



# Response to ESG Questionnaire abrdn

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**March 2024**

## Introduction

The issue of defining ESG and how individual companies express their specific values is now at the forefront of many of our clients' minds. We have researched SRI funds for many years now and have a separate rating category, but we acknowledge that this is now a mainstream strategy for an increasing number of investors and ESG issues are impacting all funds, not just those designated responsible or SRI.

In order to understand each company's stance on ESG factors at the corporate level, and how this is built into the investment managers' research and process we ask all our rated fund managers four questions:

- Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.
- Please provide an overview of how ESG is integrated into your business.
- Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.
- What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

The responses given by abrdn are shown here.

### **1. Please provide an overview of any Responsible Ownership/Stewardship strategy that your business follows.**

abrdn views Environmental, Social and Governance (ESG) considerations as fundamental to how we invest. We believe that ESG factors are financially material and can meaningfully impact an asset's performance, and that an asset's ability to sustainably generate returns for investors is dependent on its ability to manage its relationship with the environment, its relationship with society and stakeholders, and on the way it is governed.

It is our belief that a full and thorough understanding of ESG factors allows us to make better investment decisions, leading to better outcomes for our clients. This begins with rigorous research. We undertake thorough due diligence before we invest, considering material ESG risks and opportunities alongside other financial metrics. We seek to understand whether an asset is adequately managing those risks, and whether the market has understood and priced them accordingly.

In order to do this, we have ESG expertise embedded within most of our investment teams, and complement this through collaboration across asset classes, sharing research, experiences and understanding. In addition to our embedded ESG specialists, our Investments Vector Sustainability Group provides detailed global thematic research and insight on stewardship and ESG issues across all asset classes.

For more information please see our firm policy (Sustainable Investing: Our Approach):

[www.abrdn.com/docs?editionId=957c6ea4-1d86-4610-8559-82f883342f59](http://www.abrdn.com/docs?editionId=957c6ea4-1d86-4610-8559-82f883342f59)

## 2. Please provide an overview of how ESG is integrated into your business.

We recognise that ESG integration and active ownership are nuanced across asset classes. Given this, our high-level principles, approach to sustainable investing and position statements aim to ensure overall consistency of approach. We follow these principles across all asset classes in which we invest (including pooled and segregated portfolios).

In terms of integration, each asset class has its own underlying approach and process to assess financially material ESG factors. These are summarised in dedicated asset class approach documents which can be found on our Sustainable Investing website or via the following specific links:

- Active Equities: [ESG integration in active equities.pdf \(abrdn.com\)](#)
- Fixed Income: [Credit ESG Integration Approach.pdf \(abrdn.com\)](#)
- Real Estate: [Direct Real Estate - Our Approach for Investments.pdf \(abrdn.com\)](#)
- Multi-Asset: [ESG integration in Multi-Asset Investment Solutions.pdf \(abrdn.com\)](#)

## 3. Does your business have a policy of excluding any companies or sectors from all strategies managed? If yes, please provide further details.

At an asset management level, we have a screen to exclude producers of cluster munitions and anti-personnel mines from direct investments across our portfolios. This prohibits direct investment in companies whose activities were deemed illegal under the UN Convention of Cluster Munitions and the UN Anti-personnel Landmine Convention. Therefore, across all different investment approaches including traditional and ESG specific we exclude controversial weapons including cluster munition and anti-personal mines as standard.

More details on our approach to dealing with controversial weapons can be found on our website:

<https://www.abrdn.com/docs?editionId=fc0dd666-269a-40f4-a484-d044e4daad3d>

As we manage both direct and indirect investments, and have both active and passive holdings, there may be instances where we inadvertently take indirect exposure to potential issuers involved in controversial weapons. This includes circumstances where we cannot exercise full discretion in choosing an investment (through agreement with the client) or tracking an index, or where another manager has discretion over the underlying investments.

Within several of our dedicated sustainable investment strategies, the scope of exclusions is wider, and we also exclude nuclear weapons, chemical & biological weapons, depleted uranium ammunition and white phosphorus.

## 4. What improvements (if any) have been made over the past 12 months within your business to the points highlighted in the previous questions?

There has been little change to ESG integration, as this has been formally integrated into our investment approach for many years.

As a firm we are, however, committed to ensuring that our engagement and analysis continues to advance and improve, for example on Active Ownership we released an updated policy for Listed Company's ESG Principles and Voting.

Over the last 12 months, we have made following enhancements:

- Implemented our Net Zero Investing Strategy, enhanced our climate reporting and assessment tools including developing a credibility assessment framework;
- Reduced carbon intensity of our in-scope investments by 22% from Dec 2019 to Dec 2022 (2030 goal of 50% improvement)
- Active involvement in Climate Action 100+, co-leading on RWE AG

- Signed the Global Investor Statement to Governments on the Climate Crisis to support more stringent climate policy, with active policy advocacy and messaging at COP27
- Launched Sustainability Institute Americas following the success of the Sustainability Institute, Asia Pacific in 2021

abrdn will continue to evolve our ESG investment to meet the needs of our clients and key stakeholders, and create benefits for the economy, society and environment.

### **Important Notice**

This document is aimed at Investment Professionals only and should not be relied upon by Private Investors. Our comments and opinion are intended as general information only and do not constitute advice or recommendation. Information is sourced directly from fund managers and websites. Therefore, this information is as current as is available at the time of production.

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