

# Responsible Investing

## ESG integration in Quantitative Investment Strategies (QIS)

September 2021

We are responsible investors. At abrdn, our goal is simple. Make a difference – for our clients, society and the wider world.

This means ensuring we embed environmental, social and governance (ESG) considerations across all aspects of our business. For us it's about doing the right thing – while aiming to help our clients achieve their long-term financial goals.

Here's how we apply our responsible investment approach to our award-winning Quantitative Investment Strategies (QIS).

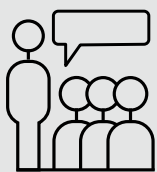
### Our core beliefs – why responsible investing is essential

Why is it so vital to integrate ESG factors into our quantitative investments process? There are three reasons:



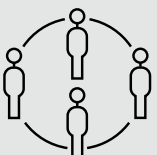
#### ESG is financially important

ESG factors directly affect corporate performance. We believe, companies that take their ESG responsibilities seriously tend to outperform those that don't.



#### It makes us better investors

Understanding ESG risks and opportunities, alongside other financial metrics, helps us to make more informed investment decisions for our clients.



#### It makes companies better too

Informed and constructive engagement helps corporations improve practices – protecting and enhancing the value of our clients' investments. Why is it so vital to integrate ESG factors into our quantitative investments process?

### How we do it

#### Voting and engagement

- Our central ESG team votes consistently on behalf of all client assets in line with abrdn voting policy. The team also engages with companies on ESG and stewardship issues on behalf of client holdings as appropriate.
- Our **passive mandates** are managed against ESG-focused indices and also implement client-specific ESG exclusions.
- Our **enhanced index funds** integrate ESG with the exclusion of controversial companies, optimisation of the portfolio to have a higher ESG score than the market-cap weighted index and reduction of carbon exposure by at least 10% of the benchmark. This same approach to ESG is applied to our **artificial intelligence** strategy.
- Analysis of portfolio ESG and carbon exposures is a core component of our portfolio review process.
- We integrate ESG into all discretionary portfolios and mandates.

#### Investment strategy and process

Assessments of ESG factors is integrated into every step of our quantitative investment process.

#### Our engagement process

Our engagement process is made up of four interconnected stages, each as important as each other.



01

Monitor

**Ongoing due diligence**

- Business performance
- Company financials
- Corporate governance
- Company's key risks and opportunities

02

Contract

**Frequent dialogue**

- Senior executives
- Board members
- Heads of departments and specialists
- Site visits

03

Engage

**Using our voice**

- Maximise influence as asset owners to drive positive outcomes
- Where possible, leverage equity holdings to vote on issues

04

Act

**Consider all options**

- Increase or decrease our holdings
- Collaborate with other investors
- Take legal action if necessary



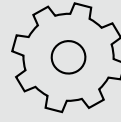
**Capability & collaboration**

- We collaborate with our central ESG team and other investment teams on the development of ESG research and process integration.
- We take a lead role in the quantitative investment industry on the integration of ESG, including collaboration with commercial and academic partners.



**Transparency & integrity**

- We're always transparent in communication and discussion of our ESG strategy and always act in the best interest of our clients.
- We stay connected to our clients and stakeholders on ESG topics, making sure that products and solutions are in tune with their aspirations.



**About Quantitative Investment Strategies (QIS)**

Our QIS team has more than fifteen years of experience in quantitative investment approaches.

We aim to give investors a systematic, rules-based means to capture returns, manage market risk and target investment goals.

We manage a range of quant-based investments. These include traditional equity and fixed income indexation, enhanced indexation, smart beta and artificial intelligence quant strategies.

Our experienced and stable team of investment professionals with complementary skillsets, including economists, statisticians, actuaries and ex-traders.

We embed ESG into the investment process.

We have a track record in passive investing since 2005, active systematic strategies since 2007, smart beta strategies since 2013 and AI-driven quant since 2018.

**Our commitment to responsible investing**

As a client of abrdn, we're committed to helping you accomplish your long-term goals through our core capabilities.

- ESG specialists and ESG Champions are an integral part of every team.
- Thematic sector and asset-level research help us make more informed investment decisions.
- Engagement leadership of our holdings across all asset classes – and voting on every shareholder resolution globally.
- Raising global standards by engaging with governments, regulators and industry bodies, working with other stakeholders to improve company practices.
- Continually working to develop innovative client solutions.

## ESG principles at abrdn

Stewardship and ESG considerations are at the heart of everything we do at abrdn



### ... in our investment process

we integrate and appraise ESG factors in how we invest, to help generate the best long-term outcomes for our clients.



### ... in our client journey

we're committed to clarity and transparency with our clients – defining how we act in their interests delivering our stewardship and ESG principles and reporting on our actions to meet those interests.



### ... in our investment activity

we act as stewards of our clients' capital, and actively take steps to deliver long-term, sustainable value consistent with their objectives.



### ... in our corporate influence

We aim to deliver better for our clients, the environment and society. To do this we actively advance policy, regulation and industry standards.

## About abrdn

As a leading global asset manager, we're dedicated to creating long-term value for our clients.

As a client of abrdn, your investment needs are at the heart of everything we do. That's why considering ESG factors is fundamental to our equity process. It's vital to how we assess every investment case.

We offer a comprehensive range of investment solutions, and the very highest level of service and support.

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