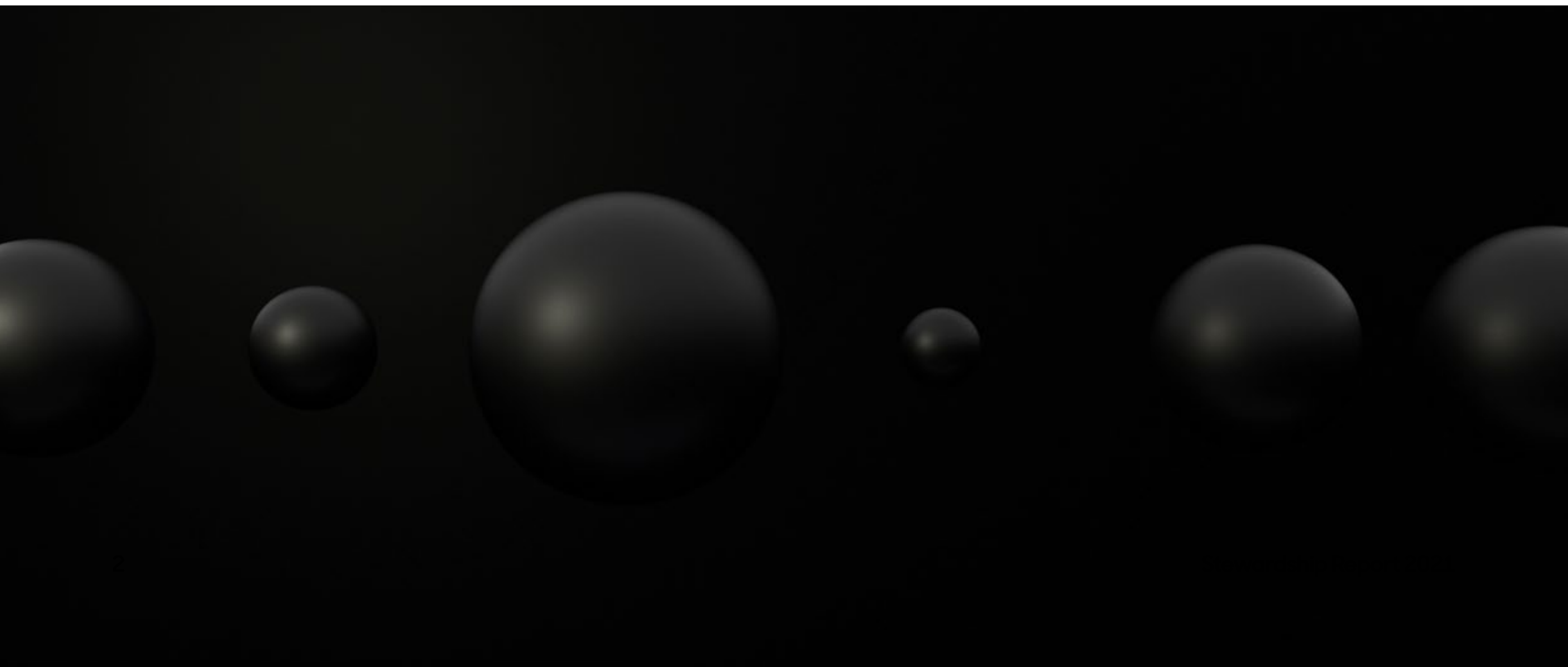
Stewardship Report

2021

abrdn.com

Contents

This symbol indicates a link to a web-page or online document where you can find more information.



Enabling our clients to be better investors

We use technology and share insights to empower clients to make better decisions

We use the power of partnership to enhance the expertise that we offer

Through enabling our clients to invest responsibly we contribute to building a better world

Our connected global team

Clients worldwide entrust to us their search for future-fit global investment opportunities to deliver the outcomes they seek.

We manage and administer £542 billion of assets for clients

We have around 5,000 employees globally

We have 800 investment professionals in over 30 locations

Learn more about our business online
visit www.abrdn.com

Source: abrdn, 31 Dec 2021.

Our business

We structure our business around three vectors, focused on the constantly changing needs of our clients

Investments

Across markets globally, we build investment solutions to enable clients to create more opportunities for their futures.

Our investments solutions are built on the strength of our insight, generated from wide-ranging research, worldwide investment expertise and local market knowledge. Our teams collaborate across regions, asset classes and specialisms, connecting diverse perspectives, working with clients to identify investment opportunities that suit their needs.

£464bn AUM

Adviser

Our platform technology and tools help UK wealth managers and financial advisers create more opportunities for their clients and their businesses.

We provide technology, expertise and support to make it easy for our clients to run their business and deliver the outcomes their clients want. We offer content and experiences that can be personalised to suit every type of business and client, giving advisers powerful data and insight to make better decisions.

£76bn AUA

Personal

Our personal wealth business offers tailored services to help individuals in the UK create financially secure futures in a way that works for them.

We integrate a full range of services from high-quality financial planning and discretionary investment management capabilities, through to hybrid advice and digital investing tools. Our acquisition of interactive investor transforms and broadens these capabilities.

£14bn AUMA

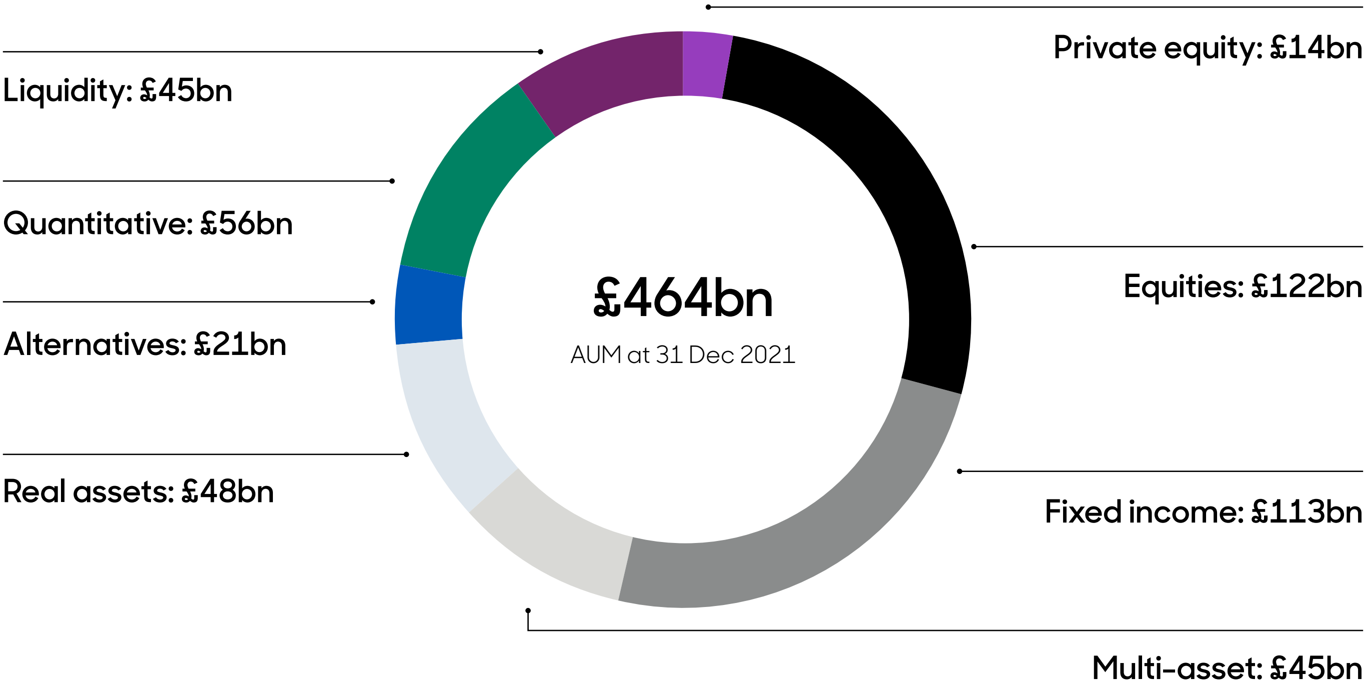
Source: abrdn, 31 Dec 2021.

Our investment capabilities

See our 2021 Annual Report and Accounts

We offer investment expertise across all key asset classes, regions and markets so that our clients can capture investment potential wherever it arises.

Assets under management by asset class



Assets under management by geography

Source: abrdn, 31 Dec 2021. AUM in the diagram above is based on client domicile.

Our CEO introduction

Through a culture of curiosity, innovation and ownership, we'll deliver outcomes that have real world impact and help us shape better futures.

Stephen Bird
Chief Executive Officer

Our purpose of enabling our clients to be better investors drives everything we do. This means more than financial return alone. Our purpose is based around optimism for the future and the power of investment to unlock a better world for us all.

To understand how we will deliver for our clients in a changing world, we need to understand how we can be better stewards of their capital. For us, strong stewardship is about investing and operating in a way that creates real-world impact, for the benefit of all of our stakeholders.

Within this report, we detail how our purpose influences our investment beliefs and how our approach aligns with the new UK Stewardship Code. Considering environmental, social and governance factors enables us to make better investment decisions. As active owners of our clients' assets, we seek to collaborate with our investee companies as we navigate the huge shifts we are seeing across global economies.

Enabling better investment starts with enabling our people. Our colleagues are passionate about driving activity to achieve our ESG objectives, to raise standards in the companies and industries in which we invest, and to drive best practice across our industry. This requires focused, accountable and effective leadership, combined with a culture of inclusion, innovation and collaboration that helps colleagues to thrive.

We have supported the development of high standards of stewardship for many years and recognise the new Code as a further raising of those standards, widening its application to important aspects such as governance, risk management and collaborative engagement.

At abrdn we want to be measured by our actions, not just our words. Delivering real-world impact is a complex journey. We have a responsibility to hold ourselves to account, and work to make a positive impact, so that we can build a future that is more sustainable, just, inclusive, and diverse.

Summary of the code

The revised UK Stewardship Code, published by the Financial Reporting Council (FRC), came into force on 1 January 2020. It is designed to fundamentally raise stewardship standards and introduces a new definition:

> " Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

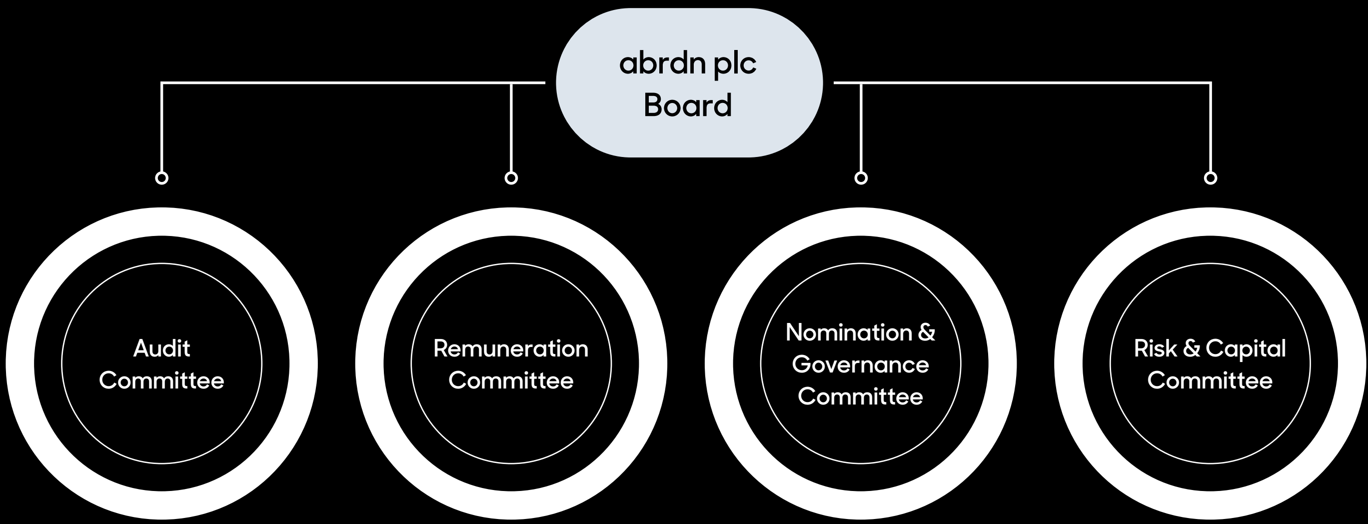
A key focus of the Code relates to the activities supporting and the outcomes of stewardship, not just the intent of policy statements, across all asset classes. There are 12 defined principles to be applied by asset owners and asset managers. This report sets out our response to the code and explains how our approach to stewardship is aligned with is principles.

Because stewardship is not just about how we invest, we also explain how we apply the Code principles across other areas of influence and impact. Our appendix on Page 66 highlights how the content with this report aligns to each principle.

Our governance and stakeholders

We aim to build trust by forging strong relationships with our key stakeholders and acting on their needs.

abrdn Board and committees



Our corporate and internal governance

Our Board's role is to organise and direct the company in line with our constitution, and all relevant laws, regulations, corporate governance and stewardship standards. Its full role and responsibilities are set out in the Board Charter. These include aspects such as development of strategy, oversight of culture and ethics, succession planning, risk management, and the oversight of our environmental and social impact, which because of its importance is dealt with at Board level. The Chairman leads the Board, ensuring that its high standards of corporate governance are maintained. Our Chief Executive Officer (CEO) develops strategic plans and, along with the directors of our internal entities and subsidiaries, makes and implements operational decisions. Together with the Chairman, the CEO represents the company to external stakeholders, including clients, shareholders, regulators and the local and wider communities. The Board has established committees that oversee, consider and make recommendations to the Board on important issues of policy and governance.

Our CEO leads our Executive Leadership Team (ELT). The ELT consists of the most senior executives of the company, with relevant domain expertise. The ELT's meetings and agendas are focused on four quadrants of the business operating system:

- Growth. This is split into three distinct client-focused areas – Investments, Adviser and Personal – which we call our 'vectors' of growth.
- Operations
- Control
- Talent

Across the company, there is a connected framework that ensures we meet our stewardship objectives and goals. Much of this activity sits within the Investments vector.

Investment Vector Executive

The Investment Vector Executive (IVE) consists of senior leaders within the Investments vector (as well as central function representatives such as Legal, HR and Finance) and its role is to connect the vector's commercial priorities and the requirements of delivering investment performance for our clients. Its key responsibilities include: strategy and business planning; talent management; and client outcome oversight. It is supported by the following groups to ensure robust and comprehensive coverage of all key matters, risks and issues. These groups escalate material concerns to the IVE, where appropriate:

1. **Investment Forum:** The role of the Investment Forum is to support the abrdn CEO, IVE, senior managers and Legal Entity management to enable them to fulfill their functional and regulatory responsibilities for ensuring that the application of the investment process delivers performance and exposures that are in line with expectations, and that current and potential risks are managed appropriately.

The main responsibilities of the Forum are to: understand and review the impact of market conditions; consider existing and emerging investment risks and exposures; and review principles and policies or other issues which could materially impact the management of portfolios or their outcomes. All of these responsibilities are fulfilled at all times, consistent with the company's values, and are designed to ensure effective client outcomes.

The Investment Forum, chaired by our CEO, meets on a monthly basis and provides the mechanism through which we continuously monitor the effectiveness of our investment processes, principles and policies to ensure that they are delivering outcomes aligned with our beliefs and values, and in the best interests of our clients.

2. **Investment Vector Risk and Controls Forum (IVRaC):** The IVRaC is responsible for overseeing the effectiveness of the operation of the control environment which includes monitoring operational incidents, changes to operating models and intra-group delegations and outsourcing decisions. It authorises action to be taken where the monitoring of risks and the existing controls are deficient or could be improved.
3. **Growth Forum:** This forum focuses on material commercial considerations for the Investments vector, responsive to client needs, including: sales plans and opportunities; new solutions proposition and product development pipelines; use of seed capital; and resource alignment.

The governance structure described above allows the Board and our Senior Managers who are accountable for the effective delivery of our company's strategy, operations, values and beliefs, to monitor and thereby be assured of their effective delivery.

The structure is designed to provide the necessary oversight and assurance for those responsible for the delivery of our corporate strategy and outcomes, as well as meeting all the various regulatory requirements that are inherent within the operations of a global asset management business.

Assurance

Our internal governance structure is designed to provide assurance over our stewardship activities – both through reviewing our policies and approach, and providing a check and challenge over our processes. Our BHP case study on this page demonstrates our governance structure in action, and how we took into account all our stakeholders' needs.

Page 25 provides details of developments in our stewardship and ESG programme – known as our 'Enabling ESG programme' – which has been put in place after internal review to progress our firm-wide ESG approach, through developing solutions that are scalable and embedded across the business.

As a signatory to the Principles for Responsible Investment (PRI), we have submitted to their independent assessment for a number of years. This review of our stewardship and responsible investment activities acts as an accountability mechanism and allows us to continually improve our processes using feedback from the PRI. In our most recent assessment we were rated A+ in the 'Strategy and Governance' module.

The directors of the legal entities that make up our investment business, prepare an annual Internal Controls report. This report is prepared specifically for use by our institutional clients and their auditors to help them understand our investment activities and control procedures. It covers all of the activities we undertake as stewards of our clients' assets and the control environment through which they are delivered and controlled. As we describe in this report, the consideration of wider risks, particularly those relating to ESG, are built into all of our processes and so the review of the controls within our processes helps to provide independent assurance over the delivery of our stewardship responsibilities. The report contains an assurance assessment provided to the directors from their auditor.

During 2021, we also engaged Bureau Veritas to provide limited assurance over selected non-financial key performance indicators. For further information on this please refer to our 2021 **KPI Definition document**.

Case study
BHP

We screen certain funds (for example, Sustainable or Thematic funds) for companies which are not aligned to the principles of the UN Global Compact (UNGC), which covers human rights, corruption, labour rights, and the environment. We use third party data for interpretation and analysis of companies in breach of these principles. There is no universal standard on the application of the principles and this can result in differences in third party assessments. In addition, details on why a company has failed a UNGC screen can be limited. As a result, we have created a process to challenge the assessments made by data providers, as we may have additional information and/or disagree with their assessment of progress for companies in breach. This difference of opinion may impact the investments we can make.

The Sustainability Standards Group (SSG), made up of subject matter experts and chaired by the Head of Sustainable Investing, has the ability to opine on this assessment. BHP had historically failed a UNGC screen applied by our external provider. In 2021, the SSG made the assessment that BHP Group warranted an upgrade. The nature of extractive industries is that they are high risk, and BHP Group's risk management approach to mitigate their ESG risks is industry leading in our view, aligned with meeting the highest standards and best practice. Our view is that the risk of another tailings dam collapse for BHP's assets is low, following the substantial and on-going work into tailings risk management that they have undertaken since the Samarco disaster to minimise that risk. BHP also takes a leading and proactive approach to raising industry standards working with various stakeholders for safer tailings management and supporting increased disclosure and transparency. Its commitment and strategy is exemplified across material sustainability issues and through our research and engagement we consider BHP to be the leader in the mining sector, and so for that reason have confidence to recommend ongoing investment in BHP Group.

We concluded that BHP should not breach the UNGC assessment and this recommendation was escalated to the Risks and Exposures Committee for noting and approval. Further recommendations were made to prepare an abrdn group statement on BHP, to support any client queries and to continue engagement with BHP on Samarco and progress in reparation of damages (including remediation efforts and environmental impacts).

ESG and stewardship expertise

Our teams are organised to integrate the consideration of ESG risks and opportunities into decision-making. Day-to-day management and ESG expertise is provided by our Investments Vector Sustainability Group, our Corporate Sustainability team, and the experts embedded across the business in specific functions. Our ESG experts help to provide detailed global thematic research and insight on stewardship and ESG issues that can be applied across all asset classes and in our Research Institute.

Investments Vector Sustainability Group

28
individuals in the Investments Vector Sustainability Group

16
females

12
males

26
in the UK

02
in APAC

12
years' average investment industry experience

Dedicated asset class ESG roles

15
dedicated ESG experts

07
females

08
males

11
in the UK

03
in APAC

01
in the US

12
years' average investment industry experience

ESG Champions

ESG forms part of their duties

72
individuals

16
years' average investment industry experience

We bring our subject matter experts together within various working groups and forums to identify issues and drive change in the areas of climate change, human rights, modern slavery, and diversity and inclusion. This structure connects our corporate and investment experts and infrastructure to ensure alignment and oversight of the handling of these key issues.

We also work with a number of external partners providing us with additional stewardship and ESG insight and expertise. For example:

- Principles for Responsible Investment (PRI): We are a member of the UN-backed network of investors focused on promoting stewardship and responsible investment
- UN Global Compact: We are a signatory and commit to embedding the principles in our activities and we use the principles as a framework for assessing our investments.
- External auditors: We work with them to provide external assurance of our key operational metrics – our operational greenhouse gas emissions and gender split at Board, Executive, and global workforce levels
- Transition Pathway Initiative: We are a funding partner of this investor initiative which analyses companies' preparedness for the transition to a low-carbon economy

Case study
Global Inclusion Forum

The Global Inclusion Forum's role is to drive progress in diversity and inclusion across the company. The Forum is representative of every region, function and vector of our business, and meets each month to share what is and isn't working in their local areas. It is a working group to drive forward our strategy and plans and stimulate progress in inclusion across the company. It also discusses diversity and inclusion progress more broadly, offers suggestions and challenges for improvement, and drives local and group-wide actions. The Forum meets with the CEO and Chief People Officer bi-annually to set and evolve priority actions.

In 2021, the Forum members drove the refresh of leadership commitments, which each Executive Leadership Team member takes forward in their function or region. Many of the Forum members have also set up and lead inclusion groups in their local areas, helping colleagues feel part of the delivery of their leadership commitments. An important role of the Global Inclusion Forum is to be an advocate and spokesperson for diversity and inclusion across abrdn and externally. Some members represent us at industry round-table discussions and in cross-company diversity and inclusion initiatives.

Incentivising

The consideration of client outcomes and the integration of broader ESG risks into each individual's performance measures are a key part of our incentive framework. By linking the corporate purpose through functional and individual objectives, we aim to ensure alignment and consistency with our strategic direction and expected behaviours.

Our global remuneration policy is updated annually. On page 104 of our **2021 annual report and accounts,** we outline the performance conditions for annual bonus in 2022, which aims to reward the delivery of the Company's business plan. This has a 25% weighting to non-financial Performance against Customer and ESG objectives (incorporating people engagement and diversity metrics and environmental measures).

For example, the equities team has ESG objectives that are aligned with our investment objectives, our company strategic drivers and behaviours, and our more focused investment behaviours. These objectives are used to create the goals for individuals against which their performance and incentivisation is assessed.

This has been incorporated into the scorecard of these individuals' investment roles. The result is that ESG becomes a third component of 'Investment Excellence' alongside 'Research' and 'Portfolio Construction' and will constitute between 12% and 20% of the overall scorecard, or higher, depending on role. Managers will assign a qualitative score to the ESG component of the scorecard, informed by various inputs including peer and stakeholder feedback. What most appropriately drives the score will be dependent on individual roles and responsibilities.

Other asset classes will take similar, but nuanced, approaches which align with our overall approach to how we incentivise the incorporation of ESG considerations.

Our stakeholders

The long-term success of a business is dependent on the way it works with a large number of stakeholders: shareholders, clients, employees, suppliers, communities, regulators and policymakers. The 2018 UK Corporate Governance Code rightly places emphasis on businesses building trust by forging strong relationships with their key stakeholders and acting on their needs. We have processes in place to ensure that the Board engages with key stakeholder groups and that this engagement can support decision making. Details of our interaction with stakeholders are provided in our **2021 annual report and accounts**.

Clients

We continuously seek opportunities to fully understand our clients' investment and stewardship needs so that we can tailor investment solutions and wider outcomes that meet or exceed their expectations. We have a broad range of clients who invest with us from from large strategic partners, through corporate and public institutions, insurance companies, charities, wealth managers, private banks, to financial advisers and high net worth individuals. The services and products used by these clients can vary from creation of bespoke products, to management of their assets in bespoke segregated mandates or investment in our wide range of pooled investment vehicles globally.

Our approach with clients is very much one of partnership and we engage with them to understand their views and position with regards to stewardship throughout the full client investment lifecycle. Early in the relationship, for example during the Request For Proposal or pitch stage, our dedicated client teams will discuss a client's requirements with them to understand how these align with our stewardship approach. Through this process we aim to ensure that we are able to deliver on these expectations.

Once we have on-boarded a client, the ongoing relationship is managed by our client-facing teams around the world. In assessing the services we provide our key metric is direct feedback, from either clients themselves or via their consultants or advisers. We access this through regular client meetings, during which we seek feedback as to how we are performing versus their expectations and needs. We also believe in building relationships through sharing our knowledge and expertise with our clients and organise seminars, webinars and roundtables for them so that we can share our thinking and listen to their views on important themes and likely future developments. Additionally, through use of industry surveys and providers, such as the Wisdom Council, we gather input from clients so that the products and solutions that we offer are best-aligned to meet client expectations. During the course of 2022 and beyond, we will continue to build on our client engagement framework and use of our surveys and client service reviews, to gather feedback to help shape our stewardship approach and initiatives.

Expectations from clients on how we communicate and report on our stewardship activities continues to evolve and formed a key theme in the client feedback we received during the period. We worked with one of our key strategic partners to gain their feedback and views in this area as we developed a new suite of client reports during 2021; this included creating additional disclosure of data relating to our stewardship activities. This ongoing engagement and feedback loop has helped create a suite of reporting templates that we are confident provide our clients with an enhanced level of reporting. More details of these reports are provided in the Transparency and reporting section (pages 53 to 56) of this report.

We also take an active role when it comes to policy advocacy and shaping industry best practice for the benefit of our clients. For example, during 2021, in recognition of the increasing demand from clients, we took on the co-chair role of the joint Investment Association (IA) and Pensions and Lifetime Savings Association (PLSA) steering group whose aim is to find solutions to better embed stewardship into the investment process.

Our stakeholders

Employees

In September 2021, we were pleased to welcome Hannah Grove to the Board, who succeeded Melanie Gee as the Board's Non-Executive Director with specific responsibility for employee engagement. The Board Employee Engagement (BEE) annual plan is designed to ensure that views from employees across the business globally are heard and understood by the directors. During 2021, our direct engagement plans continued to be disrupted by the need to comply with COVID-19 restrictions, so the Board used technology to engage with groups of employees virtually through regular meetings and one-on-one interactions.

Melanie chaired three virtual sessions during the year for team members globally, where more than 130 colleagues attended and had the opportunity to meet our Non-Executive Directors. Topics covered in the sessions included strategic direction, diversity and culture. Melanie also chaired a session of the BEE Group attended by representatives from our employee networks, the D&I team, the UK employee forum, Regional HR representatives, the CEO office, and the communications and sustainability reporting teams. At each Board meeting, Melanie gave a report on BEE activities, including the issues that had been raised through the discussions, and the Board considered how the Executive Leadership Team is taking forward the points raised.

Because our company implemented a comprehensive employee engagement survey during the year – which featured many employee experience-related questions, and which followed on from several COVID-19 related employee surveys in 2020 – no additional BEE specific surveys were undertaken. The Board continued to monitor how the actions to address the Viewpoints survey responses were being taken forward.

To deliver on our strategy, we need to nurture talent, giving our colleagues every opportunity to grow, be heard and perform. We need to enable collaboration, encourage innovation, and help our people feel engaged and empowered to be at their best. The Board and the Nomination and Governance Committee are actively engaged, ensuring our policies and practices support these objectives. For more information on our culture and our work in this space please refer to our **2021 annual report and accounts**.

We are focused on creating inclusive environments in which all types of diversity can thrive. Our leaders, our Global Inclusion Committee, our colleague-led networks and regional groups work collaboratively to turn discussion into action, and to influence others to do the same. For more information please refer to our **Diversity and Inclusion report**.

Regulators and policymakers

We operate in a highly regulated environment and staying abreast of regulatory change, including prospective change, that affects the business, services and operations of our regulated entities is crucial.

We closely monitor regulatory developments in the UK, the EU and all jurisdictions we operate in. Horizon scanning is primarily done through an automated tool which allows effective recording, monitoring and management of regulatory change.

We use our membership of national and international industry associations to actively and constructively engage with the wider industry on upcoming regulatory change. Through these trade bodies we feed into consultation responses, issued by regulatory authorities, and where the opportunity arises we engage constructively with regulators. Wherever possible, we contribute to the development of industry codes, guidelines, good practices or similar voluntary standards.

We also participate directly in public consultations and have delivered stand-alone responses to many consultations and calls for evidence. Through our Public Affairs team, we actively seek opportunities to engage with our regulators on policy matters to better understand their perspectives and offer our own assessment of likely impacts.

The issues we monitor and engage on are wide ranging and include ESG/sustainability, investor protection, shareholder rights and engagement, operational resilience, IT/cyber security, fund regulation, trading of financial instruments, access to markets, and prudential regulation.

Our stakeholders

Shareholders

We engage with institutional investors and analysts through a comprehensive investor relations programme that aims to ensure that the financial market audiences have a balanced understanding of the company's business, strategy, markets and prospects. The programme is developed and implemented by the Investor Relations team in line with the company's strategic priorities.

Key elements of the programme are the analyst and investor presentations for our full-year and half-year results, which are given by the CEO and CFO and followed by question and answer sessions. In addition, the Chairman, Senior Independent Director, Chair of the Remuneration Committee, CEO and CFO attend meetings and maintain communication with institutional investors throughout the year. This includes one-to-one meetings, attendance at conferences, overseas and UK roadshows and other company and broker-hosted events. These interactions inform our strategic development and our understanding of market expectations. We also receive feedback directly from investors and analysts and through our corporate brokers.

We engage with our retail shareholders through a variety of channels including regular direct communications, the information that we publish on our website and a dedicated shareholder mailbox and phone line. We also send out a questionnaire annually for specific mandates such as our ethical funds. As long as circumstances permit we hold an Annual General Meeting every year, attended by the Board of Directors, where shareholders are able to ask questions directly to the Board.

We have a dedicated section on our corporate website where investors and shareholders can access share price information, financial news and results, AGM voting results, and a range of other resources.

Suppliers

We assess specific risks, including those relating to ESG factors, at the start of engaging with our Third Parties, based on materiality of the Third Party and Service type. We address any risks or concerns raised through our due diligence, assurance and contract negotiation processes.

We expect our Third Parties to adhere to high standards in the way that they operate and we require them to sign up to our **Global Third Party Code of Conduct**. This includes complying with all applicable laws and regulations, protecting human rights, providing a safe place of work and minimising environmental impact.

On a regular, and risk proportionate, basis we carry out due diligence of our Third Parties, covering key social issues such as modern slavery and equality, as well as environmental aspects.

The outcomes of these are reviewed and any issues raised escalated through supplier relationship managers and service owners. More details of how we manage issues relating to modern slavery are provided in our **Modern Slavery Statement**.

We also impose specific ESG requirements on our Third Parties. For example, we ensure all staff working on our UK premises are paid at least a UK Living Wage and we have recently introduced a policy on UK Living Hours too. This mainly applies to staff working within the Facilities area, an area of our industry where low pay can sometimes be an issue. A further example of our ESG policy implementation relates to our energy contracts where our policy requires that we only procure renewable electricity. More information can be found in our **TCFD report**.

We may from time to time identify a need to react to unforeseen events, such as COVID-19. That reaction must ensure that our responsibilities and commitments (both to and via our Third Parties) continue to be met under such strained conditions. We understand the importance of treating our Third Parties fairly, which includes our commitment to paying them on time.

We have a number of key suppliers who provide data and services closely related to our stewardship services. These include Institutional Shareholder Services (ISS), MSCI, LSEG, Planetrics and Trucost. As each service is onboarded into our operating model, there is a process of due diligence followed to ensure these Third Parties' policies and practices adhere to our standards. This process will include a risk assessment of the service provided as well as a review of financial health. Our Global Procurement function has a dedicated Third Party Risk Management team who oversees this process, and who can call on specialist support from risk domain owners (such as information security).

Our stakeholders

Each data supplier has a dedicated Relationship Manager in abrdn, who manages the commercial and strategic aspects of the relationship. A Service Manager will also oversee the ongoing performance of core suppliers. This will include soliciting feedback from users of the service across the business. Any issues are then addressed directly with the supplier as part of a regular service review, with senior escalations sought as required. Any service renewals will also encompass a review of the service received and related feedback to ensure the service has consistently met our expectations, and if not to consider alternative options. Direct dialogue is also encouraged between the end users and the suppliers. Where appropriate, we also seek to influence product development with these suppliers to ensure our future needs are accomodated in their planning.

Many of our key data suppliers typically provide multiple services to us and these broad relationships are maximised to ensure service standards are met. We seek to engage positively and openly with all our suppliers and aim to build strong, long-term relationships with them.

Charities

We believe it is important that we work with charities in partnership for a shared, strategic goal with positive impacts for both our business and charity beneficiaries.

Partnerships enable us to:

- Reach more diverse pools of talent and provide supported, inclusive recruitment pathways
- Gain policy insight – we deliver better outcomes for all of our stakeholders because of insight and research undertaken by charities and other organisations, on issues such as fair work and climate change
- Engage our employees through involving them in supporting their communities.

The ongoing impacts of the pandemic and economic context has resulted in decreasing levels of funding for charities, at the same time as a rising demand for their services, often supporting those most vulnerable. We have worked closely with partners to understand their needs and direct funding in the most impactful way, responding to those in immediate need. We also direct funding to programmes with a longer-term impact in enabling a fair and green recovery.

Conflicts of interest

Effective management of conflicts of interest is at the core of good client outcomes, and a key aspect of the global regulatory and legislative conduct risk agenda. We provide a wide range of products and solutions to a variety of clients; and we may from time to time have interests that conflict with these clients. There may also be conflicts that arise from the personal activities of our employees – for example, second jobs, business ventures or outside appointments.

We ensure that all appropriate steps are taken to identify and prevent any conflicts of interest. However, if a conflict cannot be prevented then we take appropriate steps to mitigate and manage it.

We have policies and procedures to address conflicts of interest that may arise from:

- Personal account dealing / outside appointments – ensuring, where required, these are recorded and approved
- Providing or receiving gifts and hospitality – strict limits on what is acceptable with all gifts above a defined value requiring approval and to be registered
- Information exchange – putting in place adequate procedures to prevent or control the exchange of information between relevant persons engaged in portfolio management activities, where the exchange of information between these persons may negatively impact the interests of one or more clients
- Voting at investee company AGMs – we will vote at meetings where there is a potential conflict of interest, including:
  - an investee company that is also a significant client
  - an investee company where an executive director or officer of our company is also a director of that company
  - an investee company where an employee is a director of that company
  - an investee company with which we have a strategic relationship
  - a significant distributor of our products
  - a significant supplier
  - any other companies that may be relevant from time to time.

Our stakeholders

Where actual or potential conflicts are identified these are reported to our Risk and Compliance team and recorded on a central register, which is maintained within the function and escalated appropriately. As a general principle conflicts of interest are managed at a local and level. However, in instances where it is deemed necessary the conflict is escalated to the Executive Leadership Team. Key details recorded include the type of conflict of interest and who the conflict relates to, the measures taken to manage the conflict of interest and the senior individual who is responsible for overseeing the management of the conflict of interest.

In line with the requirement to manage conflicts at a local level, our Proxy Voting team maintains a list of all companies which are exposed to the list of conflicts noted above. For companies on this list held in our active portfolios, when a voting decision is taken, the analyst responsible is required to record the fact that the conflict of interest has not impacted the voting decision made. In situations where it is not possible to demonstrate an impartial vote we will decline to make a voting decision.

To ensure appropriate and necessary independence of those involved in the management of conflicts, we have the following measures:

- Clear and segregated reporting lines
- Removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities.

If any residual risk of conflict of interest remains, the nature of the conflict or source of the conflict of interest, or both, must be disclosed to the relevant stakeholder in writing, before undertaking any new or further business, to facilitate an informed decision on whether they wish to proceed.

All our employees are required to complete eLearning conflicts of interest training every two years – 99% of employees completed the course in 2020. This training is designed to provide employees with an awareness and understanding of conflicts of interest and their responsibilities thereto. Where appropriate, further training is provided and tailored to targeted business areas and to specific roles.

Case study
Conflicts of interest

1. Potential conflicts can arise between our interests and those of our clients where we hold shares in companies in which we have strategic shareholdings. In such situations we do not instruct a vote on the shares we hold on behalf of our clients. Our significant shareholdings include: Phoenix Group in the UK, and HDFC AMC and HDFC Life in India.
2. An employee wished to take up a part time consultancy position with another asset manager in a role that would mirror their role with abrdn. Due to the obvious conflict this would present and with no mitigation possible, the request was denied by Compliance.
3. An employee wished to take up a charity trustee position and part of the role would see the individual exposed to pitches from other fund managers with a view to managing the charity's assets. On gaining further information and in discussion with the employee and their line manager, it was established that abrdn was not on the shortlist of fund managers under consideration by the charity and were unlikely to be in future. Should this ever change then the employee agreed to exclude themselves from any discussion. This control was deemed sufficient and the outside appointment was approved.

"We ensure that our decisions and actions always put the best interests of our clients first."

Strategy

As responsible investors, we ensure that stewardship and the consideration of ESG factors are embedded in everything we do. Our goal is to make a positive difference – for our clients, society and the wider world. It's about doing the right thing, while aiming to achieve our clients' long-term financial goals.

Our company strategy

Our client-led strategy for growth

We enable our clients to be better investors

To deliver client-led growth

Our purpose and strategy

- We harness the power of time
- We leverage technology to connect
- The curiosity of our talent creates opportunity

Three distinct, connected vectors

- **Investments**
  Institutional
  Wholesale
  Insurance
- **Adviser**
  Regional and national financial advisers
  Discretionary fund managers
- **Personal**
  Individuals, charities and trustees
  Intermediaries

Clear strategic priorities

- Growth in Asia
- Private markets
- Sustainability
- Solutions
- UK adviser and consumer markets

Enablers

- Technology transformation
- Business simplification
- Brand clarity
- Operating leverage
- Stewardship of capital

Our core beliefs

There are three reasons why we believe it's vital to integrate environmental, social and governance (ESG) factors into our investment processes:

- ESG factors are financially important and directly affect the performance of the assets in which we invest. Those investments that take their ESG responsibilities seriously tend to outperform those that don't.
- Understanding ESG risks and opportunities alongside other financial metrics helps us to make better investment decisions.
- Informed and constructive engagement helps corporations improve practices – protecting and enhancing the value of our clients' investments.

We have defined four ESG principles that express our core beliefs. These put stewardship and ESG considerations at the heart of four aspects of our business:

Embed ESG factors

As active investors we aim to integrate ESG considerations into every stage of research, investment rating and selection, and portfolio construction.

Focus on client outcomes

We aim to make clear to all our clients how we are using our focus on sustainability to manage risk, optimise opportunity and act in their long-term interests.

Be active stewards

We actively engage with companies and assets in which we invest to get better insight and encourage action that we believe will create long-term value, including in relation to ESG practice. We also vote at AGMs to drive change.

Leverage our influence

We look to work closely with governments, regulators and industry bodies globally to advance policy, including that relating to social and environmental standards.

We follow these principles across all the asset classes in which we invest. This creates consistency so we can define and seek to achieve client objectives.

For more information on our approach to sustainable investing please refer to the dedicated document on our **website**.

Our stewardship aims and commitments

To meet the needs of our clients and key stakeholders, and create benefits for the economy, society and environment, we focus on these core areas:

01 **Our investment process:** we integrate and appraise ESG factors in our investment process, with the aim of generating the best long-term outcomes for our clients consistent with their risk and asset allocation preferences

02 **Our investment activity:** we actively take steps as stewards to deliver long-term, sustainable value consistent with our clients' objectives and risk tolerance

03 **Our client journey:** we clearly define how we act in our clients' interests in delivering our stewardship and ESG principles and transparently report on our actions to meet those interests

04 **Our corporate influence:** we actively support enhancements to policy, regulatory and industry standards to deliver a better future for our clients, the environment and society

05 **Our corporate activity:** we gather data to understand and manage the material ESG factors in our own operations to ensure our own impact contributes to positive outcomes for all stakeholders

Our ESG research approach

We believe that a full and thorough understanding of ESG factors enables us to make better investment decisions, leading to better outcomes for our clients. This begins with rigorous research.

We undertake comprehensive due diligence before we invest, considering material ESG risks and opportunities alongside other financial metrics. We seek to understand whether an asset is adequately managing those risks, and whether the market has understood and priced them accordingly.

We have ESG expertise embedded across our investment teams, and complement this through collaboration across asset classes, sharing research, experiences and understanding. In addition to our embedded ESG specialists, regional investment teams are further supported by our Investments Vector Sustainability Group who provide detailed global thematic research and insight on stewardship and sustainability issues across all asset classes.

The diagram below illustrates how our research focuses on key sustainability themes and is linked to the UN Global Compact and Sustainable Development Goals (SDGs). This research underpins our stewardship approach.

For more information please refer to our approach to sustainable investing on our **website**.

Sustainability Themes	Preserving Natural Capital	Enabling a Net Zero World	Promoting a fairer society		Championing strong Governance and business ethics
UN Global Compact	Environment		Labour	Human Rights	Anti-Corruption
Sustainable Development Goals	6, 11, 12, 14, 15	7, 9, 13	3, 5, 8	1, 2, 4, 10	16, 17
Topics	Biodiversity, water, waste, plastics, circular economy, deforestation, toxic emissions, pollution	Clean energy, carbon footprinting, scenario analysis, net zero alignment, climate policy, transition leaders, low carbon technology, fuels of the future	Working conditions, health & safety, equal opportunities, staff retention, training & development, labour relations, talent retention, collective bargaining	Modern slavery, child labour, supply chain issues, inequality, lack of access to resources, land rights, food & nutrition, data privacy, community relations	Anti-bribery & corruption, audit issues, board balance, diversity, remuneration, business ethics, director independence, shareholder rights, accountability, cyber security, tax

Sector, political & geographic

- Aligned with our investment process at a sector and geographic level
- Drives investment insights on key sustainability risks
- Establishes best-practice standard setting
- Includes macro economics, politics and modelling

A focus on materiality

To understand and prioritise the ESG issues that are most important to our stakeholders and our business, we undertook our most recent materiality review in 2019, see our Sustainability Report for more information.

2021 Sustainability Report

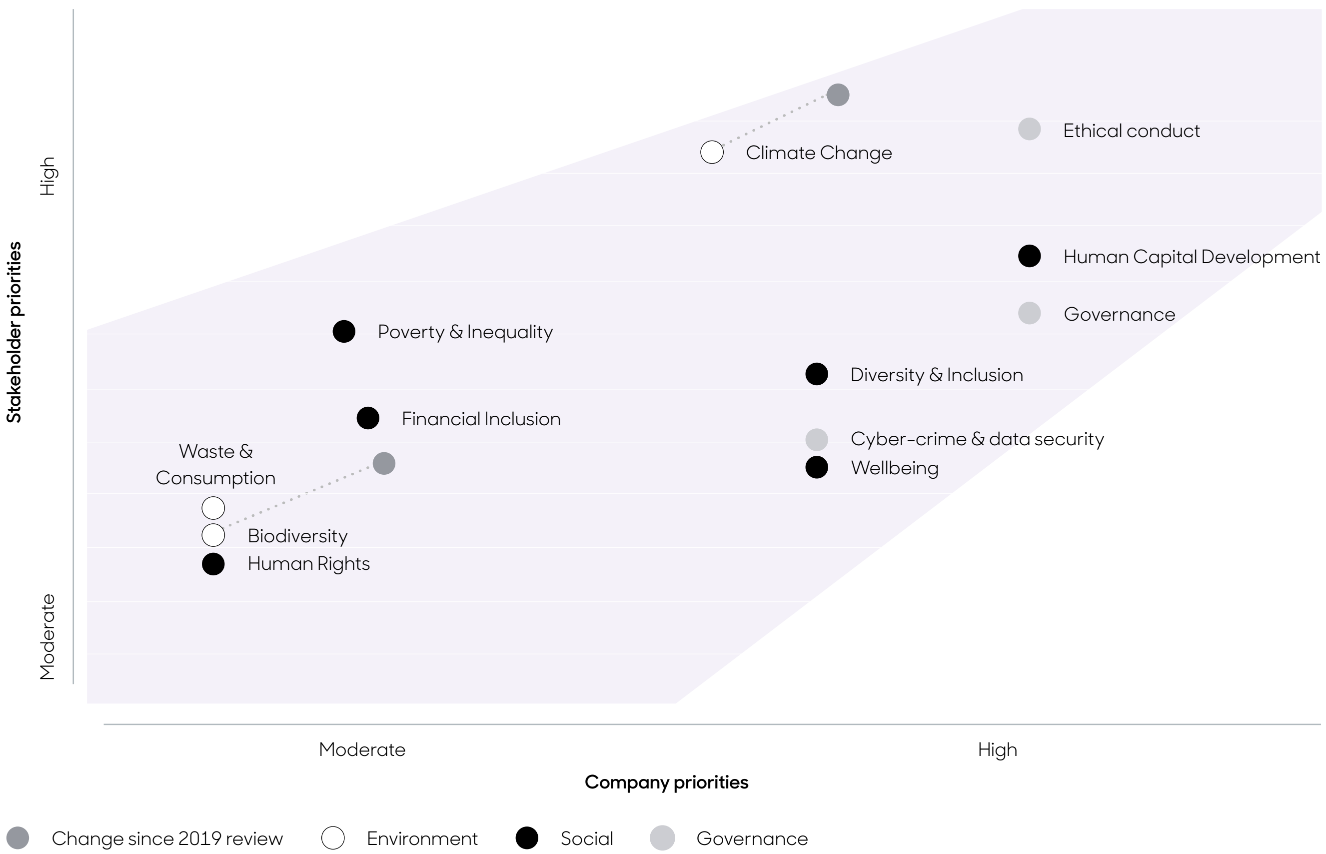
At a time when trust in industry is still low, the importance of having a well-run and principled company came out as key for a significant proportion of our stakeholders. This was also echoed in how we hold other businesses that we invest in to account. As a sustainable investor, stakeholders thought we played a vital role in encouraging better behaviours and more transparency.

There has been a significant period of structural change in our organisation over the last few years. As a people business, issues around wellbeing, engagement and retention of employees repeatedly came up in conversations. The discussions on diversity and inclusion also shifted beyond specific protected characteristics to the role we play in helping everyone feel included not only in the workplace but also financially.

2019 represented a big shift in awareness and understanding of the impacts of climate change - with protests, new regulation and extreme weather events across the globe. Stakeholders wanted us to continue focusing on not only reducing our own emissions but also on how we invest and allocate capital to enable the transition to a low-carbon economy.

Since the 2019 review, with geopolitical upheaval and the impact of COVID-19 in 2020 and 2021, priorities have evolved. There is a greater focus on a fair, inclusive and green economic recovery post-COVID, with the impacts being experienced unequally across society, reinforcing some of the disadvantages already being faced.
We will be producing our next materiality update in 2022. The pandemic continues to inform our expectations and the outcomes from COP26 and COP15 will play a significant part in our thinking moving forward.

Stakeholder priorities from our materiality review



Our next steps

We continue to progress our company-wide ESG enablement programme as part of our Investments Sustainability Strategic Framework, which is outlined below and focused on delivering authentic, client-oriented capabilities and solutions. The programme supports our sustainability ambitions for the Investments vector by developing solutions that are scalable and embedded across the business. In 2021, the programme implemented solutions to part 1 of the EU ESG regulations, designed client reporting for around 160 funds, and led the creation and enhancement of ESG analytical tools which increased the ESG data provision to investment teams and our clients. In 2022, the key priorities of the programme are: to deliver solutions on a strategic, unified data platform that will enhance data provision and ESG tools (which includes engagement data); and continue to ensure that consideration of regulatory change is embedded within our business and delivering better outcomes for our clients.

Investments Sustainability Strategic Framework

Purpose To maximise the power of investment to deliver sustainable outcomes

Ambition Through our partnerships, we use the power of our investments to create better futures for our clients, their beneficiaries, the planet and wider society

Strategic priorities

Thought leadership	Investment leadership	Delivering for clients	Enabling our activities & team	Walking the talk
How we lead	How we invest	How we provide solutions	How we work	How we behave
• Reseach • Advocacy • Industry involvement • Communications • Collaborations	• Standard setting • Evolving frameworks • ESG integration & analysis • Active ownership • Climate commitments • Investment education	• Innovation & solutions • Product consistency • Client education • Data & reporting • Client engagement • Industry capacity building	• Data & technology • Tools & analytics • Screening • Internal education • Employee development • Cross-company collaboration	• Regulatory compliance • Governance & oversight • Corporate sustainability • Alignment with public statements • External stakeholders

Ambition To be recognised by clients and their advisers as authentic investors and preferred partners in sustainability

Risk management

Effective risk-based decision-making is essential to the delivery of the right outcomes for our clients, customers and all our stakeholders.

Macro risk meta-themes

Investing in people

Seismic demographic and social change

Investing in progress

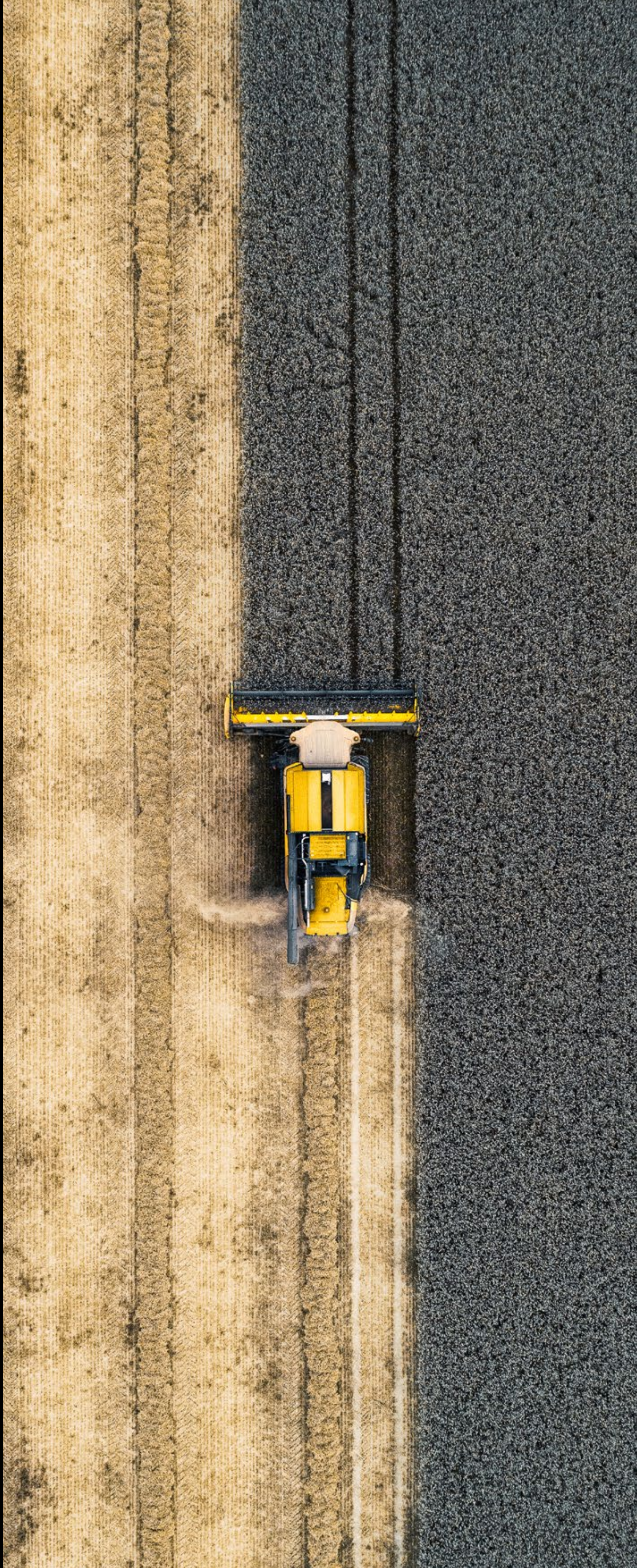
The transformative focus of technology and innovation

Investing in the planet

Transitioning to a more sustainable world

Investing in policy

New paradigms for economic, regulatory and social policies



Corporate risk management

Our approach to risk management

A strong risk and compliance culture underpins excellent service to clients and the effective management of our business. Our Board has ultimate responsibility for risk management and oversees the effectiveness of our Enterprise Risk Management (ERM) framework. Across all principal risk categories – conduct risk, strategic risk, financial risk and regulatory and operational risk – the impact on clients sits at the heart of our decision-making.

Three lines of defence

We operate 'three lines of defence' in the management of risk with clearly defined roles and responsibilities:

- **First line:** Day-to-day risk management, including identification and mitigation of risks and maintaining appropriate controls
- **Second line:** Oversight from our Risk and Compliance function, which reports to the Chief Risk Officer
- **Third line:** Our Internal Audit function, reporting to the Chief Internal Auditor, independently verifies our systems of control.

ERM framework

This underpins risk management throughout our business. We continually evolve our framework to meet the changing needs of the company and to make sure it keeps pace with industry best practice and the risk profile of the business. In 2021, improvements to the framework included:

- Strengthening our risk appetite framework by introducing new risk tolerances to support governance and risk management
- Extending and refining our risk taxonomy so we can describe risk more accurately
- Updating our process for formal risk acceptance, linked to our group-wide risk management system
- Reviewing our policy framework and policy register.

ESG risks

We have a responsibility to shareholders, clients and all stakeholders to assess, report on, manage and mitigate our ESG risks. For 'Environment', risks are primarily related to climate change and these are an important aspect of integrating ESG considerations in our portfolio management activities. In addition, we continue to review climate-related risks and manage our own business impact on climate Change. For more information please refer to our **TCFD Report**. For 'Social', our risks primarily relate to colleague engagement, wellbeing, development and diversity and inclusion. For 'Governance', our risks primarily relate to corporate governance, conduct, ethics and cyber-crime. We have a materiality review every two to three years to ensure we are focusing on the right ESG risks and issues. Our most recent review is included in our **2019 corporate sustainability report**. We will carry out our next review later in 2022.

Investment risk management

Our investment processes

Our investment process begins with rigorous research of macro systemic impacts and material ESG risks and opportunities, alongside other financial metrics applying to individual investments.

We believe that deep fundamental research, a disciplined investment process and full analysis of ESG issues is the most effective way to deliver long-term returns for our clients.

Macro research

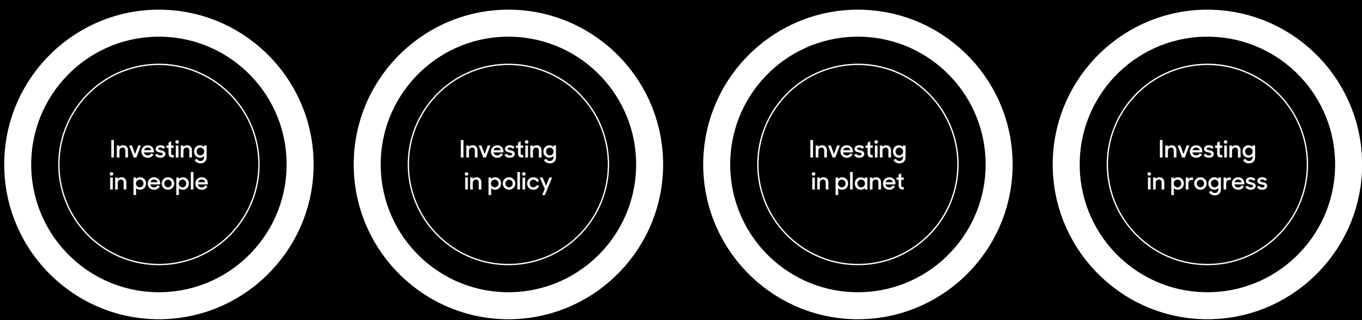
Our Research Institute, supported by our Investments Vector Sustainability Group expertise, produces original research for use by our investment teams. It analyses the intersection of economics, government policy and markets, producing an assessment of the likelihood and impact of macro and systemic risks such as climate change and geopolitical issues.

Our macro research, and particularly the consideration of ESG factors within it, has four inter-connected meta-themes.

Together they embody our ethos, 'The power of investment', forming a key input to our strategic asset allocation views and decision making. This helps us and our clients to allocate capital to assets which are aligned with the major trends that impact our investing over the longer term.

The output of our macro research is also used to develop a set of key themes that drive aspects of our engagement plan. The Investments Vector Sustainability Group, working with relevant asset class teams, translates the output from our macro research process to identify these thematic engagements.

Long-term meta-thematic investment opportunities



You can find original abrdn Research Institute publications on our **website.**

Macro risks

The material macro risks which our Research Institute has identified are detailed below. Each of these are aligned with our four meta-themes and we have provided the impact assessment and mitigation for our clients through our investment activities.

Meta-theme	Macro risk	Impact	Mitigation
People	**Public Health/Covid virus** 1. Vaccine roll-out in developed countries for more people 2. Transition from pandemic to endemic	The slower the roll-out of the vaccine the higher the likelihood is that it might harm the economic recovery. Challenges are also faced with regards to learning to live with the virus whilst being adequately prepared if a new variant was to be formed - for example, if restrictions are relaxed too quickly.	Our Research Institute (RI) analyses COVID-related developments at an early warning of change, and communicatesthis across the to ensure this is appropriately reviewed.
Policy	**Risk of policy error** 1. Inflation 2. Regulatory interventions in China	Inflation is a major driver of markets, and there is currently excess inflation in many economies related to pandemic distortions and policy makers' reactions to them. Current market pricing implies that central banks can start to lift interest rates, however the risk is that if this is unsuccessful it could potentially lead to a recession. Authorities in China imposed regulatory interventions on technology firms, education providers and property developers relating to internal, social and political goals, which had profound implications as previously they were priced on the basis that they had been relatively free from intervention. The balance between promoting economic and financial development and promoting social goals is shifting, which we have written a number of papers on.	Asset class teams focus on investing in quality firms, with strong balance sheets, that are not dependent on policy support to generate healthy earnings growth. Macro teams build diversified portfolios that can perform in many policy regimes. RI analyses and forecasts policy developments to provide early warning of disruptive change.
Policy	**Geopolitical** 1. Russia-Ukraine conflict 2. US-China tensions 3. Brexit transition challenges 4. Eurozone fragmentation 5. Various other regional issues/conflicts	Large geopolitical shocks can disrupt markets through their effect on economic growth, corporate earnings and the pricing of risk premia. Russia's invasion of Ukraine has caused social, financial and economic challenges globally. We had already taken action to reduce exposure to these regions in a disciplined manner, protecting clients' interests. Since then, we have concluded not to invest in Russia or Belarus for the foreseeable future, on ESG grounds. The Brexit transition has continued to cause challenges. A serious increase in perceived Eurozone fragmentation risks would damage the outlook for European risk assets in particular. A resumption of the US-China trade war would damage confidence in the global economic and earnings recovery, while serious increase in perceived Eurozone fragmentation risks would damage the outlook for European risk assets in particular.	RI provides regular updates on evolving views of the Brexit deal, US-China trade war, Eurozone break up, and other significant geopolitical risks, to make sure that portfolio managers are appropriately informed. As well as not investing in Russia or Belarus for the foreseeable future, geopolitical analysis is being carried out within investment teams to continue to assess the situation.

Macro risks

Meta-theme	Macro risk	Impact	Mitigation
Planet	**Climate change** a. Longer horizon b. Manifests in shorter-term issues/opportunities	Climate transition and physical risks have the potential to significantly alter the return profile of exposed assets over the coming decades. Although climate risk is generally considered longer term, transition risks related to policy changes have the potential to move markets and strand assets on short-term time frames as well.	The increased significance of climate change risks has led us to create a framework to deal with them. This is described in detail in our **TCFD report** and **'Climate Change: Our Approach for Investments'**. We have undertaken an extensive climate scenario exercise in 2020 to make sure we fully understand the potential risks and opportunities associated with different plausible climate scenarios. This research is being incorporated into investment decision making across the company.
People	**Conflict within nations** a. Inequality b. Populism c. Extremism	Distributional conflicts have the potential to influence markets through the way that governments respond to them. For example, perceptions that income inequality is too high can lead to policy changes that seek to regulate or tax businesses more heavily, reducing their ability to generate the after-tax earnings growth our analysts otherwise expect.	The 'populism persists' theme is incorporated into our long-term meta investment theme framework. This allows us to incorporate the risks associated with policy and regulatory changes derived from distributional conflicts into our research agenda and investment decision-making.
Progress	**Corporate social license to operate** a. Changing views of society and impact on companies b. Assessment of reputational risk by companies is often wrong	As the idea of the corporate social license to operate takes hold, the profile of what makes for a successful company likely to be rewarded by the investment community is also changing. If we do not take these changing social and investor expectations into account, we may own the wrong mix of assets and generate insufficient returns for our clients.	We have a comprehensive ESG research process designed to capture how risks are evolving. This includes our ESG House Score (as detailed on page 35) and a robust ESG research governance process that ensures our agenda is focused on the most investment-relevant manifestations of these changes - whether in terms of human rights, labour standards or the environment.
Progress	**Cyber crime and data privacy** a. Cyber attacks b. Data fraud and theft	As the digital economy becomes increasingly dominant, so does the vulnerability of aggregate economic growth and individual firms to cyber attacks. This was illustrated with the 'Solar Winds' hack on US government agencies, as well as in companies like Microsoft that are critical digital service providers. It is also an increasing driver of conflict between nations and hence geopolitical risk.	Cyber security is incorporated into our meta-theme framework and is an essential component of the way we assess the risk and opportunity of the individual firms we invest in. This theme is also being drawn on in macro investing funds as it becomes a more important driver of more aggregated returns.
People	**Diversity and inclusion** a. Anti discrimination b. Social equality	Diversity and inclusion are core to the way that companies manage their human resources. It is also an increasingly important component of firms' social license to operate. It therefore needs to be seen as both a risk factor as well as a source of investment opportunity, given the mounting evidence that more diverse and inclusive firms deliver better performance over time.	Our ESG research process includes a strong emphasis on diversity and inclusion. Aspects are taken into account in the ESG House Score and we have a strong position statement that informs our approach to corporate stewardship. We have also taken diversity and inclusion into account in our macro research agenda, incorporating indicators into our ESG index and publishing new research on how diversity and inclusion policies can improve aggregate economic performance.

Asset class and regional investment teams

High-quality research, including the understanding of ESG factors, forms the basis of all the investment decisions we make. Our investment teams and Investments Vector Sustainability Group carry out detailed thematic analysis to fully understand the investments we are making, creating a detailed knowledge of:

- all financial and business drivers and metrics
- the risks and opportunities that impact on these business drivers and metrics, including those that relate to ESG factors
- the mitigating actions taken to address these risks.

This helps us to make better investment decisions, leading to better outcomes for our clients.

In general, we believe that three to five years is the appropriate time horizon for the evaluation of investment performance. Over the course of the market cycle we would typically expect some mean reversion in markets – market leadership would change and fundamentals would prevail to the aggregate benefit of our investments.

Each of our asset class teams operate a proprietary assessment of ESG factors within their investment process. These are described in the ESG Integration documents available on our website for each of the asset classes we offer:

- **Equities**
- **Fixed Income**
- **Multi-Asset Solutions (MAS)**
- **Quantitative Investment Strategies (QIS)**
- **Real Estate**

Below we describe the high level stewardship activities for each asset type. These are used as a baseline across all of our different funds and geographies. For certain segregated mandates and funds which address specific sustainability criteria we may provide additional investment screening or engagement activities, as defined in any contractual documents.

Our approach can vary between asset classes as a result of the different rights available. For example, for listed company equity holdings shareholders have voting rights. In addition, governance constructs, regulatory drivers and company responsiveness can vary by geography, but due to our extensive regional resource we are generally able to engage in all regions using the same methodology.

Equities

Our equity teams operate a proprietary ESG scoring system called 'ESG Q Score'. This considers the regional universe and peer group in which a company operates, and allocates companies a score between 1 and 5. This is applied across every stock covered globally. Examples of each category and a small sample of our criteria are detailed below.

No active investment is allowed into companies that are rated 5 unless special dispensation is provided by the relevant Head of Desk. Any dispensation given will consider the nature of any adverse impact of the investment prior to approval. Details of the ESG Q Score for our holdings are provided in the Metrics, Data and Milestones section on page 63.

Our interaction with clients has indicated that the consideration of ESG factors throughout our investment processes and the impact on the investments we make on their behalf is important to them. We therefore include this information in our regular monitoring metrics that compare the ESG metrics for our investments against those of relevant benchmark investments. These metrics for 2021 are shown in the diagram on page 33.

Equities ESG Q Score

1. Best in Class	2. Leader	3. Average	4. Below Average	5. Laggard
ESG considerations are a material part of the company's business strategy Excellent disclosure Opportunities created as a result of strong ESG risk management	ESG considerations not market leading Disclosure is good, but not best in class Governance is generally very good	ESG risks are considered as a part of principal business Disclosure in line with regulatory requirements Governance is generally good but some minor concerns	Evidence of some financially material controversies Poor governance or limited oversight of key ESG issues Some issues in treating minority shareholders poorly	Many financial material controversies Severe governance concerns Poor treatment of minority shareholders

abrdn Equities – ESG at every stage

We embed environmental, social and governance (ESG) factors throughout our active equity investment process. Our aim is to enhance potential value for investors, reduce risk and, ultimately, foster companies that can contribute positively to the world.

100%

Company assessments that include ESG analysis

Assessment of ESG factors is integrated into every step of our equity investment process

85%

AUM with a better MSCI ESG rating than the benchmark

We integrate an ESG assessment into all our company analyses

2597

Company engagements on ESG issues in 2021

We engage to foster better companies

72%*

AUM with lower carbon-emissions intensity than the benchmark

We are committed to the Net Zero Asset Managers initiative

600+

Companies on our Active Equities restricted list

We restrict investment in ESG laggards via screens

* Based on Weighted Average Carbon Intensity (WACI) across scope 1 and scope 2 emissions versus a 2019 benchmark.

Source: abrdn, 31 Dec 2021.

Fixed Income

Our fixed income team (including Private Credit), uses a bespoke risk framework to rate each issuer with an ESG risk of low, medium or high. The rating represents how impactful ESG risks are likely to be to the credit profile of the issuer. We provide an assessment on ESG factors according to our view on the likely impact these factors will have on the creditor over different timeframes. Certain sectors have a greater weighting to environmental factors, such as automative, mining or social factors, such as gaming, healthcare, where these risks have a greater probability of materiality. Otherwise environmental and social factors are considered equally. This is a particularly powerful tool for running portfolios with a certain maturity, return target or specific strategy.

When we invest in fixed income securities, particularly those exposures in private credit, we often have an opportunity to influence terms and conditions and to interrogate the contents of loan and security documents. Negotiations often arise at bidding stage where we seek to best protect the value of our clients' investments, particularly around the areas of impairment rights, such as 'make whole' provisions or credit rating triggers. We view this as part of our primary responsibilities in delivering sustainable value to our clients.

For all public bonds we review the relevant bond prospectus as part of the required due diligence prior to investing, to ensure the terms meet expectations and client mandates.

Our private credit investments cover a broad range of sectors including economy-wide corporates, real estate and infrastructure. It is commonplace for relevant documents to include provisions in relation to governance and environmental considerations. For example, where we can we oblige borrowers/issuers to represent and covenant that their activities are and will remain in line with environmental laws, sanctions, anti-bribery laws, specified business activities and request the provision of information reporting on environmental issues. A borrower will provide a draft set of documentation, which we will then provide feedback on with input from our external counsel. There are normally a series of negotiations between us and the borrower before the final documentation is established. Throughout the loan life, we can also propose amendments to the documentation, again working with external counsel. We would not vote for an amendment to occur that was not in the best interests of our clients.

For public bonds, we review the relevant bond prospectus as part of the required due diligence prior to investing to ensure the terms meet expectations and client mandates. Throughout the bond term, we may be presented with various amendments to the terms and conditions by the issuer. We often work with the Investment Association on such requests and will vote against the proposal where we do not believe the proposed amendment is in the best interests of our clients or is against client mandates.

Asset class and regional investment teams

ESG House Score

In addition to the assessments for public companies that the Equity and Fixed Income desks carry out, we have built our own proprietary ESG House Score which is based on the collection of data for 140 key performance indicators (KPIs) arranged in categories aligned with frameworks such as Sustainable Accounting Standards Board (SASB) and the UNGC. These KPIs allow us to assess the performance of companies in each category and to particularly analyse the possible adverse impact of our investment and the impact on client portfolios. Our proprietary methodology aggregates the KPIs for each company into an overall score and allows us to include an assessment of adverse impact in our investment decision-making, drive engagement with companies and analyse progress by monitoring these scores over time either at company, portfolio, fund range or entity level.

For more information on our ESG House Score please click **here**

Real Estate

Our real estate team operates a proprietary 'ESG Impact Dial' which identifies four key forces driving ESG integration in real estate, as illustrated on page 36. These are linked to our meta-themes and combine the UN Sustainable Development Goals (SDGs), PRI and SASB frameworks to identify the material indicators. We believe that these forces will shape the future and so in turn shape our long-term approach by guiding how we prioritise ESG factors at the fund and asset level.

Certain real estate and natural resources investments are made through external managers. For these arrangements we undertake surveys of managers to fully understand their wider risk management processes and to ensure that they meet the standards we expect.

An ESG Impact Dial case study is displayed on pages 37 and 38.

Private Equity

Our private equity investments are generally made through a fund-of-funds structure, allocating capital to external managers that we select on behalf of our clients. The consideration of broader ESG risks into our Private Equity investment process is a strategic priority for our Private Equity function. The team has undertaken and published surveys of external managers since 2015.

The aim of the ESG survey is two-fold. Firstly, it allows us to regularly monitor ESG progress made by each of our core private equity managers, providing us with proprietary data that feeds into new investment decisions and helps us to better assess and benchmark ESG performance. Secondly, it allows us to take a holistic view on ESG engagement and progress of the industry.

This is the fourth year of the survey being focused across our global portfolio, having originally focused only on European managers. In total 72 Private Equity managers participated, with 43 European, 23 North American, 4 Asian and 2 global managers responding.

Our ESG approach

Real Estate material ESG Indicators

Planet	People	Process	Progress
Environment and climate change	Demographics	Governance and engagement	Technology and infrastructure
Biodiversity	Vulnerability & inclusion	Diversity & labour rights	Digital connectivity
Land and water contamination	Affordability	Occupier engagement	Physical connectivity
Outdoor air quality	Accessibility and experience	Occupier quality	Smart connectivity
Noise pollution	Employment, skills and enterprise	Partnerships	
Public realm & cultural value	Occupier wellbeing		
Carbon and energy reduction			
Water efficiency			
Waste and circularity			
Climate resilience			

Case study
ESG Impact Dial

Our real estate ESG Impact Dial allows us to set baseline house standards and fund level targets for each of the indicators. This enables us to drive actions and measure progress towards the desired outcomes for each asset held. Below is an example of the output of this analysis.

Environmental condition

- Low contamination and flooding risk
- Natural ventilation to all private areas
- Landscaped gardens
- Scope for resident allotments
- Score will improve with accurate monitoring

Carbon and energy

- Optimised energy procurement – frequent tendering
- Solar panel energy provision and scope for more
- Energy metering – benchmarked across portfolio
- Charity and recycling points
- Building – motion sensors /LED lighting
- Electric vehicle charging points

Affordability

- Key worker accommodation delivered at 80% of market rent on 80% of units
- Salary thresholds for incoming residents
- Open market rental units just ahead of city centre median rent

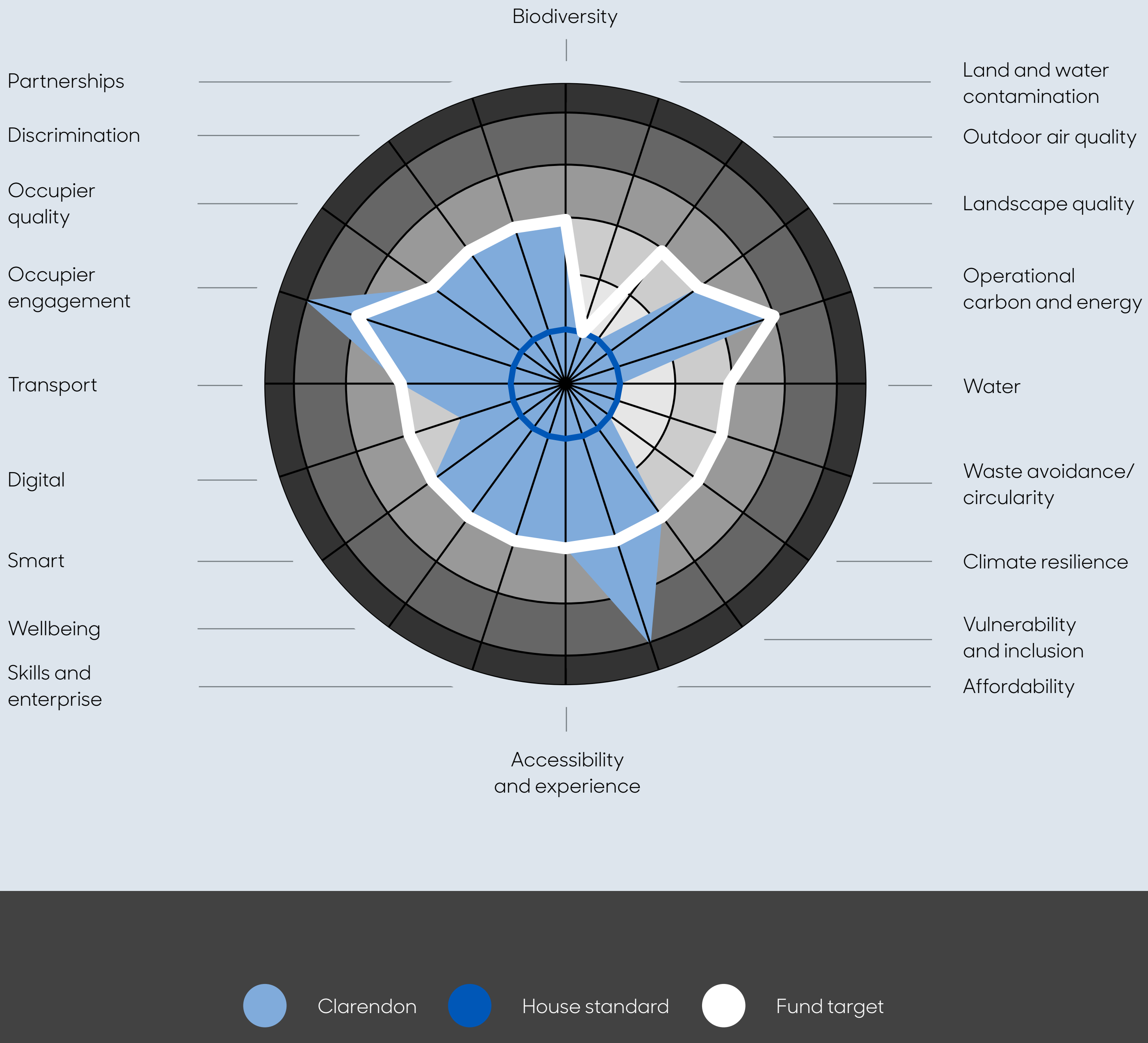
Connected

- Provision of superfast broadband
- Scheme specific app for community generation
- All repairs, parcel delivery and communications through app
- Building Management System
- Social media – regular resident events

Occupiers

- External partnerships – PT & yoga
- Security – 36 hours per week out of hours security
- Incentivise residents to review/feedback
- Gym, fire pit and external BBQ areas
- Multiple residents lounges and work from home space

Case study
ESG Impact Dial



Fund target	4.0
Current average	3.7
Potential average	4.330

Source: abrdn, September 2021. For illustrative purposes only.

Influence and collaboration

As a sustainable global investor, we leverage our scale and market position to raise standards in both the companies and industries in which we invest, and help drive best practice across the asset management industry.

Engaging with companies and assets

We believe it's our duty to be active and engaged owners of the assets in which we invest. Our aim is to both enhance and preserve the value of our clients' investments by considering a broad range of factors that impact on the long-term success of the company. Through our engagement we seek to improve the financial resilience and performance of investments, sharing insights from our ownership experiences across geographies and asset classes. Where we believe we need to catalyse change we will endeavour to do so through our strong stewardship capabilities.

We maintain close contact with the companies and assets in which we invest, whether through listed equity, corporate bonds or private markets. For listed assets and direct investments, we generally meet representatives of investee companies at least once a year. We recognise the importance of effective communication and the value of focused dialogue with directors and senior executives.

These meetings are ideal opportunities to monitor the performance of companies and their management. Our analysts are supported by stewardship and ESG resource embedded in each investment team, as well as our specialist central Investments Vector Sustainability Group. Our activities include a regular engagement programme to discuss various relevant ESG issues. These include, but are not limited to, areas like strategy and performance, risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery and corruption.

Engagement categories

The engagements we undertake with the investments we make are categorised under the following four headings:

Review

Part of our ongoing due diligence and frequent interactions led by the analyst responsible for oversight of the investment, usually attended by other members of relevant investment teams.

Respond

Reacting to an event that may impact a single investment or a selection of similar investments.

Enhance

Designed to seek change that, in our view, would enhance the value of our investment.

Thematic

Resulting from our focus on a particular ESG theme, such as climate change, diversity and inclusion or modern slavery.

Engaging with companies and assets

Our regular 'review' meetings are normally held with the executive management responsible for our investments, but we will also engage with board members – generally the chair or other non-executive directors. Such meetings further develop our understanding of how the board is fulfilling its responsibilities and give us the opportunity to communicate views constructively, as and when appropriate.

Our 'respond' and 'enhance' engagements are bespoke interactions with specific outcome intentions and are defined as priority engagements. These also focus on the delivery of long-term value from the investments we make on behalf of clients. The nature of ESG risks are such that they are ever present but require a long-term outlook to fully assess them. Our engagements will often be with board members, both executive and non-executive, but will also include detailed assessment of specific risk mitigation through engagement with relevant experts within a company, including those relating to sustainability.

For our 'thematic' engagements, we select investments which are felt to be materially impacted by ESG themes identified by the Investments Vector Sustainability Group. These themes may arise in the short term due to particular events or may be long-running in nature and impacting many sectors and investments. Engagements relating to a specific theme are likely to occur over multiple planning periods and will be led by our Investments Vector Sustainability Group experts.

The engagement planning process is led by our investment desks, supported by the Investments Vector Sustainability Group, and is informed by our ongoing diligence and research, reviews of investment sectors, specific fund reviews, our ESG scoring mechanisms and the peer review processes used by investment desks.

Of particular importance to us is the benefit of sharing and collaborating across our asset class teams. Our Equity, Fixed Income and Real Estate teams are often investing in and engaging with the same issuers, but using a different analytical lens, bringing new insights.

Engagement categories

We believe that it is important for our engagement activities to lead to improvements in our investments and the manner in which they manage and mitigate risks informs our investment decisions. We therefore record concerns and issues raised with our investments and set timeframes within which we expect our concerns to be addressed. To do this we have defined the following 'lifecycle' steps for our concerns:

Identify

We have identified specific concerns or issues to be raised with those responsible for the investment

Acknowledge

The concern has been acknowledged by those responsible for the investment

Plan

There is a credible plan to address our concerns

Execute

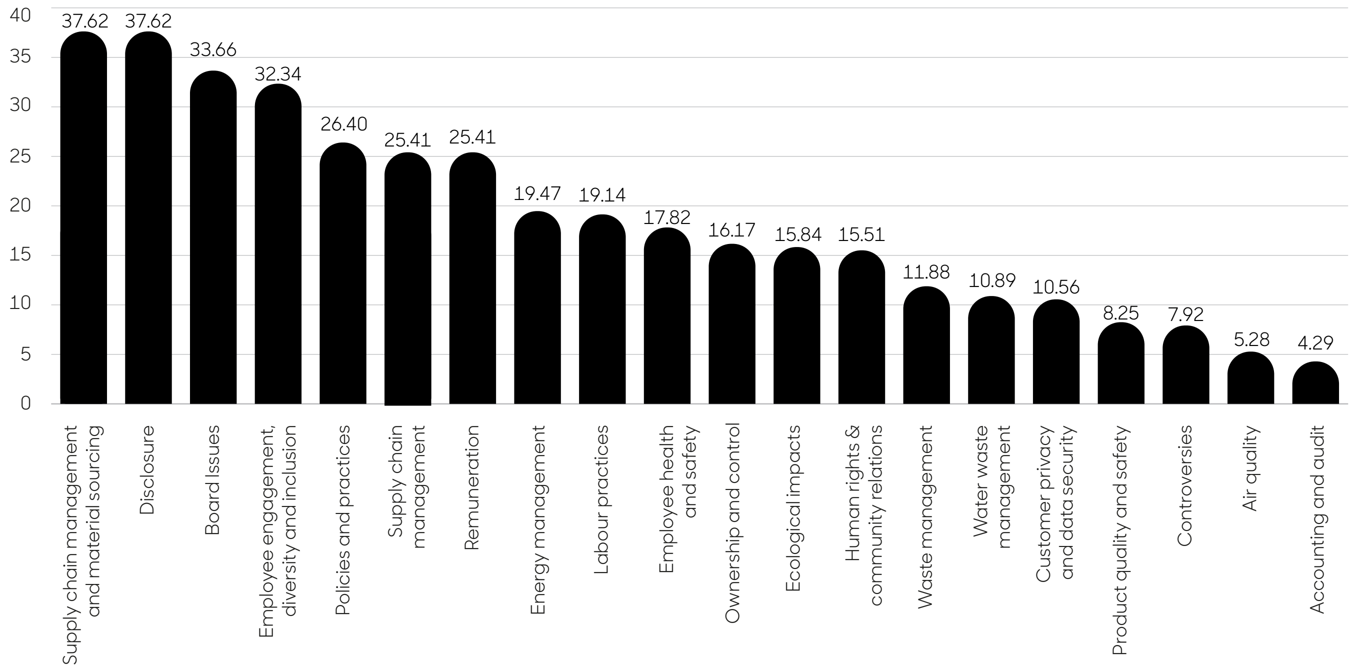
The plan is being executed to address our concerns

Close

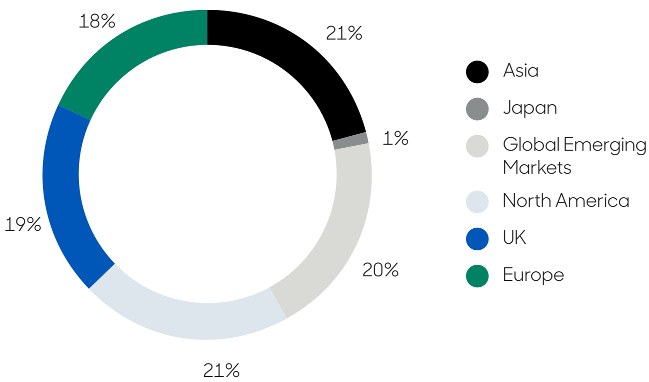
The plan has been successfully executed and our concerns have been addressed

Engagement statistics

Percentage of ESG-specific company meetings in 2021 where topic was discussed



Geographic breakdown of ESG-specific meetings in 2021



Source: abrdn, 31 Dec 2021.

Escalation

Periodically, we identify concerns on matters relating to stewardship and ESG factors which will result in us having to escalate our engagement activity. The cause of such disagreements, and our strategy for resolving them, is the subject of discussion and agreement by our Investments Vector Sustainability Group and asset class teams. The strategy is determined on a case-by-case basis.

We have a number of strategies that may be employed, and these are described below. It is likely that in cases of significant disagreement we will employ a number of these courses of action.

Collaborative engagement

In certain circumstances, we may decide to join with other investors who are seeking to achieve similar change from a single investment or a range of investments. Collaborative engagement may therefore be used as a result of an escalation of our own activities or to drive change relating to a specific theme across a group of investments. These collaborations may involve a bespoke group of selected investors, or one of the many affiliation groups that are created on a regional basis or in relation to a specific theme. We make publicly available the details of collaborative groups with which we regularly act.

Public statements

Where we feel it is beneficial to do so, we will make our views known publicly so that our view is clear to clients and our wider stakeholders. Such statements can be made through the press or, if appropriate, through a statement made at the general meeting of a company. Such statements will be used when we believe that the additional scrutiny they bring would help in achieving the change we are seeking.

Voting and ownership rights

We believe that voting at company meetings is one of our most important activities when investing on behalf of our clients. We therefore take great care to set high expectations in our custom voting policies and assess in detail the resolutions at the meetings of companies we actively invest in.

We endeavour to vote all shares globally for which we have voting authority. The exceptions are when we are otherwise instructed by the beneficial owner, where a significant conflict exists or where, for practical reasons such as share-blocking, this is not appropriate. In 2021, we voted at 97.6% of meetings for which we were eligible to vote. The meetings for which we elected not to vote were due to: conflicts of interest, such as in-house OEICs and SICAVs; shareblocking, which would have impacted liquidity in the lead-up to the meeting; and positions which we had exited after the record date but prior to the meeting. In 2021, we joined an Investor Forum working group seeking to address the issue of shareblocking in the Irish market. Please refer to the Collaborative engagement case study on page 47 for more information.

We have a robust fund launch process whereby our internal Proxy Voting team is notified of any new fund for which we have been delegated voting rights. The team will arrange for the appropriate set-up between the fund custodian and our proxy voting service provider to ensure that ballots for the fund are received going forward.

We make use of the voting platform of ISS, Proxy Exchange, to monitor and instruct votes. ISS is a reputable provider of proxy voting research and voting recommendations in addition to its provision of an electronic voting platform. Although ISS has its own voting guidelines, we provide our own house guidelines to establish a custom policy, which ISS is required to follow when making voting recommendations to us. For those companies which we hold in our actively managed funds, we use the recommendations provided by ISS as an input to our own analysis of resolutions.

On an annual basis, ISS reviews their voting guidelines which they use when undertaking their research and providing their standard voting recommendations. Their review is driven by their own analysis of market views and input received from their customers. We play an active role in giving our views on the development of the ISS standard voting policy. In addition, we undertake an annual review of our own custom voting policy. This review is undertaken by the Active Ownership team in conjunction with each of the regional public markets teams. This custom policy is used by ISS in providing us with voting recommendations for our own use and analysis.

As a key supplier and outsourcer, we apply our corporate supplier risk analysis and due diligence processes to our arrangements with ISS. Our contract with ISS has been renewed every two years and, as part of the renewal, we review all contractual arrangements to ensure that they meet with the regulatory requirements for our global operations.

In the UK the Investment Association (IA), of which we are an active member, provides guidelines to companies relating to governance practices. We play an active role in helping to define these guidelines and, when voting at UK company meetings, seek to ensure that our voting outcomes are aligned with the standards defined within the IA guidelines. Most significantly the IA publishes guidelines relating to executive remuneration which are built into our voting policies for the UK. We also subscribe to the Institutional Voting Information Service (IVIS), operated by the IA, which provides further analysis of the resolutions at UK premium-listed company general meetings.

Escalation

For those companies which we hold in our actively managed funds, we use the recommendations provided by ISS and IVIS as an input to our own analysis of resolutions prior to making a final voting decision instructed to the company.

By analysing the research provided for all of our active positions we are assessing approximately 30% of the research and recommendations provided by ISS. This allows us to monitor the quality of the research provided. As our active holdings are the most material across all of our client portfolios it also means that we undertake additional assessment of those meetings that are most material to our clients.

So that clients and companies are clear about the policies which will drive our voting decisions, we publish our Listed Company Guidelines on our website. This provides details of our expectations of key aspects of a company's handling of matters that are important to our views as an investor.

Our Listed Company Stewardship Guidelines

We instruct the same voting outcome across all of our funds for each holding. For companies held in our actively managed portfolios the voting decision will be made by an analyst as described above. For companies only held in our passive funds the voting instruction will be based on the custom policy voting recommendations provided by ISS.

There are a number of facets to the ISS service which enable us to vote at all company meetings in an efficient and effective manner, including:

- the collection of notifications of all general meetings at which we are eligible to vote
- the provision of these notifications to us with an analysis of the resolutions and recommendations of how to vote, based on standard and custom policies
- the mechanism by which our voting decision is transmitted to the company
- a data repository of all of our voting decisions which can be used for our own research and reporting to clients.

As we believe that voting is a key component of the stewardship activities which are integral to our investment approach, it is our preference that our clients appoint us to make the voting decisions for the holdings in the funds we manage on their behalf. For larger segregated clients we may accept arrangements where the client instructs voting decisions separately. We will make all voting decisions according to our policies for companies held within the pooled funds we offer to clients. As well as describing our views in the Listed Company Stewardship Guidelines we disclose all voting outcomes on our website on the day following:

- votes against management recommendations
- votes relating to shareholder resolutions on environmental and social matters
- votes instructed differently from our custom policy recommendations.

Sustainable investing/voting

We identify any resolution at a company meeting which we deem to cover environmental and social factors. These are generally resolutions that are proposed by shareholders, with the majority currently occurring in the United States. For such resolutions a specialist from the Investments Vector Sustainability Group will assess the resolution and consider the specifics of the company to which it is proposed. A member of the team will ensure our voting decision considers fully the proposals in a resolution, the company's current handling of concerns raised in a proposal and the impact of the proposals on the operations of a company. Our objective is not to vote in favour of all resolutions proposed by shareholders, but to determine the best outcome for the company in the context of the best outcome for our clients.

In the event that we vote our clients' shares against a resolution at a general meeting, we use best endeavours to discuss this with the company beforehand and explain our reasons. We also use reasonable endeavours to do so in respect of abstentions. In certain circumstances, we attend and speak at shareholder meetings to reinforce our views to the company's board.

Where we lend stock on behalf of clients, and subject to the terms of client agreements, we may consider recalling shares from stock-lending programmes where it is in clients' interests to maintain full voting weight on a particular meeting or resolution. We also look to recall shares on a precautionary basis where there is a controversial issue or a dissident shareholder.

Divestment

When we believe that concerns relating to ESG factors are significant and we have been unable to elicit changes that we believe are necessary to mitigate risks, we may consider divesting from an investment. This allows us to protect our clients' portfolios when material ESG risks are not mitigated sufficiently.

Case studies

Megaport (Australia)

At the company's AGM in October 2021, the company sought shareholder approval to grant 100,000 options to three non-executive directors (NEDs). We do not generally support the grant of options to NEDs as this is not in line with local market guidance and the grants may impact the directors' independent judgement. We engaged with the company to express our concerns and voted against the proposals. These resolutions failed, with 57% of votes against.

Exxon Mobil (USA)

At the AGM of Exxon Mobil in May 2021, there was a proxy contest and resolutions were put forward challenging the company's approach to climate change. A small shareholder ran a proxy challenge against the board which gathered significant support and offered Exxon's shareholders the opportunity to elect four new directors at the expense of four incumbents. There were also requests that the company issue an audited report on how its finances are impacted by the International Energy Agency's (IEA's) Net Zero 2050 climate scenario, and that it report on its climate-related lobbying.

As a company, we have long recognised the inseparable links between corporate governance, strategy and climate approach and this informed our voting at the meeting. We voted in support of the appointment of the four new directors. We did so on the basis that they offered a blend of skills and experience which were under-represented on Exxon's board. The appointment of these directors, in our judgement, would have helped Exxon to better manage the energy transition. Our support for such significant change reflected disappointment in the board's failure to adequately address: (1) climate change in its strategy and capital expenditure plans, and (2) shareholder concerns that were evident in previous votes. At the meeting, three of the four new, dissident directors were elected.

We also voted in favour of the request for the company to issue an audited report on how its finances are impacted by the IEA's Net Zero 2050 climate scenario. As members of the Net Zero Asset Managers initiative, we encourage companies to adopt Paris-aligned strategies and targets that reduce their impact on the climate, manage the energy transition, and make progress towards the long-term goal of achieving net zero. Exxon lags behind global peers in this regard and is exposed to significant risks as a result. It is of critical importance that the company's accounts and underlying assumptions reflect the anticipated impacts of the energy transition. The requested report would support such alignment, improving the company's climate disclosures and providing clarity on the rationale for its limited ambitions and ongoing fossil fuel capital expenditure plans. With 49% support, this resolution was not passed.

We also supported the resolution requesting the production of a report on climate-related lobbying. Such a report would be aligned with those produced by the company's global peers and would provide shareholders with relevant information to assess an important aspect of the company's climate approach. This resolution passed with 64% support.

Berkshire Hathaway (USA)

The company was identified as a laggard by our Transition Pathway Initiative (TPI) voting policy, receiving a TPI Management Quality Score of Level 0. The TPI is an initiative which assesses companies' preparedness for the transition to a low-carbon economy and a 0 score indicates that a company is unaware (or not acknowledging) climate change as a business issue. As the company did not put its annual report and accounts to a shareholder vote at its AGM in May 2021, a resolution which we would normally oppose to reflect our concerns, we voted against the re-election of the Chair of the Governance Committee, Walter Scott Jr. Mr Scott Jr. was re-elected at the meeting with 90% support.

Goldman Sachs Group (USA)

At its AGM in April 2021, the company received a shareholder proposal requesting a racial equity audit to analyse potential adverse impacts. The resolution was drafted so as not to be too detailed and prescriptive in its requirements. We engaged with the company to discuss its current approach to diversity and inclusion and were impressed by the steps it is taking and plans it has in place to address areas that are challenging. We believed that support of this resolution would help to bolster these efforts and demonstrate to shareholders the positive steps that the company is taking. We were therefore of the view that it would be appropriate for the company to measure the success of these strategies and a racial equity audit would support that assessment.

We recognise that it is difficult for companies to measure diversity and inclusion in the services that they provide and that there are multiple factors driving these provisions which could be misconstrued as being racially motivated. However, in our view the resolution was not overly prescriptive and allowed an acceptable margin of freedom to address this challenge. We therefore voted in favour of the resolution, while reiterating our continued support and recognition of the positive work that the company is undertaking in this area. The resolution did not pass but received 25% support.

Case studies

Omega Geracao (Brazil)

Omega Geracao is a Brazilian utility company focused on renewable-energy generation, and is the largest operator of renewable assets in the country. Across Brazil, Omega has around 1.9 GW of installed capacity, with seven-fold growth over the past four years since IPO.

Our engagement was driven by identified gaps in disclosure, an aspect we find common with companies that have not been publicly listed for a long time. During our meeting, we covered a number of topics affecting power generators including: environmental impact, health and safety at asset sites, and corruption controls.

Omega has introduced an Environmental Management System (EMS) across circa 25% of its asset base, and plans to have its EMS covering 95% of assets by 2023. This lead time is as a result of the EMS being proprietary in nature and as also a result of some of the bolt-on acquisitions the company has made. The company has modelled its EMS against ISO14001, but has not yet sought certification. During our meeting, we prompted the company to move towards certification, as this provides investors with an externally certified measure of robustness.

During our meeting, we also discussed the company's whistleblowing controls. Omega explained that it operates an independent, non-retaliatory channel, overseen by the Board of Directors Ethical Committee.

Our engagement with Omega provided comfort on progress the company is making on the management of the factors discussed. In our view, Omega is well-placed among peers, and offers investors exposure to the growing share of non-conventional energy in Brazil.

Following the meeting, we established a clear set of timelines and milestones with the company. We continue to track these milestones during our ongoing company dialogue.

Rio Tinto (UK)

At the company's AGM in April 2021, we voted against the approval of the company's Financial Statements to convey our disappointment to the company about the destruction at Juukan Gorge. We were aware that the Remuneration Committee had applied some reductions to bonus outcomes and long term incentive vesting in relation to the incident. However, the Chief Executive's total remuneration for the year remained significantly higher than it was in the previous year. This did not seem appropriate and we therefore also voted against the Remuneration Report. The Remuneration Report failed to receive majority support, with 62% of shareholders against the resolution.

Teleperformance (France)

At its AGM in April 2021, the company submitted binding votes on the 2020 remuneration due to be paid, and 2021 remuneration policy of the Chair/CEO and Vice-CEO. We had engaged with the company to express our concerns that the long term incentive (LTI) was set at a specific number of shares and had encouraged a move to limit the grants to a percentage of salary. While we recognise that an increasing award value is a result of share price success, we nevertheless were of the view that the quantum of award at the time of grant is an important factor and had encouraged the remuneration committee to ensure that share awards were not excessive. In looking at the value of LTI awards due to be paid following the AGM, we had concerns as the Chair/CEO's award was approximately valued at 8x salary and the deputy CEO/CFO's approximately 11x salary. This is in excess of what we would normally expect to see generally and for a company of Teleperformance's size. We also did not consider the revenue targets to be sufficiently stretching to justify the size of award.

Given these concerns we voted against the 2020 remuneration for both executives. We also opposed the forward-looking policies to emphasise our view that the LTI should be limited to a percentage of salary. The 2020 pay arrangements attracted significant dissent of over 30% and we welcomed the decision to reduce the number of shares to be granted following shareholder feedback.

Case Studies

Credit Suisse (Switzerland)

In the lead-up to the company's AGM in April 2021, the company issued a Q1 trading update with a pre-tax loss of CHF 757m. The results were impacted by a CHF 4.4bn charge in respect of the default on margin calls of US-based hedge fund, Archegos. This followed the collapse of Greensill Capital, one of the world's biggest providers of supply-chain finance, which was unable to repay a $140m loan owed to Credit Suisse. Prior to the AGM, we engaged with the company and indicated that, to reflect our serious concerns, we intended to vote against the re-election of Andreas Gottschling, Chair of the Risk Committee, given his accountability for risk oversight . On the day of the AGM, the company announced that he would no longer stand for re-election.

Euromoney Institutional Investor (UK)

At Euromoney's 2021 AGM, we voted against the audit committee chair. Our concerns about his reappointment originated from our engagements with him as an executive at Essentra and Reckitt Benckiser.

To gain a better understanding of his effectiveness as a board member and audit committee chair at Euromoney, we engaged first with the chair and subsequently with the Senior Independent Director. These engagements were constructive, but did not sufficiently assuage our concerns about his contribution and effectiveness, and as such we concluded that a vote against his re-election was warranted.

Ahead of the 2022 AGM, we again engaged with the chair before reaching the same conclusion. On each occasion we wrote to Euromoney ahead of the AGM to inform the company of our votes.

Collaborative engagement

During the 2021 voting season, our Senior Stewardship Manager responsible for voting on Irish companies identified that the number of votes being registered at Irish general meetings was very low, particularly when compared to previous years. She used her contacts at Irish companies to enquire about the level of votes and they also indicated concern, but were unable to identify the cause of the sudden reduction.

We then spent some time trying to find the cause so that a solution could be found, using our contacts along the chain of entities that are involved in the process of notifying votes to shareholders and instructing voting decisions back to companies. Having found that the problem appeared to be connected to the transfer of the central securities depository for Irish uncertificated holdings from CREST to Euroclear Bank, we realised that in order to solve the issue we would need to work with other institutional investors to influence the entities in the voting chain. We therefore used our membership of the Investor Forum in the UK to gather a group of investors to work together on the problem.

This resulted in a solution being found and implemented, which we believe will remove the blocks that have prevented the flow of voting instructions to companies. This year's AGM season in Ireland will be monitored to ensure the process works smoothly.

Our Senior Stewardship Manager was also 'highly commended' in the inaugural Simon Fraser Stewardship Award, presented by the Investor Forum. This was for being "instrumental in driving an Investor Forum Working Group to address issues with voting at Irish listed companies" and "the contribution she made in raising awareness of the issues amongst her peers, and sharing her insights and connections to bring about change".

Our corporate influence

We have an important role in the development of public policy, industry standards and general practice. We want to ensure that each of these develop in a manner that is aligned to the best interests of our stakeholders, including our clients, and the delivery of the best outcomes for them.

To meet this responsibility we focus our activities in four key areas as described in the table below.

Policy applying to our investments

Includes shareholder rights, accounting standards, auditing, climate policy, labour policy, tax, fiscal and monetary policy.

Methods used include:

- Published thought pieces
- Board and senior executive contacts
- Direct input to governments and regulators
- Membership of influencing organisations

Policy applying to abrdn

Includes corporate activities and disclosures such as climate change and employee issues, global financial services regulation and regulation applying to suppliers.

Methods used include:

- Input through industry associations
- Direct input on consultations
- Senior executive contacts

Policy applying to clients

Includes pension funds, insurance company legislation and regulation.

Methods used include:

- Input through industry associations
- Direct input on consultations
- Senior executive contacts

Industry standards

Includes development of best practice across all activities such as Principles for Responsible Investment, climate analysis, transparent disclosure and market infrastructure.

Methods used include:

- Published thought pieces
- Board and senior executive contacts
- Direct input to governments and regulators
- Membership of influencing organisations

Our corporate influence

Impact of policy and standards on our investment

We use the expertise we have across our business to analyse and assess the impact of policy on the investments we make for our clients, and to provide our view on where we believe policy change may be needed. We aim to be involved in policy change impacting our investments where appropriate and ensure that our views are aligned with the best interests of our clients and wider society. We also hold to account those responsible for the management and oversight of companies we invest in for applying suitable controls over their policy influence, to ensure they too consider the interests of wider society.

Impact of policy on abrdn

We seek to play a role in assisting policymakers as they develop legislation and regulation that applies to our business. We recognise the importance of a well-regulated financial services sector and the need to ensure that our clients receive the products and solutions they expect. There are many current regulatory developments relating to the integration of sustainability and ESG considerations into investment products and solutions and the transparent disclosure of relevant information relating to ESG considerations. We believe it is imperative that these regulations are enforced in order to ensure that clients can be comfortable that the products and solutions they use do deliver the outcomes they expect, and we will continue to work to assist the development and delivery of these regulations. We also work closely with governments, third sector and other organisations to develop policies and standards that benefit our other stakeholders, including our employees and communities.

Impact of policy on our clients

Many of our clients also operate in a regulated environment and the services we provide assist them in meeting their regulatory obligations. We believe that it is important for us to understand the legal and regulatory frameworks that apply to our clients. Although we cannot closely monitor all of the regulatory change which may become applicable to them in the future, we endeavour to maintain a close enough relationship with our clients to assist them in understanding the impact of the changes to the regulations that apply to them. Where necessary, we provide input to any consultation process as required.

Industry standards

We seek to play a leading role in the markets and regions in which we operate to develop and uphold the highest standards relating to our industry. We believe that it is imperative that our industry does operate to the highest standards. In an industry that relies on trust, the role we play in setting and achieving these standards are integral to the service we provide to our clients.

How we get involved

We are willing to act collectively with other investors in seeking to protect and enhance shareholder value, or to otherwise address issues that are relevant to our clients' best interests. Common topics for collective engagement include: succession, board composition and nominations processes, remuneration, audit and audit tenders, strategy and performance, risk appetite and risk management, human rights, labour concerns and the environment.

In deciding whether or not to act collectively with other investors, we take into account a range of factors, such as:

- whether or not collective engagement is likely to be more effective than unilateral engagement
- the degree to which the objectives of the other investors are aligned to our own
- the need for confidentiality
- the context of the investee company and, exceptionally, the wider economy.

To help us effectively participate in collective engagement, we maintain good working relationships with other institutional investors. We also support collaborative engagements organised by representative bodies and others, when these are aligned with our clients' interests. We work with a number of organisations in order to participate in collective engagement. Examples of the most significant of these organisations include:

- The Investment Association
- The Council of Institutional Investors
- The Investor Forum
- The Asian Corporate Governance Association
- The Principles for Responsible Investing
- The Institutional Investor Group on Climate Change
- Climate Action 100+
- The 30% Club Investor Group

Case studies

Macro research | Promoting Diversity and Inclusion (D&I)

We carried out macro research to inform our stewardship approach in relation to diversity and inclusion. This influenced 'A Woman's Place', a research series produced by our Research Institute. Focusing on the often overlooked 'S' of ESG, the authors set out to find what drives differences in female participation in the workforce and highlight why D&I policy really matters for investors.

There is a clear ethical argument for greater equality in the workforce. But there's a powerful efficiency argument too. Increasing diversity and inclusivity in the workforce can lift incomes and growth by making better use of human capital. In a world where populations are ageing and labour productivity growth is sluggish, a stronger diversity and inclusion corporate and government policy agenda could provide a much needed shot in the arm for the global economy.

We analysed data for 31 countries from 2002 to 2016 and our findings suggest five clear actions for policymakers and companies wanting to boost female participation. Each finding forms its own edition to the 'A Woman's Place' series and will be released incrementally and published on our **website**.

Our research is applied to our investment with companies to assess what steps are being taken to ensure D&I measures, and to encourage companies to take steps to ensure appropriate actions are taken.

Human Rights | Fevertree

Fevertree is a premium tonic producer that has disrupted the soft drinks market over the past decade. Today it is a leading brand in premium mixers internationally. We have engaged with Fevertree over several years, largely due to it being routinely flagged as a low-scoring company in terms of its ESG rating. Our internal research capabilities and corporate access allow us to gain a better understanding of the key ESG risks and opportunities our investee companies face, and we believe that by working closely with Fevertree, we can help improve its sustainability disclosure to the market, and open up the company to a wider capital pool.

We questioned the company on its supply chain management, particularly on sourcing key ingredients from countries deemed a higher risk, such as the Democratic Republic of Congo and the Ivory Coast. At our most recent engagement, we learned about Fevertree's investment into a new internal system for managing supply chain risk. This centralised platform provides robust oversight of all its suppliers. This includes regular reporting and due diligence, audits, and liaising with dedicated local teams who can also undertake unannounced visits and checks. We have encouraged the company to disclose more detail about the scope of audits, as well as any findings and actions being undertaken.

We feel that these initial steps show some positive momentum from the company, especially where it may lack the same level of resource available to some of the larger companies with which we would routinely engage. We look forward to continuing to work closely with Fevertree as it rolls out more areas of its sustainability framework.

Climate Change | HSBC

We have engaged with HSBC for a number of years on a range of ESG issues. During Q1 2021, the bank faced a resolution coordinated by the NGO group ShareAction and multiple asset owners and asset managers. This specific engagement example centred around a resolution which requested that HSBC set and publish a strategy detailing targets to reduce its exposure to fossil-fuel assets on a timeline aligned with the goals of the Paris Agreement. We are supportive of moving toward alignment with the Paris goals. However, we also recognised that HSBC already had numerous strategies in place to achieve this and questioned if this approach would marry with existing strategies.

Our engagement over time has typically been direct with the company however in this instance, we did engage collaboratively. We spoke with various stakeholders across the business including C-Suite, Investor Relations and Senior Management.

This engagement did not result in voting action per se but it did influence the outcome of the resolution filed by ShareAction. We believed that there was a common goal to address climate change between HSBC and the proponents of the resolution and encouraged all parties to find common ground. After constructive discussion between ShareAction and HSBC, the proponents withdrew their resolution. HSBC subsequently proposed a special resolution on climate change at its Annual General Meeting in May 2021, which was passed with significant support.

Case studies

Diversity and Inclusion | General Motors

General Motors (GM) is one of the world's largest automotive manufacturers. It is listed in the US and has a global footprint, with more than 150,000 employees.

As part of our ongoing engagement with the auto sector, we engaged with GM to discuss a range of ESG factors. We questioned how the company is ensuring diversity and inclusion within its business.

GM advised that its CEO, Mary Barra, had commissioned an Inclusion Advisory Board to consult GM's Senior Leadership Board to achieve an inclusive culture globally. The company also appointed a new Chief of Diversity, Equity and Inclusion to oversee the implementation. Efforts include the launch of its 'Be inclusive' programme and commitment to the 'OneTen' programme designed to hire one million Black Americans over the next 10 years. It also became a member of the Gender and Diversity KPI Alliance (GDKA). As a member, the company committed to measuring board and employee representation and pay equality ratios.

We encouraged the company to publicly disclose its EEO-1 data, a reporting requirement based on demographic workforce data. Although this information is reported annually to the US Equal Employment Opportunity Commission, it is not in the public domain and we have produced a public statement calling on all US-listed companies to release the information. GM welcomed our suggestions and has committed to disclosing the data in 2022.

Case studies

Remuneration | Morrisons

Morrisons is the fourth-largest supermarket chain in the United Kingdom. It was founded in 1899 and employs 110,000 people. Being a household name, Morrisons naturally attracts heightened press attention and public interest. This was the case over the last year to its remuneration report being voted down at the 2021 Annual General Meeting (AGM) and its subsequent, high-profile takeover battle.

We previously engaged with Morrisons in 2020 ahead of its AGM to explain we would vote against the remuneration policy. For one thing, we could not identify a credible plan to bring executive pensions in line with those of the wider workforce by 2022. However, the company later confirmed that incumbent executive pensions would be brought in line by the end of 2022. In spite of this, there were further pay-related issues in 2021. The remuneration committee decided to adjust targets retrospectively under the annual bonus and long-term incentive plan to remove the costs associated with COVID-19. We responded, explaining that we would vote against the remuneration report, which drew a 70% vote against.

Additionally, we voted against the report and accounts due to insufficient board gender diversity. Our voting policy is aligned with the targets set out by the Hampton-Alexander Review of 33% female board representation by 2020. We generally vote against the Chair of the Nomination Committee when companies do not meet this target, or lack a credible reason for not doing so and quickly addressing the issue. In this instance, we voted against the report and accounts in order to avoid further disturbance to the business during a turbulent year as the Chair of Nominations Committee is also the Chair of the Board.

Labour Standards Groupo Mexico

Grupo Mexico (GMEX) is a Mexican conglomerate with operations across Mexico, the United States, Peru and Spain. The company categorises operations across three divisions – mining, transportation and infrastructure. A key strategic asset of the group is Southern Copper, the world's fifth-largest copper miner, which operates principally in Mexico and Peru.

Over a number of reporting periods, Grupo Mexico struggled to build momentum in reducing workplace accidents however, through engagement with the company, we were pleased to see that the company had continued to focus on this pertinent topic. Over the previous five years, considerable investment had been made (exceeding US$350 million) on aspects such as ISO certification and traffic management at mine facilities. During our engagement, we raised the disparity in accident rates between permanent and contractual labour. Grupo Mexico explained that there was functional difference between the roles performed by differing employment statuses. In the most dangerous roles, mining underground, the proportion of contracted labour was about 30%. Grupo Mexico is aiming to bring the remaining contractors in-house for these mining roles, a shift we voiced support for.

As investors, we highlight to the companies we invest in the positives of joining leading industry groups as a vehicle for sharing best practices. GMEX is a long-standing member of the International Copper Association, and has worked closely with this group to meet the Copper Mark standard. During our meeting, we raised a principal milestone for our engagement by encouraging Grupo Mexico to join the International Council on Mining and Metals. Our opinion is that membership of this organisation would signal to the market the holistic integration of sustainability into the culture and operations of Grupo Mexico as the wider market (and society) increasingly places scrutiny on mining practices.

Our engagement with Grupo Mexico demonstrated the speed of improvement on risk management at the company. We continue to build on our dialogue with the company, and formalised our engagement with a letter to the Board of Directors.

Governance and active ownership

Sustainable investing/Governance and active ownership

Transparency and reporting

With increasing scrutiny and expectations from various stakeholders, it is vital that we are transparent about our stewardship activities and outcomes.

Transparent disclosure

Our corporate purpose - enabling our clients to be better investors - drives us to achieve the highest standards in our operations and in the investments we make, and to achieve our clients desired outcomes.. The processes and methodologies described in this document are designed to deliver these outcomes for our clients.

In our reporting, we aim to demonstrate the outcomes-orientated stewardship and sustainable investment activities we undertake and to report on the exposures in the portfolios we manage on behalf of clients. Transparent disclosure allows our clients to understand the portfolios and to hold us to account for our consideration of ESG factors and our actions in holding to account investee companies.

We provide regular Sustainable Investment Reports to many of our clients, invested in public market assets, with the aim of increasing the transparency of our fund management approach and supporting client decision making. These contain important portfolio-level metrics related to climate change and scoring of ESG factors which allow our clients to assess the performance of our portfolios in comparison to a benchmark portfolio and also to measure absolute and relative changes over time. We place a great deal of importance on the consideration of these factors and are continually seeking improvements in how they are addressed. This should, in turn, be reflected in improvements to the performance of our portfolios over these metrics and clients should be able to challenge us to explain how our portfolios measure up against these metrics.

It is also important for us to report on how we have discharged our responsibilities for oversight and analysis of the investments we make on behalf of clients. We previously described the engagement and voting processes through which we influence the companies in which we invest. We currently provide information on these activities through various regular reporting mechanisms including quarterly Active Ownership Reports. We also disclose every voting decision we make on our website, the day after a general meeting. The Active Ownership Reports seek to provide details of a cross section of global engagements, including information on the reasons for engagement and the outcomes delivered. On pages 50 to 52, we provide a number of engagement examples from our quarterly Active Ownership Reports. This company-level reporting is complemented by our Sustainable Investment Reports which also provide visibility of our active ownership efforts across individual client portfolios.

We are increasingly reporting more granular information relating to our voting and engagement activities upon request and in-line with key industry initiatives, such as the Pension and Lifetime Savings Association (PLSA) and Investment Consultants Sustainability Working Group (ICSWG) templates. In terms of engagement we are providing details of our engagement activity, the types of meetings held, progress through the engagement lifecycle and more information on the outcomes of our engagement. We have also started sharing voting data with Tumelo for a subset of our portfolios to provide greater visibility for our clients. This additional granularity will form a key part of the reporting improvements we will be delivering for clients going forward.

The regulatory environment relating to disclosure of ESG activities and sustainability is also changing quickly. Although the additional reporting described above will go some way to meeting new regulatory requirements, we will continue to develop new disclosures to meet regulations that apply to us and our clients. This includes analysis and reporting relating to the European Taxonomy for sustainable activities and providing the data required by our clients and their trustees in order to satisfy their own Task Force on Climate-related Financial Disclosures (TCFD) reporting obligations.

Moreover, the Sustainable Finance Disclosure Regulation (SFDR) came into force in 2021 as part of the EU's Sustainable Finance Action plan, with the aim of standardising and increasing the visibility of sustainability disclosures to institutional asset owners and retail clients. As part of this, it created different fund classifications (Articles 6, 8, and 9) with different disclosure requirements driven by the nature of the environmental and social outcomes defined for each fund. In 2021, we made the relevant Level 1 disclosures and we will be making the necessary Level 2 disclosures in 2022 in line with the current regulatory requirements and timeline.

There are a number of projects across the company looking at the digital transformation in the industry to enable us to meet the future needs of our clients. These projects will look to enhance the delivery of all reporting content in line with regulatory requirements and to fully meet client needs.

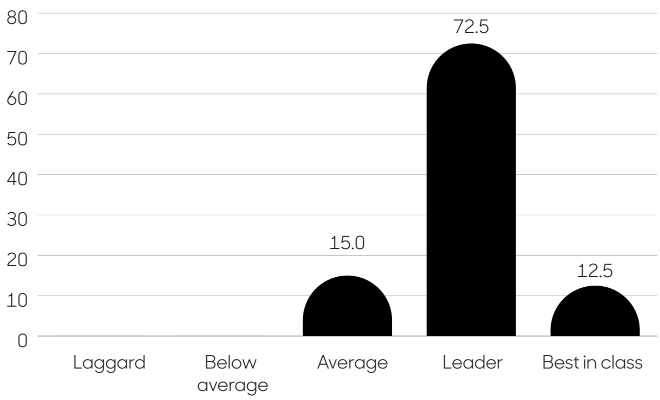
To ensure accurate and balanced content in our client reporting, our publications are reviewed by our internal subject matter experts.

Transparent disclosure

We believe it is important to provide a suite of reporting that provides examples of our activities at an entity level. This demonstrates the breadth of our actions across geographies and asset types and more granular detail of specific activities relating to specific funds. We also seek to demonstrate the outcomes of our stewardship as a whole by reporting on key climate and ESG metrics at a fund level. This provides clients with information on how our funds compare against an appropriate benchmark.

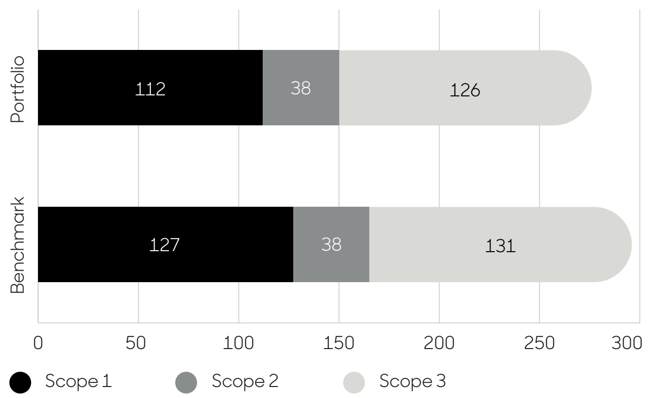
The below charts illustrate some of the information that is contained within the Sustainable Investment Report for one of our Global Equity funds.

ESG Quality Score Distribution
%



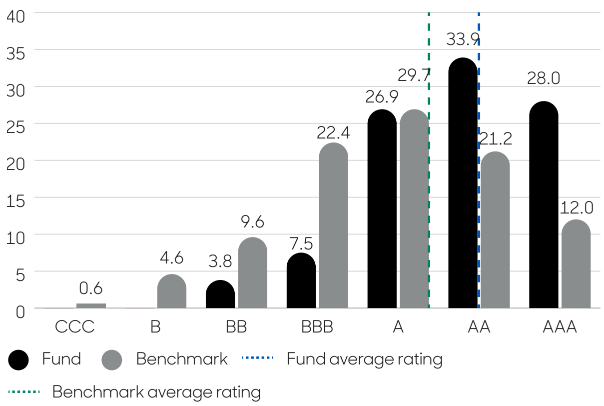
Source: abrdn

Fund Carbon Footprint
Weighted Average Carbon Intensity (tCO2e/USDm)

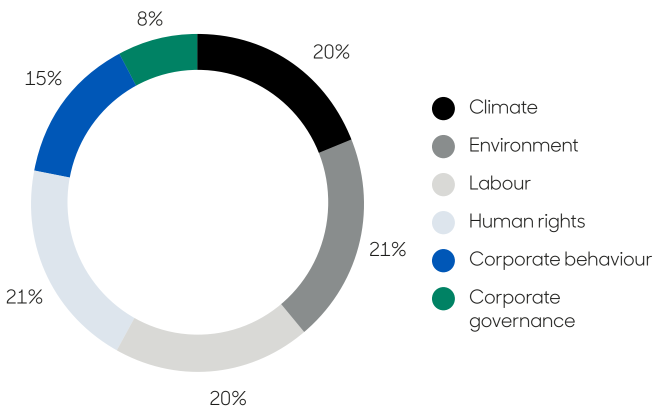


Source: Trucost

MSCI ESG Rating Distribution Fund



Our ESG Engagement Activity



Source: abrdn, 31 Dec 2021. abrdn derived averages based on underlying MSCI company ratings. Information provided for illustrate purposes only.

Links

2021 Active Ownership Reports

Q1 2021

View **here**

Q2 2021

View **here**

Q3 2021

View **here**

Q4 2021

View **here**

Additional information on our voting, position statements and our position on sustainable investing issues is available on our website:

Social Factors

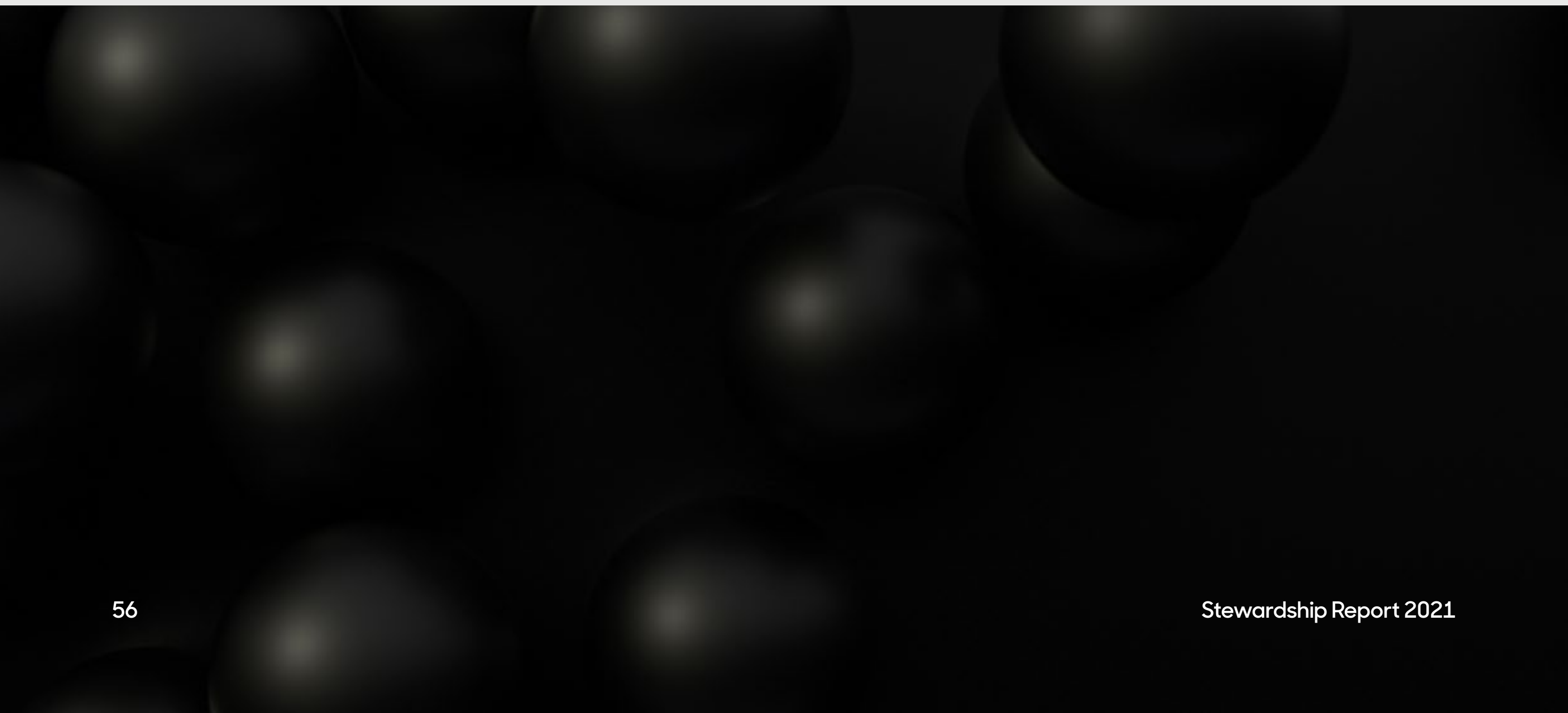
View **here**

Environment and Sustainability

View **here**

Climate Change

View **here**



Metrics, data and milestones

We measure and monitor our stewardship activities, and share our progress. We are always striving to improve.

Our achievements

Rated A+

for strategy and governance by PRI

2597

company engagements conducted where ESG was discussed in 2021

Net Zero Asset Managers initiative

signatory

Commitment

to reduce the carbon intensity of the assets we invest in by 50% by 2030

30%

of our AUM committed to be managed in line with net zero 2050

Actively involved in COP26 and contributed towards a range of climate industry initiatives

Metrics, data and milestones

4

climate-focused funds launched in 2021 to enable our clients to achieve their climate goals

72%*

of our Equity funds have a carbon intensity below their benchmark

Published our Real Estate Net Zero 2050 blueprint

Implemented biodiversity improvements in our real estate investments

Net zero

target in our operations by 2040

Carbon neutral

since 2020 through offsetting 110% of our operational emissions

*Source: abrdn, 31 Dec 2021.

Metrics, data and milestones

62%

reduction in our operational emissions compared to our 2018 baseline

Pledged to work with our top 50% of suppliers by spend, asking them to put in place net zero targets by 2025

AAA

ESG rating from MSCI

Top 3%

in our sector for DJSI World and Europe

45%*

women on our Board and 36% in Senior Leadership positions

Ranked

in Bloomberg Gender Equality Index 2021

* Catherine Bradley's appointment in January 2022 has since moved our Board diversity to 50%

Metrics, data and milestones

9%

ethnic minorities
on our Board

37%

of our 2021 graduate
intake came through our
diversity partnerships

Winner

of the European Though
Leadership of the Year Award
for ‘A Woman’s Place:
equality in the 21st century’

Top 75

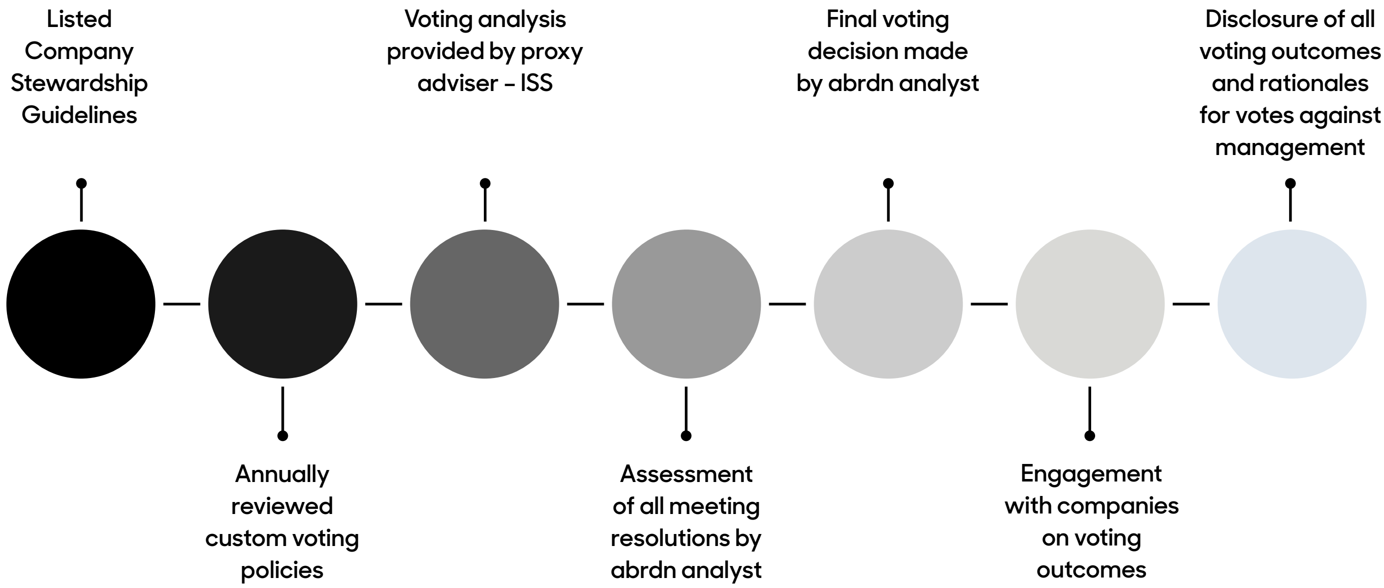
UK Social Mobility
Employer 2021

UK Living Wage and
Living Hours accredited

£4.4m

invested in Learning
and Development in 2021

Voting process and metrics

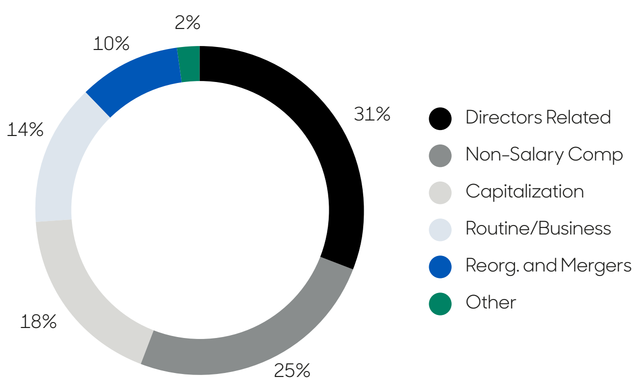


Actively voting across our portfolios

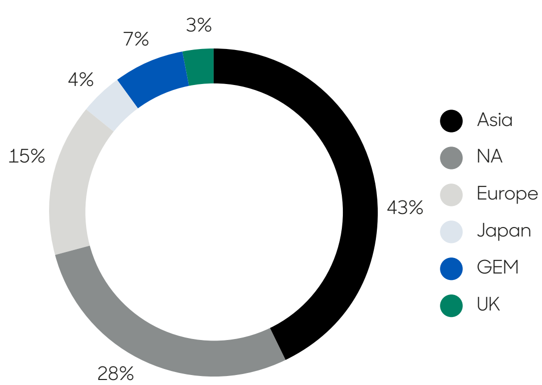
Our 2021 voting statistics

Voting Stats 1/1/2021 to 31/12/2021	Total
Number of meetings voted	7,304
Number of meetings with at least 1 vote against	3,686 (49%)
Total number of resolutions voted	75,398
Percentage of resolutions voted against management recommendations	11%
Percentage of votes different from ISS Policy	8%

Reasons for votes against management recommendations



Geographical breakdown of votes against management recommendations



Source: abrdn, 31 Dec 2021.

Equities ESG Q Scores of companies held, by region

ESG Q	5	4	3	2	1	Total
Asia Team	1	15	365	141	7	529
Europe Team	0	10	72	71	7	160
GEM Team	1	17	82	50	5	155
Small Cap Team	0	2	24	43	11	80
UK Team	4	22	118	56	14	214
US Team	1	11	104	92	17	225
Total	**7**	**77**	**765**	**453**	**61**	**1363**

Source: abrdn, 5 Apr 2022.

Our operational metrics

We reduced our operational emissions by 62% since 2018.

2018
32,218
tCO_2e

Scope 1	Gas	6%
	Car	2%
	F-Gas	1%
Scope 2	Electricity	21%
	District Heating	1%
Scope 3	Flights	68%
	Transmission and distribution	1%

2020
14,433
tCO_2e

Scope 1	Gas	7%
	Car	1%
Scope 2	Electricity	24%
Scope 3	Flights and rail	13%
	Working from home	55%
	Transmission and distribution	1%

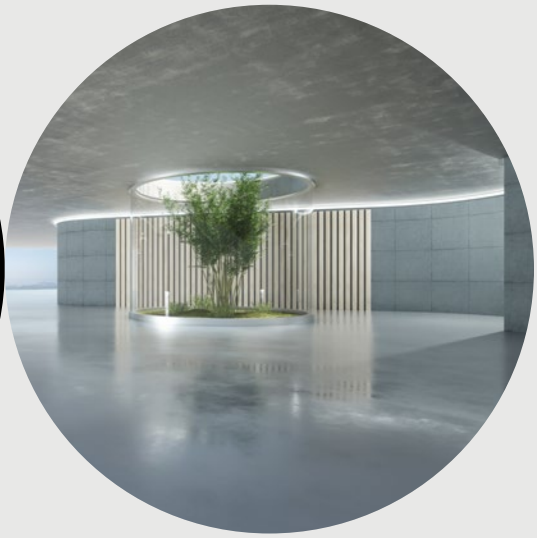
2021
12,295
tCO_2e

Scope 1	Gas	7%
	Car	1%
	F-Gas	1%
Scope 2	Electricity	19%
	District Heating	<1%
Scope 3	Flights and rail	5%
	Working from home	65%
	Transmission and distribution	1%
	Waste	<1%

Source: abrdn, 31 Dec 2021.

Appendix:

Mapping to the UK Stewardship Code Principles



Mapping to the UK Stewardship Code Principles

UK Stewardship Code Principle	Page Number(s)
Principle 1 Signatories purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	3–38
Principle 2 Signatories governance, resources and incentives support stewardship.	9–18, 20–25, 40–44
Principle 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	17–18
Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	27–31, 40–49
Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.	9–18, 20–25
Principle 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	9–18, 20–25, 54–56
Principle 7 Signatories systematically integrate stewardship and investment, including material environments, social and governance issues and climate change, to fulfil their responsibilities.	27–38, 40–52
Principle 8 Signatories monitor and hold to account managers and/or service providers.	16, 43
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	40–47
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.	43, 47, 49
Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.	9–11, 40–52, 54
Principle 12 Signatories actively exercise their rights and responsibilities.	23–35, 43–47, 62

DH number: GB-170522-175035-4

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