



Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name:

abrDN ACS I - abrDN Sustainable Index American Equity Fund

Legal entity identifier

213800SZF988RLNT5W22

**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.

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **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 will make a minimum of **sustainable investments with a social objective** \_%

It promotes **Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 0 % 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 promotes E/S characteristics, but **will not make any sustainable investments**



**What environmental and/or social characteristics are promoted by this financial product?**

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

The MSCI USA Select ESG Climate Solutions Target Index (the "Index") that the Fund is tracking applies ESG screening criteria, a carbon intensity target lower than the MSCI USA Index (the "Parent Index"), ESG score higher than the Parent Index and targets an increase in clean technology solutions relative to the Parent Index, as well as promoting good governance including social factors.

This Fund has a financial benchmark that is used for portfolio construction and which incorporates sustainable criteria. The benchmark is also used as a comparator for performance (fund vs benchmark). The ESG metrics are captured by the Fund's benchmark and compared against the Parent Index. The Fund is essentially replicating what the Index has been set up to deliver.

The Index will exclude all securities currently included in the Parent Index (i.e. the broad market index) which are involved in: (a) controversial weapons (companies with ties to controversial weapons including cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary

weapons) and companies involved in manufacture of components exclusively designed for nuclear weapons (warheads, missiles, delivery platforms); (b) thermal coal (companies deriving 5% or more revenue from thermal coal mining or unconventional oil/gas including oil sands/shale, shale gas); (c) tobacco production & distribution (companies that derive 5% or more aggregate revenue from the manufacture, distribution, retailing, licensing, and supply of tobacco products); and (d) very severe controversies pertaining to ESG issues as measured by securities with a MSCI ESG Controversy score of zero.

In addition, the Index will adjust the Index weights to:

1. target an increase in the ESG score of the Index by 20% relative to the Parent Index (as measured by MSCI);
2. target a reduction in the carbon intensity of the index by 50% relative to the Parent Index (as measured by MSCI); and
3. target an increase in clean technology solutions (including alternative energy, energy efficiency, green building, pollution prevention, or sustainable water) by 50% relative to the Parent Index (as measured by MSCI).

All the above Index criteria are subject to risk diversification constraints, for example, minimum and maximum constituent, sector and country weights relative to the Parent Index and aim to minimise the tracking error relative to the Parent Index.

● ***What Sustainability Indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The measures used by the Index are:

- ESG screening criteria
- an increase in the ESG score of the Index by 20% relative to the Parent Index (as measured by MSCI),
- a reduction in the carbon intensity of the index by 50% relative to the Parent Index (as measured by MSCI),
- an increase in clean technology solutions (including alternative energy, energy efficiency, green building, pollution prevention, or sustainable water) by 50% relative to the Parent Index (as measured by MSCI).

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Index that the Fund is tracking has not set a minimum proportion of sustainable investments.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Index that the Fund is tracking has not set a minimum proportion of sustainable investments.

-> *How have the indicators for adverse impacts on sustainability factors been taken into account?*

The Index that the Fund is tracking has not set a minimum proportion of sustainable investments.

-> *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

**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.

The Index that the Fund is tracking has not set a minimum proportion of sustainable investments.

*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 EU 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.*



## Does this financial product consider principal adverse impacts on sustainability factors?

Yes, this Fund considers Principal Adverse Impacts (PAI) on sustainability factors.

Principal Adverse Impact Indicators are metrics that show the negative effects of investments on environmental and social matters. The Index being tracked lowers exposure to material environmental risks, versus the Parent Index, through excluding or lowering exposure to companies participating or generating revenue from certain activities and PAI indicators referred to in the SFDR Delegated Regulation are considered in the Index design. The outcome of the Index design, and therefore the Fund, is to exclude companies involved in very severe controversies, increase the ESG score, and thereby exclude companies with greater exposure to adverse sustainability factors and to reduce exposure to carbon and GHG emissions.

Further information on the above considerations will be made available in annual report.

No



## What investment strategy does this financial product follow?

The Fund combines abrdn's experience of passive index management with a deep understanding of sustainable and responsible investment. The Fund seeks to generate strong, long term returns by investing in the Index that targets improved outcome in ESG, carbon and clean technology solutions. The Index focuses on managing exposure to both long term financial risks and opportunities.

The Fund is an index tracking product that aims to closely replicate the constituents and risk / return outcome of a specified index. The Index in question has been customised by abrdn in partnership with the calculation agent MSCI, a global leader in index design and provision of ESG data and analytics. The approach varies from traditional market cap through the exclusion of companies who undertake specific adverse activities and then optimising the remaining universe of stocks to target enhanced outcomes in ESG, carbon and clean technology. Both the exclusions and the targeted sustainable outcomes aim to improve the long term financial returns in the Fund by helping to manage emerging risks and benefiting from transition activities.

The Index will exclude all securities currently included in the Parent Index which are involved in: (a) controversial weapons (companies with ties to controversial weapons including cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons) and companies involved in manufacture of components exclusively designed for nuclear weapons (warheads, missiles, delivery platforms); (b) thermal coal (companies deriving 5% or more revenue from thermal coal mining or unconventional oil/gas including oil sands/shale, shale gas); (c) tobacco

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

production & distribution (companies that derive 5% or more aggregate revenue from the manufacture, distribution, retailing, licensing, and supply of tobacco products); and (d) very severe controversies pertaining to ESG issues as measured by securities with a MSCI ESG Controversy score of zero\*.

In addition, the Index will adjust the Index weights to:

1. target an increase in the ESG score of the Index by 20% relative to the Parent Index (as measured by MSCI);
2. target a reduction in the carbon intensity of the index by 50% relative to the Parent Index (as measured by MSCI); and
3. target an increase in clean technology solutions (including alternative energy, energy efficiency, green building, pollution prevention, or sustainable water) by 50% relative to the Parent Index (as measured by MSCI).

All the above Index criteria are subject to risk diversification constraints, for example, minimum and maximum constituent, sector and country weights relative to the Parent Index and aim to minimise the tracking error relative to the Parent Index.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements used by the Index that the Fund is tracking are:

- an increase in the ESG score of the Index by 20% relative to the Parent Index (as measured by MSCI),
- a reduction in the carbon intensity of the Index by 50% relative to the Parent Index (as measured by MSCI); and
- an increase in clean technology solutions (including alternative energy, energy efficiency, green building, pollution prevention, or sustainable water) by 50% relative to the Parent Index (as measured by MSCI).

Binary exclusions applied within the Index methodology exclude particular areas of investment related to Controversial Weapons, Tobacco, Thermal Coal, Unconventional Oil and Gas, and MSCI ESG Controversy. These screening criteria apply in a binding manner and on an ongoing basis.

● ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund tracks an Index that is composed of a subset of equity securities within the MSCI USA Index (the "Parent Index"). Unlike the Parent Index, the Index incorporates a sustainable approach by applying higher weights to constituent companies with stronger Environmental, Social and Governance (ESG) scores, lower carbon footprints and a higher exposure to clean technology solutions. In addition, the Index excludes companies which are involved in certain controversial activities.

The index will exclude all securities currently included in the Parent Index which are involved in: (a) controversial weapons (companies with ties to controversial weapons including cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons) and companies involved in manufacture of components exclusively designed for nuclear weapons (warheads, missiles, delivery platforms); (b) thermal coal (companies deriving 5% or more revenue from thermal coal mining or unconventional oil/gas including oil sands/shale, shale gas); (c) tobacco production & distribution (companies that derive 5% or more aggregate revenue from the manufacture, distribution, retailing, licensing, and supply of tobacco products); and (d) very severe controversies pertaining to ESG issues as measured by securities with a MSCI ESG Controversy score of zero.

● ***What is the policy to assess good governance practices of the investee companies?***

For this Fund, good governance assessment is incorporated in the methodology of the Index, which includes social factors: the investment must be aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights; it must have an ESG Controversy score above zero; and it must have an MSCI ESG Score.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



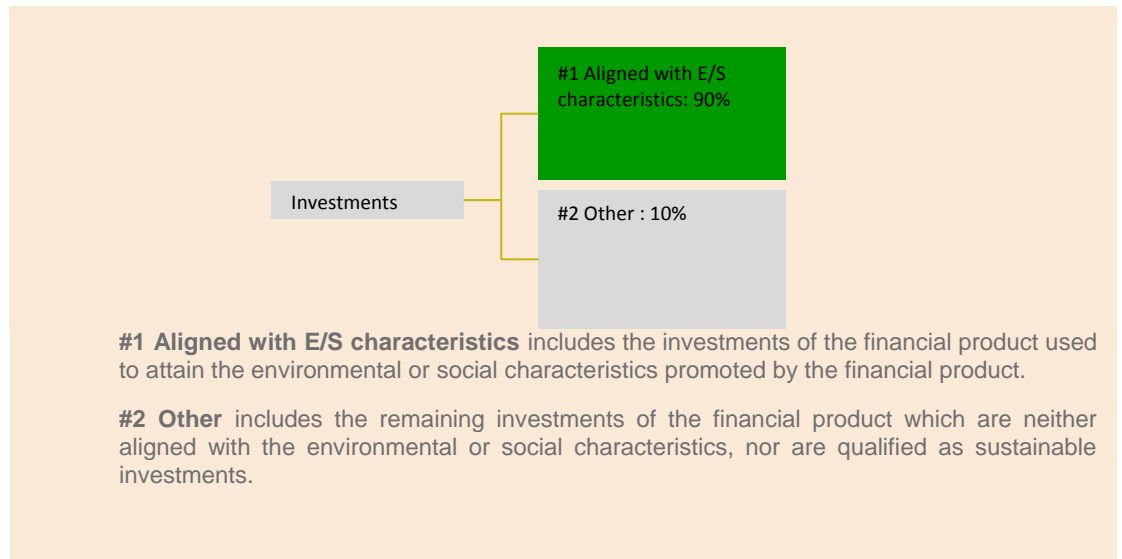
## What is the asset allocation planned for this financial product?

A minimum of 90% of the Fund's assets are aligned with E/S characteristics. Environmental and social safeguards are met by applying certain PAI's, where relevant, to these underlying assets within the methodology of the Index that the Fund is tracking. The Fund invests a maximum of 10% of assets in the "Other" category, which include cash, money market instruments and derivatives.

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

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.



- **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**  
The Fund will not use derivatives to attain any environmental or social characteristics.



## To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund is tracking the Index that has not set a minimum proportion of investments in Taxonomy aligned economic activities. This graph represents 100% of the total investment.

- **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy ?<sup>1</sup>**

Yes

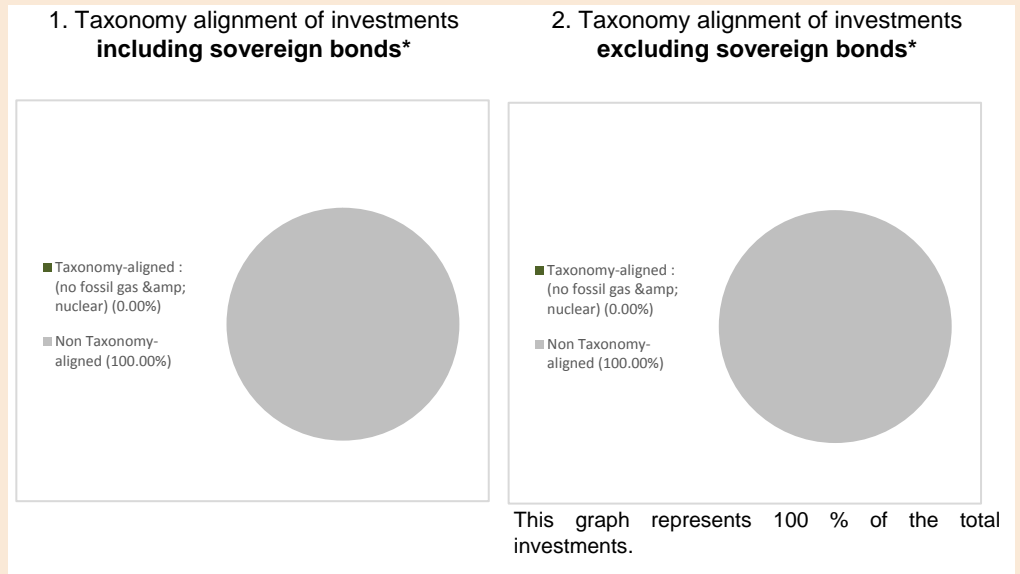
In fossil gas

In nuclear energy

No

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objectives - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

The two graphs below show in green the minimum percentage of investments that are 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.



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

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective. **Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● **What is the minimum share of investments in transitional and enabling activities?**

Not applicable.



**What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

Not applicable.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



**What is the minimum share of socially sustainable investments?**

Not applicable.



## What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The investments included under "other" are cash, money market instruments & 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.



## Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Yes

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

### ● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

The benchmark is composed of a subset of equity securities within the MSCI USA Index (the “Parent Index”). Unlike the Parent Index, the Index incorporates a sustainable approach by applying higher weights to constituent companies with stronger Environmental, Social and Governance (ESG) scores, lower carbon footprints and a higher exposure to clean technology solutions. In addition, the Index excludes companies which are involved in certain controversial activities (further details about this sustainable approach, including details of the MSCI methodology, are included under “Fund Benchmark” in the Prospectus).

The Index is rebalanced on a quarterly basis and it aims to capture updates to the ESG data of its constituents and the Parent Index constituents.

### ● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

The Index aims to reflect the performance characteristics of a subset of equity securities within the Parent Index and is constructed using an optimisation process which seeks to increase exposure to positive environmental, social and governance (ESG) factors including minimising the carbon exposure and increasing clean technology solutions exposure. The Fund is fully replicating the Index.

### ● **How does the designated index differ from a relevant broad market index?**

The index will exclude all securities currently included in the Parent Index which are involved in: (a) controversial weapons (companies with ties to controversial weapons including cluster munitions, landmines, depleted uranium weapons, biological/chemical weapons, blinding lasers, non-detectable fragments and incendiary weapons) and companies involved in manufacture of components exclusively designed for nuclear weapons (warheads, missiles, delivery platforms); (b) thermal coal (companies deriving 5% or more revenue from thermal coal mining or unconventional oil/gas including oil sands/shale, shale gas); (c) tobacco production & distribution (companies that derive 5% or more aggregate revenue from the manufacture, distribution, retailing, licensing, and supply of tobacco products); and (d) very severe controversies pertaining to ESG issues as measured by securities with a MSCI ESG Controversy score of zero.

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All the above Index criteria are subject to risk diversification constraints, for example, minimum and maximum constituent, sector and country weights relative to the Parent Index and aim to minimise the tracking error relative to the Parent Index.

● **Where can the methodology used for the calculation of the designated index be found?**

For further information in relation to the methodology, ESG scores and ESG Controversy scores used by MSCI, please refer to: <https://www.msci.com/esg-investing>. Details regarding the Index constituents are available on the Index provider's website at <https://www.msci.com/constituents>. The methodology used by MSCI ESG Select Climate Solutions Indexes can be found on <https://www.msci.com/index-methodology>. Further information about the sustainable approach used by the Index can be found the ACS Manager's website at [www.abrdn.com](http://www.abrdn.com).



**Where can I find more product specific information online?**

Fund specific documentation, including Sustainability Related Disclosures, are published at [www.abrdn.com](http://www.abrdn.com) under **Fund Centre**.

**More product-specific information can be found on :**

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