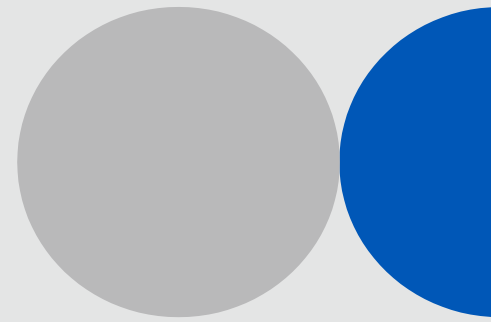


abrdrn OEIC V

abrdrn Europe ex UK Ethical Equity Fund

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1. Summary

We recognise that the world faces significant environmental and social challenges. Informed by this and the needs of our clients, we run a number of Ethical Funds that seek to invest in companies that uphold the highest standards of corporate responsibility, and support solutions to these challenges.

While we understand the personal nature of everyone's ethics, we aim to ensure that the Fund is reflective of the wider views of those who invest in it. Utilising investor-led ethical criteria, we regularly review the Fund's screens and approach through customer surveys and consultations to ensure they remain relevant and industry leading. Informed by these insights, the key elements that drive our approach to Ethical investment are provided below and expanded on in the following sections.

Defining the investable universe

- The Fund uses negative screening to avoid investing in companies that operate in certain areas that do not align with our investors' views. These are related but not limited to animal testing, weaponry, pornography, gambling, tobacco and alcohol. Further detail on the criteria and application is provided below.
- The Fund will invest (at least 70%) in companies that the abrdrn ESG House Score quantitatively identifies as having superior ESG characteristics in a global context. This analysis covers areas such as human rights, labour rights, environmental safeguards and combating bribery and corruption.

Fundamental company research

- Leveraging our extensive sustainable investing heritage and resources, we conduct deep, high-quality fundamental research to fully understand the investment case for every company in our global coverage universe. With ESG integrated throughout our investment process, every stock under coverage is given a forward looking ESG Quality rating between one (best) and five (worst). Supplementing our Ethical criteria, the fund invests only in companies with a rating of three or better.

Portfolio Commitments

- The Fund is expected to have a Carbon Intensity that is at least 10% lower than the FTSE World Europe ex UK Index as measured by the abrdn Carbon Footprint tool (which uses Trucost data for Scope 1 & 2 emissions)¹. This tool enables analysis of company, sector and the overall portfolio's carbon footprint.
- A reduction of the benchmark investable universe by a minimum of 20% through the aggregated screening criteria.

2. The Investment Framework

There are three core principles which underpin our Ethical investment approach and the time we dedicate to ESG analysis as part of our overall equity research process:



ESG factors are financially material, and impact corporate performance



Understanding ESG risks and opportunities alongside other financial metrics allows us to make better investment decisions



Informed and constructive engagement helps foster better companies, enhancing the value of our clients' investments



As part of their company research, our stock analysts evaluate the ownership structures, governance and management quality of the companies they cover. They also assess potential environmental and social risks that the companies may face. These insights are captured in our company research notes.



Our stock analysts work closely with dedicated ESG specialists who sit within each regional investment team and provide industry-leading expertise and insight at the company level. These specialists also mediate the insights developed by our central ESG Investment team to the stock analysts, as well as interpret and contextualise sector and company insights.



Our central ESG investment team provides thought leadership, thematic and global sector insights, as well as event-driven research. The team is also heavily involved in the stewardship of our investments and supports company engagement meetings where appropriate.

To measure financial performance, the Fund's reference index is the FTSE World Europe ex UK Index. The Fund aims to outperform the index, plus 2% per annum over rolling five year periods before charges. While the index is representative of the investment opportunities we explore for the Fund, the index is not constructed using any ethical, environmental or social criteria.

¹ Carbon Footprint calculation excludes instruments with no data and therefore excludes instruments including cash and derivative holdings.

3. Ethical Assessment criteria

The Fund uses a number of Ethical Assessment Criteria:

ESG House Score

Using the proprietary abrdn ESG House Score, the fund seeks to focus investment in European companies that are supporting solutions to the world's environmental and social challenges. In particular, the operational component of the score assesses the ability of the company's leadership team to implement effective environmental and social risk reduction and mitigation strategies in its operations, facilitating the focus on companies that are not only avoiding harm but are also involved in activities that benefit society and the environment through positive business practices and/or services. We align our reporting with the UN global Compact (www.unglobalcompact.org) to demonstrate the four areas of positive business practices and services.

 <h3>Environment</h3> <p>Companies that:</p> <ul style="list-style-type: none">• have a positive impact on the environment, through strong policies, processes and management, recognising the finite resources available in the world• contribute to environmental protection, and enhancement, through their products and services, such as environmental technologies, renewable energy (such as wind, solar, geothermal, tidal), pollution mitigation, energy and resource efficiency, environmental protection, conservation of biodiversity and natural resources. <p>01</p>	 <h3>Human Rights & Community</h3> <p>Companies that:</p> <ul style="list-style-type: none">• respect and support the human rights of those affected by its business, particularly those companies upholding the highest standards of business conduct in countries with a weak rule of law• offer products and services that provide access to some of the world's most basic rights, such as water, sanitation, education, healthcare, food, shelter and energy, in a bid to enhance livelihoods and society• have strong relationships within their communities and ensure that their business activities provide positive benefits to the local environment in which they operate. <p>02</p>
 <h3>Employment</h3> <p>Companies that:</p> <ul style="list-style-type: none">• have strong labour practices, where employees are valued and treated with respect and dignity• demonstrate strong policies, practices and reporting on issues such as equal opportunities, diversity, freedom of association, right to collective bargaining, whistleblowing, training, education, and wellbeing• implement strong safety, health and welfare policies, particularly those involved in hazardous activities. <p>03</p>	 <h3>Anti-bribery & corruption</h3> <p>Companies that:</p> <ul style="list-style-type: none">• uphold the highest standards of business ethics and demonstrate strong anti-corruption policies including oversight, commitment and anti-corruption practices• have adopted and embedded a code which encourages employees to follow principles of good business behaviour and positive corporate culture. This code should be publicly available and actively communicated to all employees, suppliers and stakeholders. <p>04</p>

This ESG House Score is an analytical tool, developed by our Investment Vector Sustainability Group in collaboration with the Quantitative investment team, used to identify companies with potentially high

or poorly managed ESG risks. The score is calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector. This allows us to see how companies rank in a global context.

The abrdn ESG House Score was designed so that it can be broken down into specific themes and categories. It is comprised of two scores; the Operational and Governance scores. This allows a quick view of a company's relative positioning on its management of ESG issues at a granular level.

- The Governance score assesses the corporate governance structure and the quality and behaviour of corporate leadership and executive management.
- The Operational score assesses the ability of the company's leadership team to implement effective environmental and social risk reduction and mitigation strategies in its operations.

Companies are ranked globally by the abrdn ESG House Score they are assigned, with the global universe then segregated into seven equal groups. A proprietary score is then assigned to each of these groups ((+++)) to the highest scoring group through to (---) for the lowest scoring group) to express the ESG characteristics of companies in a global context. Of the investment universe that passes the negative screens (outlined in more detail below), those companies that demonstrate superior ESG characteristics by achieving one of the abrdn ESG House Score's top two classifications (+++) or (++) are defined as 'Preferred'. In support of the fund's investment objectives, the fund looks to invest at least 70% of its net asset value in 'Preferred' companies according to the abrdn ESG House Score. This corresponds to companies scoring in the top 29% (2/7) of all companies globally.

To complement this we also utilise our active stewardship and engagement activities.

ESG Quality Rating

We use our proprietary research framework to analyse the foundations of each business to ensure proper context for our investments. This includes the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat.

We also consider the quality of its management team and analyse the environmental, social and governance (ESG) opportunities and risks impacting the business and appraise how well these are managed. We assign a proprietary rating (1 indicates best in class and 5 indicates laggard) to articulate the quality attributes of each company.

Companies eligible for inclusion in the fund must be rated 3 or better ESG Quality.

ESG Commitments

The Fund has the following commitment:

- **Carbon Footprint** – The Fund is expected to have a Carbon Intensity that is at least 10% lower than the FTSE World Europe ex UK Index, as measured by the abrdn Carbon Footprint Tool (which uses Trucost data for Scope 1&2 emissions). This tool enables analysis of company, sector, and the overall portfolios carbon footprint.

If the Fund falls behind in this commitment it will normally be corrected within a month, but up to 3 months is permitted to allow for market movements.

4. Exclusions / Restrictions criteria

The Fund targets to exclude at least 20% of the Fund’s benchmark investable universe, through a combination of in-house proprietary scoring tools and a ‘no compromises’ approach to negative screening, as set out below:

Screen	Criteria	Source
	The fund excludes investments that:	
UN Global Compact	Fail to uphold one or more principles.	MSCI
Weapons	have any tie to controversial weapons covering: cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, white phosphorus, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers Manufacture or sell whole or strategic parts of weapons systems and weapons platforms. Equally, companies that derive more than 20% of revenue from non-offensive military sales, such as vehicles or support to the military.	MSCI
Tobacco –	companies that produce tobacco products or grow or process raw tobacco leaves. Equally, companies that derive more than 20% of revenue from supplying products essential to the tobacco industry.	MSCI
Gambling –	have a revenue contribution of 10% or more from gambling	MSCI
Alcohol Production -	companies that derive 10% or more of revenue from alcohol production	MSCI
Animal testing -	companies that manufacture products or ingredients that have been tested on animals.	MSCI
Animal husbandry -	companies with significant exposure to activities which may lead to poor animal husbandry, such as intensive or factory farming, where there is evidence of poor practices or that do not respect the five freedoms (freedom from hunger and thirst; from discomfort; from pain, injury and disease; to express normal behaviour; from fear and distress)	MSCI, Investment research
Fur -	companies that manufacture or sell fur products that are not a by-products of the meat industry (e.g. wool or leather)	MSCI, Investment research
Marketing breast milk substitutes -	companies that market breast milk substitutes and have failed to adopt industry-leading practices (such as those defined under the World Health Organisation’s	MSCI

	International Code of Marketing of Breast- Milk Substitutes)	
Nuclear -	companies involved in the mining of uranium, and operators and owners of nuclear power stations, deriving more than 5% revenue from nuclear power generation.	MSCI
Poor business practices -	companies with evidence of poor business practices that cause harm to society or their employees that have not already been captured under other criteria (such as predatory lending and high interest rate lenders which have demonstrated poor business practices)	MSCI, Investment research
Pornography -	companies that derive 3% or more revenue from adult entertainment services, including publishing and distributing pornographic magazines or newspapers, or violent video games.	MSCI
Employment -	Companies that have a harmful effect on their employees. This will include, but not limited to, companies that – <ul style="list-style-type: none"> • Use child or forced labour • Demonstrate a lack of regard for their employees’ health & safety • Have been linked to bad employment practices, such as modern slavery, lack of collective bargaining, not paying minimum wage, or other abuses of employees. 	MSCI, Investment research
Human rights -	Companies that – <ul style="list-style-type: none"> • Operate in any country with a poor record of human rights and fail to have mechanisms in place to uphold human rights • Face continued accusations of human rights abuses, no matter where they operate • Have been involved in controversial projects that have been linked to human rights abuses • Are deemed to be supporting controversial regimes 	MSCI, Investment research
Environmental Protection –	Companies that – <ul style="list-style-type: none"> • Fail to recognise the environmental responsibilities associated with their activities • Have a significant or unmitigated harmful effect on the environment or its inhabitants • Are involved in highly carbon intensive activities or have high greenhouse gas emissions and have failed to show commitment to address climate change issues • Have significant carbon intensive mining operations, such as coal or tar-sands • Manufacture chemicals of concern (such as ozone depleting chemicals and pesticides) without 	MSCI, Investment research

	<p>stringent policies, processes, and practices to mitigate the harmful impact of their processes and products</p> <ul style="list-style-type: none"> • Have a business model based on the production of fossil fuels ((companies with significant involvement in oil & gas exploration and production, and providing equipment, services, distribution and refining to the oil & gas industry)) • Are involved in GMOs for agricultural crop or livestock production • Have operations that produce, manufacture or use commodities (such as cotton, timber, soya, palm oil or cattle) without sufficient processes in place to ensure their activities do not contribute to significant or unmitigated deforestation, significant biodiversity loss, or harm to the environment or communities. 	
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The above sets out the screens that are applied for this Fund. We cannot exhaustively list screens that are not applied and it is important for investors to be clear that the interpretation of Ethical and ESG criteria is subjective, meaning that the fund may invest in companies which do not align with the personal views of individual investors. We regularly review the criteria, both positive and negative, through customer surveys and consultations to ensure they remain relevant and industry leading.

5. Active Stewardship

Active Ownership

In our view, good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly in relation to its customer, employees, shareholders, and the wider community. We also believe that markets and companies which adopt best practices in corporate governance and risk management – including the management of environmental and social risks – are more likely to deliver sustainable, long-term investment performance.

As owners of companies, the process of stewardship is a natural part of our investment approach as we seek to benefit from their long-term success of our clients’ behalf. Our fund managers and analysts regularly meet with the management and non-executive directors of companies in which we invest.

Voting

Voting analysis is carried out for all general meetings in actively-held companies. Vote instructions on our holdings are decided by analysts in our regional and ESG investment teams. We subscribe to proxy research providers IVIS and ISS and use their research to support our own analysis rather than automatically following recommendations of any third party. Our decisions will reflect our knowledge of companies, and insights gained through engagement. The involvement of our investment managers in voting decisions allows us to ensure proxy voting remains an integral part of the investment process.

ESG Engagement

Engagement with company management teams is key and a standard part of our equity investment process and ongoing stewardship programme. It provides us with a more holistic view of a company, including current and future ESG risks that the firm needs to manage and opportunities from which it may benefit. It also provides the opportunity for us to discuss areas of concern, share best practice and drive positive change. Priorities for engagement are established by:

- The use of the abrdn ESG House Score, in combination with
- Bottom-up research insights from investment teams across asset classes, and
- Areas of thematic focus from our company level stewardship activities

6. Divestment approach

Disinvestment from companies is required:

- If it becomes in breach of any of the negative or norms based screens
- If less than 70% of the net asset value is invested in companies that are ranked (+++) or (++) according to the abrdn ESG House Score
- The ESG Quality rating falls below 3

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