

# Aberdeen Standard SICAV II – Responsible Global Asset Strategies Fund

## Sustainable Investment Approach

September 2021

Our Responsible Global Asset Strategies fund (RGAS) seeks to generate a positive investment return over the medium to longer term irrespective of market conditions, while reducing the risk of losses. The fund will predominantly invest in instruments, companies and issuers that promote environmental, social and governance characteristics.

### Summary

The RGAS fund typically consists of 20 to 30 investment strategies that span markets and are the discretionary choice of our managers using our established Absolute Return philosophy and approach. In selecting and constructing positions for RGAS, alongside traditional analysis, we use a combination of ESG integration, screening and enhancement criteria to achieve the Fund's sustainable and financial objectives.

ESG integration incorporates an assessment of ESG factors into the investment analysis and decision making across all holdings of the Fund. Exclusions via ESG screening criteria mean we avoid investing in activities that present particular risks. Our ESG enhancement criteria mean that the Fund holdings have enhanced ESG characteristics. Combined, these three elements provide investors with a responsible approach to global asset investing.

There are three reasons why we think it's vital to integrate ESG factors into our multi-asset process for RGAS:



ESG factors can directly impact our investments. By comprehensively assessing ESG risks and opportunities alongside traditional financial metrics, we believe we can identify better investment return opportunities for our clients.



Understanding ESG risks and opportunities helps us to allocate across asset classes to mitigate important risks, enhancing portfolio diversification and resulting in better risk-adjusted outcomes for our clients.



Informed and constructive engagement with corporations helps to improve their practices – protecting and enhancing the value of our clients' investments.



# Aberdeen Standard SICAV II – Responsible Global Asset Strategies Fund

## Investment strategy and process

The assessment of ESG factors is integrated into every stage of our multi-asset investment process, from research and implementation, to asset allocation, risk management and stewardship.

## How we integrate ESG

We believe high-quality fundamental research underpins sustainable outperformance and our team has been organised to support this. Within Multi-Asset Solutions, the team that runs RGAS, we have embedded ESG experts. These specialists are members of our ESG Steering Group that coordinates ESG research within the team and connects our analysts with ESG experts in other asset classes across the firm. These include:

- our centralised ESG team that provides bespoke research on areas such as environmental responsibility, climate change, human rights and governance issues
- our team of economists, the Aberdeen Standard Investments Research Institute, which evaluates and ranks the environmental, social, governance and political characteristics of countries.

As a result of our coordinated research we drive responsible investment choices and sustainable thinking across our research activities.

### Asset allocation:

Our Multi-Asset Solutions team performs research to analyse the implications of ESG themes on asset returns. The team aims to generate insights combining return-potential with sustainable investment themes. Asset allocation decisions and ESG are closely linked, as changes associated with ESG issues can shape our view of the optimal allocation of capital to generate risk-adjusted returns for clients. This can also create the opportunity to direct capital to where ESG challenges are particularly pressing, such as climate change.

### Implementation:

When implementing each investment idea, we consider the characteristics of each security and consider the financial risks associated with ESG issues. This results in the exclusion of firms associated with certain activities.

### Risk management:

Among a variety of tools and techniques we use scenario analysis to provide a framework for portfolio construction and risk management. Scenario analysis can also help identify risks associated with climate change, such as flooding, hurricanes and wildfires. The results of such a process can be useful to portfolio managers, improving their understanding of how portfolios may behave in such extreme scenarios. Scenario analysis also allows us to work with clients on risk-mitigation strategies.

## ESG Screening Criteria

In the implementation of investment strategies in equity and credit markets we use criteria to avoid investing in companies involved in certain industries and activities where we believe the ESG characteristics represent material financial risks to RGAS clients. We will avoid investment in companies that:

- have failed to uphold one or more principles of the UN Global Compact
- have any tie to controversial weapons covering: cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, white phosphorus, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers
- have a revenue contribution of 10% or more from conventional weapons or 20% or more from weapons support systems
- have a revenue contribution of 5% or more from tobacco production
- have a revenue contribution of 5% or more from thermal coal extraction or thermal coal generation
- have a revenue contribution of 5% or more from unconventional oil and gas
- have a revenue contribution of 50% or more from conventional oil and gas production.

Data is sourced from MSCI

# Aberdeen Standard SICAV II – Responsible Global Asset Strategies Fund

## Monitoring:

Holdings are monitored to ensure that they continue to meet the environmental, social and governance criteria. Where we discover that an investment no longer meets the criteria for inclusion, the manager will seek to dispose of the investment as soon as reasonably possible, normally within 90 days.

## Derivative Usage:

While the Fund operates exclusions in its direct exposures to equity and credit (see ESG Screening Criteria) the managers may also obtain exposure to these and other markets via derivatives. The fund can take long and short positions in markets, securities and groups of securities through derivative contracts.

Where appropriate, liquid and accessible instruments exist we will use derivatives based on ESG indices and these will be deemed equivalent to the ESG screening criteria above. Where this is not possible, for reasons including liquidity or the lack of availability of suitable ESG indices, derivatives may be used which do not employ exclusions. However it remains our goal to avoid material ESG risks from these positions. As a result we monitor the synthetic/indirect element of the Fund where screening has not been applied. We do this in order to ensure that no more than 2% of the Fund's NAV constitutes net long positions in companies that do not meet the screening criteria above i.e. that otherwise would have been excluded had a direct security investment approach been adopted.

Where the Fund has a short exposure to an underlying asset via derivatives this will not require exclusions to be applied on the principle that this does not reward those companies or issuers.

**"We seek to enhance the overall ESG characteristics of our direct investments in equity and credit by adjusting our holdings based on our view of ESG risk."**

## ESG Enhancement Criteria

### Countries:

For government bonds and instruments used to express interest rate and currency views, the Sub-fund will exclude those relating to countries that in our view present more intense ESG risks. On an annual basis we rank countries according to Environmental, Social, Governance and Political factors ("ESGP Factors") which are aligned with the UN Sustainable Development Goals (EDGs). Countries in the bottom 25% of that ranking will be excluded. As a result, RGAS holdings in government bonds, interest rates and currencies will have a better overall ESG profile than might otherwise have been the case had the low-scoring countries been accessible.

### Emerging Market Debt:

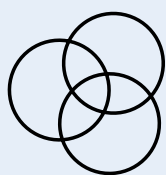
Where RGAS makes an allocation to Emerging Market Debt we use our Emerging Market Debt Sustainable and Responsible Investment Approach in addition to the approach described above. The ESGP filtering stage of our EMD SRI strategy excludes from the investment universe a subset of countries falling below a threshold for a number of indicators under the Governance and Political pillars.

### Companies or Issuers:

We seek to enhance the overall ESG characteristics of our direct investments in equity and credit by adjusting our holdings based on our view of ESG risk. We use our proprietary ESG House Score, developed by our central ESG investment team, to identify companies we view as having 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. We exclude companies with the highest ESG risks, as identified by our ESG House Score.

For our core global equity allocation, we target a 50% reduction in weighted average carbon intensity (measured by Trucost) compared to passive global equities. For each equity basket, we target a 10% reduction in carbon intensity relative to the MSCI ACWI Index or relevant sector benchmark where appropriate.

# Aberdeen Standard SICAV II – Responsible Global Asset Strategies Fund



## Engagement

The Fund is committed to always acting in the best interests of our clients. We believe in active, constructive engagement. We vote all shares globally wherever we have voting authority. When engaging with companies from an ESG perspective, our goal is to understand how they are managing ESG risks. We are proud signatories to the Principles of Responsible Investment. When engaging with companies on ESG issues, we do so based on the principles set out by the UN Global Compact on human rights, labour, the environment and anti-corruption.

## Our Approach By Asset Class

Asset Class	How we access	Physical/ Derivative	ESG Integration	ESG Screening	ESG Enhancement
Equity	Portfolio or fund	Physical	Yes	Yes	Yes
	Equity Strategies e.g. Future Mobility	Physical	Yes	Yes	Yes
	ESG Futures/Swaps/Options	Derivative	Yes	Yes	Yes
	Futures/Swaps/Options	Derivative	Yes	No	No
Credit	Fund or portfolio	Physical	Yes	Yes	Yes
	ESG Credit Default Swap	Derivative	Yes	Yes	Yes
	Credit Default Swap	Derivative	Yes	No	No
Government Bonds, Currencies, Rates	Physical bonds, Futures, Non-Deliverable Forwards, Interest Rate Swaps	Physical/ Derivative	Yes	No	Yes
Emerging Market Government Bonds, Currencies, Rates	Fund or portfolio	Physical	Yes	No	Yes
Cash	Short term lending	Physical	Yes	No	Yes

## Important Information

**Past performance is not a guide to future results. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.**

- Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the fund's benchmark or universe of potential investments. The interpretation of ESG and sustainability criteria is subjective meaning that the fund may invest in companies which similar funds do not (and thus perform differently) and which do not align with the personal views of any individual investor.
- The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.
- The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.
- The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.
- The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The fund invests in high yielding bonds which carry a greater risk of default than those with lower yields.

To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the shareclasses within it, please refer to the Key Investor Information Documents available in the local language, and Prospectus available in English, which are available on our website [abrdn.com](http://abrdn.com). The Prospectus also contains a glossary of key terms used in this document. A summary of investor rights can be found in English on our website's Legal Notice at [abrdn.com](http://abrdn.com).

The fund is a sub-fund of Standard Life Investments Global SICAV II, a Luxembourg-domiciled UCITS fund, incorporated as a Société Anonyme and organized as a Société d'Investissement à Capital Variable (a "SICAV").

**In Spain** Standard Life Investments Global SICAV II has been registered with the Comisión Nacional del Mercado de Valores under the number 1528.

**In The United Kingdom:** Deemed authorised and regulated by the Financial Conduct Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website. Under Luxembourg law, there is no compensation scheme available to UK investors in funds managed by such firms, which includes this fund.

The fund has been authorised for public sale in certain jurisdictions and private placement exemptions may be available in others. It is not intended for distribution or use by any person or entity that is a citizen or resident of or located in any jurisdiction where such distribution, publication or use would be prohibited.

The information contained in this marketing material is intended to be of general interest only and should not be considered as an offer, investment recommendation or solicitation to deal in the shares of any securities or financial instruments. Subscriptions for shares in the fund may only be made on the basis of the latest prospectus, relevant Key Investor Information Document (KIID) and, in the case of UK investors, the Supplementary Information (SID) for the fund which provides additional information as well as the risks of investing. These may be obtained free of charge from the Fund Management company Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg or the local paying agents detailed below. All documents are also available on [abrdn.com](http://abrdn.com). Prospective investors should read the prospectus carefully before investing. The Fund Management company may terminate arrangements for marketing the fund under the Cross-border Distribution Directive denotification process.

**In Switzerland** the prospectus, the key investor information documents (KIIDs), the articles of incorporation, the annual and semi-annual report in German, and further information can be obtained free of charge from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: [www.carnegie-fund-services.ch](http://www.carnegie-fund-services.ch). The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. The latest share prices can be found on [www.fundinfo.com](http://www.fundinfo.com). **In Italy** these documents can be obtained from the Paying Agent, Société Générale Securities Services S.P.A, Via Benigno Crespi 19A - MAC2, 20159 Milan. **In Germany** these documents can be obtained from the Paying Agent Marcard, Stein & Co. AG, Ballindamm 36, D-20095 Hamburg. **In Austria** from the Fund's Representative and Paying Agent Raiffeisen Zentralbank Österreich Aktiengesellschaft, Am Stadtpark 9, A-1030 Wien. **In France**, these documents can be obtained from the Centralising Correspondent Agent : CACEIS Bank, 1-3 Place Valhubert, Paris Cedex 13, France. **In Belgium**, these documents can be obtained from the Fund's Paying Agent , BNP Paribas Securities Services, Succursale de Bruxelles, 489, Avenue Louise, 1050 Bruxelles.

Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by abrDN\*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, abrDN\* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

\* abrDN means the relevant member of abrDN group, being abrDN plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

**United Kingdom (UK):** Issued by Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. 120637. Authorised in Luxembourg and regulated by CSSF.

**Austria, Belgium, Finland, France, Germany, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, and Sweden:** Issued by Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. B120637. Authorised in Luxembourg and regulated by CSSF.

**Switzerland:** Issued by Aberdeen Standard Investments (Switzerland) AG. Registered in Switzerland (CHE-114.943.983) at Schweizergasse 14, 8001 Zürich.

abrDN is a global business providing a range of services to help clients and customers plan, save and invest. abrDN group uses different legal entities to meet different client and customer needs. Some elements of the abrDN client experience may contain previous brand names until all brand name changes have completed.

For more information visit [abrDN.com](http://abrDN.com)

GB-281021-160046-3

**abrDN.com**

STA1121668522-001