

Sustainability-related disclosures for abrdn SICAV II - Global Smaller Companies Fund

This document provides you with a summary of sustainability-related information available on our website about this financial product. It is prepared in relation to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

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Summary

The Fund is subject to article 8 of the European Union's (EU) 2019/2088 Sustainable Finance Disclosure Regulation ("SFDR") and thus it promotes environmental or social characteristics but does not have a sustainable investment objective.

In line with the SFDR criteria for sustainable investments (positive contribution of the economic activity, no significant harm of the investment and good governance by the investee company) abrdn have developed an approach to identifying sustainable investments, the methodology of which is detailed in the Q&A below. The Fund has an expected minimum of 10% in Sustainable Investments.

The Fund has not set a minimum proportion of investment in Taxonomy aligned economic activities, including Taxonomy-aligned fossil gas or nuclear energy related activities.

The Fund aims to achieve a combination of growth and income by investing in smaller capitalisation companies listed on global stock exchanges including Emerging Markets, which adhere to the abrdn Global Smaller Companies Promoting ESG Equity Investment Approach. The Fund aims to outperform the MSCI AC World Small Cap Index (USD) benchmark before charges.

The Fund invests at least 70% of its assets in smaller capitalisation equities and equity related securities of companies listed on global stock exchanges including Emerging Markets. The Fund may invest up to 20% of its net assets in Mainland China equity and equity-related securities including through the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programme or by any other available means. Small capitalisation companies are defined as any stock included in the MSCI AC World Small Cap Index or, if not included within the index, any stock having a market capitalisation smaller than that of the stock with the largest market capitalisation in such index. All equity and equity-related securities will follow abrdn's Global Smaller Companies Promoting ESG Equity Investment Approach.

This Fund has a financial benchmark that is used for portfolio construction but does not incorporate any sustainable criteria and is not selected for the purpose of attaining these characteristics. This financial benchmark is used as a comparator for Fund performance and as a comparison for the Fund's binding commitments.

The Fund contains companies that have been identified through the bottom-up equity research process which takes into consideration both environmental, social and governance (ESG) risks and opportunities. ESG analysis is a key element of our overall equity research process and has three core principles:

- Informed and constructive engagement helps foster better companies, enhancing the value of our clients' investments.
- ESG factors are financially material, and impact corporate performance
- Understanding ESG risks and opportunities alongside other financial metrics allows us to make better investment decisions.

The Fund uses our proprietary research framework to analyse the foundations of each business to ensure proper context for our investments. This includes the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat. Within the equity investment process, every company that abrdn invests in is given, via a qualitative assessment, a proprietary overall Quality rating. A key component of this is the ESG Quality rating which enables portfolio managers to exclude companies with material ESG risks and positively skew the portfolio towards ESG opportunities, while building well-diversified, risk-adjusted portfolios. To complement the bottom-up research, the portfolio managers also use abrdn's proprietary ESG House Score, which is primarily a quantitative assessment, to identify and exclude those companies exposed to the highest ESG risks.

To complement this, we also utilise our active stewardship and engagement activities.

The fund has the following binding commitments:

1. a carbon intensity target lower than benchmark
2. targeting an ESG rating better than or equal to benchmark
3. promotes good governance including social factors

Binary exclusions are also 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 on an ongoing basis.

Due diligence for each asset held is detailed in the Fund's Investment Approach document, published at www.abrdn.com, under **Fund Centre**.

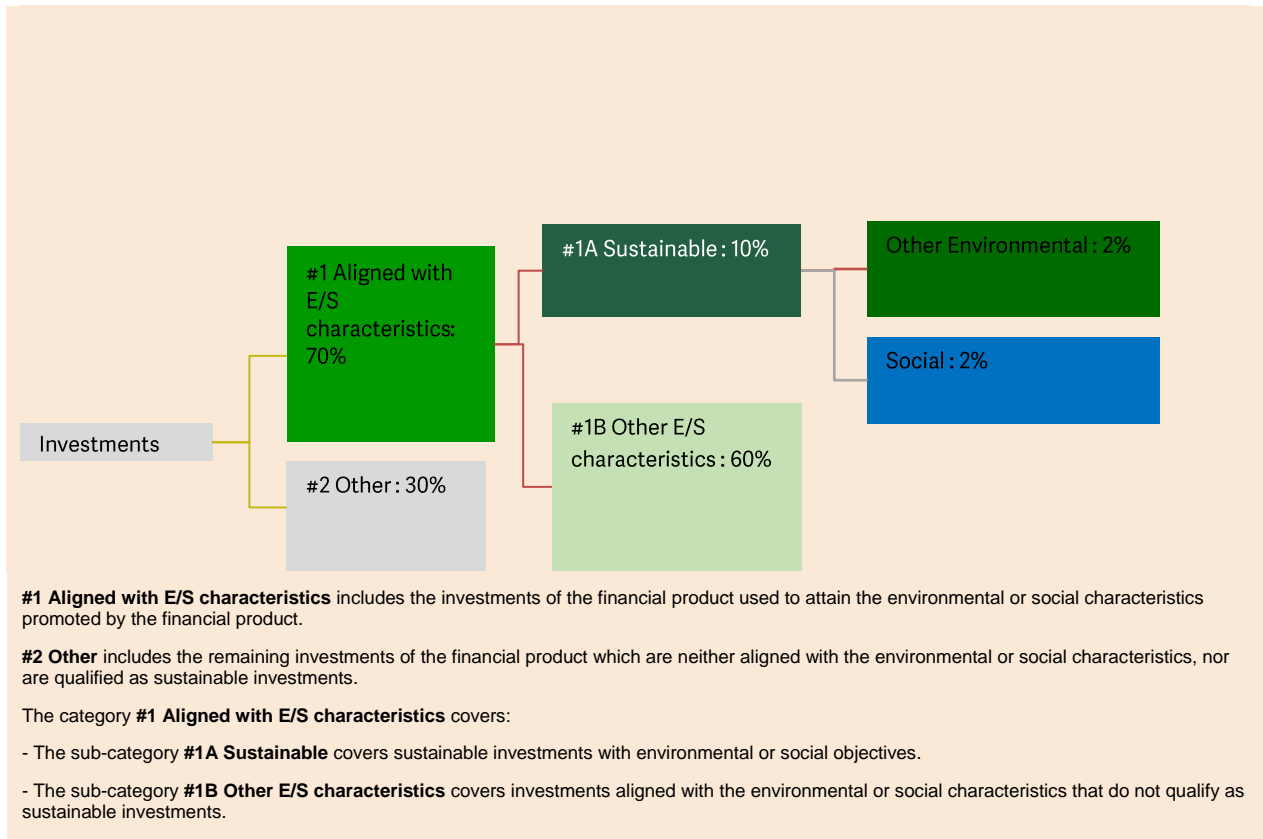
The Fund's ESG screening and binding commitments determine that Environmental or Social characteristics of holdings are met and are part of the overall portfolio construction. In addition, abrdn consider Principal Adverse Impact Indicators (PAIs) within our investment process for the Fund, which is detailed in the Q&A below.



	<p>Monitoring of the Fund's environmental and social characteristics are carried out on desk by the fund managers, through systematic oversight and independently through abrdn's ESG Governance 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 details on the Stewardship and Engagement policies, please see abrdn's Stewardship Report published on 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 – reducing energy consumption and greenhouse gas emissions, increasing renewable energy usage/generation, reducing biodiversity/ecological impacts.</p> <p>Social – labour practices and relations, employee health and safety and supply chain management.</p> <p>Benchmark This Fund has a financial benchmark that is used for portfolio construction but does not incorporate any sustainable criteria and is not selected for the purpose of attaining these characteristics. This financial benchmark is used as a comparator for Fund performance and as a comparison for the Fund's binding commitments.</p>
<p>Investment strategy</p>	<p>The Fund's objective is long term total return to be achieved by investing at least 70% of the Fund's assets in smaller capitalisation equities and equity related securities of companies listed on global stock exchanges including Emerging Markets.</p> <p>The Fund is actively managed. The Fund aims to outperform MSCI AC World Small Cap Index (USD) benchmark before charges. The benchmark is also used as a reference point for portfolio construction and as a basis for setting risk constraints, but does not incorporate any sustainable criteria.</p> <p>In order to achieve its objective, the Fund will take positions whose weightings diverge from the benchmark and may invest in securities which are not included in the benchmark. The investments of the Fund may deviate significantly from the components of and their respective weightings in the benchmark. Due to the active nature of the management process, the Fund's performance profile may deviate significantly from that of the benchmark.</p> <p>The Fund promotes environmental and social characteristics but does not have a sustainable investment objective.</p> <p>Investment in all equity and equity-related securities will follow the abrdn "Global Smaller Companies Promoting ESG Equity Investment Approach".</p> <p>Through the application of this approach the Fund has an expected minimum of 10% in Sustainable Investments. However, the Fund targets an ESG rating that is equal to or better, and a meaningfully lower carbon intensity, than the benchmark.</p> <p>This approach utilises abrdn's equity investment process, which enables portfolio managers to qualitatively identify and avoid ESG laggards. To complement this research, the abrdn ESG House Score is used to quantitatively identify and exclude those companies exposed to the highest ESG risks. Additionally, abrdn apply a set of company exclusions which are related to the UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal. More detail on this overall process is captured within the abrdn Global Smaller Companies Promoting ESG Equity Investment Approach, which is published at www.abrdn.com under "Fund Centre".</p> <p>Engagement with external company management teams is used to evaluate the ownership structures, governance and management quality of those companies in order to inform portfolio construction.</p>



	<p>For this Fund, the investee company needs to follow good governance practices in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance. This can be demonstrated by the monitoring of certain PAI indicators, for example corruption, tax compliance and diversity. In addition, by using abrdn's proprietary ESG scores within the investment process abrdn screen out any investments with low governance scores. Our governance scores assess a company's corporate governance and management structure (including remuneration of staff policies) and the quality and behaviour of its leadership and management. A low score will typically be given where there are concerns in relation to financially materially controversies, poor tax compliance or governance concerns, or poor treatment of employees or minority shareholders.</p> <p>The investment must further be 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.</p>
<p>Proportion of investments</p>	<p>A minimum of 70% 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 these assets, the Fund commits to a minimum of 10% in Sustainable Investments.</p> <p>The Fund invests a maximum of 30% of assets in the "Other" category, which include cash, money market instruments and derivatives.</p>



<p>Monitoring of environmental or social characteristics</p>	<p>First line Our investment teams have the primary responsibility for implementing the investment strategy. Our sustainable investing governance committees support investment desks with regards to the implementation of the framework as well as understanding the regulatory environment.</p> <p>Second line Investment Risk abrdn's Investment Risk Department carries out the analysis of risks and their overall contribution to the Fund's risk profile. The RAG status of funds as well as action taken to address moderate/high risks are 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 abrdn's Compliance function reviews a range of funds' legal and regulatory documents 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>abrdn's EMEA Compliance function plays a key role in monitoring ESG related investment limits and 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).</p>
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	<p>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 considered and integrated into abrdn's investment approach and adequately reflected in our disclosures. 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 abrdn's Internal Audit function conducts internal audits including of sustainability rule implementation as part of its internal audit agenda.</p>
<p>Methodologies</p>	<p>To promote the environmental and social characteristics, the Fund applies ESG assessment criteria, ESG screening criteria and promotes good governance including social factors.</p> <p>We use our proprietary research framework to analyse the foundations of each business to ensure proper context for our investments. This includes the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat.</p> <p>We also consider the quality of its management team and analyse the environmental, social and governance (ESG) opportunities and risks impacting the business and appraise how well these are managed. We assign a proprietary score to articulate the quality attributes of each company, one of which is the ESG Quality rating. This enables the portfolio managers to exclude companies with material ESG risks and positively skew the portfolio towards ESG opportunities and to build well-diversified, risk-adjusted portfolios.</p> <p>Additionally, our proprietary ESG House Score, developed by our central ESG investment 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. This allows us to see how companies rank in a global context.</p> <p>To complement this, we also utilise our active stewardship and engagement activities.</p> <p>This Fund has a financial benchmark that is used for portfolio construction but does not incorporate any sustainable criteria and is not selected for the purpose of attaining these characteristics. This financial benchmark is used as a comparator for Fund performance and as a comparison for the Fund's binding commitments.</p> <p>this Fund considers Principal Adverse Impacts (PAI) on sustainability factors.</p> <p>Principal Adverse Impact Indicators are metrics that measure the negative effects on environmental and social matters. abrdn consider PAIs within the investment process for the Fund, this may include considering whether to make an investment, or they may be used as an engagement tool for example where there is no policy in place and this would be beneficial, or where carbon emissions are considered to be high, abrdn may engage to seek the creation of a long-term target and reduction plan. abrdn assess PAIs by using, amongst others, the PAI indicators referred to in the SFDR Delegated Regulation; however, dependent on data availability, quality and relevance to the investments not all SFDR PAI indicators may be considered. Where Funds consider PAIs, information on that consideration will be made available in annual reports.</p>
<p>Data sources and processing</p>	<p>Data Sources</p> <p>We have selected several data sources to support our sustainability indicators, Sustainable Investment calculations and PAI commitments. We use a combination of publicly available information, third-party data and ratings providers, proprietary ESG scoring, primary research and directly obtained information through engagement with companies.</p> <p>The Regulatory Technical Standards (RTS) under the EU Sustainable Finance Disclosure Regulation call on financial market participants to source sustainability data in various ways, including research providers, internal analysis, commissioned studies, publicly available information, and direct engagement with companies.</p> <p>The following sources are used by abrdn and our third-party data providers to collect company data and form a view on sustainability products and practices:</p> <ul style="list-style-type: none"> • Company direct disclosure, including but not limited to: sustainability reports, annual reports, regulatory filings, investor updates, company websites and direct engagement with company representatives. • Indirect information sources, including but not limited to: government agency published data, industry and trade associations, non-governmental organization (NGO) reports and websites, trade union reports, media and periodicals, and financial data providers.



	<p>Where company disclosure is unavailable, we may also choose to leverage estimated metrics based on sector averages or provided by credible third parties. These datasets are built based on proprietary methodologies using the data sources mentioned above.</p> <p>Data Quality assurance process <i>Third Party Data Sources</i> 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><i>Qualitative Assessment Process</i> 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's sustainability products and practices. For many companies, a blend of direct and indirect sources, 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 controversy may arise, highlighting that a company's remedial action on an identified ESG challenge is not 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 economic contribution should be considered 'Sustainable' under the 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>Due diligence for each asset held is detailed in the Fund's Investment Approach document, published at www.abrdn.com, under Fund Centre.</p>
<p>Engagement policies</p>	<p>We believe it's our duty to be active and engaged owners of the assets in which we invest. Our aim is to both enhance and preserve the value of our clients' investments by considering a broad range of factors that impact on 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 longterm, sustainable value consistent with our clients' objectives and risk tolerance. 3. Our client journey: We clearly define how we act in our clients' interests in delivering stewardship and ESG principles and transparently report on our actions to meet those interests. 4. Our corporate influence: We actively support enhancements to policy, regulatory and industry standards to deliver a better future for our clients, the environment and society. 5. Our corporate activity: We gather data to understand and manage the material ESG factors in our own operations to ensure our own impact contributes to positive outcomes for stakeholders. <p>Our engagement process consists of four components:</p> <ul style="list-style-type: none"> • Review: Part of our ongoing due diligence and frequent interactions led by the analyst responsible for oversight of the investment. • Respond: Reacting to an event that may impact a single investment or a selection of similar investments. This may include but is not limited to media-related controversies. • Enhance: Designed to seek change that, in our view, would enhance the value of our investment. • Thematic: Resulting from our focus on a particular ESG theme, such as climate change, diversity and inclusion or modern slavery. <p>Our regular 'review' meetings are normally held with the investee company's executive management, but we will also engage with board members – generally the chair or other non-executive directors. Such meetings further develop our understanding of how the board is fulfilling its responsibilities and give us the opportunity to communicate views constructively, as and when appropriate.</p> <p>Our 'respond' and 'enhance' engagements are bespoke interactions with specific outcome intentions and are defined as priority engagements. These also focus on the delivery of long-term value from the investments we make on behalf of clients. The nature of ESG risks is such that they are ever-present but often require a long-term outlook to fully assess them. Our engagements will often be with board members, both executive and non-executive, but will also include detailed assessment of specific risk mitigation through engagement with relevant experts within a company, including those relating to sustainability.</p> <p>For our 'thematic' engagements, we select investments which are felt to be materially impacted by sustainability themes identified by our research. These themes may arise in the short term due to particular events or may be long running in nature and impacting many sectors and investments. Engagements relating to a specific theme are likely to occur over multiple planning periods and are often led by our Investments Sustainability Group (ISG) experts.</p> <p><i>Escalation approach</i></p> <p>We consider escalation on a case-by-case approach and aim to identify risks early and set measurable milestones with investee companies. We may choose to refer to escalation in certain instances where a company is unresponsive, or in our view, the company is insufficiently responding to a material issue.</p> <p>We have a decision tree that provides potential tools of escalation in the instance when an investee company in our view, has inadequately responded to a material risk. At abrdn, we engage with investments through escalation actions to drive change and achieve outcomes toward objectives. A flexible escalation approach is essential, given certain escalation actions may occur simultaneously or as part of regular due diligence with investments.</p> <p>Please also see our Engagement Policy published on www.abrdn.com under Sustainable Investing.</p>
<p>Designated reference benchmark</p>	<p>This Fund has a financial benchmark that is used for portfolio construction but does not incorporate any sustainable criteria and is not selected for the purpose of attaining these characteristics</p>