



Dunedin Income Growth Investment Trust PLC

Alternative Investment Fund Managers Directive
Pre-investment Disclosure Document

Rule 3.2 FUND Sourcebook/Rules 4.3.2R(1) and 5.3.2R(2) ESG Sourcebook

Dunedin Income Growth Investment Trust PLC

This document is issued by abrdn Fund Managers Limited as the alternative investment fund manager (“AIFM”) of Dunedin Income Growth Investment Trust PLC, in order to make certain information available to prospective investors prior to such investors’ investment in the Company, in accordance with the requirements of the FCA’s FUND Sourcebook and ESG Sourcebook and is being made available on the Company’s website: www.dunedinincomegrowth.co.uk.

Defined terms used in this pre-investment disclosure document can be found in section 20 below.

1. A Description of the Investment Strategy, Policy and Objective of the Company, Types of Assets the Company May Invest In, Investment Techniques and Investment Restrictions

Investment Objective and Policy

Investment Objective

Dunedin Income Growth Investment Trust PLC’s (“the Company”) objective is to achieve growth of income and capital from a high-quality portfolio invested mainly in companies listed or quoted in the United Kingdom or companies having significant operations and/or exposure to the UK that meet the Company’s sustainable and responsible investing approach.

The Company does not have a UK sustainable investment label under SDR. This is because the Company has a financial objective to deliver growth of income and capital over the long-term. While the Company has sustainability characteristics, it does not have a sustainability objective. Sustainable investment labels are intended to help investors find products that have a specific sustainability goal.

Investment Policy

In pursuit of its objective, the Company’s investment policy is to deliver income and long-term growth from investing mainly in equities and equity related securities of companies incorporated or domiciled in the UK, or companies having significant operations and/or exposure to the UK, that meet the Company’s sustainable and responsible investing approach.

The Company ensures that all equity and equity related securities adhere to the Aberdeen Sustainable and Responsible Investment Equity Approach details of which are included below and in the Company’s Annual Report for each financial year.

Management Process

The Aberdeen management team has discretion to actively manage the portfolio to achieve a diverse asset mix at sector and stock level.

The Company incorporates sustainability characteristics through a combination of positive allocation, negative exclusions, and corporate engagement. The Company uses Aberdeen’s proprietary, forward-looking environmental social and governance (‘ESG’) tools to assess the sustainable characteristics of investments and classifies holdings as Sustainable Leaders, Solutions Providers and Transition companies.

The Aberdeen ESG House Score and ESG Quality Score are also used to identify and exclude companies exposed to the highest ESG risks. For example, the Company will not invest in ESG Q 4 and 5 rated companies or those with an ESG House Score in the bottom 10% of the investment universe. In addition, a set of company exclusions are applied relating to the principles of the UN Global Compact, tobacco manufacturing, thermal coal, oil & gas and weapons (for further details, see below in the *Sustainable and Responsible Investment Equity Approach* section.)

Further, sustainability characteristics are targeted at the aggregate fund level. The Company is committed to having a carbon footprint (Scope 1 and 2) of at least 20% below the FTSE All-Share Index.

The Company may also invest in other investment funds (including those managed by Aberdeen), money-market instruments, cash. These assets may not adhere to the Company's investment objective but will not conflict with the Company's sustainable and responsible investing approach and will pass the Company's exclusionary screening criteria as agreed by the Board.

Risk Diversification

The Company maintains a diversified portfolio consisting, substantially, of equity or equity-related securities, and it can invest in other financial instruments. The Company is invested mainly in companies listed or quoted in the United Kingdom and can invest up to 25% of its gross assets overseas. It is the policy of the Company to invest no more than 15% of its gross assets in other listed investment companies and no more than 15% of its gross assets in any one company.

Gearing

The Board is responsible for determining the gearing strategy for the Company, with day-to-day gearing decisions being made by the Manager within the remit set by the Board. The Board has set its gearing limit at a maximum of 30% of the net asset value at the time of draw down. Gearing is used selectively to leverage the Company's portfolio in order to enhance returns where and to the extent considered appropriate.

The Company may only make material changes to its investment policy (including the level of gearing set by the Board) with the approval of shareholders in the form of an ordinary resolution and the prior approval of the FCA.

Delivering the Investment Objective and Policy

The Directors are responsible for determining the Company's investment objective and investment policy. Day-to-day management of the Company's assets has been delegated, via the AIFM, to abrdn Investments Limited (or the Investment Manager).

Sustainable and Responsible Investment Equity Approach

The Investment Manager believes that building a concentrated portfolio of high-quality companies that meet its sustainable and responsible investment criteria will deliver both real income growth and attractive total returns over the long-term. The application of sustainable and responsible investing principles enables the Investment Manager to reduce risks in the portfolio by identifying and excluding companies whose business models it considers face significant threats from ESG factors. It also enables the Investment Manager to identify positive opportunities for companies to benefit from the same trends as well as giving the potential for engagement to improve companies' performance and increase shareholder value. To deliver this, the Sustainable and Responsible Investment Equity Approach utilises negative exclusions, qualitative analytical assessment, proprietary quantitative tools and ongoing corporate engagement and a voting policy.

Positive allocation

The Company will classify the sustainability characteristics of investments as Sustainable Leaders, Solutions Providers and Transition companies:

- (a) Leaders are companies with the best-in-class ESG credentials and demonstrate ESG leadership.
- (b) Solutions Providers have products and services which address global environmental and societal challenges.
- (c) Transition companies are typically companies with average standards of governance, ESG management practices and disclosure with potential for change over time.

The Company uses qualitative analytical assessment, proprietary quantitative tools and ongoing corporate engagement to assess the sustainability characteristics of companies.

(1) ESG House score

Using the proprietary Aberdeen ESG House Score, the Investment Manager seeks to focus investments in companies with good governance practices and sustainable operations.

The ESG House Score is an analytical tool developed by Aberdeen's Investments Sustainability Group in collaboration with the Quantitative Investment Team. The score (1-100) is calculated by combining a variety of data inputs within a proprietary framework, combining its underlying Governance and Operational scores:

- The governance score assesses the corporate governance structure and the quality and behaviour of an investee company's leadership and management.
- The operational score assesses how well companies address their adverse environmental impacts and promote societal welfare.

Our ESG house-score methodology

ESG score

(combination of operational and governance scores, absolute 0-100 score)

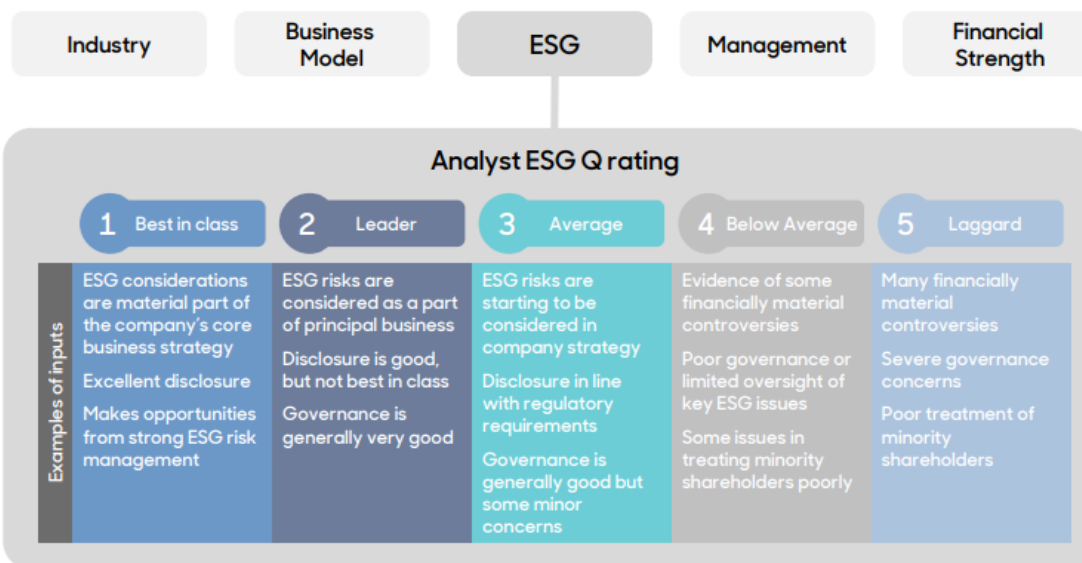
| Absolute 0-100 score, standardised relative to global sector peers | Operational score (50% of Emerging Markets/Frontier Markets ESG score; 55% of Developed Markets) | | | | Governance score (50% of Emerging Markets/Frontier Markets ESG score; 45% of Developed Markets) | | Absolute 0-100 score, standardised relative to global universe |
|--|---|--------------------------|--------------------------|------------------------------------|--|----------------------|--|
| | Climate Change | Environment | Labour Management | Human Rights & Stakeholders | Corporate Behaviour | Corporate Governance | |
| Factor selection based on sector and country | GHG Emissions & Resilience | Water & Wastewater | Labour Practices | Human Rights & Communities | Controversies | Board Issues | All companies assessed on all factors |
| | Air Quality | Waste Management | Employee Health & Safety | Privacy & Data Security | Polices & Practices | Accounting & Audit | |
| Weighting based on risk materiality | Energy Management | Supply Chain & Materials | Engagement & Diversity | Product Quality & Customer Welfare | | Remuneration | Weighting based on relative importance |
| | | Ecological impacts | | Supply-Chain | | Ownership & Control | |
| Internal Analysis | Operational Performance Adjustment | | | | Governance Health Warning | | |
| | Disclosure score (% of data points available) | | | | | | |

(2) ESG Q score

Within Aberdeen's equity investment process, every company Aberdeen invests in is given a proprietary overall Quality rating and a component of this is the ESG Quality rating. Aberdeen analyses the foundations of each business to ensure proper context for Aberdeen's investments. This includes assessment of a company's business model, the industry they operate in and their financial strength. The Investment Manager will consider the quality of a company's management team and analyse ESG opportunities and risks impacting the business and appraise how well these are managed. Aberdeen assigns a proprietary rating (1 indicates best in class and 5 indicates laggard) to articulate the quality attributes of each company. Inputs that inform the ESG Q score include qualitative and quantitative assessment of the key ESG factors facing a company, the MSCI score, the Aberdeen ESG House score and ongoing engagement.

Companies eligible for inclusion in the Company's portfolio must have an ESG Quality rating of 3 or better.

Five key components of Quality assessed for all companies under coverage



(3) Revenue alignment

To identify Solution companies, the Company will assess the revenues or investments derived from a company's products or services that contribute to the UN Sustainable Development Goals ('SDGS').

(4) Engagement

Rather than taking a purely best-in-class approach, the Investment Manager also invests in companies that are taking real steps to improve their ESG performance. Transition companies typically have ESG potential that is being overlooked by the market and the Investment Manager supports these companies through active engagement. Opportunities for improvement are identified by the team of investment analysts in conjunction with the Investment Manager's on-desk ESG analysts and central ESG team.

Negative exclusions

The Company will not invest in companies with an ESG House Score in the bottom 10% of the investment universe.

The Company will not invest in companies that are deemed below average on the quality of its management of ESG risks, as measured by the Aberdeen ESG Quality Score.

In addition, the Company applies the following exclusions to its portfolio and will not invest in:

- companies that have failed to uphold one or more principles of the UN Global Compact or that are state owned enterprises in countries subject to international sanctions that materially violate universal basic principles;
- companies that derive a revenue contribution of 10% or more from tobacco or are tobacco manufacturers;
- controversial weapons including cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, depleted uranium ammunition and blinding lasers;
- companies that have a revenue contribution of 10% or more from the manufacture or sale of conventional weapons or weapons support systems;
- companies that have any revenue contribution from thermal coal extraction;
- companies that have any revenue contribution of 10% or more from unconventional oil and gas or are investing in new unconventional extraction capacity in their own operations;

- companies that are primarily involved in conventional oil and gas extraction and do not have significant revenue contribution from natural gas or renewable alternatives;
- companies that have a revenue contribution of 10% or more from electricity generation with a carbon emissions intensity inconsistent with the Paris Agreement, 2 degrees scenario;
- companies that are directly investing in new thermal coal or nuclear electricity generation capacity in their own operations.

Stewardship and Engagement

Engagement with investee companies on ESG risks and opportunities is a fundamental part of the Investment Manager's investment process and stewardship activities. The discussions cover a wide range of topics, including, but not limited to: strategic, operational, ESG issues and considering the long-term drivers of value. It is a process through which the Investment Manager can discuss how an investee company identifies, prioritises and mitigates its key risks and optimises outcomes from its most significant opportunities. It also provides the opportunity for Aberdeen to discuss any areas of concern, share best practice and drive positive change within the business. The Investment Manager believes that effective engagement presents a significant opportunity to add shareholder value over time.

The engagement process is based on four types of engagements:

- Review: part of 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.
- Enhance: designed to seek change that, in the Investment Manager's view, would enhance the value of the investment.
- Thematic: resulting from focus on a particular ESG theme, such as climate change, diversity and inclusion or modern slavery.

Engagement efforts will be tracked in order to assess engagement progress against milestones. To do this the Investment Manager has defined the following 'lifecycle' steps for engagements:

- Identify: identify specific concerns or issues to be raised with those investee companies.
- Acknowledge: the concern is acknowledged by those investee companies.
- Plan: there is a credible plan to address our concerns.
- Execute: the plan is being executed to address concerns.
- Close: the plan has been successfully executed and concerns have been addressed.

Proxy Voting

Proxy voting is an integral part of an active stewardship approach, and the Investment Manager seeks to exercise voting rights in a manner in line with best interests of shareholders. The Investment Manager believes that voting is a vital mechanism for holding boards and management teams to account and is an important tool for escalation and shareholder action. Vote instructions on Aberdeen holdings are decided by analysts in regional and ESG investment teams. Aberdeen subscribes to proxy research providers IVIS and ISS and uses their research to support proprietary analysis rather than automatically following recommendations of any third party. The Investment Manager's decisions will reflect its knowledge of companies, and insights gained through engagement. The involvement of Aberdeen investment managers in voting decisions allows Aberdeen to ensure proxy voting remains an integral part of the investment process.

Divestment approach

Disinvestment from companies is required if:

- They breach any of the negative screens; or
- They have an Aberdeen ESG Quality rating of 4 or 5
- They have an Aberdeen ESG House Score in the bottom 10% of the investment universe

Should the review of a security result in it being deemed non-compliant, the intention would be to exit as soon as is practicably possible, but generally never longer than 3 months, allowing for market conditions.

Portfolio carbon commitment

The Company also commits to having a carbon intensity (Scope 1 & 2) of less than 80% of the FTSE All-Share Index, which constrains investment in high carbon emitting companies.

Benchmark

The Company's benchmark is the FTSE All-Share Index (total return). Performance is measured on a net asset value total return basis over the long-term.

2. Principal Risks and Uncertainties

The Board carries out a regular review of the risk environment in which the Company, changes to the environment and individual risks. The Board also considers emerging risks which might affect the Company. The Board receives updates from the Manager on the risks that could affect the Company.

The Board has carried out a robust assessment of the Company's principal and emerging risks, which include those that would threaten its business model, future performance, solvency, liquidity or reputation. The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below. In addition to those principal risks and uncertainties, the Board considers that the development of Artificial Intelligence ("AI") presents potential risks to businesses in almost every sector. The extent of the risk presented by AI is extremely hard to assess at this point but the Board considers that it is an emerging risk and, together with the Manager, will monitor developments in this area.

There are a number of other risks which, if realised, could have a material adverse effect on the Company and its financial condition, performance and prospects. These include a number of existing geo-political risks, including the impact on global financial markets of US tariffs announced since the year end. The Board is also conscious of the effect of higher inflation on financial markets and the resultant implications for interest rates.

The principal risks and uncertainties facing the Company at the current time, together with a description of the mitigating actions the Board has taken, are set out in the table below.

| Risk | Mitigating Action |
|--|---|
| Investment objectives - a lack of demand for the Company's shares could result in a widening of the discount of the share price to its underlying NAV and a fall in the value of its shares. | <p>Board review. The Board formally reviews the Company's objectives and strategies for achieving them on an annual basis, or more regularly if appropriate.</p> <p>Shareholder communication. The Board is cognisant of the importance of regular communication with shareholders. Directors attend meetings with the Company's largest shareholders and meet other shareholders at the Annual General Meeting and, as explained in the Chairman's Statement, the Company will hold an online shareholder presentation in advance of the Annual General Meeting this year including the opportunity for an interactive question and answer session. The Board reviews shareholder correspondence and investor relations reports and also receives feedback from the Company's Stockbroker.</p> <p>Discount monitoring. The Board, through the Manager, keeps the level of discount under constant review. The Board is responsible for the Company's share buy back policy and is prepared to authorise the use of share buy backs to provide liquidity to the market and try to limit volatility in the share price and any widening of the discount.</p> |

| Risk | Mitigating Action |
|---|---|
| <p>Investment strategies - the Company adopts inappropriate investment strategies in pursuit of its objectives which could result in investors avoiding the Company's shares, leading to a widening of the discount and poor investment performance.</p> | <p>Adherence to investment guidelines. The Board sets investment guidelines and restrictions which the Manager follows, covering matters such as asset allocation, diversification, gearing, currency exposure and use of derivatives, as well as the Company's sustainable and responsible investment criteria. These guidelines are reviewed regularly and the Manager reports on compliance with them at Board meetings.</p> <p>Diversification. In order to ensure adequate diversification, the Board has set absolute limits on maximum holdings and exposures in the portfolio at the time of investment, which are in addition to the limits contained in the Company's investment policy, including the following:</p> <ul style="list-style-type: none"> · No more than 10% of gross assets to be invested in any single stock; and · The top five holdings should not account for more than 40% of gross assets. |
| <p>Investment performance - the appointment or continuing appointment of an investment manager with inadequate resources, skills or expertise or which makes poor investment decisions. This could result in poor investment performance, a loss of value for shareholders and a widening discount.</p> | <p>Monitoring of performance. The Board meets the Investment Manager on a regular basis and keeps under close review (inter alia) its resources and adherence to investment processes. The Board also keeps under review the adequacy of risk controls and investment performance.</p> <p>Management Engagement Committee. A detailed formal appraisal of the Manager is carried out annually by the Management Engagement Committee.</p> |
| <p>Sustainable and responsible investing criteria - failure of the Company to adhere to its sustainable and responsible investment criteria, or non-compliance with applicable regulations, could lead to a loss of investor confidence or accusations of greenwashing.</p> | <p>Adherence to restrictions. The Board sets restrictions relating to the Company's sustainable and responsible investment criteria, which the Investment Manager follows. These restrictions are reviewed regularly and the Investment Manager reports on compliance with them at Board meetings.</p> <p>Awareness of regulations. Through the regulatory risk controls stated below, the Board is also aware of the relevant ESG regulations impacting the Company.</p> |
| <p>Income/dividends - the Company adopts an unsustainable dividend policy resulting in cuts to or suspension of dividends to shareholders, or one which fails to meet investor demands.</p> | <p>Revenue forecasting and monitoring. The Manager presents detailed forecasts of income and expenditure at Board meetings, covering both the current and subsequent financial years. Dividend income received is compared to forecasts, and variances analysed.</p> <p>Use of reserves. The Company has built up revenue reserves which are available to smooth dividend distributions to shareholders should there be a shortfall in revenue returns. The Company also has the ability to fund dividend distributions from realised capital reserves.</p> |
| <p>Financial/market - insufficient oversight or controls over financial risks, including market risk, foreign currency risk, liquidity risk and credit risk</p> | <p>Management controls. The Manager has a range of procedures and controls relating to the Company's financial instruments, including a review of investment risk parameters by its Investment Risk department and a review of credit worthiness of counterparties by its Counterparty Credit Risk team.</p> |

| Risk | Mitigating Action |
|--|---|
| could result in losses to the Company. | <p>Foreign currency hedging. It is not the Company's policy to hedge foreign currency exposure but the Company may, from time to time, partially mitigate it by drawing down borrowings in foreign currencies.</p> <p>Board review. As stated above, the Board sets investment guidelines and restrictions which are reviewed regularly and the Manager reports on compliance with them at Board meetings.</p> <p>Further details of the Company's financial instruments and risk management are included in note 19 to the financial statements.</p> |
| <p>Gearing - gearing accentuates the effect of rises or falls in the market value of the Company's investment portfolio on its NAV. An inappropriate level of gearing at a time of falling values could result in a significant fall in the value of the Company's net assets and share price. Such a fall in the value of the Company's net assets could result in a breach of loan covenants and trigger demands for early repayment or require investments to be sold to meet any shortfall. This could result in further losses.</p> | <p>Gearing restrictions. The Board sets gearing limits within which the Manager can operate.</p> <p>Monitoring. Both the limits and actual levels of gearing are monitored on an ongoing basis by the Manager and at regular Board meetings. In the event of a possible impending covenant breach, appropriate action would be taken to reduce borrowing levels.</p> <p>Scrutiny of loan agreements. The Board takes advice from the Manager and the Company's lawyers before approving details of loan agreements. Care is taken to ensure that covenants are appropriate and unlikely to be breached.</p> <p>Limits on derivative exposure. The Board has set limits on derivative exposures and positions are monitored at regular Board meetings.</p> |
| <p>Regulatory - changes to, or failure to comply with, relevant regulations (including the Companies Act, The Financial Services and Markets Act, The Alternative Investment Fund Managers Directive, accounting standards, investment trust regulations, the Packaged Retail and Insurance-based Investment Product Regulations, the Listing Rules, Disclosure Guidance and Transparency Rules and Prospectus Rules) could result in fines, loss of reputation, reduced demand for the Company's shares and potentially loss of an advantageous tax regime.</p> | <p>Board awareness. The Directors have an awareness of the more important regulations and are provided with information on changes by the Manager and the Association of Investment Companies. In terms of day to day compliance with regulations, the Board is reliant on the knowledge and expertise of the Manager. However, where necessary, the Board engages the service of external advisers. In addition, all Directors are encouraged to attend relevant training courses.</p> <p>Management controls. The Manager's company secretariat and accounting teams use checklists to aid compliance and these are backed by the Manager's compliance monitoring programme and risk based internal audit investigations.</p> |

| Risk | Mitigating Action |
|--|---|
| Operational (including cyber-crime) - the Company is reliant on services provided by third parties (in particular those of the Manager and the Depositary) and any control gaps and failures in their operations could expose the Company to loss or damage. | <p>Agreements. Written agreements are in place defining the roles and responsibilities of all third party service providers.</p> <p>Internal control systems of the Manager. The Board receives reports on the operation and efficacy of the Manager's IT and control systems, including those relating to cyber-crime, and its internal audit and compliance functions.</p> <p>Safekeeping of assets. The Depositary is ultimately responsible for the safekeeping of the Company's assets and its records are reconciled to those of the Manager on a regular basis. Through a delegation by the Depositary, the Company's investments and cash balances are held in segregated accounts by the Depositary.</p> <p>Monitoring of other third party service providers. The Manager monitors closely the control environments and quality of services provided by third parties, including those of the Depositary. This includes controls relating to cyber-crime and is conducted through service level agreements, regular meetings and key performance indicators. The Directors review reports on the Manager's monitoring of third party service providers on a periodic basis.</p> |
| Geo-political – the impact of current and future geo-political events could result in losses to the Company. | Board and Manager awareness. Geo-political events over which the Company has no control are always a risk. The Investment Manager's focus on quality companies, the diversified nature of the portfolio and a managed level of gearing all serve to provide a degree of protection in times of market volatility. |

3. Risk Management Systems

The directors of abrdn Fund Managers Limited collectively assume responsibility for aFML's obligations under the FCA Handbook including monitoring the Company's risk profile during the year.

aFML, as a fully integrated member of the Aberdeen group of companies, receives a variety of services and support in the conduct of its business activities from the resources of the Aberdeen Group. aFML conducts its risk oversight, including in the conduct of its risk oversight function, through the operation of the Aberdeen Group's risk management processes and systems. Further details of the Aberdeen Group's risk management programme and systems are set out in the Appendix to this document.

4. Leverage

Leverage limits

The maximum leverage which the Manager is entitled to employ on behalf of the Company (expressed as a ratio to total assets) is:

| | |
|-------------------|------|
| Commitment Method | 2.0x |
| Gross Method | 2.5x |

Types of leverage

Although leverage is often used as another term for gearing, under the AIFMD regulations leverage is expressed as a ratio of the exposure of debt, non-sterling currency, equity or currency hedging and derivatives exposure against the net asset value. It defines two types of leverage, the gross method and the commitment method. These are essentially the same other than the commitment method allows derivative instruments to be netted off to reflect 'netting' or 'hedging arrangements'. Non-sterling cash is deemed to carry a currency exposure so is considered to be leverage. In accordance with the FUND Sourcebook the Company is obliged to disclose the maximum expected leverage levels under both methods and this is disclosed above. In order to comply with the FUND Sourcebook the maximum leverage levels have been set in accordance with the maximum gearing allowable by the Company's Articles of Association. However, the day-to-day management of gearing and leverage levels will be conducted within the tighter limits set by the Company's investment policy.

Leverage may be applied to the portfolio by utilising financial gearing (such as bank borrowings and overdrafts) and synthetic gearing (through derivatives and/or other non-fully funded instruments or techniques for efficient portfolio management purposes such as stock-lending). Typically, leverage will arise through the use of index futures, forward foreign exchange contracts or contracts for difference, where cash is paid to the counterparty as a margin against the current mark-to-market value of the derivative contract; as a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss which is high in proportion to the amount of funds actually placed as initial margin and may even result in further loss exceeding any margin deposited. The use of leverage therefore creates additional risks and may significantly increase the market and counterparty risk of the Company through non-fully funded exposure to underlying markets or securities. Leverage is considered in terms of the Company's overall 'exposure' to financial or synthetic gearing and includes any method by which the exposure of the Company is increased whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means. aFML is required, in accordance with the FUND Sourcebook, to calculate and monitor the level of leverage of the Company, expressed as the ratio between the total exposure of the Company and its net asset value with exposure values being calculated by both the gross method and commitment method.

Exposure values under the gross method basis are calculated as the absolute value of all positions in the portfolio; this includes all eligible assets and liabilities, relevant borrowings, derivatives (converted into their equivalent underlying positions) and all other positions, even those held purely for risk reduction purposes, such as forward foreign exchange contracts held for currency hedging.

The gross method of exposure of the Company requires the calculation to:

- Include the sum of all non-derivative assets (if applicable) held at market value, plus the absolute value of all such liabilities
- Exclude cash and cash equivalents which are highly liquid investments held in the base currency of the Company, that are readily convertible to a known amount of cash, which are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high-quality bond
- Include derivative instruments which are converted into the equivalent position in their underlying assets
- Exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known
- Include exposures resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of cash borrowed
- Include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements as applicable

Exposure values under the commitment method basis are calculated on a similar basis but may take into account the effect of netting off instruments to reflect eligible netting and hedging arrangements on eligible assets and different treatment of certain cash and cash equivalent items in line with regulatory requirements.

The calculation of leverage assumes that a leverage ratio of 1.00:1 equates to zero leverage. A ratio of less than 1.00:1 would mean that the portfolio included uninvested cash whilst a ratio above 1.00:1 would mean that the portfolio had leverage to the ratio amount above 1.00:1.

Where the Company invests in derivatives, it may be required to post assets as collateral. To the extent that the Company posts collateral to its counterparties, the counterparties have a security interest in the collateral and may, in certain circumstances, have the right to re-use that collateral.

5. Modification of Investment Policy

In accordance with the FCA's listing rules, any material change to the Company's investment policy will require the FCA's prior approval as well as the approval of Shareholders. In considering what is a material change the Company must have regard to the cumulative effect of any changes since Shareholders last had the opportunity to vote.

6. Contractual Relationship Between the Company and Investors, Applicable Law and the Enforcement of Judgements

The Company is incorporated as a closed ended investment company under the provisions of the Companies Act 2006 (as amended) and its Shares are listed on the Official List of the Financial Conduct Authority and traded on the London Stock Exchange.

Investors who acquire shares in the Company will do so subject to the Articles. The Articles are one of the Company's constitutional documents and contain the rights and restrictions attaching to the Company's shares. The Articles are

governed by Scottish law and may only be amended by way of a special resolution. A shareholder's liability to the Company will be limited to the value of the shares held by such shareholder.

As the Company is incorporated in Scotland, it may not be possible for an investor located outside that jurisdiction to effect service of process upon the Company within the local jurisdiction in which that investor resides. All or a substantial portion of the assets of the Company may be located outside of the local jurisdiction in which an investor resides and, as a result, it may not be possible to satisfy a judgment against the Company in such local jurisdiction or to enforce a judgment obtained in the local jurisdiction's courts against the Company.

A number of legal instruments provide for the recognition and enforcement in Scotland of judgments given in other states. Where no particular legal instrument applies, a judgment creditor may nevertheless have rights to seek to enforce a judgement under Scottish law.

Details on how to invest in Dunedin Income Growth Investment Trust PLC are set out on the Company's website www.dunedinincomegrowth.co.uk and in the Annual Report.

7. Information on the AIFM, Depositary and Service Providers

AIFM/Manager

The Company has appointed abrdn Fund Managers Limited, which is a company limited by shares and incorporated in England, as its alternative investment fund manager. The Manager is a subsidiary of abrdn Holdings Limited which is itself a subsidiary of Aberdeen Group plc, a company incorporated in Scotland.

The Manager is authorised and regulated by the FCA as an alternative investment fund manager. Pursuant to the Management Agreement, the Manager provides investment management services (including portfolio management), risk management services and general administrative services to the Company.

The duties of the Manager also include (but are not limited to) the following:

- The proper valuation of the Company's assets and the calculation and publication of the Net Asset Value of the Company
- To review its delegation of the portfolio management function to the Investment Manager on an ongoing basis
- To ensure that appropriate and consistent procedures are established so that a proper and independent valuation of the assets of the Company can be performed
- To implement a risk management system to identify, measure and manage appropriately all risks relevant to the Company's investment strategies and to review this system on an annual basis
- To ensure that a single depositary is appointed to ensure, among other things, the proper monitoring of the Company's cash flows and the safe-keeping of the Company's assets that can be held in custody
- To employ an appropriate liquidity management system
- To adopt procedures enabling it to monitor the liquidity risk of the Company and ensure that the liquidity profile of the Company's investments complies with its underlying obligations
- To use adequate and appropriate human and technical resources necessary for the proper management of the Company
- To make available an annual report for the Company no later than four months following the end of its annual accounting period

The Management Agreement contains customary termination provisions and may be terminated on six months' written notice by either the Company or the Manager. The Company may also terminate the Management Agreement immediately inter alia if the Manager ceases to maintain its regulatory permission to act as AIFM and following a change of control of the Manager or if the Investment Manager ceases to maintain its regulatory permissions. In addition, either party may terminate the agreement immediately by notice upon the occurrence of certain events including the insolvency or winding up of the other party and a material breach of contract.

The Manager has delegated the portfolio management of the Company to abrdn Investments Limited. Further details of the delegation arrangements are set out in paragraph 9 below.

Depository

The Company has appointed The Bank of New York Mellon (International) Limited to act as its depository. Pursuant to the Depositary Agreement, the Depositary must carry out the duties specified in the FUND Sourcebook, including:

- Safekeeping of the assets of the Company
- Cash monitoring and verifying the Company's cash flows
- Oversight of the Company and the Manager, including ensuring:
 - The value of the shares of the Company is calculated in accordance with applicable law and the relevant valuation procedures
 - The Net Asset Value of the Company's assets is calculated in accordance with applicable law and regulation and the Articles
 - The sale, issue, repurchase, redemption and cancellation of shares are carried out within usual time limits
 - Income distributions take place in accordance with the Company's constitutional documentation
 - All cash is booked in accounts opened with an appropriate deposit-taking institution in accordance with the provisions of AIFMD
 - Custody assets are physically held in safe-keeping
- Implementing:
 - Effective and proper procedures to reconcile all cash flow movements
 - Appropriate procedures to identify significant cash flows particularly those which would be inconsistent with the Company's operations
- Monitoring the Company's compliance with investment limits and Leverage requirements

In carrying out such functions the Depositary must act honestly, fairly, professionally, independently and in the interests of Shareholders.

The Depositary is liable to the Company and/or Shareholders for the loss of a financial instrument held in custody by the Depositary or a delegate, unless the Depositary is permitted to discharge, and has discharged, such liability under the FUND Sourcebook and the Depositary Agreement. The Manager will inform investors of any changes with respect to the Depositary's liability for the loss of a financial instrument held in its custody. The Depositary is also liable to the Company and/or the shareholders for all other losses suffered by them as a result of the Depositary's negligent and/or intentional failure to properly fulfil its duties.

Under the Depositary Agreement, the Company has indemnified the Depositary and its delegates against certain liabilities and expenses resulting from the Depositary's performance of its obligations under the agreement or where the Depositary has acted in accordance with authorised instructions, except where (i) the Depositary is in material breach of contract, is negligent or has intentionally failed to carry out its obligations, is in wilful default or there is fraud; or (ii) any affiliate of the Depositary has been negligent, has failed to take reasonable care or has been fraudulent in connection with the services provided.

The Company, the Manager and the Depositary may terminate the Depositary Agreement at any time by giving 90 days' notice in writing. The Depositary may only be removed from office when a new depositary is appointed by the Company.

Auditor

Deloitte LLP has been appointed as the Company's auditor responsible for auditing the annual financial statements in accordance with auditing standards and, as appropriate, regulations, and for providing its report to the Company's shareholders in the annual report and financial statements. In addition, applicable law and regulation may require other reports to be prepared for the Company and, as the appointed auditor of the Company, the Auditor will undertake such work under the auditor service agreement between the Company and the Auditor.

Registrar

The registrar of the Company is Equiniti Limited which is responsible for keeping the register of shareholders, which may be inspected at the Registrar's office at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, during normal business hours.

Stockbroker

JPMorgan Securities Limited has been appointed as the Company's stockbroker to provide the Company with corporate broking and associated financial advisory services.

Investors' rights against service providers will vary depending on a range of factors. If the relevant service provider is an authorised person under FSMA carrying out a regulated activity with respect to the Company, then a contravention by it of a Rule contained within the FCA Handbook may in certain circumstances give rise to a claim for breach of statutory duty against that service provider by an investor who suffers loss as a result of that contravention. Investors may also be afforded certain rights against service providers by the general law.

8. Protection from Professional Liability Risks

The Manager has effective internal operational risk management policies and procedures in order to appropriately identify measure, manage and monitor operational risks, including professional liability risks, to which it is or could reasonably be exposed. These policies and procedures are subject to regular review and the operational risk management activities are performed independently as part of the risk management policy.

The management of operational risk, through the risk and control self-assessment process, is aimed at identifying risks in existing processes and improving existing controls to reduce their likelihood of failure and the impact of losses. All risks and events are facilitated via the internal risk management system, which provides a platform to facilitate the convergence of governance, risk and compliance.

The Manager is required to cover professional liability risks, such as the risk of loss of documents evidencing title of assets to the Company, and complies with such requirement by maintaining an amount of its own funds in accordance with the FUND Sourcebook.

9. Delegation Arrangements and Management of Conflicts

Delegation arrangements

From time to time, the AIFM may delegate certain management functions to its affiliated subsidiaries or third parties. The AIFM has delegated:

- Portfolio management to the Investment Manager, abrdn Investments Limited
- Company secretarial duties to abrdn Holdings Limited
- Administration to abrdn Investments Limited, which in turn has sub-delegated this function to BNP Paribas Fund Services UK Limited
- Certain promotional and distribution services to abrdn Investments Limited

Portfolio management

The Manager has delegated portfolio management to the Investment Manager, to undertake fund management activities. The Investment Manager is part of the Aberdeen Group of which the Manager is also part.

Pursuant to the Investment Management Agreement the Investment Manager will be responsible for managing the purchase and sale of investments within the categories allowed. The Investment Manager has discretion to take day to day investment decisions and to deal in investments in relation to the investment management of the Company, without prior reference to the Manager. The Manager is entitled to give further instructions to the Investment Manager. Notwithstanding the delegation of portfolio management to the Investment Manager, the Manager will at all times remain responsible for the portfolio management function and the Investment Manager has undertaken to abide by, and be subject to, the Manager's overall supervision, direction and control.

Company secretarial duties

The Manager has delegated the company secretarial duties to abrdn Holdings Limited. Pursuant to the CoSec Agreement, the Company Secretary provides company secretarial services including convening meetings of Directors and general meetings of the Company, keeping the statutory books and records of the Company, maintaining the Company's register, preparing and delivering company announcements and other company secretarial duties properly or reasonably performed by the secretary of a company or as the Manager may reasonably require. The Company's registered office is 1 George Street Edinburgh EH2 2LL.

Administration

The Manager has delegated the administration of the Company to abrdn Investments Limited, which in turn has sub-delegated this function to BNP Paribas Fund Services UK Limited. The Administrator will assist the Manager in calculating the Company's Net Asset Value, as well as to provide fund accounting services in respect of the Company.

Depository delegation

The Depository has given notice that it will delegate certain safekeeping functions in accordance with the provisions of AIFMD and the Depository Agreement. A delegate of the Depository may in turn sub-delegate subject to the same requirements.

Conflicts of interests

The Manager and the Investment Manager are committed to treating clients and shareholders fairly and have implemented procedures and processes to ensure that this is the case. In particular, the Manager and the Investment Manager have approved and adopted the Aberdeen Group's Conflicts of Interests Policy.

The objective of the Conflicts of Interests Policy is to ensure the fair treatment of clients and shareholders in cases of conflicts of interests or potential conflicts of interests which may arise in the course of providing management, advisory or administrative services to the Company.

To achieve this objective, the Conflicts of Interests Policy seeks to ensure that the Company and its service providers and the Manager and its delegates have adequate organisational and structural measures in place:

- To identify circumstances which constitute or may give rise to a conflict of interests entailing a material risk of damage to the interests of the Company or its shareholders
- To provide procedures, mechanisms and systems to manage or resolve any such conflicts of interests; where such conflict cannot otherwise be avoided, ensuring that the Company, the Manager and the Investment Manager always act in the best interests of shareholders
- To maintain a proper record of any such conflict or potential conflict and to ensure proper reporting to affected shareholders

The following circumstances have been identified as constituting or potentially giving rise to conflicts of interests:

- The Depository is responsible for the oversight of the Manager's discharge of its duties
- Directors of the Manager are senior executives of, and employed by, the Aberdeen Group
- The Manager, the Investment Manager and the Company Secretary are affiliated entities of the Aberdeen Group.
- The key terms of the Investment Management Agreement and the CoSec Agreement are similar to those which might be agreed between independent third parties
- The Investment Manager has discretion to enter into foreign exchange hedging transactions and borrowings on behalf of the Company. The Investment Manager may appoint an affiliate of any existing service provider or any other third party to act as a counterparty in the execution of foreign exchange transactions in connection with the currency hedging activities of the Company and/or to implement the currency hedging strategy
- The Aberdeen Group and its affiliates may hold or trade in securities and instruments of the same type as the securities and instruments held or traded in by the Company; they may also utilise the same or similar strategies as those adopted by the Investment Manager on behalf of the Company. In addition, the Company may make investments in other funds managed or advised by the Aberdeen Group or its affiliates

In order to ensure that actual and potential conflicts of interests are appropriately identified, managed and monitored, the Aberdeen Group has established a formal committee which operates under documented terms of reference and which meets regularly to maintain oversight of the Conflicts of Interests Policy and the management of live conflicts situations. Aberdeen Group plc maintains a documented matrix of known or inherent conflicts of interests, as well as a documented register of live actual or potential conflicts of interests arising in the carrying on of its business operations.

10. Valuation Procedures

The Company's accounting policies, including its policy in relation to the valuation of investments, are set out in the Annual Report.

The Company has delegated a number of its duties to the Manager including the proper valuation of the Company's assets, the calculation of the Net Asset Value of the Company and the publication of such Net Asset Values. Accordingly, the Manager has approved and adopted the Aberdeen Group's Valuation Policy. The Manager considers that the Valuation Policy contains appropriate and consistent procedures to ensure that a proper and independent valuation of the assets of the Company can be performed.

The Administrator has been engaged by abrdn Investments Limited to assist the Manager in calculating the Net Asset Value of the Company. In practice, this means that the Administrator sources prices for the assets of the Company and calculates a proposed Net Asset Value. These calculations are presented to the Manager, which discusses any particular pricing issues with the Administrator and may ultimately decide whether any prices require adjustment before the Net Asset Value of the Company is adopted. This may be the case where the price of an asset is hard to value and the Administrator has used fair value pricing, or where the price of an asset has increased or fallen by a significant proportion since its previous valuation.

11. Liquidity Risk Management and Redemption Rights

The Manager has a Liquidity Policy in place. For closed ended funds such as the Company, given their very nature, this policy focusses, primarily, upon the potential issues with regard to the mis-pricing of illiquid securities. The Aberdeen Group's market risk department is responsible for providing asset level liquidity evaluation reports on a periodic (e.g. monthly) basis to the Manager, the Investment Manager and other entities within the Aberdeen Group. This market risk department uses various risk assessment methods and sophisticated portfolio modelling, via a tool called APT (Advanced Portfolio Technologies), to measure the risk profile of assets held by portfolios and the risk of there being portfolio illiquidity related to the assets. This measurement enables the provision of management information to the Manager and the Investment Manager to enable those risks to be monitored. The portfolio modelling and measurement looks at the following risks: (i) asset liquidity risk (where a number of methods are used to measure liquidity, depending upon the nature of the asset – e.g. traded volumes reported on an exchange as a percentage of the total outstanding of the specific asset or with reference to the depth of the market using the bid-ask spread as an indicator); and (ii) contingency arrangements or liquidity buffers.

There are no redemption rights attaching to shares in the Company.

12. Fees, Charges and Expenses

The Manager charges a fee, calculated on a monthly basis, at 0.45% on the first £225 million, 0.35% on the next £200 million and 0.25% on amounts over £425 million per annum of the net assets of the Company, with debt at par and excluding commonly managed funds. The Company also incurs annual fees, charges and expenses in connection with administration, directors' fees, promotional activities, auditors' fees, lawyers' fees and depositary charges. The Company's Ongoing Charges (which include the management fee) for the last reported financial year, amounted to 0.56%.

13. Fair Treatment/Preferential Treatment of Investors

The Manager is subject to the FCA's rules on treating customers fairly and has adopted a policy regarding treating customers fairly, the operation of which is overseen by a formal committee comprised of senior managers from the Aberdeen Group's various business units and from its risk division. The role of the Conduct Risk Committee, which meets regularly and operates under documented terms of reference, is to ensure, among other matters, that the Conduct Risk Policy is implemented and maintained and to consider any actual or potential Conduct Risk Policy issues arising in connection with the Aberdeen Group carrying on its business operations. General awareness training on the Conduct Risk Policy and what it means to the Aberdeen Group and its customers is delivered to all Aberdeen Group staff.

No investor in the Company obtains preferential treatment or the right to obtain preferential treatment.

14. Availability of the AIF's Latest Annual Report

The Company's latest annual report is available on the Company's website: www.dunedinincomegrowth.co.uk. The annual report was published on 14 April 2025.

15. Procedure and Conditions for the Issue and Sale of Shares

The issue of new shares by the Company, either by way of a fresh issue of shares or by way of the sale of shares from treasury, is subject to the requisite shareholder authorities being in place and all FCA listing rule requirements having been met. Shares in the Company can also be bought in the open market through a stockbroker and qualify fully for inclusion within tax-efficient ISA wrappers. Further information about how shares in the Company may be purchased is set out in the section headed “Investor Information” in the Annual Report.

16. Latest NAV of the AIF

The Company’s NAV is published daily by way of an announcement on a regulatory information service. For internet users, additional data on the Company, including the latest published NAV, the closing price of ordinary shares for the previous day of trading on the London Stock Exchange, performance information and a monthly factsheet, is available on the Company’s website: www.dunedinincomegrowth.co.uk.

17. AIF’s Historical Performance

The Company’s historical performance data, including copies of the Company’s previous annual report and accounts, are available on the Company’s website: www.dunedinincomegrowth.co.uk.

18. Prime Brokerage

The Company has not appointed a prime broker.

19. Periodic Disclosures

The Manager will, at least as often as the annual report and accounts are made available to Shareholders, make the following information available to shareholders:

- Any changes to (i) the maximum level of Leverage that the Manager may employ on behalf of the Company and (ii) any right of reuse of collateral or any guarantee granted under any leveraging arrangement
- The total amount of Leverage employed by the Company
- The percentage of the Company’s investments which are subject to special arrangements resulting from their illiquid nature
- The current risk profile of the Company outlining (i) measures to assess the sensitivity of the Company to the most relevant risks to which the Company is or could be exposed and (ii) if risk limits set by the Manager have been or are likely to be exceeded and where these risk limits have been exceeded, a description of the circumstances and the remedial measures taken
- The risk management systems employed by the Manager outlining the main features of the risk management systems employed by the Manager to manage the risks to which the Company is or may be exposed. In the case of a change, information relating to the change and its anticipated impact on the Company and shareholders will be made available

The Manager will inform Shareholders as soon as practicable after making any material changes to its liquidity management system and procedures. Any material changes to the periodic disclosures will be provided to Shareholders by way of an announcement to a regulatory news service.

20. Defined Terms

The following defined terms are used in this pre-investment disclosure document:

| | |
|--|--|
| Aberdeen Group or Aberdeen | Aberdeen Group plc and its subsidiaries |
| Administrator | BNP Paribas Fund Services UK Limited |
| AIFMD | European Union Directive 2011/61/EU, together with its implementing measures |
| AIFM or Manager or aFML | abrdn Fund Managers Limited |
| Annual Report | The Company's Annual Report and Accounts for the relevant financial year, the most recent year being the year ended 31 January 2025 |
| Articles | The Company's articles of association, as amended from time to time |
| Auditor | Deloitte LLP |
| Brussels Regulation | Council Regulation (EC 44/2001) of 22 December 2000, concerning the recognition and enforcement in England and Wales of judgments given by the courts of most EU member states in civil and commercial matters |
| Commitment Method | The commitment method for calculating leverage as prescribed under Article 8 of the AIFMD, which excludes certain hedging instruments from the calculation |
| Company or AIF | Dunedin Income Growth Investment Trust PLC |
| Company Secretary | abrdn Holdings Limited |
| Conduct Risk Committee | Aberdeen Group plc's formal committee for overseeing, among other matters, the Conduct Risk Policy |
| Conduct Risk Policy | Aberdeen Group plc's documented policy regarding treating customers fairly |
| CoSec Agreement | The company secretarial agreement between the Manager and Company Secretary dated 15 July 2014 |
| Conflicts of Interests Policy | Aberdeen Group plc's documented conflicts of interests policy |
| Depository | The Bank of New York Mellon (International) Limited |
| Depository Agreement | Depository agreement among the Company, the Manager and the Depository dated 14 July 2014 |
| ESG | Environmental, social and governance |
| ESG Sourcebook | The FCA's ESG sourcebook within the FCA Handbook |
| FCA | The Financial Conduct Authority |
| FCA Handbook | The FCA's Handbook on rules and guidance: FCA Handbook |
| FUND Sourcebook | The FCA's investment funds sourcebook within the FCA Handbook |
| FSMA | Financial Services and Markets Act 2000, as amended |
| Gross Method | The gross notional method for calculating leverage as prescribed under Article 7 of the AIFMD, which includes certain hedging instruments within the calculation |
| Investment Manager | abrdn Investments Limited |
| Investment Management Agreement | Investment management agreement between the Manager and the Investment Manager dated 15 July 2014 |
| Leverage | Any method by which the AIFM increases the exposure of the Company whether through borrowing of cash or securities, or leverage embedded in derivative positions or by any other means |
| Liquidity Policy | Aberdeen Group plc's documented policy regarding liquidity risk management |
| Management Agreement | Management agreement between the Company and the Manager dated 14 July 2014 |
| Net Asset Value or NAV | The net asset value of the Company |
| Ongoing Charges | Ratio of expenses as a percentage of average daily shareholders' funds calculated as per the Association of Investment Companies' industry standard method |
| Registrar | Equiniti Limited |
| SDR | The UK's sustainability disclosure requirements |
| Shareholders | Shareholders in the Company |
| Stockbroker | JPMorgan Securities Limited |

Valuation Policy

Aberdeen Group plc's documented valuation policy regarding the production and oversight of net assets values of collective funds in the Europe, Middle East and Africa region

Other important information:

Issued by abrdn Fund Managers Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Registered Office: 280 Bishopsgate, London, United Kingdom, EC2M 4AG. Registered in the United Kingdom No. 00740118. An investment trust should be considered only as part of a balanced portfolio. Under no circumstances should this information be considered as an offer or solicitation to deal in investments.

Appendix to Pre-investment Disclosure Document

abrdn Fund Managers Limited: Risk management

Risk Management Function

Aberdeen Group plc and its subsidiaries (“the Group”) is committed to building and continuously improving a sound and effective system of internal control and a risk management framework that is embedded within its operations; this is the Group’s first line of defence.

The Group’s Risk Division, as the second line of defence, exists to support management in the identification and mitigation of risks and provides independent monitoring of the business. The Division includes Conduct & Compliance, Operational Risk and Investment Risk Oversight. The team is headed by the Group’s Chief Risk Officer, who reports to the Chief Executive Officer of the Group. The Risk Division achieves its objective through embedding the Risk Management Framework throughout the organisation using the Group’s operational risk management system (SHIELD).

The Group’s Internal Audit Department is independent of the Risk Division and reports directly to the Group CEO and to the chair of the Audit Committee of the Group’s Board of Directors. The Internal Audit Department is responsible for providing an independent assessment of the Group’s control environment; it is the Group’s third line of defence.

The Group’s corporate governance structure is supported by several committees that bring together the Group’s subject matter experts from different departments, to assist the Boards of Directors of Aberdeen Group plc, its subsidiaries and the funds to fulfil their roles and responsibilities. The Group’s Risk Division is represented on all committees, with the exception of those that deal with investment recommendations to the Boards. The specific goals and guidelines on the functioning of these committees are described in their respective terms of reference.

Description of the Process of Identifying, Assessing and Managing Risks

- **Market risk:** Is monitored through factor modelling used to calculate both absolute and relative ex ante quantities such as tracking error (TE) and Value at Risk (VaR). The VaR is computed on a NAV basis as the maximum loss that the portfolio should incur over 20 days, 99% of the time under normal market conditions. The fund’s portfolio risks are decomposed into intuitive components to pinpoint areas of unexpected market risk. The techniques are applied to all relevant asset classes. The market risk is further monitored through the computation of the level of leverage by both the gross and net approach. The leverage is calculated by converting each FDI into the equivalent position in the underlying assets of those derivatives, on a NAV basis. The market risk linked to the concentration risk is mitigated through investment restrictions set according to the basic principle of diversification.
- **Liquidity risk:** The Group has a Liquidity Risk Management Policy in place applicable to the funds and set out in accordance with its overall Risk Management Process, relative to the size, scope and complexity of the funds. Liquidity Risk is monitored on both the asset and liability sides. To measure and monitor asset liquidity risk the Group employs a number of methods specific to the underlying assets. In all cases, the approach is to reference the actual holdings of the sub-fund against a true measure of the market at both an aggregate and a position level. The Group has implemented a Group Pricing Policy which details the operational responsibilities for pricing assets, this policy is owned and overseen by the Group pricing Committee. On the liability side, investor transactions and, beyond this, investor behaviour are the main drivers of liquidity within each sub-fund. In this context, the articles and prospectuses contain certain key provisions or limits which provide protection to the funds and ultimately investors, in situations where liquidity might become a concern. In addition, the fund receives and analyses periodic reports in respect of the shareholder concentration within each sub-fund. Any shareholder concentrations and transactional behaviour are identified at sub-fund level and any particular concerns noted are escalated to the relevant Group Committee and respective Boards, if material.
- **Credit and counterparty risk:** The credit and counterparty risks linked to derivatives transactions are managed through processes outlined in the Group’s Counterparty Credit Risk Policy. This Policy underpins on the following principles: Internal Credit assessments; credit limits; exposure calculation and oversight and control. Credit

research on counterparties is carried out by the Credit Investment Team. Research is conducted on the basis of qualitative and quantitative analysis and is presented for discussion at the Credit Committee on a monthly basis. Each counterparty is reviewed at least once per annum. Furthermore, the Risk and Exposure Committee (REC) and/or credit Committee can impose house level restrictions on concentrations. Credit risk exposures are calculated net of collateral received. The methodology for calculating an amount for potential exposure arising from movements in mark to market is approved by the REC. Acceptable collateral and other commercial and credit terms for inclusion in the International Swap and Derivative Association (ISDA) documentation is defined in the Group Derivative Management Policy. Counterparty credit exposures are monitored against internal limits by an investment control team and monitored by the Group Credit Committee and Risk and Exposure Committee.

- **Legal risk:** All key contractual arrangements entered into by the funds are reviewed by the Legal Department and, where required, by external legal counsel. If these contracts refer to delegation arrangements, where applicable, there is an operating memorandum defining information flows between the parties, frequency of services and deadlines, a clear attribution of rights and responsibilities of each party and, when applicable, the key performance indicators to measure performance. Any litigation issues are also handled by the Legal Department.

Each OTC derivatives are framed within the legal provisions of the ISDA Master agreement which defines the rights and obligations of parties engaging in derivatives trading. The ISDA master agreements are negotiated and signed between each umbrella/sub-fund and the counterparty. The Credit Support Annex (CSA) is a legally binding document which is annexed to the ISDA agreement and details the Minimum Transfer Amount (MTA) or collateral required by AAML when engaging in OTC derivatives trading with counterparties. The Group Derivative Management Committee is responsible for approving the commercial terms associated to derivative documentation for the Group.

- **Tax risk:** The Group uses external tax consultants to advise on tax structuring, transactions and tax reporting.
- **Operational risk:** The Operational Risk Management Framework ensures that the operational risks taken and their contribution to the overall risk profile are accurately measured on the basis of sound and reliable data and that the risk measurement arrangements, processes and techniques are adequately documented. The identification, measurement, management and monitoring of operational risk within the Group are achieved through the use of the Group's Operational Risk Management Framework System, SHIELD. This system provides the following key Risk Management Modules:
 - *Event Management:* This module serves as a historical loss database, in which any operational failures, loss and damage experience (Events) will be recorded. The records include professional liability damages. The process for recording, investigation and mitigation of Events aims to ensure that they are not repeated.
 - *Issues and Actions Plan:* The issues and actions module provides a standardised mechanism for identifying, prioritising, classifying, escalating and reporting internal audit findings and other on-going / unresolved matters impacting the Group from a risk or regulatory perspective (Issues).
 - *Risk and Control Self Assessment (RCSA):* The RCSA process is to ensure key risks and key controls are identified and managed effectively in order to satisfy, at a Group level, Internal Capital Adequacy (ICAAP) requirements. The RCSA also provides a systematic and holistic means of identifying risk and control gaps that could impact business or process objectives which are agreed by senior management to complete.
 - *Business Continuity Plan (BCP):* Is in place and designed for invocation where there has been significant disruption to normal business functions at any Aberdeen Group office that is likely to last longer than 24 hours.

Measuring Risk

Where appropriate the Group applies the following measurements for each fund:

- **Leverage:** Has the effect of gearing a fund's expected performance by allowing a fund to gain greater exposure to underlying investment opportunities (gains and losses). The higher the leverage the greater the risk (potential loss).

- **Volatility, Value-at-Risk (VaR) and Conditional VaR (CVaR):** Volatility measures the size of variation in returns that a fund is likely to expect. The higher the volatility the higher the risk. VaR measures with a degree of confidence the maximum the fund could expect to lose in any one given day, assuming a normal (Gaussian) distribution, this is a function of the volatility of the fund. The higher the volatility, the higher the VaR, the greater the risk. CVaR calculates the expected loss, under the assumption that the VaR has been reached.
- **Tracking error (TE):** Measures the expected magnitude of divergence of returns between the fund and benchmark over a given time.
- **Systematic and stock specific risk:** Systematic risk represents the proportion of a fund's risk that is attributable to market exposure; and specific risk represents the risk that is intrinsic to individual stocks (i.e. particular to a given stock's attributes).
- **Stress test and scenario analysis:** Captures how much the current portfolio will make or lose if certain market conditions occur.
- **Concentration risk:** By grouping the portfolio through various different exposures: country, sector, issuer, asset etc., to identify where concentration risk exists.

Escalation and Reporting

The Group recognises timely and adequate reporting measures as well as escalation channels to be key components of the control process and management of risk.

The Risk team provide regular updates to the Board/senior management on the adequacy and effectiveness of the Risk Management Process indicating, where applicable, actual or anticipated deficiencies and the remedial measures.

In addition, all issues and events impacting any Group entity or the funds are logged in SHIELD, by the relevant area within the prescribed time limits.