

| | |
|--|---|
| | <ul style="list-style-type: none"> “ 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. <p>To complement this, we also utilise our active stewardship and engagement activities.</p> <p>The Fund has the following binding commitments:</p> <ul style="list-style-type: none"> “ A commitment to hold a minimum of 70% of the assets aligned with E/S characteristics and within Sustainable Investments. “ A commitment to exclude at least the bottom 15% of countries in the ESGP universe with investable sovereign bonds or bonds issued by SOEs. “ A commitment to exclude at least the bottom 5% of companies with the lowest ESG House Score in the JP Morgan Corporate EMBI Broad Diversified Index. “ A commitment to exclude any issuer where an analysis of ESG Risk Rating to be assigned as High. <p>Binary exclusions are applied to exclude particular areas of investment related to the UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal. These screening criteria apply in a binding manner and on an ongoing basis.</p> <p>For more information, please visit www.abrdn.com, under Fund Centre.</p> <p>The characteristics of holdings are met and are part of the overall portfolio construction. In addition, abrdn consider Principal Adverse Impact Indicators (PAIs) within our investment process for the Fund, which is detailed in the Q&A below.</p> <p>The Fund's investment process involves several teams, including the Environmental, Social and Governance (ESG) teams.</p> <p>abrdn have selected several internal and external data sources that serve an intended purpose to attain environmental and social characteristics. As part of the onboarding or review process, we have several controls in place to test quality, which includes, but not limited to, coverage, validity checks and consistency.</p> <p>For more information, please visit www.abrdn.com, under Sustainable Investing, within the Governance and Active Ownership section.</p> |
| <p>No sustainable investment objective</p> | <p>This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment.</p> |
| <p>Environmental or social characteristics of the financial product</p> | <p>The Fund promotes environmental and social characteristics by aiming to invest in issuers that:</p> <ul style="list-style-type: none"> “ Avoid severe, lasting or irremediable harm; and “ Appropriately address adverse impacts on the environment and society; and “ Support a decent standard of living for their stakeholders. <p>The Fund aims to promote environmental and social characteristics holistically. In doing so, we do not consider all characteristics for all investments, but rather focus on the most relevant characteristics for each investment based on the nature of its activities, areas of operation, and products and services. However, using our proprietary research framework we aim to promote the below characteristics within this Fund, however a broader suite of characteristics may also be promoted on an investment-by-investment basis:</p> <p>Environment . promoting sound energy management, renewable energy usage and reducing greenhouse gas emissions, promoting good water, waste and raw materials management and addressing biodiversity/ecological impacts.</p> <p>Social . effectively tackling corruption and inequality, promoting good labour practices and relations, maximising employee health and safety, supporting diversity in the workforce, encouraging healthy relationships with communities, promoting social cohesion and integration and encouraging investment in human capital.</p> <p>Benchmark</p> |

| | |
|-----------------------------|--|
| | <p>Second line</p> <p>Investment Risk analysis of risks and their overall contribution to the reported to boards, and relevant committees as required, on a regular basis. The Investment Risk Department also undertakes an annual review of the fund risk profiles to determine the efficacy of the current limits and any potential forward looking trends.</p> <p>Compliance ments to ensure they comply with regulations. Compliance also reviews marketing communications, including fund and non-fund specific material, to ensure marketing material and ESG related statements are clear, fair and non-misleading.</p> <p>adherence to the binding commitments of funds that have environmental or social characteristics (in line with SFDR Article 8) and funds that have sustainable investment objectives (in line with SFDR Article 9). Through the ESG Regulatory & Standards Taskforce, Compliance feeds all sustainability-related regulatory developments and new requirements to relevant first line stakeholders to ensure these are duly disclosed. In this taskforce, Compliance teams from all jurisdictions in which abrdn operates are represented.</p> <p>Finally, a dedicated Monitoring & Oversight team operates a risk-based programme to provide assurance to senior management over the effectiveness of controls to ensure regulatory compliance. The outcome of the reviews is reported to the relevant entity boards and other governance forums, including the Risk and Capital Committee, Group Audit Committee and Executive Leadership Team Controls meeting. Assurance activities include both thematic reviews of risk or regulatory topics and focused reviews on specific regulatory or customer outcomes.</p> <p>Third line internal audits including of sustainability rule implementation as part of its internal audit agenda.</p> |
| <p>Methodologies</p> | <p>The Fund promotes environmental and social characteristics by aiming to invest in issuers that:</p> <ul style="list-style-type: none"> ~ Avoid severe, lasting or irremediable harm; and ~ Appropriately address adverse impacts on the environment and society; and ~ Support a decent standard of living for their stakeholders. <p>The Fund aims to promote environmental and social characteristics holistically. In doing so, we do not consider all characteristics for all investments, but rather focus on the most relevant characteristics for each investment based on the nature of its activities, areas of operation, and products and services. However, using our proprietary research framework we aim to promote the below characteristics within this Fund, however a broader suite of characteristics may also be promoted on an investment-by-investment basis:</p> <p>Environment . promoting sound energy management, renewable energy usage and reducing greenhouse gas emissions, promoting good water, waste and raw materials management and addressing biodiversity/ecological impacts.</p> <p>Social . effectively tackling corruption and inequality, promoting good labour practices and relations, maximising employee health and safety, supporting diversity in the workforce, encouraging healthy relationships with communities, promoting social cohesion and integration and encouraging investment in human capital.</p> <p>Benchmark This Fund uses the JP Morgan GBI-EM Global Diversified Index as a financial benchmark. The benchmark is also used as a reference point for portfolio construction but does not incorporate any sustainable criteria and is not selected for the purpose of attaining ESG characteristics. this Fund considers Principal Adverse Impacts (PAI) on sustainability factors.</p> <p>Principal adverse impacts consideration Yes, the Fund commits to consider 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.</p> <ul style="list-style-type: none"> ~ PAI 1: GHG emissions (scope 1 and 2) for corporates ~ 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) |

| | |
|---|---|
| | <p>Third Party Data Sources We work with several third-party ESG data providers and use their data points both as inputs into derived analytics, such as internal ESG house scores, as well as in raw format, for example in screening. As part of our onboarding process, we ensure that these providers have appropriate quality assurance in place. On an ongoing basis we have both qualitative governance and challenge processes as well as quantitative checks to understand quality of data, data inputs and gaps where appropriate.</p> <p>Our third-party providers regularly review their data collection and assessment methodologies. They also have an internal escalation process to allow for cases that require further interpretation or an update to the relevant methodology. At abrdn, we expect our third-party data providers to engage with us as appropriate, providing a timely response to queries and any concerns raised about the day-to-day use of their data and assessments within our investment processes.</p> <p>Qualitative Assessment Process In all cases where we apply our own insights or judgment, this follows a rigorous quality assurance and oversight process.</p> |
| <p>Limitations to methodologies and data</p> | <p>For all data sources, the availability and quality of company disclosed data varies, typically in line with company size and the regional domicile. Smaller companies and emerging market regions are typically more challenging areas, though this has been improving over time. In some regions, corporate sustainability disclosure regulations are coming into force, which improves the information available to us, though this may not cover the full range of ESG issues and data required to form a complete view of a company. Where necessary, estimated data, and internal insights from our research and engagement are used to form a view. Across our third-party data providers, estimated data is around 20-40%, depending on the particular data point.</p> <p>In cases where judgement is required, for example within third-party or proprietary ESG scoring, there may be instances where we reach an incorrect conclusion. For example, a media allegation or a regulatory finding may not be as advanced as we expected. In such instances, we will investigate the issue and take appropriate action within our funds as soon as possible. Once the immediate issue is addressed, we will consider how we can improve our approach or methodologies to avoid similar issues in the future.</p> <p>Economic contributions to environmental and social objectives, which form a key component of the SFDR definition of Sustainable Investments, are not defined within the SFDR. As a result, there are varying interpretations and methodologies in use across the investment industry. The percentage of Sustainable Investments reported in funds cannot be meaningfully compared across financial market participants.</p> <p>Within our Sustainable Investment calculations, abrdn uses the six environmental objectives of the EU Taxonomy to inform contributions to environmental objectives and the 17 Sustainable Development Goals to inform contributions social objectives. We use both quantitative and qualitative information to arrive at these figures, both of which require a degree of interpretation or judgement on whether the contribution meets the criteria for the EU Taxonomy or SFDR definition. We rely on third-party data providers to form an initial view, and any internal insights we apply follow a robust, independent oversight process, with the rationale for our conclusions clearly documented.</p> <p>Within our screening processes, we rely on third-party data providers to identify companies that do not meet our criteria, based on the parameters and scope of the exclusions that we define for our funds. If we receive information from other sources (e.g., NGO or media reports) that is inconsistent with these screening results, we will investigate this to confirm whether a company is appropriate for the fund as soon as possible. Our portfolio managers also sense check the results of the screening for their funds and highlight any inconsistencies or unexpected results that we may wish to query with our provider.</p> |
| <p>Due diligence</p> | <p>Our due diligence process is detailed on our website www.abrdn.com, under Fund Centre.</p> |
| <p>Engagement policies</p> | <p>Our engagement process is designed to support the long-term success of the company. Through our engagement we seek to improve the financial resilience and performance of investments, sharing insights from our ownership experiences across geographies and asset classes. Where we believe we need to catalyse change, we will endeavour to do so through our strong stewardship capabilities.</p> <p>As a global investor, with a focus on sustainability, we leverage our scale and market position to raise standards in both the companies and industries in which we invest and help drive best practice across the asset management industry. To meet the needs of our clients and key stakeholders, we focus on these core areas:</p> <ol style="list-style-type: none"> 1. Our investment process: We integrate and appraise ESG factors in our investment process and seek to generate the best long-term outcomes for our clients, consistent with their risk and asset allocation preferences. 2. Our investment activity: We actively take steps as stewards and seek to deliver long-term, sustainable returns for our clients, consistent with their objectives and risk tolerance. |