



abrDN Private Equity established this policy document with respect to good governance assessment of invested companies. In EU/EEA for Professional Investors, in Switzerland for Qualified Investors - not authorised for distribution to retail investors in these regions.

abrDN Private Equity Good Governance Assessment Policy

August 2022

[abrDN.com](https://www.abrDN.com)

The policy

Purpose of the policy

The EU Sustainable Finance Disclosure Regulation ("SFDR") requires that products classified as Article 8 or Article 9 do not invest in companies that do not follow good governance practices.

This policy describes how abrdn Private Equity assess the governance practices of investee companies under SFDR and what research and metrics are used in support of such assessment. The policy applies to all products categorised as Article 8 or Article 9.

Good governance definition

abrdn considers "good governance" to be a standard of governance aligned with widely recognised industry-established norms with regards to the four topic areas identified by SFDR: sound management structure, remuneration of staff, employee relations and tax compliance.

The table below summarises the key metrics that form part of the abrdn good governance assessment. While these metrics are purposefully simplistic for comparability and monitoring purposes, their materiality will vary according to the size of the company and the sector in which the company operates.

Indicator	SFDR Topic	Metrics
Board Structure	Sound Management Structure	<ul style="list-style-type: none"> Percentage of non-executive members Board Gender Diversity Separation of Chairman and CEO
Processes and Committees		<ul style="list-style-type: none"> Separate Audit, Risk and Remuneration Committees (or dealt by another suitable body) Risk and crisis management policy in place Cyber Security policy in place
Anti-corruption and anti-bribery		<ul style="list-style-type: none"> Anti-corruption and anti-bribery policy in place Cases of insufficient action taken to address breaches of standards of anti-corruption and antibribery Number of convictions and amount of fines for violation of anti-corruption and anti-bribery law
Remuneration	Remuneration of staff	<ul style="list-style-type: none"> Remuneration policy in place for the board and key executives in line with long-term success of the business
Approach to accidents	Employee Relations	<ul style="list-style-type: none"> Workplace Accident Prevention policy in place Rate of accidents expressed as weighted average Number of workdays lost to injuries, accidents, fatalities or illness of investees companies expressed as weighted average Employee/Labour policy in place Human Rights policy in place Number of cases of severe human rights issues and incidents
Business Ethics		<ul style="list-style-type: none"> Code of Conduct policy in place Evidence of employee grievance mechanism and anti-discriminatory or positive action Whistleblowing procedures in place Number of incidents of discrimination reported in investee companies expressed as a weighted average Number of incidents of discrimination leading to sanctions in investee companies expressed as a weighted average
Tax	Tax Compliance	<ul style="list-style-type: none"> Tax Risk policy in place Company jurisdiction check as per Annex I of the EU's list of non-cooperative jurisdictions for tax purposes

Responsibility and methodology

It is the responsibility of the investment teams of Article 8 or 9 products to determine that the investee companies they invest in engage in good governance practices. Investment teams are supported by internal dedicated ESG experts and, when considered appropriate, they might appoint external ESG consultants and advisors to aid their research, or review third party ESG due diligence commissioned by other investors.

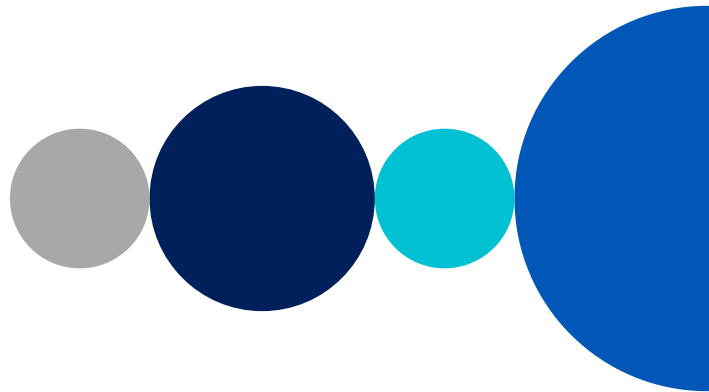
The investment teams engage directly with the General Partner to assess compliance with the abrdn good governance framework. The abrdn team assess both public disclosures and, to the extent necessary and possible, seek answers to due diligence questions on the governance arrangements in the portfolio company. GPs normally provide enough supportive evidence for abrdn to gain comfort around the practices at the investee company throughout the holding period.

In investments where the abrdn team does not have access to sufficient data relating to the underlying investee company, the abrdn team require the GP to undertake the necessary due diligence and ongoing monitoring.

Within a private equity transaction, there may be occasions when an investment does not have what abrdn would regard as "good governance practices" before the investment is completed, but additional requirements are imposed as a condition of the investment itself – for example, a board, with representatives of the GP may be established on investment by the GP and other management structures put in place at the same time. abrdn believe that is sufficient to satisfy the SFDR requirement, because the company will follow good governance practices from the moment the investment is made, even if it did not do so before.

The abrdn investment team present findings in the dedicated ESG section of the IC memos alongside the sustainable investment and materiality assessment.

It is the responsibility of the deal team to monitor on annual basis any material changes to the good governance assessment.



Important Information

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(entities current as at 27 September 2021)

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