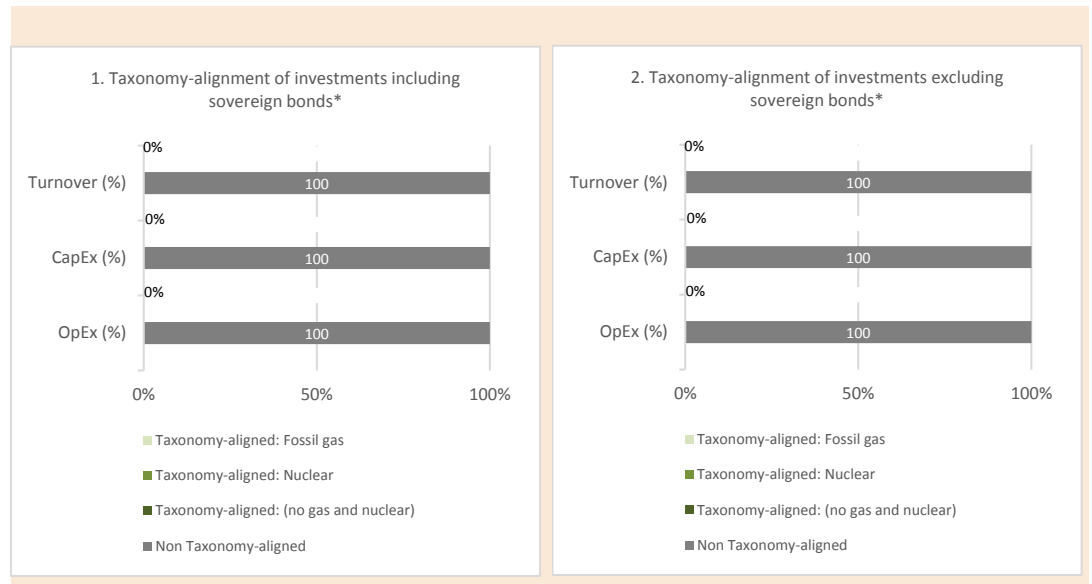
No

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)

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.

reflecting green operational activities of investee companies.



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 32.66% 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 65.71%

● **What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?**

The Fund invested 1.61% of assets in the “not sustainable” category. The investments included are cash, money market instruments, and may also include derivatives. 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.

● **What actions have been taken to attain the sustainable investment objective during the reference period?**

Diverse SDG Exposure:



We aim to invest in companies whose products and services align with one of our eight impact pillars and measure how the businesses help countries achieve the UN's sustainable development agenda. During the reference period we had holdings exposed to all eight of our impact pillars, fulfilling our goal of offering broad access to the SDG.

Monitoring company progress in achieving SDG alignment:

We aim to review the companies in the Fund at least annually. Companies are removed from the investable universe if:

- The company begins to pursue a strategy that does not align to one of our impact pillars.
- The company does not provide sufficient evidence of improved disclosure over what we would consider an appropriate timeline.
- Red flags, controversies and/or incidents emerge that highlight a persistent, structural ESG problem within the company's operations, strategy or culture, to which the company does not appropriately respond.

### SDG Governance

The SDG Governance Group is the governance body that maintains the definition of 'SDG alignment' and oversees the SDG Universe. The SDG Governance Group includes:

- Elizabeth Meyer, Senior Responsible Investment Manager
- Ann Meoni, Senior Responsible Investment Manager
- Nick Gaskell, Responsible Investment Manager
- Tony Hood, Investment Director
- Blair Couper, Investment Manager
- David Smith, Senior Investment Director
- Catriona Macnair, Investment Director
- Nina Petry, Investment Manager
- Fraser Harle, Investment Manager
- Mubashira Bukhar Khwaja, Investment Director
- Daniel Ng, Investment Manager
- Jerry Goh, Investment Manager
- Sarah Norris, Head of ESG-Equities
- Dominic Byrne, Deputy Head of Global Equities
- Tzouliana Leventi, ESG Analyst

Members of this group write company-specific impact research and the group debates the merits of a company's inclusion in the SDG universe. Covering the unmet need, materiality figures, intentionality and measurability, the SDG Governance Group evaluates the alignment of a company to the fund's SDG goals.

We consider the materiality of any potential negative externalities from the company's business activities or management practices. Companies with material exposure to operations running in direct opposition to any of the SDGs, and with no explicit statement of proposed divestment, will not be eligible where that specific business accounts for >10% of revenues or profits. An example would be excluding food and beverage

companies that generate over 10% of revenues from selling items with high sugar or trans-fat content. Likewise, companies held in the strategy must not have had any significant ESG controversies which in the opinion of the analyst or the SDG Governance Group undermine the company's alignment to the UN SDGs or are in direct contravention of the UN SDGs.

Engagement:

For these SDG Fund, engagement priorities will include engagements designed to encourage companies to follow a path to impact. We will work with companies to better understand how they allocate capital to the areas of under-investment highlighted by the UN SDGs. We will look to encourage better disclosure of this capital allocation process and measurement of positive contribution.

Some examples over the year include:

- Yifeng Pharmacy Chain: Yifeng is rated B by MSCI and we believe there's room for Yifeng to improve their external rating and internal practises. We spoke with Yifeng management in an 1x1 meeting in May and felt they are engageable. As a follow up, we sent an engagement letter to provide a series of constructive suggestions around improving practises and disclosure, including data security, supply chain management, anti-corruption policies, as well as the company's alignment with the SDGs, and in particular UN SDG 3.
- Vijaya Diagnostic Centre: We engaged with Vijaya following our recent meeting, and provided a detailed summary disclosures we would like them to make in their forthcoming sustainability report. This included a range of granular disclosures, as well as the company's alignment with the SDGs, and in particular UN SDG 3.
- ReNew Energy Global: We spoke with ReNew on a variety of sustainability issues, including their efforts on recycling and e-waste, land acquisition, and water efficiency. They have ambitious targets, and aim to become water positive and send zero waste to landfill company by 2030. All are issues to revisit frequently given how material they are, but this was a positive call.
- Wuxi Biologics: We spoke with an independent director of Wuxi Biologics as part of our ongoing active ownership strategy with the company. We had a very open and candid meeting, and discussed board / management interaction, board recruitment and refreshment, skill-set gaps, succession planning, and risk management. We'll look to continue this conversation, but this was a good first meeting.
- Genera: We have repeatedly discussed Genera's lending rate policies, as we are mindful of predatory practices that can do more harm than good. In our discussions we have been reassured that Genera intends to pass the benefits of continued cost efficiency efforts, contained asset quality and higher returns to its customers through lower borrowing rates – particularly repeat customers who have cultivated an established track record of good credit behaviour. Despite higher base rates worldwide, Genera has no plans to increase annual payment rates in its key market of Mexico
- Vesta - From our initial investment in Vesta, we have engaged with management to highlight the data disclosures we would like to see to continuously evidence alignment of its development activities with the SDGs. In the last year we have observed a significant step-up in this re-gard, as Vesta's disclosure now includes green-certified square meters and CDP climate reporting.
- CATL - CATL's Sichuan site is the company's first zero-carbon factory globally, a critical first step towards reducing emissions in battery production. We started engaging with CATL on its carbon footprint and timeline to reach carbon neutrality in 2022. The Sichuan facility is an important step in ensuring that the production processes for environmentally-friendly technologies do not offset the benefits
- Ningbo Orient - After writing a letter to Ningbo Orient's management, we met company representatives to discuss material ESG risks, including environment impact assessment, opportunities in clean technology, toxic emissions and waste, as well as paths to improve its low MSCI ESG rating of CCC. The company is currently gathering data for an inaugural ESG report. Management appreciated our feedback and we agreed to continue discussing best practices.
- Raia Drogasil - As part of a recent engagement, management reiterated that the company's ultimate goal is to improve the health of its customers. To do that, they need to foster talent: Raia Drogasil is developing a learning and development program for aspiring pharmacists that has already seen the company grant over 800 scholarships in 2021, and over 100 employees graduated from the program in the twelve months to November 2022
- Shenzhen Mindray - Mindray provided useful details as we sought to better understand its commitment to making healthcare technology accessible, strengthening our conviction in its alignment to the UN SDGs. We encouraged the company to improve disclosure in human capital management and product quality. Management requested specific advice and feedback that we expect to see reflected in their next ESG reports

SDG reporting:

Impact measurement and reporting is a developing area. We are committed to presenting regular, transparent accounts of the impact generated by companies in the fund. We agree with the Global Impact Investing Network's stance that "context is critical to interpreting impact results in a robust and reliable way." ( The GIIN (2019) Evaluating Impact Performance <https://thegiin.org/research/publication/evaluating-impact-performance>) In addition to case studies we provide pillar level data to show aggregate alignment with the SDGs.

The Fund's annual SDG report is available here: <https://www.abrdn.com/docs?editionId=547ce8e0-d845-4b82-b0d0-8c7d2231dff0>

MSCI Rating

The fund remains A rated and one notch above the MSCI Emerging Markets Index (MXEF) which is rated at BBB.



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

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the sustainable objective.

- ***How did 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 sustainable investment objective?***

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