Credit ESG Integration Approach

December 2022

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In Switzerland for Qualified Investors Only.

We are responsible investors. At abrdn, our goal is simple: we want to 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. 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 fixed income.

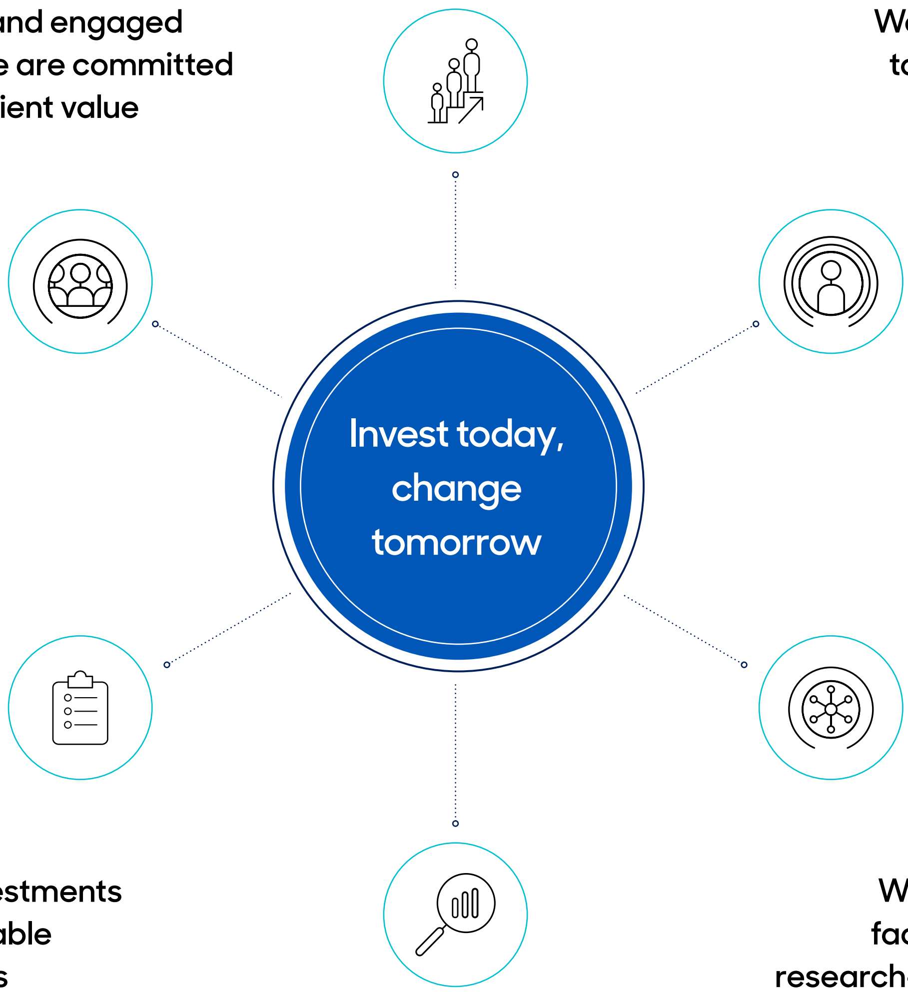
Our core beliefs and principles – why responsible investing is essential

Why is it so vital to integrate ESG factors into our fixed-income process? We believe that:

1. Integrating ESG analysis produces better returns
2. Active ownership allows us to drive positive change
3. Providing our clients with solutions helps them meet their sustainability goals

We are active and engaged owners, and we are committed to enhancing client value

We are commited to decarbonising our portfolios[1]



We restrict investments with unacceptable ESG credentials

We integrate ESG factors across our research-driven process

[1]Not all fixed-income assets are in scope, but a range of different climate solutions are available.

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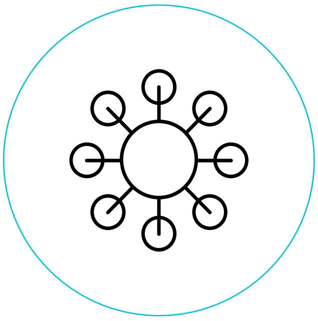
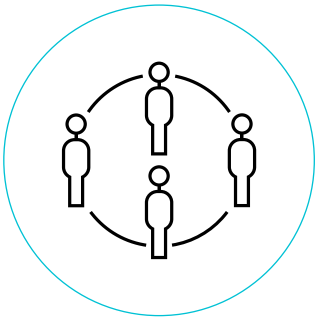
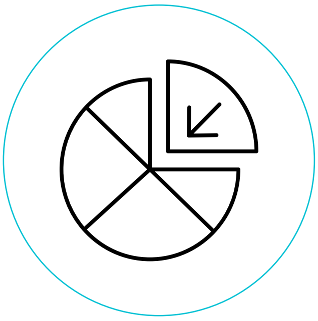
The value of investments and the income from them can go down as well as up and investors may get back less than the amount invested. Past performance is not a guide to future results.

Our ESG investment approach

	Research Integration	Research Integration	Research Integration
What we do	Analysts include ESG considerations in company analysis, in order to identify risks and opportunities	Speak to companies in which we invest about how they manage ESG risks.	Portfolio managers include themes in fund positioning.
Why we do it	ESG factors can have a financial impact on company valuations. Risk management gives an insight into the quality of management and the sustainability of a business over the longer term.	Gain a forward-looking view of how a company manages ESG risks. Promote ESG management in line with best practice standards.	Changes in regulation, social trends, and climate change initiatives can influence the profitability of sectors and companies.

We integrate ESG factors into every stage of our fixed-income investment process. This helps us identify the risks and opportunities for any given investment.

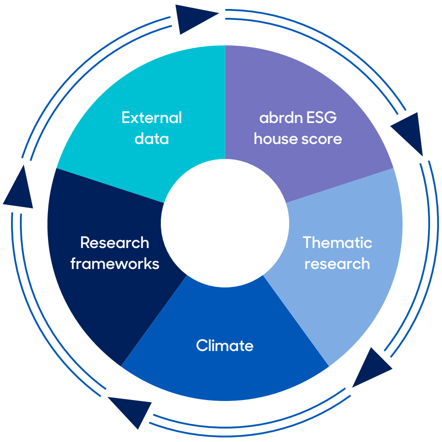
Research integration

ESG considerations are embedded in our fundamental credit analysis. Our credit analysts apply a proprietary ESG Risk Rating to each issuer ranging from Low, Medium, High (Low is better). This is credit profile-specific and represents how impactful we believe ESG risks are likely to be to the credit quality of the issuer now and in the future. The key areas of focus are the materiality of the inherent Environmental and Social risks of the sector of operation (e.g. extraction. water usage, cyber security) and a judgement on the timeframe over which these risks may have an impact. This is combined with an assessment of the sustainability of a company's corporate governance.

A rating of "High" indicates that there are potentially significant risks whose impact and timing could negatively impact the credit profile of a company.

Our Analysts and Portfolio Managers are supported by an ESG toolkit to help assess ESG risks and opportunities in their decision making.

ESG toolkit



External Data

- Insights from published research and data (e.g. MSCI, SASB, Trucost, Planetrics), rating agencies and others
- Challenge our ESG thesis and screen portfolios

abrdn house score

- Scores companies (0-100) on how they manage ESG risks. Contains over 100 ESG-related key performance indicators
- Deep dive into ESG drivers to inform or challenge analyst's view

Research Frameworks

- Use research from sustainable, climate and SDG (UN sustainable development goals) funds; and research produced by our centralised ESG function.
- Detailed research on ESG-sensitive themes

Climate

- Carbon footprint across portfolios, sectors and companies
- Forward-looking climate scenario analysis
- Quantitative climate screen

Thematic research

- Forward-looking research on ESG topics, such as climate, environment, labour, human rights, and governance
- Assessing how companies are managing this risk/ opportunity

Engagement

We actively engage with companies in which we are or may become an asset owner. Engagement provides a forward looking view on the management of ESG risks, opportunities and the ability to encourage value enhancing best practice standards. In our research and analysis of ESG issues, we identify any concerns we may wish to discuss with companies.

We then set engagement objectives according to the circumstances of each company. Engagement is carried out by our credit analysts, on-desk Fixed Income ESG analysts and centralised Sustainability Investment team, or a combination. We may also engage across asset classes, such as with our equity team.

We group our engagements into two categories:

01 Review engagements

These are conducted by the credit analysts. Our analysts meet with their companies on a regular basis, where ESG themes are a common topic of discussion. These topics are recorded and specific ESG comments are logged by analysts. These engagements can also lead to follow-up priority engagements if concerns are raised.

02 Priority engagements

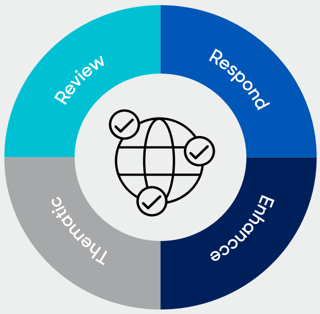
These are led by dedicated ESG experts. The meetings can include a combination of attendees, including the sustainability Investment team, fixed-income ESG analysts, subject-matter experts from the fixed-income ESG network, and equity ESG specialists. Priority engagements consist of three interlinked vectors: respond, enhance and thematic.

Review

As part of our integrated approach, we conduct ongoing due diligence and company meetings

Thematic

Focus on a particular ESG theme, such as climate change, diversity and inclusion, or modern slavery



Respond

Reacting to an event or news that may affect a single investment, or a selection of similar investments

Enhance

Driving changes that would minimise risks and enhance company or asset value

Portfolio construction

At a company level, ESG factors can influence the size of positions we take – either positively or negatively. Our thematic research – including environmental management, climate change, human rights, and labour practices – contributes to our sector assessments and top-down views, both of which influence the portfolio risk themes. For example

- The cost of borrowing for Oil and Gas and Tobacco companies has risen over longer maturities as a result of ESG factors.
- The transition risk for some sectors is more acute that others, such as utilities, building materials and transportation.
- Sectors will be impacted by economic and political drivers, for example the climate and social policies of elected governments can vary.

These top down ESG factors impact portfolio risk taking and through bottom up research and engagement we seek to invest in companies mitigating ESG risks and capturing opportunities.

Our fixed-income team

Our fixed-income team harnesses the full spectrum of fixed-income markets, issuers and credit quality across public, private and alternative credit.

Central to our capability is a disciplined, research-driven and team-based approach. This ensures investment consistency, and allows us to target reliable and repeatable outcomes for clients.

ESG integration is supported by an extensive ESG resource. These include a dedicated Investment Sustainability team, an on-desk network of fixed income analysts, and a fully embedded research process that is applied consistently across the whole fixed income team.

30+ Central ESG capability

Responsible for:

- Setting sustainability standards across abrdn
- Driving active ownership & engagement strategy
- Sustainability research & thought leadership
- Climate change strategy
- Cross-asset class training

Sustainability insights driven via key pillars:

- Climate Change - enabling a net zero world
- Nature- natural capital, biodiversity
- Society - labour, human rights, D&I
- Governance & business ethics

25+ On-desk Fixed Income ESG Network

- On-desk ESG analysts based in Europe and Asia
- FI ESG Network comprised of:
  - ESG Analysts
  - Heads of Research
  - Portfolio Managers
  - Research Analysts
  - Quants

Responsible for:

- Providing geographical and sector expertise to support ESG integration
- Drive discussion of ESG risks and opportunities

140+ Fixed Income Investment Team

- 140+ Fixed Income investors globally performing ESG assessment of companies
- Analyse ESG risk and opportunities within the abrdn research output
- Engage with companies to gain insight into risks and influence strategy
- Supported by central and on-desk ESG specialists with ESG thematic and sector research

Values Investor

For clients with particular ethical or religious views who do not wish to invest in certain types of companies.

- Ethical Corporate Bond
- Enhanced Quant range

Sustainable Investor

For clients who want to reduce exposure to the long term risks associated with ESG factors and companies which fail to meet recognised sustainability standards while seeking improvement in business practices/approach through targeted engagement.

- Euro Corporate Sustainable Bond
- Global Credit Sustainable Bond
- US Dollar Credit Sustainable Bond
- Asian Credit Sustainable Bond

Thematic Investor

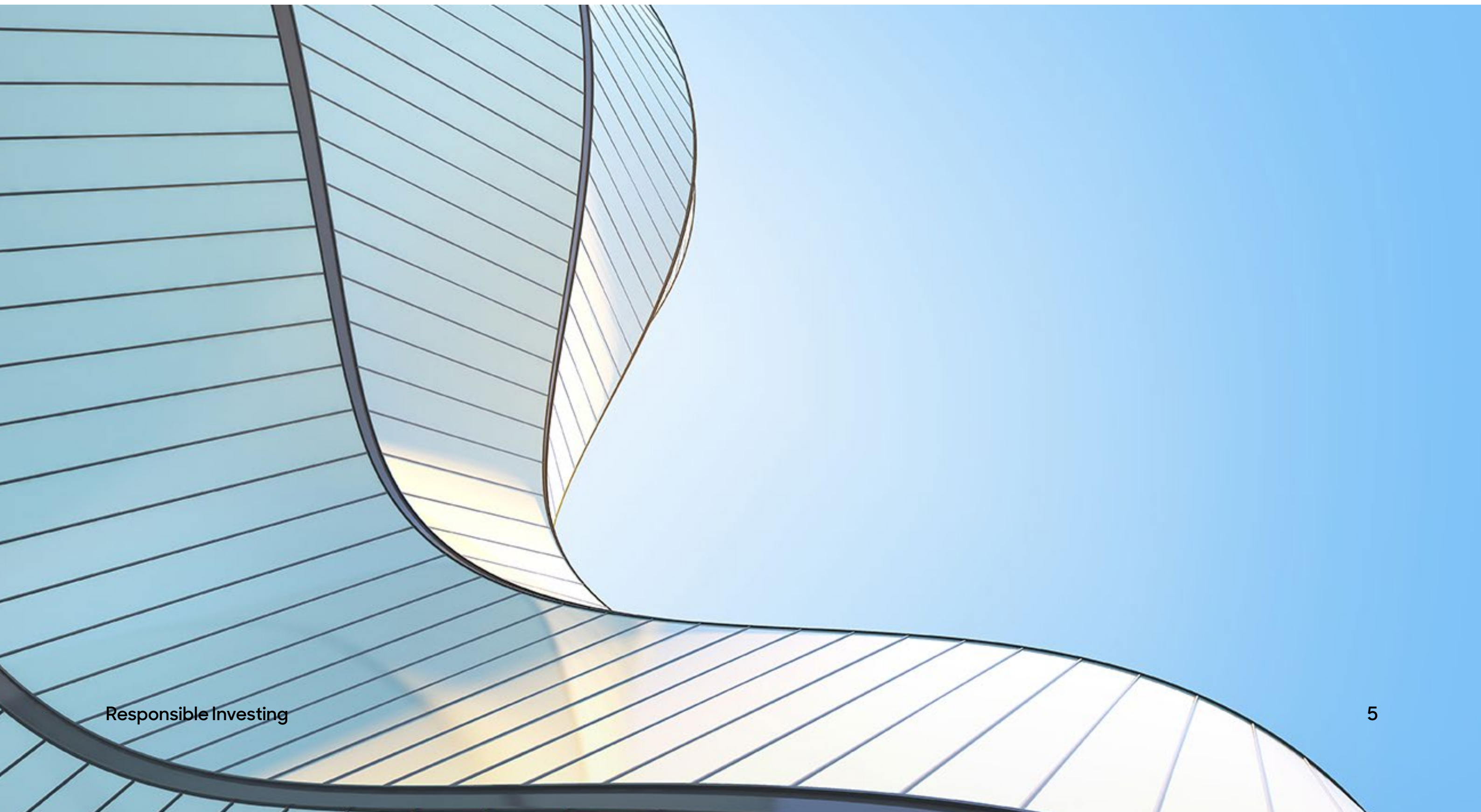
For clients seeking to benefit from exposure to a specific ESG theme in their portfolios.

- Climate Transition Bond

Impactful Investor

For clients seeking to make a positive difference and a return through exposure to companies that intentionally deliver products or solutions that have a measurable beneficial social or environmental impact or have a material alignment to one or more of the UN's SDGs.

- EM Sustainable Development Corporate Bond



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