Stewardship Report

2022

abrdn.com

Contents

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

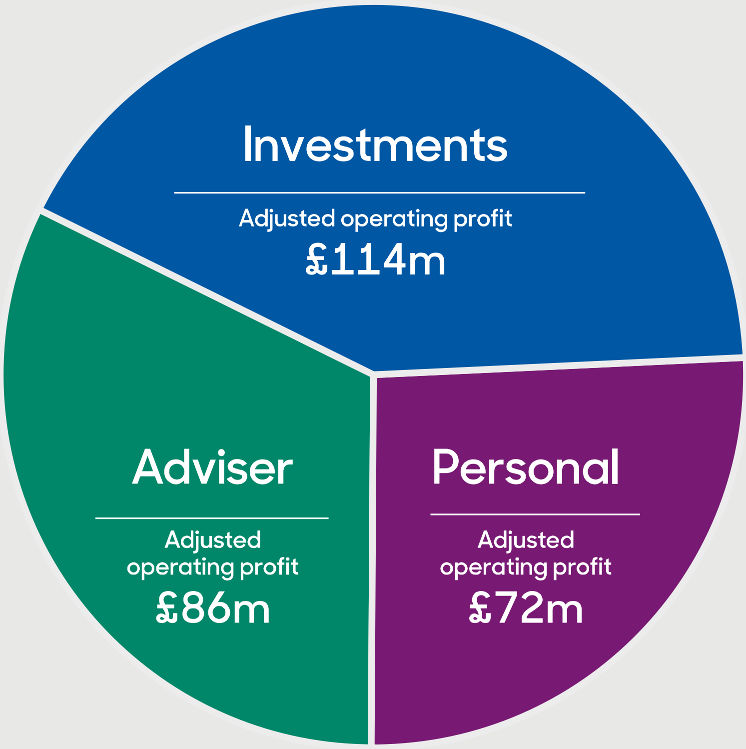
At a glance

Resilience from diversification

Our clients' worlds are changing, and so are we

Global investing	UK savings and wealth platforms	
Investments	**Adviser**	**Personal**
– Insurance companies – Sovereign wealth funds – Independent wealth managers – Pension funds – Platforms – Banks – Family offices	– Financial advisers – Discretionary fund managers	– Individuals

As industry trends and client investment behaviours have evolved, so have we. In 2022 we focused on diversifying the earnings profile of our business – moving away from reliance on the market level-driven revenues of a traditional asset manager and, through building the earnings potential of our Adviser and Personal vectors, positioning ourselves to leverage opportunities in areas that are being driven by attractive structural factors.



Note: Adjusted operating profit in 2022 is £263m, including a loss of £9m from Corporate/strategic which is excluded from the diagram above.

Our strategy is to deliver client-led growth

Our four strategic priorities are focused on growth in the following areas

Growth in Asia | Sustainability | Alternatives | UK savings and wealth

Our three businesses are

Investments

Our capabilities in our Investments business are built on the strength of our insight – generated from wide-ranging research, worldwide investment expertise and local market knowledge.

AUM
£376bn

Adviser

Providing financial planning solutions and technology for UK financial advisers.

AUA
£69bn

Personal

Powered by the UK's second largest direct-to-consumer investment platform, enable individuals in the UK to plan, save and invest in the way that works for them.

AUA
£67bn

Our purpose is to enable our clients to be better investors

Our investment capabilities

We have simplified and focused our capabilities on areas where we have both the distinctive skills and the scale needed to capitalise on the key themes shaping the market, through either public markets or alternative asset classes.

Public markets AUM[1]
£289bn

Alternatives AUM[1]
£87bn

Our broad global reach and expertise[2]

[1] Public markets and Alternatives AUM includes Insurance assets.

[2] AUM is based on client domicile and revenue is allocated based on legal entity revenue recognition. Revenue is shown for the Investments business only, see abrdn plc Annual report and accounts 2022 for further detail.

Our CEO introduction

"We are trusted stewards of our clients' capital. Our approach to stewardship and active ownership supports our purpose of enabling our clients to be better investors.""

Stephen Bird
Chief Executive Officer

At abrdn, we believe we have a duty to be engaged owners of the assets in which we invest, as we aim to enhance the value of our clients' investments. We have developed deep knowledge and expertise in this area, supported by strong research and insights from our abrdn Research Institute. In 2022 alone, we voted on over 75,000 resolutions – highlighting our commitment to active ownership.

Fundamentally, we believe that having a full and thorough understanding of the environmental, social and governance factors that impact our clients' goals enables better investment decisions. That is why we take tangible steps to embed these considerations into our investment processes.

We have aligned our approach with the UK Stewardship Code. The Code and its Guiding Principles have helped focus our thinking and ensure that we are developing our strategies, investment beliefs and culture to create long term value for clients, the economy, the environment and our society. We detail these steps in the report.

To support our ambitions, our recently appointed Chief Sustainability Officer has created and led the Sustainability Leadership Group over the last twelve months in our Investments vector. This year, we will also welcome a new Chief Investment Officer, who will support with our stewardship ambitions.

We also updated our materiality assessment in early 2023, giving us better insight into key sustainability topics and priorities going forward. The combination of strong, accountable leadership and a deep understanding of material considerations will help to embed and deliver our strategy across different asset classes and is positioned at the heart of our investment approach.

Key to enabling better investing are our people – they are essential to delivering our client-led growth strategy and our active ownership ambitions. Our objective is to create a transparent, inclusive culture where our teams feel empowered to deliver against our clients' objectives while striving to raise standards in the industries and companies in which we invest.

We seek to create positive change and to be measured on our actions not just our words. Delivering real-world impact is a complex journey. We have a responsibility to hold ourselves to account, and to work to achieve our clients' goals. With a focus on transparency, reporting and data disclosure, we remain resolute in driving towards our commitments. By continuing to engage with our clients, our colleagues and our communities, we will play our part in creating a more sustainable society.

Summary of the UK Stewardship 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 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 its 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 81 highlights how the content within this report aligns to each principle.

Our governance framework is designed to serve our stakeholders' needs

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

Governance framework

Board

The Board's role is to organise and direct the affairs of abrdn plc and the abrdn group in accordance with the company's constitution, all relevant laws, regulations, corporate governance and stewardship standards. The Board's role and responsibilities, collectively and for individual Directors, are set out in the Board Charter. The Board Charter also identifies matters that are specifically reserved for decision by the Board.

The Board regularly reviews reports from the Chief Executive Officer and from the Chief Financial Officer on progress against approved strategies and the business plan, as well as updates on financial market and global economic conditions. There are also regular presentations from the CEOs of the Investments, Adviser and Personal vectors, and business functional leaders.

Chairman

- Leads the Board and ensures that its principles and processes are maintained.
- Promotes high standards of corporate governance.
- Together with the Company Secretary, sets agendas for meetings of the Board.
- Ensures Board members receive accurate, timely and quality information on the Group and its activities.
- Encourages open debate and constructive discussion and decision-making.
- Leads the performance assessments and identification of training needs for the Board and individual Directors.
- Speaks on behalf of the Board and represents the Board to shareholders and other stakeholders.

Chief Executive Officer (CEO)

The CEO operates within authorities delegated by the Board to:

- Develop strategic plans and structures for presentation to the Board.
- Make and implement operational decisions.
- Lead the other executive Directors and the ELT in the day-to-day running of the Group.
- Report to the Board with relevant and timely information.
- Develop appropriate capital, corporate, management and succession structures to support the Group's objectives.
- Together with the Chairman, represent the Group to external stakeholders, including shareholders, customers, suppliers, regulatory and governmental authorities, and the local and wider communities.

Senior Independent Director (SID)

The SID is available to talk with our shareholders about any concerns that they may not have been able to resolve through the channels of the Chairman, the CEO or Chief Financial Officer, or where a shareholder was to consider these channels as inappropriate. The SID leads the annual review of the performance of the Chairman.

Non-executive Directors (NEDs)

The role of our NEDs is to participate fully in the Board's decision-making work including advising, supporting and challenging management as appropriate.

Nomination and Governance Committee

- Board and Committee composition and appointments.
- Succession planning and talent development.
- Governance framework.
- Culture, Diversity, Equity & Inclusion (DEI).

Audit Committee

- Financial reporting.
- Internal audit.
- External audit.
- Whistleblowing.
- Regulatory financial reporting.
- Non-financial reporting (ESG).

Remuneration Committee

- Development and implementation of remuneration philosophy and policy.
- Incentive design and setting of executive Director targets.
- Employee benefit structures.

Risk and Capital Committee

- Risk management framework.
- Compliance reporting.
- Risk appetites and tolerances.
- Transactional risk assessments.
- Capital adequacy.
- Anti-financial crime.

Executive leadership team (ELT)

The ELT supports the CEO by providing clear leadership, line of sight and accountability throughout the business. The ELT is responsible to the CEO for the development and delivery of strategy and for leading the organisation through challenges and opportunities.

Vectors

The CEOs of our Investments, Adviser and Personal vectors support the group CEO to deliver growth across the business.

Talent

The Chief People Officer (CPO) supports the CEO in developing talent management, succession planning and culture initiatives.

Efficient Operations

Strategy, Technology, Legal and Finance ELT members, including the CFO, support the CEO by overseeing global functions and the delivery of functional priorities.

Control

The Chief Risk Officer (CRO) supports the ELT and the CEO in their first line management of risk.

Our corporate and internal governance

Investment Vector Executive

The Investment Vector Executive (IVE) comprises of senior leaders within the Investments vector (as well as key 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 strong 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 Investment Vector 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.

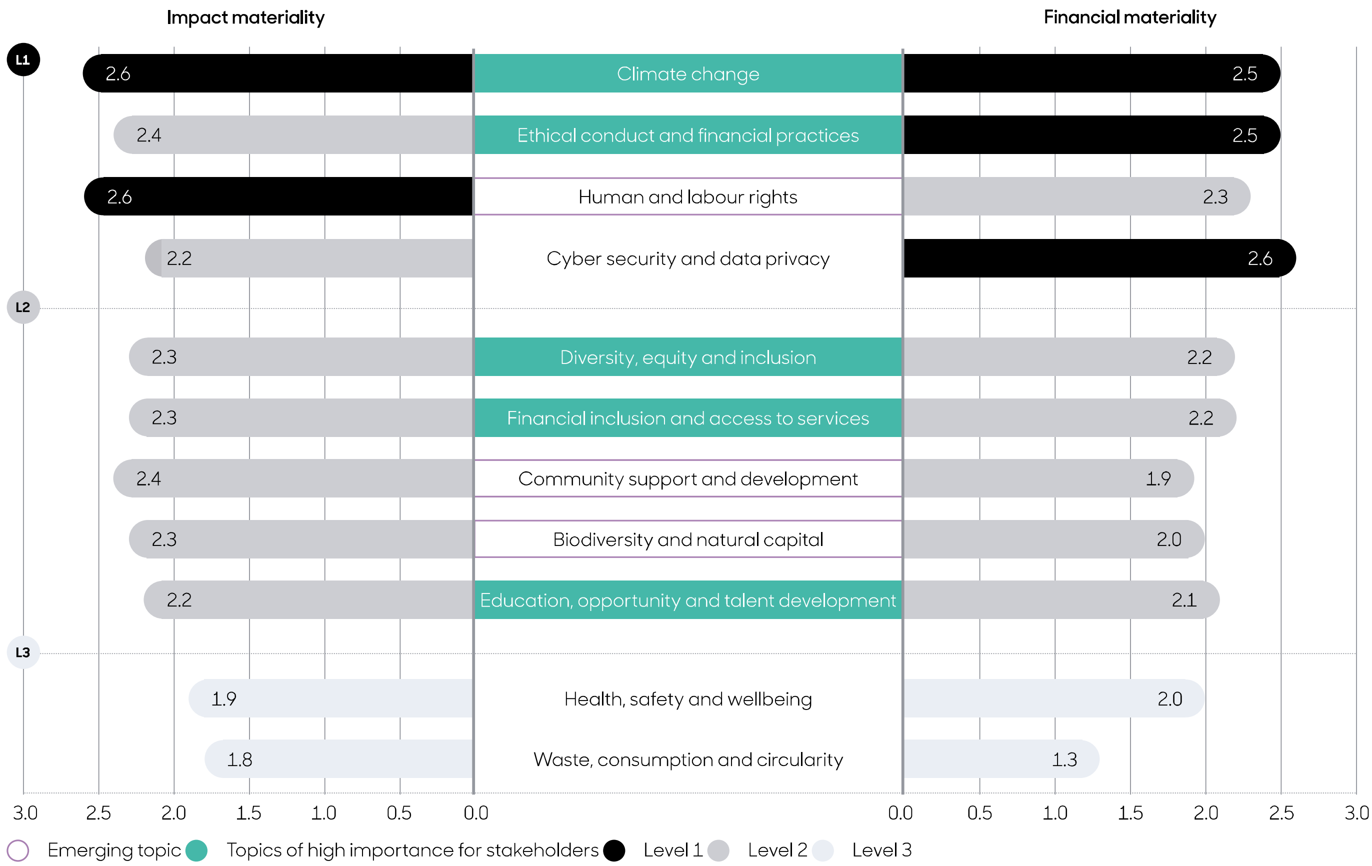
   The structure is designed to provide the necessary oversight and assurance for those responsible for the delivery of our corporate strategy and outcomes, as well as meeting all the various regulatory requirements that are inherent within the operations of a global investment business.

Corporate Sustainable Materiality

Our previous sustainability materiality assessment was conducted in 2019 with the intervening period subject to geopolitical upheaval, increasingly extreme weather events and global economic pressures. We have also been through a period of change as a company, and have implemented a diversified strategy to reflect a changing investment landscape. Our updated assessment – completed in early 2023 – is therefore a timely refresh of our material topics and will support our forward-looking sustainability priorities. Our view of best practice has also evolved, and we have completed a 'double materiality' assessment in line with our understanding of emergent disclosure standards.

Further information on our materiality assessment process and outputs can be found on pages 83-86 of our Sustainability and TCFD report 2022.

2022 Sustainability and TCFD report



Investments Vector Sustainability Governance[3]

[3] It should be noted that the stewardship code is applied to our investment vector. Our personal and advisor vectors do not make direct investments.

In early 2022, we enhanced our governance structure by appointing a Chief Sustainability Officer (CSO) for our Investments vector. In this newly appointed role, our CSO is an executive member of the Investments Vector Executive and has overall responsibility for setting our sustainable investing strategy, ensuring ESG (Environmental, Social and Governance) factors are integrated and stewardship activity is executed across the vector. Our CSO reports to our two regional Investments Vector CEO's for UK, EMEA & Americas, and Asia Pacific, who have the responsibility of facilitating this goal. However, given we integrate ESG considerations into our investment approach, the IVE is responsible for enforcing this at an asset class level.

Our CSO also leads our c. 30-strong Investments Vector Sustainability Group (IVSG) which is responsible for setting the associated sustainability standards, delivering sustainability insights, driving our active ownership strategy and supporting our clients across the vector.

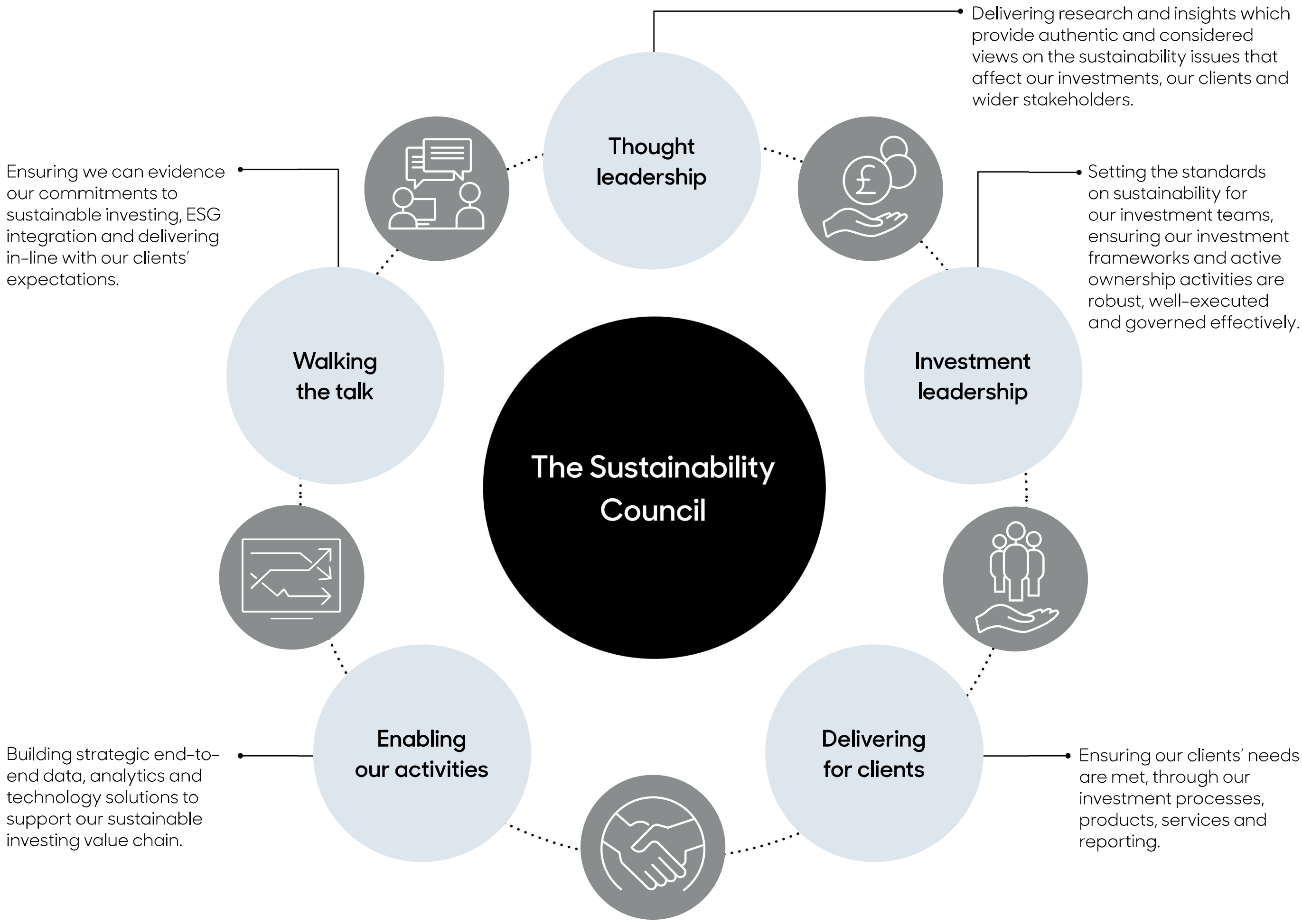
Sustainability Council

The Sustainability Council is a senior governance body with responsibility for ownership and implementation of the sustainability strategy across the full spectrum of services delivered by the Investments vector. It ensures different parts of the business have clear accountability for their areas. It approves the principles and plans set by the underlying strategy groups and provides an escalation mechanism to help us manage complex sustainability issues and risks within our investments business.

The Sustainability Council is chaired by the Investments vector's CSO. It is comprised of members of the IVSG, as well as senior managers and sustainability specialists who oversee and drive sustainable investing across the company, allowing us to coordinate sustainability matters across the investment vector. The council has the authority to set sustainability standards, approve policies and set practical guidelines for the implementation of our sustainable investing strategy.

Key investment priorities

The Council oversees five key investment priorities (shown in the diagram below). These are areas of focus that are set centrally to ensure we are targeting client led sustainable investment outcomes, leveraging proprietary research and strategic partnerships.

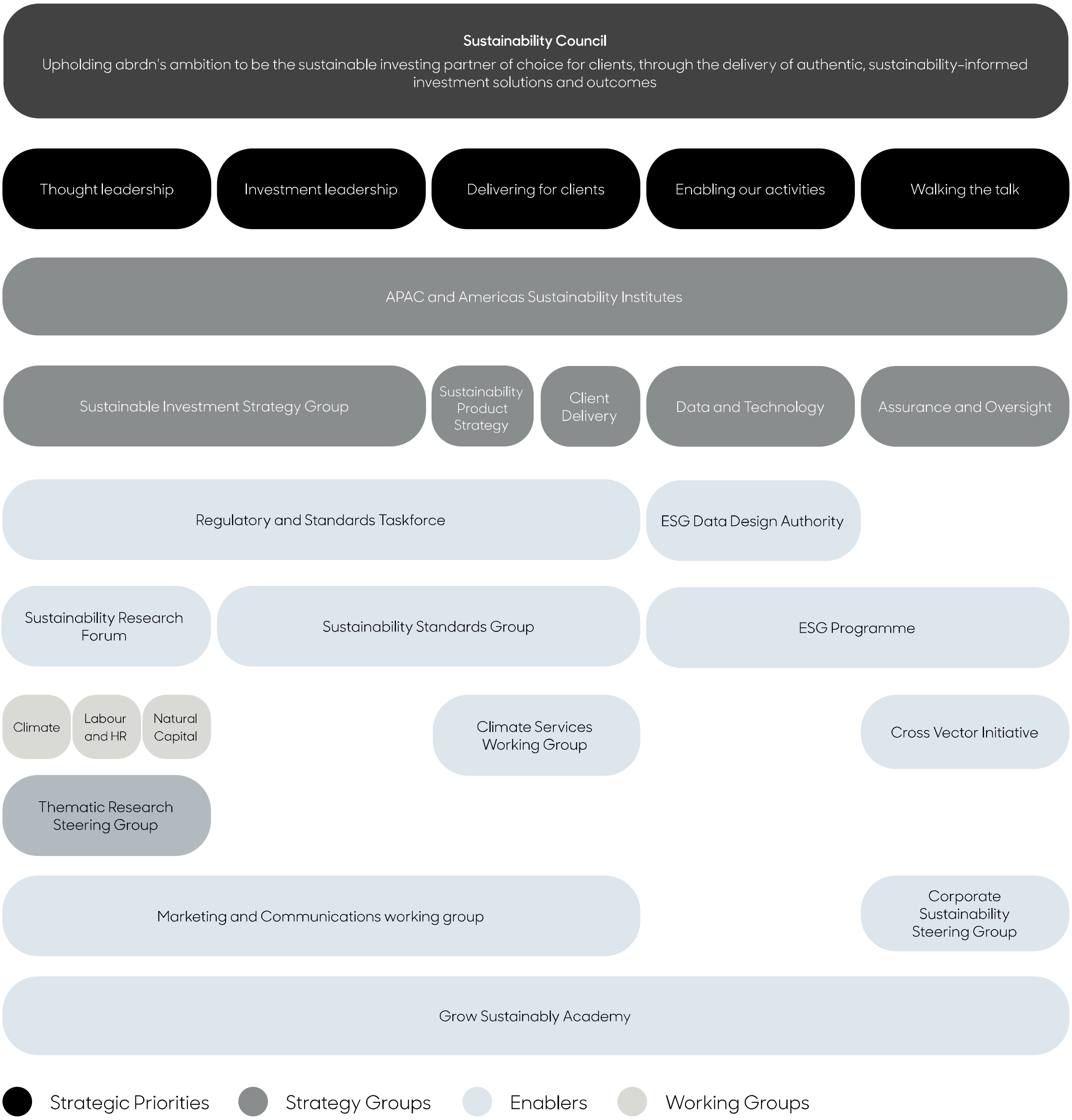


Investments Vector Sustainability Governance[3]

[3] It should be noted that the stewardship code is applied to our investment vector. Our personal and advisor vectors do not make direct investments.

Sustainability Council Governance Structure

In order to deliver the Investment vector's strategic sustainability priorities, the Sustainability Council leverages the following underlying governance structure:



Source: abrdn, Sustainability Council, Feb 2023.

Investments Vector Sustainability Governance[3]

[3] It should be noted that the stewardship code is applied to our investment vector. Our personal and advisor vectors do not make direct investments.

The strategy groups are aligned to the Council's strategic priorities and are responsible for designing and leading the strategy for their individual areas that will enable the business to meet the strategic priorities set by abrdn's Investments vector centrally. The strategy or plan proposed by the strategy groups requires sign-off by the Sustainability Council which delegates responsibility for the implementation and progress reporting to the relevant business areas. The strategy groups are accountable to the Council for delivery.

The regional Sustainability Institutes own the sustainability strategy across Asia Pacific and the Americas, with the ability to directly escalate to the Sustainability Council. They mobilise regional staff and business functions to deliver on the strategy and bring this nuance to the overall strategic priorities.

The enabling groups are responsible for delivering and implementing activity on the mandate set by the strategy groups. They often straddle multiple strategy groups, reporting progress into the relevant groups around delivery of the sustainability strategy for the Investments vector.

For details of the high-level responsibilities of the strategy groups and enablers, please refer to Appendix 79.

Sustainability Council alignment with wider Investments vector governance

The Strategic Pillars are aligned to various governance groups within the Investments vector, providing an escalation and reporting mechanism to the highest level of management of the Investments Vector.

- The Sustainability Council reports into the Investments Vector Executive Forum.
- Issues around 'Thought leadership' and 'Delivering for clients' are escalated to the Investments Vector Growth Forum.
- Issues around 'Investment leadership' are escalated to the Investment Forum.
- Issues around 'Walking the talk' and 'Enabling our activities' are escalated to the Investments Vector Risk & Controls Forum.

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 Grupo Mexico case study on this page demonstrates our governance structure in action, and how we take into account into account all our stakeholders' needs.

Page 33 provides details of developments in our ESG (and stewardship) 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 against 19 investment modules. We achieved the highest possible rating of five stars across nine modules and a four-star rating for the remainder.

We produce an annual internal controls report for our investment business. 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 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 from the independent auditor.

During 2022, 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 independent Assurance Statement found on pages 99-101 of our Sustainability and TCFD report 2022.

2022 Sustainability and TCFD Report

Case study
Grupo Mexico

We screen certain fund ranges, e. g. , Sustainable or Thematic, against adherence to the principles of the UN Global Compact (UNGC), which cover human rights, labour rights, corruption, and environmental concerns. There is no universal, authoritative standard on what constitutes a breach of the UNGC principles so judgement must be applied. We use third-party data and analysis to highlight companies considered to be in breach of the UNGC principles and pair this with our own analysis. Third-party assessments provide an independent view. However, at times, detail to support this view can be limited. Our own analysis often provides the further information needed to come to an informed conclusion on NGC breaches.

Our process is overseen by a Sustainability Standards Group, with representative membership from across the business. The group acts as an escalation point to challenge views on UNGC breaches. Through this forum, individual companies' adherence to the UNGC principles is assessed in order to determine whether investment is appropriate for the relevant fund ranges.

To illustrate this process, in March 2022 the Group agreed to override an external data provider's assessment that Grupo Mexico failed the UN Global Compact on the basis of Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, in reference to multi-year strikes at multiple mining sites.

Reaching this decision involved significant dialogue between the Sustainability Standards Group, on-desk analysts covering the company, representatives across wider asset classes, and engagement with the company. Within the evidence for upgrade, we noted the historic nature of the incidents and subsequent remedial actions not captured in the assessment, and the company's adherence to the Copper Mark framework: an initiative to promote sustainable practices within the copper industry. Additionally, engagement efforts evidenced a good pace of positive change at the company, progress against our own milestones, and action taken by the company on its own merit was recognised. Milestones recommended by the Group were also achieved during this consultation period, which began in September 2021. Within a few months of us reaching this decision, the external data provider also upgraded the company, removing the company's UNGC 'Fail' status on the basis of Principle 3, validating and giving comfort.

Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

A message from Amanda Young, Chief Sustainability Officer

"We will continue to work hard on behalf of our clients to enhance our stewardship activities, confident that we are able to act as good stewards of our clients' capital."

Amanda Young
Chief Sustainability Officer

It was with great pleasure that I took on my new role as Chief Sustainability Officer for the Investments vector in April 2022. Over my two decades in the responsible and sustainable investment industry, the changes I have witnessed has been unprecedented. In particular, the last five years have seen a rapid acceleration and interest in ESG, sustainable investing and active ownership activities. This has meant we have had to continuously reassess our processes, enhance governance and oversight and evolve our operational capabilities to mainstream these activities.

My new position, reporting to the Investment Vector CEOs, gives me a seat at the Executive table, alongside those leading our asset classes, operations, IT and client activities. This ensures that the right importance and emphasis is placed on ESG integration, sustainable investing and active ownership activities throughout the investment business. This investment chain includes research and insights, our investment activities, active ownership practices, products and services we offer clients, reporting and data and technology.

It has been an exciting year. We have enhanced our, already well embedded and longstanding capabilities by introducing new structures. We have brought together our dedicated experts under the Investments Vector Sustainability Group to ensure we have the right level of expertise across research and insights to set the standards on voting, engagement and investment integration. We have promoted internally four new Heads into the Group, testament to the talent we have at abrdn. We have ensured that all asset classes now have their own heads of ESG, who sit on leadership committees and are also involved in managing money. We have built out new strategy groups and enabling groups.

This will ensure the right accountability is in place for the various areas of business to take ownership of their sustainable investing responsibilities, while maintaining our core independent experts at the centre of the business to enable these activities.

There is still more to be done, particularly around how we operate and bring our established ESG data and proprietary tools into our mainstream investment platforms. In addition, we need to constantly review our control framework to demonstrate how our sustainability commitments are being embedded into our investments.

Alongside these enhancements, I have observed how our engagement activities have contributed to improving corporate behaviour and added crucial insights to our investment processes, which ultimately benefit our clients. We continue to evolve our voting policies, our sustainability standards and ESG integration tools, while horizon-scanning to bring insights to the investment teams on our four themes: aiming to achieving Net Zero, preserving natural capital, promoting a fairer society and championing strong governance and business ethics. These themes focus on enabling our investment teams to understand the risk landscape while identifying investment opportunities.

We will continue to work hard on behalf of our clients to enhance our stewardship activities, confident that we are able to act as good stewards of our clients'capital.
I look forward to the challenges that, no doubt, 2023 will continue to bring with a fantastic group of sustainability and stewardship experts within abrdn.

People as our key asset

Case study
Global Inclusion Forum

We create inclusion together, empowering colleagues to take courageous actions across our business. Clear governance for diversity, equity and inclusion (DEI) is part of this. It enables us to measure progress, hold ourselves accountable and reflect the expectations we have of investee companies.

The Board, through the Nomination and Governance Committee, has oversight of DEI across abrdn, and our DEI actions are led by our Executive Team, with accountability tracked through its scorecard goals and embedded in their enterprise-wide and local actions.

Working with the Executive Team, we have a committee of leaders from each part of our business – our Global Inclusion Forum. The Forum's role is to drive progress in diversity, equity and inclusion across the company. The Forum meets each month to share what is and isn't working in their local areas. It is a working group to help shape and drive forward our strategy and plans and stimulate progress in inclusion across the company. The forum also discusses DEI progress more broadly, offers suggestions and challenges for improvement, and drives local and group-wide actions. The Forum meets with our CEO, Chief People Officer, leaders of our colleague-led networks and other groups to listen and share their unique perspective to evolve priority actions.

In 2022, the Global Inclusion Forum helped to shape the DEI plan which will deliver our strategy for the next two years. Co-creating these actions, which were then ratified by our Board, ensured perspectives from across all parts of our business were reflected. The Forum members also drove delivery of the leadership commitments in 2022, which each Executive Team member takes forward in their function or region.

These commitments help to hardwire DEI through everything we do. Our Forum member from Audit, for example, has influenced a stronger focus on DEI in audits to drive diversity improvements across the business, and our Forum member from Legal has introduced comprehensive DEI metrics to gather data from other legal firms we work with as part of our engagement process. Many of the Forum members have also set up and lead inclusion groups in their local areas, building awareness and capability, and helping colleagues feel empowered to take actions that build diversity, ensure equity and create inclusion every day.

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 103 of our 2022 Annual report and accounts,** we include details of our Directors' remuneration report, where we outline the performance conditions for the annual bonus in 2022, which aims to reward the delivery of our company's business plan. Non-financial performance conditions carry a 35% weighting, which includes a 15% weighting against ESG objectives. These incorporate objectives against environmental (via sustainability and decarbonisation metrics) and social factors (via employee engagement and diversity metrics).

Executive remuneration

Our CEO takes responsibility for climate-related risks and opportunities and is incentivised, alongside our Chief Financial Officer, through climate-related remuneration targets in variable bonus scorecards, which are aligned to company objectives and set by our Remuneration Committee. We shared our intention to introduce these performance metrics in our 2021 Annual report and this is the first year of implementation.

Performance against our stated decarbonisation targets makes up 5% of the overall scorecard and periodic updates on our climate performance are provided to our Remuneration Committee. The Committee then independently reviews the performance for the reporting year. In 2022, we continued to make clear progress towards both the decarbonisation of our investment portfolios and absolute reductions in operational emissions, which is reflected in the Executive Director awards for the year.

People as our key asset

ESG and stewardship expertise

Our investment 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

24 in the UK

03 in APAC

01 in US

12 years' average investment industry experience

Dedicated asset class ESG resources

29 dedicated ESG experts

16 females

13 males

21 in the UK

06 in APAC

01 in the US

01 in Brazil

11 years' average investment industry experience

Training and development

Our training on sustainability-related matters comes in various formats and is delivered to a wide range of colleagues across the business. Globally, we are seeing increasing regulatory expectations on sustainable investing practices across key geographies. These expectations are often wide-ranging, covering areas including how we manage environmental, social and governance (ESG) risks and opportunities in our investments, how we engage with companies, and how we define and label our sustainability products. As a result, we believe that we must continue to enhance our approach and capabilities in line with the evolving sustainable investing landscape and, crucially, that this is underpinned by a strong commitment and innovative approach to learning and development.

In 2022, we designed a training programme, under the Grow Sustainably Academy, which is being rolled out across investments in 2023. This covers a variety of topics from regulations and greenwashing, to training on our proprietary tools. The programme also includes dedicated sessions on active ownership – focusing on our approach to voting and engagement.

Our stakeholders

Clients

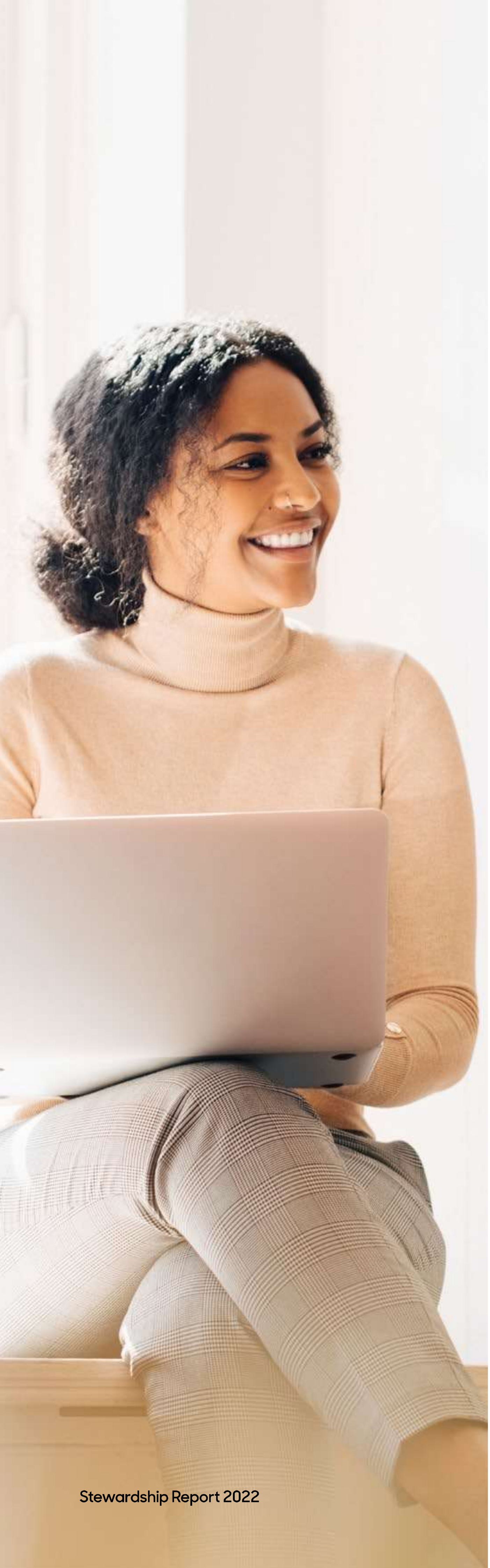
We continuously seek opportunities to fully understand our clients' investment and stewardship needs so that we can tailor investment solutions and wider outcomes that meet or exceed their expectations. We have a broad range of clients who invest with us from large strategic partners, through corporate 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 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 by organising seminars, webinars and round-tables 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 2023 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.

In 2022, a significant proportion of our time and effort was spent supporting our clients' increasing stewardship requirements and expectations.



Our stakeholders

For example, in Asia Pacific, we held our inaugural APAC Sustainability Week, welcoming clients from across the region to share our thought leadership and discuss regional sustainability challenges and opportunities as part of a one-day summit in Singapore. We also launched a joint Sustainable Investing e-learning module with the Investment Monetary Authority of Singapore (IMAS), which helped upskill more than 560 students and financial professionals across the region.

In the Americas, we followed in the footsteps of Asia Pacific one year previously, by launching our dedicated Americas Sustainability Institute. The Institute focuses on developing sustainable investment solutions for clients, aligning and applying consistent sustainability standards, methodology and reporting, and leveraging our global perspective in influencing issues that affect our clients and engagement with investee companies across the region.

In addition to the Institutes, we hosted and attended numerous client round-tables and events, and provided client training and education on stewardship and sustainability matters upon request.

From a product perspective, we converted 27 of our pooled funds to SFDR Article 8 and 9 to further support our clients' increasing sustainability preferences. We also expanded our sustainability solutions, launching a range of sustainable index funds to cater for clients seeking to integrate ESG factors in an efficient manner and launched one of the largest native woodland and peatland restoration projects, in Scotland's Cairngorms National Park, to support our clients' environmental objectives. Furthermore, we collaborated with numerous clients in the design and conversion of their segregated mandates to become more ESG focused and implementing enhanced screening (e.g. of controversial issues).

Other noteworthy mentions include: supporting the development of a strategic client's Net Zero transition strategy and enhancing our associated reporting to include enhanced forward-looking climate metrics; partnering with one of our strategic clients to test the Task-Force for Nature-related Financial Disclosures' (TNFD) Beta reporting framework, ahead of the full version's planned release in Q3 2023; collaborating with numerous clients in the design and conversion of more ESG focused segregated mandates, screening out controversial issues and ESG laggards, and positively screening for ESG and Net Zero transition leaders.

Expectations from clients on how we report on our stewardship activities continues to remain high and was a key theme in the client feedback we received during the period. For details of our associated client reporting please refer to the Transparency and reporting section (pages 73-77).

Our stakeholders

Employees

In 2022, we refocused our business to deliver our strategy of client-led growth. Our people are essential to this, and our objective is to create a transparent, inclusive culture where the best talent from all backgrounds can succeed.

Building our culture

In 2022 we started a piece of work to define our culture and our Executive team worked with hundreds of colleagues across our global business to build a set of cultural commitments. These are aspirational statements which will help us create a business that all our people want to work for, to shape what it feels like to be a colleague at abrdn and create an environment where everyone can fulfil their full potential. We also trained a group of internal facilitators to help support conversations and the embedding of our commitments across the organisation.

Our commitments

We put the **client first.** From every seat in our business, we understand our unique role in enabling our clients to be better investors, regardless of where we fit in the organisation.

We are **empowered**. We speak up, challenge and act. We take ownership for our work, we accept accountability for our successes and, when they happen, our failures too.

We are **ambitious**. We strive for exceptional performance. We also know when to balance pace with perfection to get things done. We are passionate about the positive impact we can have on our business.

We are **transparent**. We have the honest and important conversations that fuel our performance and build trusted relationships.

Our latest engagement survey

Our annual engagement survey provides all colleagues the opportunity to share their feedback and tell us what it is like to work at abrdn.

Over 80% of colleagues took part in the survey in 2022, with nearly 14,000 verbatim comments giving us a rich picture of where we are seeing improvements and the areas on which we need to continue to focus. 2022 saw us work to improve the overall colleague experience, with a focus on developing our cultural commitments, through what has been an incredibly challenging year for markets, the business and for our colleagues.

Through 2022, we saw improvements in our areas of focus - career and talent, inclusion and both transparency and communications. Our people leaders and team relationships continue to be an area of strength, which we will build upon in 2023. We reported that engagement levels at the beginning of the year were at 51% and our most recent survey in January 2023 shows we have held that score at 50% through this year of transformational change. Whilst we are not where we need to be, we are moving in the right direction, have clear plans in place and are committed to continued listening through the year with more regular check-ins on progress.

Speaking up

We are committed to operating in an honest and transparent way across abrdn, and the importance of doing the right thing extends to speaking up should there be an issue relating to any aspect of our conduct. We have a duty to raise any concerns related to our regulatory responsibilities and behaviour that may be in breach of our global code of conduct. This principle helps to protect our clients, customers, colleagues, and our business, as we act with integrity and take accountability for our actions. Further information on this can be found on page 64 of our Sustainability and TCFD report 2022.

Listening to colleague feedback and responding with action

Listening to our colleagues is at the heart of our people strategy. We have a comprehensive plan in place which allows us to hear from our people, whether that be through leadership engagement activity or our more formal survey tool, which we run throughout the year to ensure we remain engaged with what is on the minds of our colleagues and can take appropriate action. This is complemented by our Board engagement activity, which is run throughout the year by our designated Non-Executive Director and through our Board Employee Engagement Plan.

2022 Sustainability and TCFD Report

Our stakeholders

Regulators and policymakers

The level and scope of regulation in relation to ESG continues to evolve. Although some of this regulation may be subject to change as it evolves, overall it supports a level playing field for the investment industry.

Actively monitoring 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, Asia and all jurisdictions where we operate. 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 and sustainability, investor protection, shareholder rights and engagement, operational resilience, IT and cyber security, fund regulation, trading of financial instruments, access to markets, and prudential regulation.

Affiliations: How we engage with the market

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 large number of external partners providing us with additional stewardship and ESG insight and expertise. For example:

- **Investment Association (IA):** We are members of the IA a UK representative body for asset owners and asset managers. We have representation on the following committees: Stewardship Committee, Remuneration & Share Schemes Committee, Sustainability & Responsible Investment Committee.
- **Principles for Responsible Investment (PRI):** We are signatories to PRI, which is a UN-supported network of investors that works to promote sustainable investment through the incorporation of environmental, social and governance factors.
- **Climate Action 100+ (CA100+):** We are involved in CA100+, which is a collaborative initiative between asset owners and managers to engage with high-carbon emitters, influence disclosure, and encourage positive behaviour in relation to climate risk management.
- **Net Zero Asset Managers (NZAM) initiative:** We are a member of the NZAM initiative that sees asset managers work in collaboration with clients to achieve net zero by 2050 or sooner.

Our stakeholders

Suppliers

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

We expect our suppliers to adhere to high standards in the way that they operate including alignment with 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.

We carry out due diligence on our Third Parties on a risk proportionate basis, and cover key risk aspects including social issues, equality, and environmental impacts.

The outcomes of the due diligence process are reviewed by relevant subject matter experts, and any issues uncovered are raised with the supplier through supplier relationship managers and service owners. It is abrdn's approach to work with suppliers to address any material findings; however, in the unlikely instance where the supplier does not take appropriate action to mitigate risks, abrdn may take steps to exit the agreement - such events include, regulatory breach or fine, non-alignment to our third party code of conduct and continual service failings. Details of how we manage issues relating to modern slavery are provided in our Modern Slavery Statement.

Modern Slavery Statement

Third parties providing certain services are expected to adhere to specific ESG requirements. 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. This mainly applies to staff working within the Facilities area but is also applicable to contractors.

We understand the importance of treating our Third Parties fairly which includes our commitment to paying them on time. We are signatories of the UK's prompt payment code and our policy is to pay all suppliers within 30 days of the invoice being received.

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 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) if required.

Procurement, Outsourcing and Third Party Management

abrdn's Procurement, Outsourcing and Third Party Management policy sets the standards for onboarding and managing third party relationships and inherent risk.

The policy covers:

1. Identification and Segmentation
2. Due Diligence
3. Engagement (contracts)
4. Ongoing Monitoring; and
5. Renewals and exits.

The identification and segmentation stage is where abrdn select the third party service provider. Selection is done on the basis of best value to abrdn, with appropriate due diligence, governance, contractual protection and oversight in place to minimise the risk the third party may pose. A dedicated Procurement team within abrdn work with the business and with abrdn legal to ensure that the required activities, including sourcing, are carried out and that governance is in place. These activities ensure that appropriate SLAs, contractual provisions and due diligence (which covers core domain areas as well as financial health, financial crime screening and relevant sox controls) are in place prior to onboarding. Ongoing monitoring takes place through regular performance meetings (dependent on profile of third party) and regular ongoing due diligence. To support the above, abrdn's Third Party Code of Conduct (which covers a range of topics including: conflicts of interest, bribery and corruption, tax evasion, human rights, and diversity and inclusion) is published on its website as well as being referenced in its standard contracts and purchase orders.

Our stakeholders

Charities

One of the most tangible ways we support our communities, and provide our people with the opportunity to make a wider difference, is through our charitable giving strategy and related partnerships. We are committed to supporting our powerful partnerships strategy through significant contributions and continue to enhance the support our colleagues provide independently. Our total contribution is consistent year-on-year, as we enable our partners to deliver meaningful projects and create more impacts for global communities.

We work closely with our powerful partners to design fair and impactful projects in support of tomorrow's generation. Our related financial contribution is intended to be transformative and to enable partner charities to deliver meaningful projects beyond their existing capabilities. Case studies on Hello World and UNESCO illustrate this in action (from page 79 of our Sustainability and TCFD report 2022) and we require all strategic partners to report periodic progress, so we can consider our contributions in aggregate.

We also support localised giving through our colleague forums, or as donations in support of specific causes linked to global events. The nature of this giving means that some of this can be unrestricted, with smaller charities not always resourced to support impact reporting. We build this into our thinking and give support in a structured way wherever possible.

In 2022, we engaged our regional colleagues to vote on partners aligned to our giving strategy but with programmes applicable to their geographies. This format enabled colleagues to engage directly with the selection process, and we will support the continuation of this connection through the delivery of two-year projects.

Many of our colleagues are passionate supporters of specific causes, or organisations, and we enable this at an individual level though company matching initiatives. We support regular contributions via payroll giving, or enhance one-time fundraising with our matching initiative. We also want to encourage our colleagues to use their time to volunteer in their communities, with more detail on page 82 of our Sustainability and TCFD report 2022.

We continue to build on our strategic approach and will report transparently on our contributions and impacts. More detail on our impacts on page 78 of our Sustainability and TCFD report 2022.

2022 Sustainability and TCFD Report

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. 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.

Our stakeholders

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 and 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 – the funds we manage on behalf of our clients will be eligible to vote at general 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

Conflicts of interest

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 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 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.

Steps taken by abrdn to manage actual, potential and perceived conflicts can include, but are not limited to:

- Procedures to prevent or control the exchange of information between relevevant persons engaged in activities involivng a risk of a conflict of interest where the exchange of that information may harm the interests of one or more customer or client.
- Clear and segregated reporting lines
- Processes to seperate conflicting activities for for clients to ensure that individual employees are prevented from performing activities where conflicts could arise.

Any actual, potential or perceived conflict of interest that cannot be effectively managed, and which poses a material risk of damage to a client's interests, are disclosed to the client before undertaking the business.

All our employees are required to complete our Conflicts of Interest mandatory training module every two years. 99.65% of employees completed the course in 2022. This training is designed to provide employees with an awareness and understanding of conflicts of interest and their responsibilities towards these. Where appropriate, further training is provided and tailored to targeted business areas and to specific roles.

Case study
Examples of conflicts of interest

There are several different scenarios that can create a conflict 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 in India.
2. An employee of abrdn has been offered a position on an external fund board. The conflict is raised on My Compliance Office (our internal compliance system) prior to accepting the role. Appropriate mitigants are put in place and compliance are comfortable to approve based on the controls identified.
3. Potential conflicts can occur when group companies play multiple roles with key partners e.g., one third party could be a client, supplier, and competitor to group companies. In this instance, compliance will engage to ensure the appropriate identification and management is in place. If the conflict cannot be mitigated it will be avoided.

Further information on Conflicts of Interest can be found in our Group Risk Policy

"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 given due consideration within our business. 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.

Building a stronger business model

We are building a stronger business model which is designed to support the successful delivery of our growth strategy by harnessing the combination of strengths in our business[4].

Our areas of strength

Global investment capabilities with expertise in a range of asset classes.

No.1 adviser platform by AUA in the UK powered by leading technology.

Broad capabilities in the UK wealth market including interactive investor, the UK's second largest direct-to-consumer investment platform.

Sustainable investment considerations are integrated as part of the process.

Enduring client relationships built on trust and experience.

Strong capital resources to drive shareholder value.

Channelled through our three businesses

Investments

Collaborating across multiple capabilities creates forward-thinking investment solutions to meet clients' needs.

Adviser

Leading platform for advisers in the UK, continuously improving solutions to create a seamless experience that empowers them to work efficiently and at scale.

Personal

Offering a range of financial services to support clients at all stages of their financial journey.

How we make money

We earn money mainly from asset management and platform fees based on AUMA. We also earn revenue from subscription and trading fees, and earn an interest margin on client cash balances.

[4] Further information on our business model can be found in our Annual report and accounts 2022.

How we operate

Controlled processes

Our control environment helps us manage risk effectively, provide business security and maintain operational resilience.

Efficient operations

We are building our operating model for agility, speed and efficiency, supported by technology which aims to deliver the best possible experience.

Talent

Our talent model constantly strives for excellence, with diversity, equity and inclusion at its core.

Delivering value for our stakeholders

For clients

We focus on delivering outcomes that truly matter to our clients. We draw on our expertise and insight with the aim of delivering long-term investment performance.

65%[5]

of our AUM above benchmark over three years

For our people

We aim to attract and develop the best people for leadership roles, and to offer clear pathways for career advancement.

50%[5]

Employee engagement score

For society

We have important responsibilities to society and the environment. We combine the power of responsible investment with the positive impact we have through our operations.

No.1

Ranked asset manager by World Benchmarking Alliance

For shareholders

We aim to create sustainable shareholder value over the long term. We have a strong track record of returning value to shareholders.

14.6p[5]

Full year dividend

[5] Refer to page 55 of our Annual report and accounts 2022 for relevant calculations & methodology on these data points.

Our Investment Vector 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:

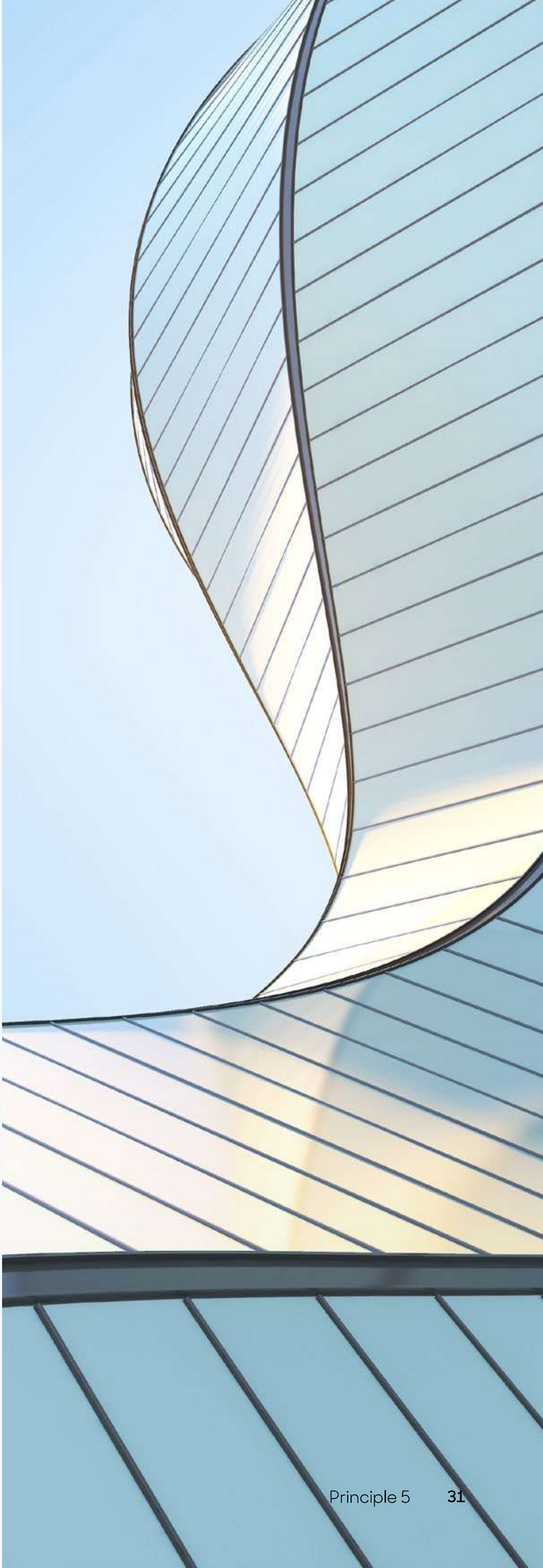
01 **Our investment process:** We integrate and appraise ESG factors in our investment process, and seek to generate the best long-term outcomes for our clients, consistent with their risk and asset allocation preferences.

02 **Our investment activity:** We actively take steps as stewards and seek 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.



Sustainability Research and Insights

We believe that a full and thorough understanding of ESG factors enables us to make better investment decisions, and 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					
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 and safety, equal opportunities, staff retention, training and development, labour relations, talent retention, collective bargaining	Modern slavery, child labour, supply chain issues, inequality, lack of access to resources, land rights, food and nutrition, data privacy, community relations	Anti-bribery and corruption, audit issues, board balance, diversity, remuneration, business ethics, director independence, shareholder rights, accountability, cyber security, tax
Sector, political and geographic considerations	• 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				

Establishing authentic and credible insights and positions on sustainability issues

Our next steps

Sustainability 2023 Strategic Areas of Focus

Upholding abrdn's ambition to be the sustainable investing partner of choice for clients, through the delivery of authentic, sustainability-informed investment solutions and outcomes.

Delivering for Clients	Thought Leadership	Investment Leadership	Enabling our Activities	Walk the Talk
Sustainable Product pipeline.	Strong Sustainability research for investment teams and clients	Strong active ownership to drive positive change	Enhance investment operating model	Greenwashing risk identification and management
Net Zero and ESG themes	Strong voice to drive industry best practice	Building a Strategic framework to ensure fit for the future	ESG Data & Analytics Improvements	Enhance reporting on activities
Grow ESG knowledge among Client Group and clients/prospects	Partner and collaborate internally and externally	Develop Sustainability Impact Model	ESG digital toolkit	Upskill staff on ESG and greenwashing risk knowledge
Enhance client messaging and channels	Produce insights & thought leadership on Sustainability Themes		Efficiency and simplification	Enhance controls environment
Global Sustainability Campaign			Delivery from the ESG programme into operating model	

Our ESG Enablement Programme next steps

We continue to progress our company-wide ESG enablement programme as part of our Investments Sustainability Strategic Framework, which is outlined above 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 2022, the programme implemented solutions to part 2 of the EU ESG & MIFID regulations, finalised the build of the ESG Data Platform to automate.

ESG regulatory reporting in 23, issued ESG reports for more than 160 funds , and completed the upgrading of ESG tools to increase the ESG data provision to investment teams and to our clients. In 2023, the key priorities of the programme will remain and that is 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.

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

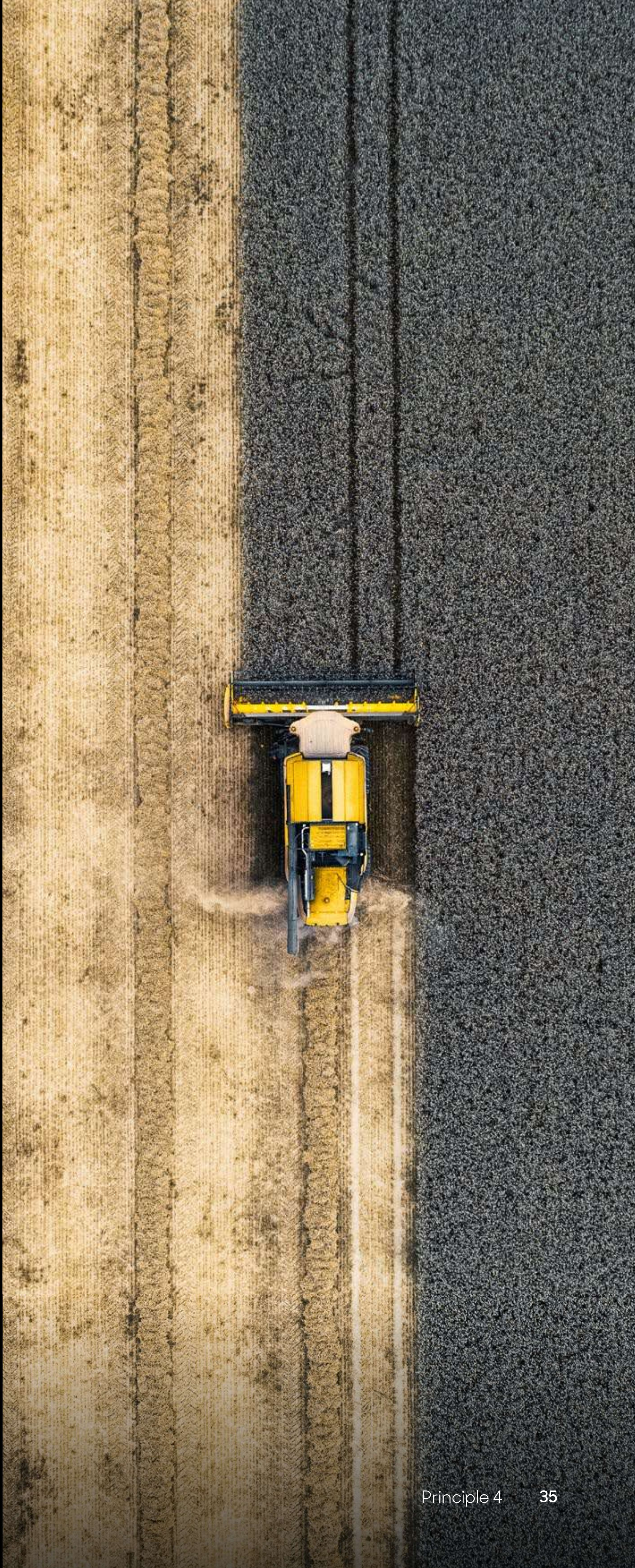
The transformative focus of technology and innovation

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 clear and effective Enterprise Risk Management (ERM) framework underpins our commitment to put clients and customers first and safeguard the interests of our shareholders. Our Board has ultimate responsibility for risk management and oversees the effectiveness of our ERM framework.

ERM framework

We operate 'three lines of defence' with defined roles and responsibilities. There is ongoing evolution in our ERM framework to ensure that we meet the changing needs of the company and to make sure it keeps pace with industry best practice. In 2022, improvements to the framework included:

- Refinements to risk appetites.
- Extending our risk taxonomy.
- Enhancing our Conflicts of Interest framework.
- Reviewing our policy register. We commenced a review of our Risk and Control Self Assessments during 2022, and this will continue during 2023.

Sustainability risks[6]

We have a responsibility to shareholders, clients, customers and all stakeholders to assess, report on, manage and mitigate our sustainability risks. We need to consider both the impact of our corporate activities and the impact of the investments that we are making on behalf of our clients. We continue to deepen our understanding of these risks for the benefit of all stakeholders and use these insights to advocate for positive policy change. Against a backdrop of a complex and challenging regulatory environment, during 2022 we made good progress against a number of key milestones, including:

- EU SFDR deliverables;
- enhancing our climate and carbon analytical tools;
- completing the integration of ESG data into our investment data platform for 2023 regulatory reporting;
- and the use of the ESG screening and exclusion tool.

First Line Governance

Our Investment Vector Risk and Control Forum (IVRaC) supports the Investment Vector Executive (IVE), Senior Managers and our regulated Legal Entities in fulfilling their functional and regulatory responsibilities in regard to the key risks and controls associated within the operating and control environment of the Investment Vector. Sustainability risks are listed on our IVRaC risk register, with the high-level, specific risks and relevant actions tracked to ensure ongoing governance and management. In addition, the IVRaC is the point of escalation for any individual events or issues which cannot be resolved through the operation of the standard governance processes and procedures. Our Chief Sustainability Officer is a member of IVRaC.

[6] See Note 35 for disclosure relating to the financial impact of climate-related risk in our **Annual report and accounts 2022 (page 228).**

Identifying market wide and systemic risks

Our investment process

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 a key facet to deliver long-term returns.

Macro research

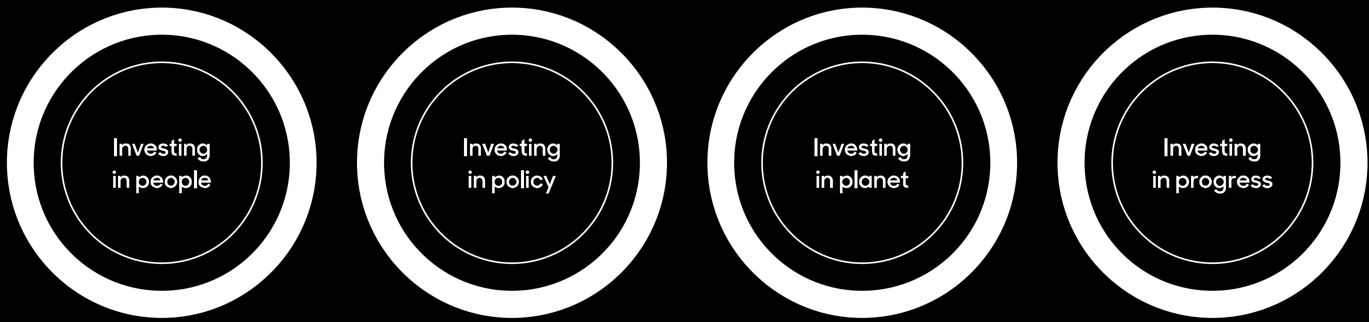
Our Research Institute, supported by our Investments Vector Sustainability Group expertise, produces original research for use by our investment teams. It analyses the intersection of economics, government policy and markets, producing an assessment of the likelihood and impact of macro and systemic 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 that 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. Transition from pandemic to endemic 2. Long-term health implications of COVID	Although all countries have now transitioned to an endemic living stance, COVID is still contributing to excess mortality and long-term ill health. While the virus continues to circulate widely there will still be some risk of more dangerous mutations that evade vaccines, particularly in countries with low vaccine (including booster) penetration.	Our Research Institute (RI) analyses COVID-related developments at an early warning of change, and communicates this across the business 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 will soon have tightened policy sufficiently to bring inflation under control, but the risk is that investors are too optimistic about the economic and market fallout from the necessary adjustments. Authorities in China re-tighten restrictions on private sector firms operating across key investable industries like technology and property relating to internal, social and political goals.	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	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 and the war is likely to continue for some time. 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. An intensification of US-China tensions would damage the outlook for global economic growth and earnings.	RI provides regular updates on evolving views of the Brexit deal, US-China and Eurozone tensions, 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 and 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 2022 Sustainability and TCFD report and our publication 'Climate Change: Our Approach for Investments'. We undertake extensive climate scenario analyses each year to make sure we fully understand the potential financial 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 44) 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 therefore geopolitical risk.	Cyber security is incorporated into our meta-theme framework and is an essential component of the way we assess the risk and opportunities that arise from 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 a risk factor as well as a source of investment opportunity.	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 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 documents available on our website for the below asset classes:

Equities
Fixed Income
Multi-Asset Solutions (MAS)

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 Equities teams operate a proprietary ESG scoring system called the ESG Quality Score (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 below.

Our interaction with clients has indicated that the consideration of ESG factors as part of 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.

Equities ESG Q Score

1	**Best in class** Exceptional ESG risk management. Business is taking advantage of ESG opportunities and enhancing its competitive advantage. Strong oversight and governance with robust control mechanisms.
2	**Above average** Strong ESG risk management and/or utilising ESG factors to improve competitive advantage. But execution not as progressed as best in class peers. Strong oversight and governance with robust control mechanisms.
3	**Average** Business has identified material ESG factors. There may be instances of policy or process failure in recent history but these have been addressed. Opportunities to enhance competitive advantage identified but still nascent. Governance and oversight more limited or lacking strong check and challenge.
4	**Below average** Material ESG risks are under-managed and opportunities under-developed. Lack of robust processes in place, with serious potential for something to go wrong and severely impact the investment case.
5	**Laggard** Business has likely had significant issues arise due to lack of processes and oversight. Failure to properly manage most material ESG factors and no evidence of effort to address. Significant risk to the investment case from poor management of ESG risks and failure to capture revenue opportunities.

ESG Q Score held

ESG Q Score	5	4	3	2	1	Total
Europe	2	20	81	79	9	191
UK	2	21	95	66	11	195
Small Cap	0	2	13	19	6	40
North America	0	7	92	83	10	192
GEM ex Asia	0	12	68	45	6	131
Asia Pac x Ja-pan	1	20	362	150	11	544
Japan	0	2	76	36	5	119
Total	**5**	**84**	**787**	**478**	**58**	**1412**

Source: abrdn, March 2023.

Equities

We embed ESG factors as part of our active equity investment process. Our aim is to enhance outcomes value for investors, reduce risk and, ultimately, foster companies that can contribute positively to the world.

75%

Percentage of equities AUM with higher MSCI rating than benchmark

We integrate an ESG assessment as part of our company analyses

Excludes quantitative investment strategies tracking traditional indices.

2,484

Company engagements in 2022 where ESG issues were discussed

We engage to foster better companies

80%[7]

AUM with lower carbon-emissions intensity than the benchmark

We are committed to the Net Zero Asset Managers initiative

Source: abrdn, 31 Dec 2022.

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

Fixed income

Our credit analysts (including private credit) conduct an ESG assessment of a company's credit profile and assign an ESG Risk Rating to each issuer ranging from Low, to Medium and High (Low is better – low risk to the credit profile). This is credit profile-specific and represents how impactful we believe ESG risks are likely to be to the credit quality of the issuer now and in the future. Our analysts utilise an ESG Risk Rating framework to support making these assessments. This is a proprietary tool designed to help focus the knowledge and expertise of credit analysts in a systematic way to substantiate the overall ESG Risk Rating assigned to debt issuers.

Our Developed Market (DM) and Emerging Market (EM) Sovereign teams have developed separate proprietary models which assess the performance of a country's ESGP factors, where P stands for politics to highlight the importance political drivers have in sovereign analysis. Pillar scores combine under a quantitative approach and generates a country score of 0 – 100. Although there are a number of common data sources, DM and EM models are tailored to represent the different dynamics of each asset class. This generates better peer comparison and therefore more impactful insights for investment decision making.

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 manage the value of our clients' investments. We view this as part of our primary responsibilities in delivering sustainable value to our clients.

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 is 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.

ESG House Score

In addition to the assessments for public companies that the equity and ixed Income desks carry out, we have built our own proprietary ESG House Score which draws on available data for 140 key performance indicators (KPIs), while also integrating the views of our in-house analysts. These KPIs are arranged in categories aligned with frameworks such as Sustainable Accounting Standards Board (SASB) and the UNGC. These KPIs allow us to assess the relative performance of each company against their peers in the same sector and to highlight any potential areas of risk to 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 ESG risk assessment in our investment decision-making process, drive engagement with companies and analyse progress by monitoring these scores over time either at company, portfolio, fund range or entity level. Using our ESG House Score, we can compare how companies around the globe manage ESG issues. The output makes it easier to spot the ESG leaders and laggards in each sector. We are developing a methodology for identifying a Sustainable Investment for our funds, which works alongside our other scores and tools.

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

Private Equity

Our private equity investments are generally made either through a fund-of-funds structure, allocating capital to external managers that we select on behalf of our clients or through co-investments alongside a majority owner. The consideration of ESG factors into our private equity investment process is a strategic priority for our private equity function from due diligence through to exit. 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. Our latest and fourth year 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. As our ESG strategy developed, our survey became more focused. This year we focused our assessment on GPs' (General Partners) approach to climate change.

Real estate

abrdn believes that comprehensive assessment of ESG factors, combined with constructive engagement, may lead to better investment outcomes. Specifically, ESG is a fundamental part of the way in which abrdn thinks about real estate investments. It forms an integral part of our investment process and is analysed alongside all other material issues.

Our real estate ESG approach groups material sustainability indicators into four main categories:

- Environment & Climate,
- Demographics;
- Governance & Engagement; and
- Technology & Infrastructure.

This approach allows the identification and promotion (where relevant) of material ESG risks and opportunities relevant to a fund's investment strategy, sector and geography. These guide the prioritisation and integration of ESG factors at the fund and asset level, while providing a structure for engagement with, and reporting to stakeholders.

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			

Real estate

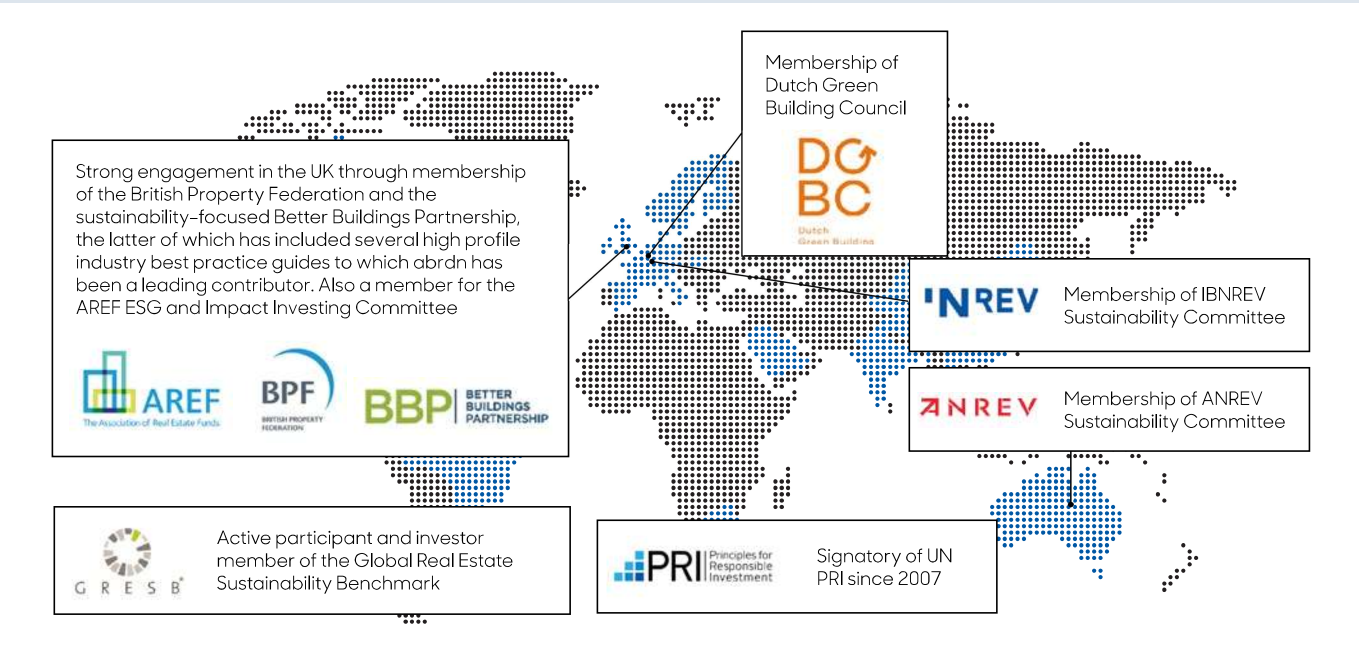
Applying the term engagement to direct real estate

The term 'engagement' is often used with respect to investments in public markets when discussing engagement practices in investee companies. This does not apply to direct real estate as the investment is directly into buildings where abrdn's real estate team actively manages the acquisition, management and sale of those buildings. There are companies which occupy the buildings which provide rental income but we do not invest in the occupying companies but in the buildings themselves. Therefore the term engagement for direct real estate is with respect to the following:

1. **Industry engagement:** This is where our in-house ESG real estate team engage with industry bodies to promote and understand ESG best practice within the real estate industry.
2. **Occupier engagement:** This involves the sharing of ESG data and collaboration to ultimately improve the ESG performance and experience of the building.
3. **Supplier engagement:** This is the engagement with third parties to deliver building services and optimise ESG performance.
4. **Community engagement:** This relates to engagement not just with the occupiers of the building but the wider community of where that building is located. This can apply more to some property types such as retail than others.

Industry engagement

In order to ensure we push the industry for best practice and to stay up to date with upcoming legislation and ESG trends, our direct real estate ESG team support, contribute and co-ordinate with a network of global ESG leadership efforts including those outlines in the chart below:



Real estate

During 2022, the real estate ESG team contributed to the following industry research:

- **British Property Federation (BPF) Residential ESG guidance**
- **The Investment Property Forum's (IPF) 'Pathways to Net Zero Carbon Emissions in International Real Estate Investment'**
- **The Royal Institute of Chartered Surveyors paper on 'Decarbonising UK real estate: recommendations for policy reform'.**

Occupier engagement

Occupier engagement involves working collaboratively with occupiers to find ways to achieve environmental and social objectives. This can be structured through green leases, Memoranda of Understandings or on an ad-hoc basis. Typically we would seek to agree to:

1. Share ESG data.
2. Depending on the asset type, establish a green building management group to manage engagement. Targets or objectives which may come from the owners or from any of the occupants can be discussed and plans can be made accordingly to implement and monitor progress. This is mostly typical for multi-let buildings such as offices.
3. Align incentives for operational practices that minimise environmental impact and optimise social impact. For example, reduction of energy use and carbon emissions with clear share of benefits between occupants and owners.

In addition to the above, we work to maintain strong levels of occupant comfort, productivity and satisfaction. This is typically achieved through engagement with our property managers for multi-let properties and also through our sustainable development framework for refurbishments and developments.

Supplier engagement

For our ESG strategy to cover the whole of the property lifecycle, we need to work with contractors who are also assessing ESG issues.

Property management

Our property managers are key to working in partnership to meet new challenges and promote best practice for real estate assets. ESG KPIs are set at the asset level to reduce resource use, minimise pollution and waste and mitigate climate change while making cost savings. Factors which are specified within contract terms include, but are not limited to:

- Compliance
- Energy and utility management
- Waste management
- Health and well-being
- Community engagement
- Supply chain
- Biodiversity

We have produced an action plan template for property managers to provide a range of recommendations which can be tracked and implemented though our ESG data platform. Those recommendations which are deemed appropriate can then be reviewed on an on-going basis, and included within the asset management and investment management plans.

Development partners

Delivering high quality sustainable projects requires an iterative development process to enable more efficient future delivery and better management of risks. We have set high ESG standards as part of our refurbishment and development framework and work with expert consultants to help deliver those standards. Our strategy covers many aspects of ESG including energy efficiency, carbon impact, health and well-being of occupiers and local community engagement.

Community engagement

As part of our regular asset management approach we continually engage with the wider communities surrounding the location of assets. This can include engaging with local charities to create partnerships, engaging with local schools and businesses on joint initiatives or allowing local community groups to use void spaces within our buildings.

Case studies

Below are links to case studies which bring some of the engagement examples listed above to life.

2022

Case Study

2021

Case Study

2020 and before

Case Study

Case Study

Case Study

Case Study

A message from Andrew Mason, Head of Active Ownership

"We endeavor to achieve the best outcomes for our clients"

Andrew Mason

Andrew Mason
Head of Active Ownership

As active managers we are uniquely positioned to both assess market sentiment and to directly engage with our investee companies. This allows us to both gain insight and, as active owners to collaborate with those companies to deliver what is best for our clients and our underlying investments.

Throughout the report we have detailed our engagement strategy, the mechanisms we have to deliver this strategy and clear examples of the outcomes of this approach. My colleagues and I work diligently to build relationships with investee companies to understand the issues deeply and take steps to enhance long-term outcomes.

As ESG has evolved, multiple organisations and individuals, ranging from media and NGO's to research providers, have provided additional insight to a wide range of topics. This is a welcome addition to inform our view. It is our duty not only to consider these areas but to also carry out our own extensive research and engagement to reach a position that is in the best interest of our clients.

As a result we will work with companies to address issues. This includes the work we have carried out in collaboration with the mining sector over multiple years to reach agreement on approaches to respect human rights and protect employee wellbeing.

Mining sector full statement found here

It is also the case that our approach will not always fully align with broader market sentiment. We saw an example of this after engagement with several companies and both reviewing and voting on multiple 'say on climate' resolutions designed for investors to vote on companies' climate strategies. We decided that many of these votes were not fit for purpose and have a taken a position that we will abstain from such votes in the future.

We are authentic investors. Our guiding principle is, and will continue to be, what is in the best interest of our clients.

Say on climate votes full statement found here

Influence and collaboration

As a global investor with a focus on sustainability, 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 such as 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 lifecycle stages

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 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 identify specific concerns or issues to be raised with those responsible for the investment.

Acknowledge

The concern is 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.

2022 Collaborative engagement example

Climate Action 100+/Enel

November 2022

The key objective of our collaborative initiative is to seek alignment of Enel's disclosures to the Net Zero Company Benchmark. The Benchmark is the foundation for investors engaging with focus companies through CA 100+ as it calls for robust and comparable information on how companies are realigning their business strategies and operations with the goals of the Paris Agreement.

Inputs

- In March 2021, Climate Action 100+ launched its Net-Zero Company Benchmark, defining key indicators of success for business alignment with a net zero emissions future and goals of the Paris Agreement.

Actions

- During 2022, we engaged with Enel on a one-one basis, however we also worked in collaboration with other institutional investors to lead two engagements with the company as part of the Climate Action 100+ (CA100+) initiative. In our engagements, we spoke with members of Enel's investor relations team.
- Our first engagement with the company was part of a governance roadshow in advance of their AGM. We welcomed the update that Enel's Net Zero target had been brought forward from 2050 to 2040, that the company planned to disclose emissions across all scopes and that targets had been submitted to Science Based Target Initiative (SBTi).

Outputs

- Together with the two CA100+ co-leads we were pleased to acknowledge that, in November 2022, Enel became the first and only company to fully align their corporate disclosures with the CA100+ Net Zero Company Benchmark.

Meeting the criteria underlying the Benchmark's Disclosure Framework indicators is a meaningful milestone for both Enel and the lead investors, which reflects the value of dialogue between corporates and investors.

Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

2022 Thematic engagement example

Fire Safety Issues and UK Housebuilders

Q1 2022 – Ongoing

As a longstanding shareholder in a number of leading UK housebuilders, we have closely monitored and engaged with companies on how, in the aftermath of the tragedy at Grenfell Tower, the industry has responded to fire safety concerns.

Inputs

- In 2021, we became increasingly concerned by suggestions that delays in implementing fire safety remediation work at various developments across the UK were exacerbating the consequences for leaseholders, with many being unable to sell or let their properties or living in potentially unsafe conditions.
- Affected leaseholders have also incurred substantial ongoing costs, such as for waking watch fire safety systems.

Actions

- In light of these developments, in 2022 we expanded our engagement with listed housebuilders to better understand our investee companies' approach to this critical issue.
- Based on the findings of our research and meetings with management teams, we wrote to our investee companies to ask the housebuilders to increase their public disclosure of several data points on their outstanding exposure to these challenges and remediation work underway. We also urged companies to consider carefully whether for their affected buildings they could accelerate any remediation work, such as through the provision of additional financing, to remove the burden on leaseholders.
- The aim of our request was to enhance transparency and comparability across the industry.

Outputs

- We have been encouraged by many companies' responses to our questions. Importantly, since the initiation of our engagements, companies have agreed a voluntary pledge with the government to remediate schemes constructed by the individual companies on their behalf in the last 30 years.
- We have also observed an expansion of public disclosures by our investee companies, such as on management teams' approach to historical fire safety issues.

We continue to monitor further enhancements in transparency and implementation of fire safety remediation work as part of encouraging companies to adopt a best-in-class approach to this socially important matter.

Source: abrdn, October 2022.

2022 Thematic engagement example

Net Zero

Q3 2022 - Ongoing

One of our strategic priorities is supporting real world decarbonisation, as outlined in our net zero directed investing strategy. For us, that means allocating capital to credible transition leaders and climate solutions, as well as influencing the firms we invest in through active engagement.

Inputs

- We are committed to working with our clients to help them achieve their climate goals, decarbonise and move towards Net Zero. By doing this, we expect to reduce the carbon intensity of our assets by 50% by 2030 vs a 2019 baseline.[8]
- One of the ways we are working towards this is identifying our Top 20 largest financed emitters in Equities and initiating dedicated engagement on this.

Actions

- We have initiated a two-year engagement programme with these emitters and have identified clear milestones.
- We have developed a bespoke credibility assessment framework to understand the likelihood of targets being met.
- If we do not see sufficient progress against these milestones, we will take voting action after one year and provide a recommendation for divestment after two years where we have discretion to do so.

Outputs

- We started our engagements with these companies in 2022. We will continue to engage with the remaining companies and follow up on the progress of the targets we have already set.

A full list of our Top 20 highest financed emitters: equity and fixed income, can be found on page 33 of our Sustainability and TCFD report 2022.

Sustainability and TCFD report 2022

Implementing our net zero directed investing strategy necessitates active engagement year-on-year to understand climate-related risks within our holdings, and to drive credible progress and increased disclosure.

Source: abrdn, October 2022.

[8] Assets initially in scope are Equities, Credit, active Quants, Real Estate and selected Multi-Asset strategies. More detail on our baseline and implementation approach will be published in a separate target setting paper. We are committed to this decarbonisation path on the expectation that climate policy will strengthen globally and we will review our commitments on a regular basis to reflect policy developments and client commitments.

2022 Company engagement examples

Jet2

May 2022

Equity

Region: Europe
Country: UK
Topics discussed: Labour Management, Corporate Governance

Jet2 plc is a leading leisure travel group. Jet2holidays is the UK's second-largest package holiday provider and Jet2.com is the UK's third-largest airline.

Key driver(s) for engagement

We believe the substantial growth in Jet2's market capitalisation and business operations over the past five years has significantly increased the importance to the company of robust governance structures. In May 2022, we organised a meeting with the Chair to discuss the governance changes which we proposed to the company.

Our requests

- Establish a fully independent audit committee.
- Appoint a lead independent director to represent the interests of independent shareholders.
- Improve the diversity of the board, drawing on the recommendations of the Hampton-Alexander and Parker reviews.

Outcome

- In the summer of 2022, the company confirmed in its final results statement that it would improve board diversity.

We proposed ESG-related action points, with a focus on the governance and social pillars, which we believe can support better outcomes for all stakeholders.

Next steps

- We will monitor how the company implements its intention to enhance the board and continue to engage where we see potential for further strengthening of governance structures.
- Separately, we have asked the company to prepare disclosures in line with the TCFD recommendations and develop social-focused targets for inclusion in its sustainability strategy.

Investment outcome

- This engagement strengthened our investment case for the company.

Source: abrdn, November 2022. © owned by each of the corporate entities named in the respective logos.

Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

2022 Company engagement examples

Tesco
July 2022

Fixed income

Region: Europe
Country: UK
Topics discussed: Labour Management, Climate Change

Tesco is a leading multinational retailer that sells groceries, beauty products, consumables, homeware, consumer electronics and more from more than 4,750 stores and online.

Key driver(s) for engagement

To understand how Tesco is balancing colleague rates of pay, cost of living crisis impacts on customers and inflationary concerns.

Our requests

- To increase the London hourly wage in line with the London real living wage.
- To produce an interim Scope 3 emissions target.

Outcome

- At the time of the engagement, Tesco paid the real living wage to colleagues outside of London but did not pay the London real living wage and we encouraged the firm to increase this. We also learnt of Tesco's strong relationship with unions and focus on total compensation.
- We also touched on Scope 3 emissions, which are the majority of Tesco's carbon footprint. Tesco has a Net Zero by 2050 strategy, which covers all Scope 3 sources, but we recommended that Tesco publish an interim target for Scope 3 that we can track ahead of 2050. The company provided us with some positive case studies on its partnerships with suppliers, such as farmers, to reduce emissions.

As investors, we will continue to pressure supermarkets to offer employees competitive and fair compensation packages, to report on contractor wages, and to align contractor compensation packages with those of supermarket employees.

Next steps

- A month on from our engagement, Tesco increased the London hourly rate for its colleagues to the real living wage at the time.
- We will continue to engage on its climate strategy and track its carbon reductions.

Investment outcome

- We are encouraged by Tesco's initiatives and continue to view the company as a climate leader.
- Reinforces Tesco's place in our SFDR Article 8+ funds.

Source: abrdn, April 2022. © owned by each of the corporate entities named in the respective logos.

Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

2022 Company engagement examples

Interparfums
July 2022

Equity

Region: Europe
Country: France
Topics discussed: Corporate Governance

Interparfums develops, manufactures and distributes perfumes and cosmetics for brands including Abercrombie & Fitch and Jimmy Choo. It is headquartered in France and has company products sold in over 120 countries.

Key driver(s) for engagement

We met with Interparfums as the company's ESG House Score had fallen below the threshold for our SFDR Article 8 funds. We initiated our engagement with the company two years ago and it is still at the beginning of their sustainability journey.

Our requests

- Increased board independence and improved board composition at the 2023 AGM.
- Publish a sustainability report in autumn 2022.

Outcome

- The company is working on a new sustainability report which will be made public during autumn 2022 and it is aiming to improve its MSCI ESG rating.
- At the last shareholder meeting, the company disclosed more information on the CEO's bonus in terms of profit and ESG.
- In April 2023, the company plans to add two new board members. Of these two new members the aim is that one will be a woman and the other will possess significant ESG experience.

Next steps

- We will meet again with the company to track progress.

Investment outcome

- Our investment view of the company remains unchanged.

We appreciate that management has done a great job managing the business. Despite the combined Executive role/Chairman not following best governance practices, we understand this is not uncommon in smaller companies, particularly those that are led by the founder.

Source: abrdn, November 2022. © owned by each of the corporate entities named in the respective logos.
Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

2022 Company engagement examples

Iberdrola
June 2022

Fixed income

Region: Europe
Country: Spain
Topics discussed: Climate Change, Environment

Iberdrola generates, distributes, trades, and markets electricity in the United Kingdom, United States, Spain, Portugal, and Latin America. The company specialises in clean energy and more specifically wind power.

Key driver(s) for engagement

Iberdrola is on the MSCI United Nations Global Compact (UNGC) watch list, however we view it as a climate leader with a robust net zero roadmap and strong environmental safeguards.

Investment outcome

- We will continue to view the company as a climate leader in our SRI and Climate Transition portfolios.

Our requests

- We previously met with the company and requested that it consider its impacts on biodiversity and encouraged it to produce a biodiversity policy and strategy. Engagement paid off with the company's publication of both a biodiversity policy and strategy in Q2 2021.

Outcome

- The company has a strategy to be 'biodiversity positive' but admit that it has yet to find appropriate methodologies and metrics to measure what this means in practice.
- We will continue to monitor this, and if the company doesn't have appropriate environmental safeguards in place, it could be subject to biodiversity controversies.

Next steps

- We set a milestone for the company to provide metrics to measure and track its biodiversity impact and therefore the success of its biodiversity strategy.

We were encouraged by Iberdrola's biodiversity initiatives and suggested that it should produce and publicly release biodiversity metrics to track its ambitious 'net positive' biodiversity impact.

Source: abrdn, January 2023. © owned by each of the corporate entities named in the respective logos.

Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

2022 Company engagement examples

Vale

August 2022

Equity

Region: Latin America
Country: Brazil
Topics discussed: Environment, Corporate Governance

Vale is a Brazilian multinational corporation engaged in metals and mining and is one of the largest logistics operators in Brazil. Vale is the largest producer of iron ore and nickel in the world.

Key driver(s) for engagement

We met with the company in August 2022, at its request. This was the second time we met with the Chairman in 2022 and the fourth time we met with representatives of the board of directors. The purpose of the meeting was to discuss board composition.

Our requests

- Improvement to the Board by focusing on adding more skills and improving diversity.

Outcome

- The outcome of this engagement is still to be defined while we wait for a preliminary list of names for election, which will impact the addition of skills and improved diversity.

Next steps

- This list is expected ahead of the 2023 AGM, once we have received this we will follow up with the company.

We believe the company should balance reducing board turnover with its goals to improve the overall composition.

Investment outcome

- The company has been continuously improving its policies and practices on ESG-related issues, with its MSCI ESG rating being recently upgraded to 'B' on the back of better corporate governance structures. By reaching out to shareholders to get their views on Board composition, the company is demonstrating its efforts towards improving its governance further, which is one of the reasons why we still see Vale as an important holding in the region.

2022 Company engagement examples

Proya Cosmetics

September 2022

Equity

Region: APAC
Country: China
Topics discussed: Animal Testing, Plastic & Packaging

Proya Cosmetics is a Chinese cosmetics company. It was founded in 2006 in Zhejiang Province and employs 2,720 people.

Key driver(s) for engagement

We engaged with the company to understand its approach to chemicals in cosmetics, animal testing and sustainable packaging.

Our requests

- We believe the company could improve its disclosure, and have encouraged it to do so.

Outcome

- The company improved disclosure and, MSCI upgraded its ESG rating to 'BBB' from 'CCC'.
- This engagement demonstrated the benefit our on-the-ground research, coupled with active engagement to uncover ESG leaders in China.
- We were encouraged by the company's response to our engagement; it is clearly more advanced in its thinking and practices than disclosure would suggest.

Next steps

- We will continue to encourage the company to strengthen its reporting and disclosure.

Investment outcome

- Proya is the fifth-largest domestic cosmetics brand in China, with rapid sales growth in online channels and cosmetics boutiques. The company is well placed benefit from the ongoing premiumisation trend, supported by R&D investment that has allowed it to launch higher-priced products.

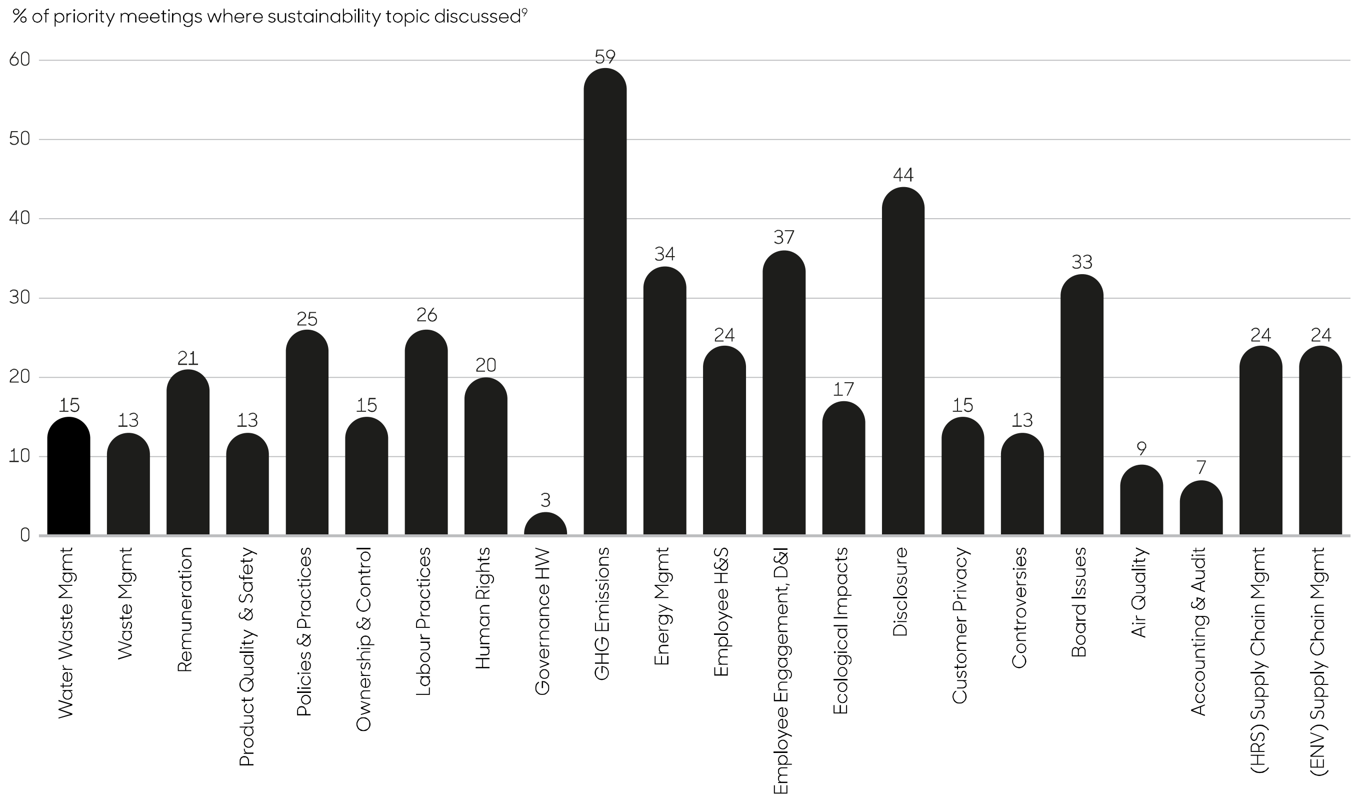
The company has a strong customer base, targeting young people in cities with good value products.

Source: abrdn, April 2022. © owned by each of the corporate entities named in the respective logos.

Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance.

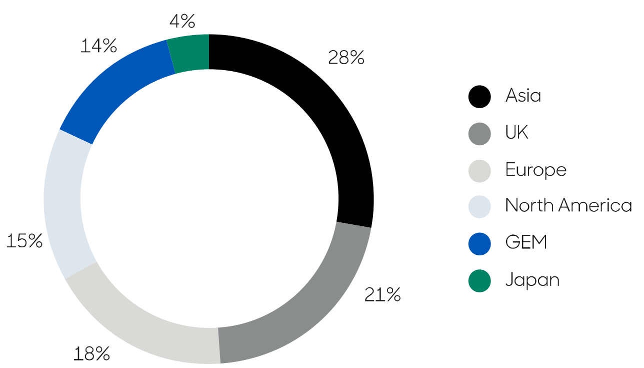
2022 engagement statistics

Percentage of company meetings in 2022 where ESG topics were discussed



[9] Please note the chart above relates to our priority ESG engagements noted in the table. Sustainability topic breakdown is only available for our priority engagements.

Geographical breakdown of total ESG engagements



Source: abrdn, 16 January 2023.

Engagement Stats

	Total
Priority ESG engagements	323
Non priority ESG engagements	2161
Total ESG engagements	2484

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 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 2022 we voted at 97% of meetings for which we were eligible.

The meetings for which we elected not to vote were due to: conflicts of interest, such as in-house OEICs and SICAVs; shareblocking restrictions, 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.

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 regional custom policies, 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 research provided by ISS as an input to our own analysis of resolutions.

On an annual basis, ISS reviews its voting guidelines which it uses when undertaking its research and providing its standard voting recommendations. Its review is driven by its own analysis of market views and input received from its customers. We play an active role in giving our views on the development of the ISS benchmark voting policies. In addition, we undertake an annual review of our own custom voting policies. This review is undertaken by the Active Ownership team in conjunction with the regional public markets teams.

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 and research provided by ISS and IVIS as an input to our own analysis of resolutions prior to making final voting decisions.

Analysing the research provided for all of our active positions 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 ESG Principles & Voting Policies on our website. This document provides details of our expectations of key aspects of a company's handling of matters that are important to our views as an investor. Detail is also provided on our voting policies in respect of a variety of governance, environmental and social topics.

Our Listed Company ESG Principles & Voting Policies

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 ISS benchmark and abrdn 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 our Listed Company ESG Principles & Voting Policies document we disclose all voting outcomes on our website on the day following a general meeting. This disclosure includes a rationale for:

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

We have implemented a process to identify resolutions at a company meeting which cover environmental and social factors.

abrdn's voting website

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 each resolution to reach a voting decision. Given the nature of the topics covered by these resolutions we do not apply binary voting policies. We adopt a nuanced approach to our voting research and outcomes and will consider the specific circumstances of the company concerned.

Escalation

Our approach to vote analysis of environmental and social resolutions is consistent across active and passive investment strategies:

- **Review** the resolution, proponent and board statements, existing disclosures, and external research.
- **Engage** with the company, proponents, and other stakeholders as required.
- **Involve** thematic experts, regional specialists, and investment analysts in decision-making to harness a wide range of expertise and include all material factors in our analysis.
- **Ensure** consistency by using our own in-house guidance to frame case-by-case analysis.
- **Monitor** the outcomes of votes.
- **Follow-up** with on-going engagement as required.

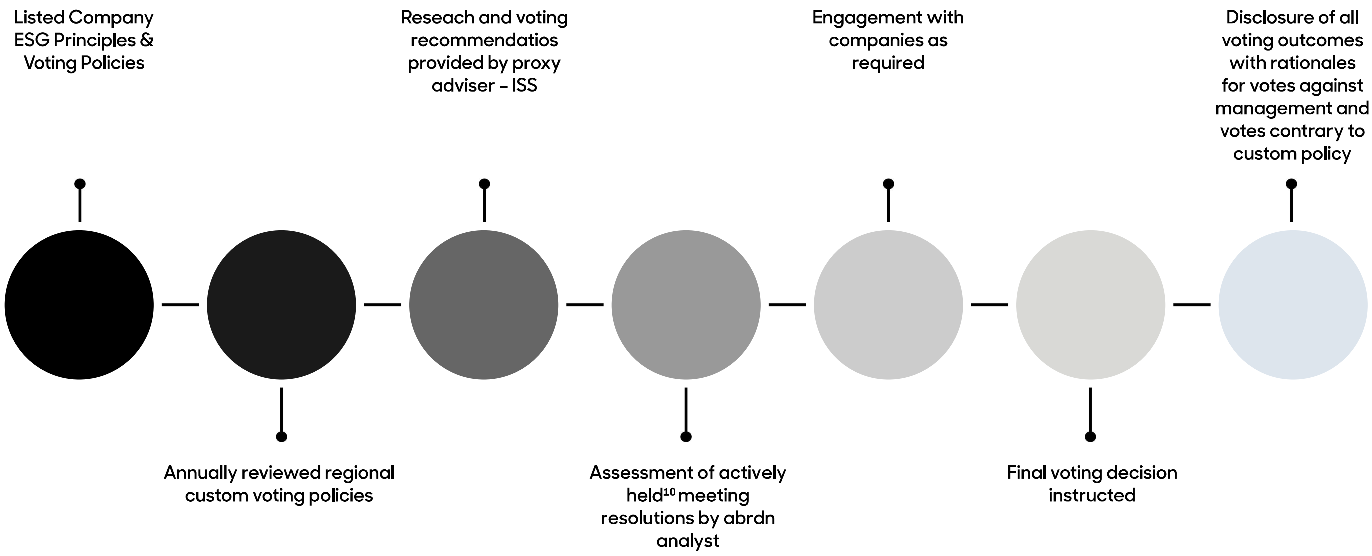
In the event that we vote our clients' shares against a resolution at a general meeting, we use best endeavours to inform the company beforehand and explain our reasons. We also use reasonable endeavours to do so in respect of abstentions. In certain circumstances, we attend and speak at shareholder 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 hold the right to recall shares where it is in clients' interests and we take the view that it will impact the final vote to maintain full voting weight on a particular meeting or resolution.

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 will consider divesting from an investment. This allows us to manage our clients' portfolios when material ESG risks are not mitigated sufficiently.

Voting process and metrics

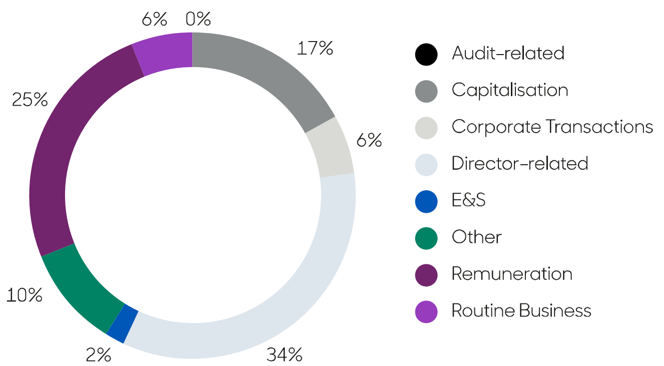


[10]Passive only holdings are voted in line with custom voting recommendations, with certain exceptions where Active Ownership will review and instruct.

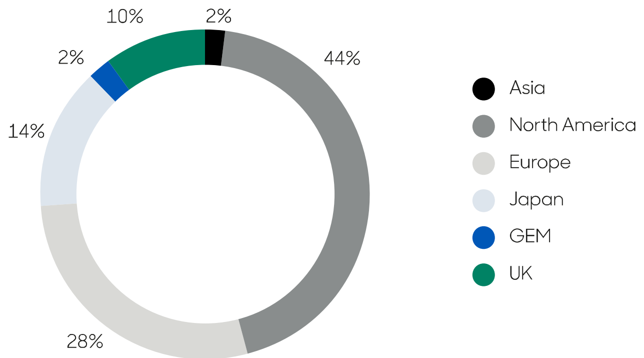
Actively voting across our portfolios
2022 Voting Statistics

Voting statistics 1 January 2022 to 31 December 2022	Total
Number of meetings voted	7,263
Number of meetings with at least 1 vote against, withhold or abstain	3,813 (52%)
Total number of resolutions voted	75,578
Percentage of resolutions voted against management recommendations	13%
Percentage of votes different from ISS Policy	7%

Thematic breakdown of votes against management recommendations



Geographical breakdown of votes against management recommendations



Source: abrdn, 06 January 2023.

2022 Voting Case Studies

J Sainsbury plc

Country: UK

Vote topic: Shareholder Resolution – Employment Practices

J Sainsbury

At the company's AGM, a coalition of ten investors, coordinated by ShareAction, called on Sainsbury's to become an accredited real living wage employer and ensure that its third-party suppliers also committed to paying the real living wage. At the time, Sainsbury's was already paying the real living wage within London and above the rate outside London, while many of its peers had yet to achieve these rates.

Prior to voting, we engaged with the Chief Executive and the Chair of the company as part of a collective engagement. Following this discussion, we voted against the resolution as, because of the third-party supplier commitment, we decided this would punish a supermarket that is leading in this area. We felt comfortable with the company's total compensation package and the consideration given to wider employment standards. Focusing purely on hourly pay can be myopic, as there are many other factors for employers to consider. At the AGM, the resolution did not pass.

We also started thematic engagement with other large UK supermarkets and the British Retail Consortium (BRC), which unearthed the practices the sector is using to ensure fair compensation and satisfied employees. These included: prioritising giving additional hours to existing staff, rather than hiring new staff members; keeping premium pay (such as bank holiday rates) competitive; and a benefit offered by all the supermarkets we spoke to was increasing staff discounts and discount allowances during the cost of living crisis.

As investors, we will continue to pressure supermarkets to offer employees competitive and fair compensation packages, to report on contractor wages, and to align contractor compensation packages with those of supermarket employees. Overall, we very much believe that working with investee companies can achieve better outcomes than simply tabling resolutions, or divesting.

Country: France

Vote topic: Executive Remuneration

Teleperformance

In 2020, we engaged with the company's Remuneration Committee Chair to discuss the structure of executive remuneration arrangements. We highlighted our concern that the Long-Term Incentive Plan (LTIP) is capped at a number of shares, rather than a percentage of salary. Our issue was that the quantum of the LTIP was becoming very high as a result and, while it was highlighted that this was due to the success of the share price, we asked that the value at grant be taken into consideration by the Remuneration Committee. At the company's 2021 AGM, we considered the potential value of the proposed LTIP grants to be too high and we therefore voted against the Remuneration Policy of the Chairman & CEO and Vice-CEO. We engaged with the company after the AGM, who informed us that the share awards would be reduced. While there was a 15% reduction from what was originally opposed, we remained of the view that the value of awards was excessive.

At the 2022 AGM, investors had a binding vote on the grant of these awards. We voted against the binding resolution to approve the remuneration of the Chair & CEO and the Vice-CEO. We also voted against their 2022 Remuneration Policies. At the meeting, all resolutions passed.

We will continue to reiterate our views on the quantum of LTIPs and will consider further escalating our views through voting against members of the Remuneration Committee should we see no progress.

2022 Voting Case Studies

Country: UK

Vote topic: Executive Remuneration

SSE

In early 2022, the company consulted us on changes to its Performance Share Plan (PSP). The Remuneration Committee proposed to increase the PSP maximum award level from 200% of salary to 250% of salary.

At the time, we informed the company that we would be uncomfortable with an increase in the context of the cost of living crisis, which was beginning to develop.

When coming to vote at the AGM in July, we noted that the PSP award level had been increased in line with the initial proposal. We therefore voted against the revised Remuneration Policy and the amendment to the Performance Share Plan. At the meeting, all resolutions passed.

We will review the level of grant made in 2022 following this change, prior to reaching our voting decision at the 2023 AGM.

Country: USA

Vote topic: Director Elections

West Pharmaceutical Services

While we have had a voting policy in respect of board gender diversity in the US for several years, in 2022 we extended our approach to racial and ethnic diversity on boards. In early 2022, we wrote to the West Pharmaceutical Services to share our position on diversity, equity and inclusion and our expectations for companies. We informed the company of our new voting policy having identified an apparent lack of racial or ethnic diversity on its board.

At the company's AGM in May, we noted that the ethnic or racial diversity of the board was unchanged. In the absence of any response to our letter committing to address this, we voted against the Chair of the Nomination Committee, William Feehery. This director was re-elected at the AGM, however there was dissent of 25%.

When reviewing any further developments, we welcomed the appointment of Dr. Stephen Lockhart to the board.

2022 Voting Case Studies

Country: USA

Vote topic: Shareholder Resolution – DEI

Activision Blizzard

At the company's 2022 AGM, the New York State Common Retirement Fund submitted a proposal. The request to the board was the preparation of an annual public report on the effectiveness and outcomes of the company's efforts to prevent abuse and discrimination against protected classes of employees.

As part of our active ownership endeavour, we engaged with the company in 2021 regarding issues around discrimination. As part of our engagement, we set out several requests including public disclosure of an annual review detailing steps it is taking to uproot sexist and discriminatory practices, and reporting on progress being made against this.

Given the ongoing scrutiny of the Company's practices related to sexual harassment and discrimination we were of the view that the report requested by the shareholder resolution would help investors evaluate the company's efforts to address these issues. We therefore voted in favour.

The resolution received majority support at the AGM. We subsequently engaged with the company to discuss progress on the requests we set out, including reporting. We will review further enhancements to disclosure when provided.

Country: Canada

Vote topic: Shareholder Resolution – Climate

Enbridge

At the company's 2022 AGM, a proposal was made by DI Foundation, represented by Investors for Paris Compliance. The proposal requested that Enbridge, by the end of 2022, strengthen its net zero commitment such that the commitment is consistent with a science-based, Net Zero target.

We were of the view that adoption of science-based Net Zero targets and disclosure of the methodology for establishing these targets would support the company's existing climate commitments. While acknowledging the challenges of evolving climate methodologies and the timeframe established by the resolution, the company stated that it has utilised science-based target setting methodologies. We considered that additional disclosure in this area to address the requirements of the resolution should not be overly burdensome. We therefore voted in favour of the shareholder proposal, which did not receive majority support at the AGM.

We subsequently met with the company to discuss a range of topics including its climate strategy. Following our voting action at the 2022 AGM, we encouraged the adoption of an interim absolute emissions reduction target and enhanced disclosure of CapEx alignment and the target setting methodology. The company has committed to providing more detailed disclosure about its capital allocation and how climate objectives are incorporated. We will engage again in 2023 to monitor progress and encourage further improvement.

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[11]

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 (PRI), 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

[11] Investment Vector Only.

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

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. We also disclose every voting decision we make on our website, the day after a general meeting. Pages 57-62 contain a sample of some of the company engagements we conducted during 2022, including information on the reasons for engagement and the outcomes delivered. Our Sustainable Investment Reports 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 also share 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 continues to evolve. Although the additional reporting described above will go some way to meeting regulatory requirements, we continue to develop new disclosures to meet regulations that apply to us and our clients. This includes analysis and reporting relating to the Sustainable Finance Disclosure Regulation (SFDR) and providing data required by our clients and their trustees to satisfy their Task Force on Climate-related Financial Disclosures (TCFD) reporting obligations.

In 2022, we continued to adhere to the SFDR reporting requirements; issuing our first European ESG Template (EET) and ensuring policies and procedures were integrating the consideration of sustainability risks. Furthermore, work was undertaken to prepare for the SFDR Level II disclosures and meet the regulatory deadline of 1 Jan 2023. Similarly, we will be making the necessary disclosures for the next level of TCFD, which will require fund level information as of June 2023.

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.

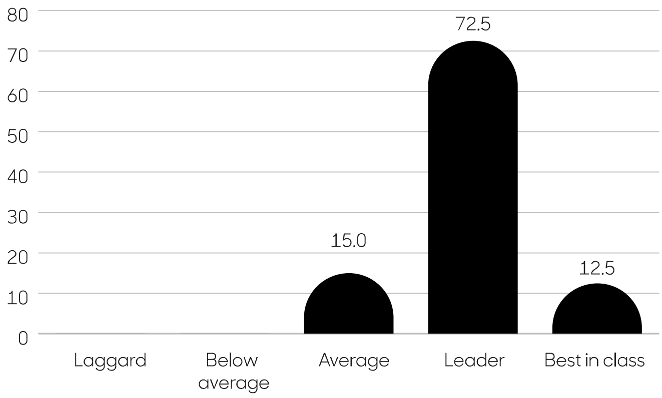
Transparent disclosure

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 funds as a representative example.

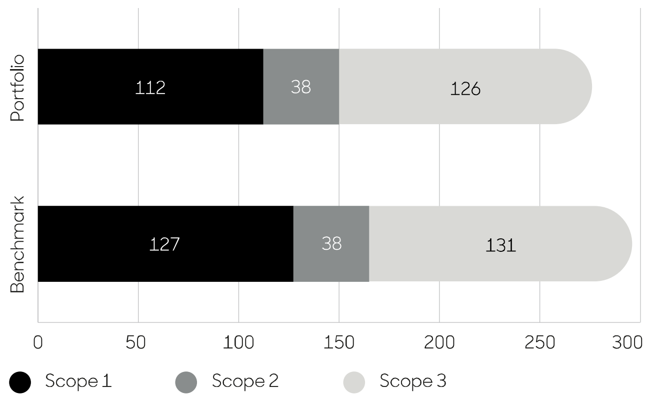
Example fund report

ESG Quality Score Distribution
%



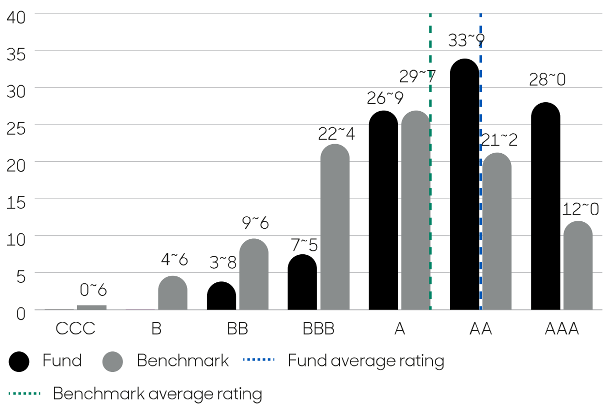
Source: abrdn.

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



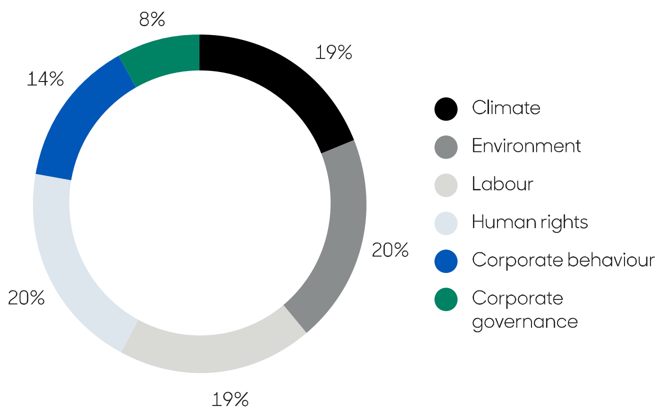
Source: Trucost.

MSCI ESG Rating Distribution Fund



Source: abrdn, 31 Dec 2022. abrdn derived averages based on underlying MSCI company ratings. Information provided for illustrate purposes only.

Our ESG Engagement Activity



Links

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

- Listed Company ESG Principles & Voting Policies
- Climate change
- Social factors
- Environment and sustainability

Metrics and targets: Operations

Our impacts and progress

The charts on this page illustrate the scope of our operational emissions impacts and demonstrate the progress we are making towards our targets. In 2022, we report a 56% reduction in emissions versus our 2018 base year, with a year-on-year increase in emissions due to travel restrictions lifting following the COVID-19 pandemic. We are focused on driving long-term absolute reductions in our material sources of emissions, which are the energy use in our offices (Scope 1 & 2) and emissions from business travel (Scope 3).

We continue to monitor and report our estimated emissions impact from homeworking. However, we are reviewing our current methodology in relation to long-term viability. We are working to produce a more accurate model to better reflect homeworking impacts as a long-term fixture of the workplace. Our goal is to lead by example in our management of operational emissions – but we still have more to do regarding the collection of some material categories of Scope 3 data. We provide more detail on this on page 37 of our **Sustainability and TCFD report 2022** and report against specific GHG Protocol categories in tabular format on page 90 of our **Sustainability and TCFD report 2022**.

Our 2022 operational emissions (tCO2e)

Scope 1

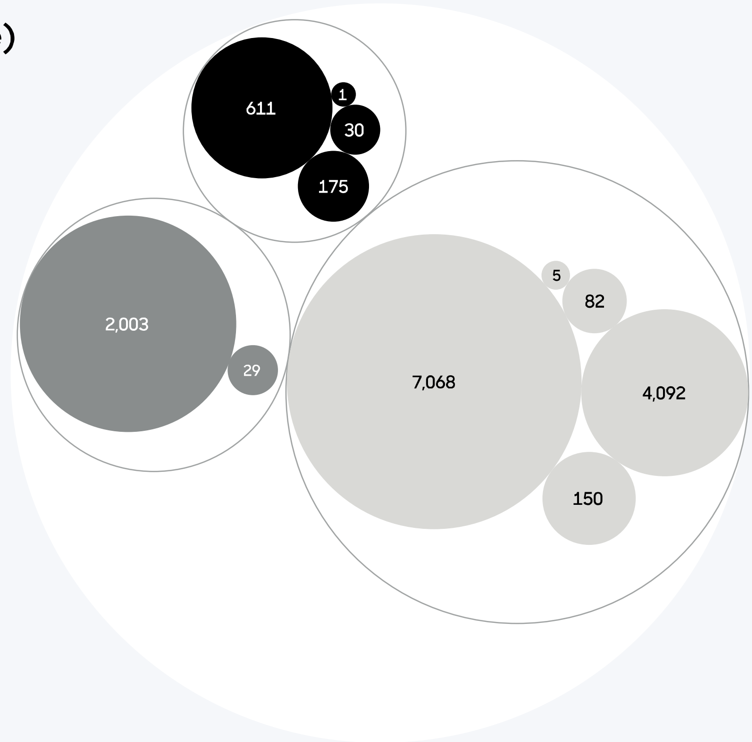
Natural Gas	611
Car	175
F-Gas	30
Stationary fuel	1

Scope 2

Electricity	2,003
District heating	29

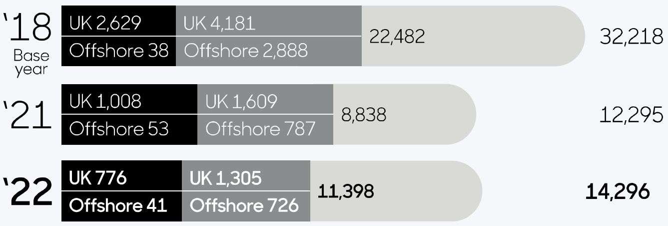
Scope 3

Homeworking	7,068
Flights	4,092
T&D	150
Train	82
Waste	5



Total CO_2 emissions (tonnes)

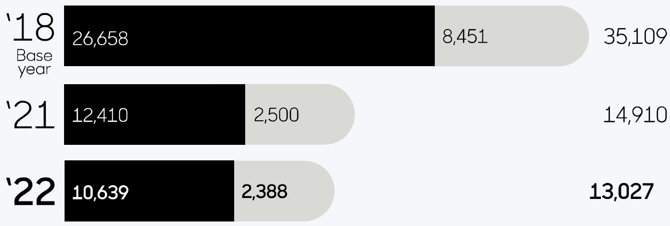
14,246



- Scope 1: Refrigeration gases, natural gas, oil and company owned vehicles
- Scope 2: Electricity and district heating
- Scope 3: Working from home, business travel, waste, and transmission and distribution

Total energy consumption (kWh '000s)[12]

13,027



UK Offshore

[12] Scope 1, 2, and some Scope 3 categories have been independently assured by Bureau Veritas. Bureau Veritas assurance an be found on page 99 of our **Sustainability and TCFD Report 2022.**

Appendix

Sustainability Council Governance Structure Appendix

This relates to information found on page 12.

Strategy Groups	Role and remit	Supporting Enabling Groups
Sustainable Investing Strategy	Supports the development of the overall ESG and Sustainable Investment strategy across all asset classes. The cross-functional group provides the relevant expertise and insight to pursue the best long-term outcomes for our clients from within the Investment teams. The group is chaired by the Head of Sustainable Investing, it consists of the Heads of ESG of all asset classes, Head of Active Ownership and Head of Sustainability Insights.	• Sustainability Research Forum • Regulatory & Standards Taskforce • Sustainability Standards Group
Sustainability Product Strategy	Supports the development of our Sustainability Fund Range. The cross-functional group provides the relevant expertise and insight to guide the development of the existing range and new additions. The goal is to build a true 'competitive edge' across our sustainability product range, delivering differentiated solutions that are relevant to our clients' needs across asset classes. The group is chaired by the Global Head of Product Strategy and comprises of product, client and ESG asset class representatives.	• Regulatory & Standards Taskforce • Sustainability Standards Group • Climate Scenario Analysis Commercialisation
Client Delivery	Lead distribution efforts to understand our clients' demands and feedback to the business. Develop external narrative and value proposition in fund and capability material. Commercialisation of our capabilities to enable institutional investors meet their investment and sustainability objectives. Understanding client needs and supporting clients in meeting their reporting and regulatory obligations. Feeding their voice back to the Council's other strategy groups.	• Sustainability Standards Group • Marketing & Communications • Grow Sustainably Academy • Climate Scenario Analysis Commercialisation • Regulatory & Standards Taskforce
Data and Technology	Oversee the development of the ESG data infrastructure and technology operating model to support abrdn's sustainable investing activity.	• ESG Data Design Authority • ESG Enablement Programme
Assurance & Oversight	Establish and oversee the risk management aspect of the framework. Provide independent advice and challenge the business operations in relation to regulatory compliance and design of controls and/or procedures. Support executives and boards in their oversight of risks.	• ESG Enablement Programme • Joining the Dots
Sustainability Institutes, APAC & Americas	The Institutes' mission is to set and manage the regional sustainability strategy, deliver regional-centric sustainability solutions and insights, build local sustainable investing knowledge community and contribute to regional progress. The Institutes are chaired by the regional Heads of Sustainability Institutes.	• Grow Sustainably Academy

Sustainability Council Governance Structure Appendix

Enablers	Role and remit	Focused on
Sustainability Research Forum	Working group to produce, discuss and promote delivery of the sustainability research priorities set by the SISG and promote sustainability insight across asset classes.	Establish our position on Sustainability trends and opportunities to meet investment and client needs.
Regulatory & Standards Taskforce	Assess new regulatory developments/ standards across all our investment vector jurisdictions with ad-hoc working groups to mobilise regulatory activity and understand implications for the business.	Preparedness of regulatory standards, knowledge sharing and application.
Sustainability Standards Group	Upholds standards in our investment process to ensure they stand up to scrutiny, reflect client objectives and rigorous internal standards with a focus on screening and standards breaches.	Preparedness of regulatory standards, knowledge sharing and application.
ESG Data Design Authority	Forum to produce, discuss and promote delivery across ESG data and technology operating model to power our sustainable investing activity.	Build and development of processes associated with data, tools and resources.
Marketing & Communications	Marketing and Communications is an enabler of all activity across the business, e.g. client reporting, communications of updates to the sustainable investing strategy etc.	Promotion of our sustainable investment activities to support client needs, reporting and communications.
ESG Programme	The ESG Programme is a programme of work and change to support activities across the value chain and strategic sustainability priorities.	Delivery of change programme to meet regulatory and client needs.
Grow Sustainably Academy	Development and delivery of sustainability education across internal stakeholders, including client and investment teams, as well as supporting client education on an ad hoc basis.	Upskilling of clients and internal staff on sustainability matters.
Cross Vector Initiative	Connecting corporate, Investment, Advisor and Personal vectors regularly to share best practice and ensure a consistent approach to sustainability across the group.	A consistent message and sharing of best practice.
Climate Services Working Group	Bringing together relevant business groups to expand and enhance our climate scenario analysis offering and services to clients.	Development of an offering for our clients on climate scenario analysis.
Corporate Sustainability Steering Group	Governing and overseeing corporate responsibility across the group.	Ensure our sustainable investing strategy is aligned with our corporate strategy.

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.	3–9, 16–22, 25, 50
Principle 2 Signatories governance, resources and incentives support stewardship.	10, 15
Principle 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	12–14, 24
Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	26–27, 35–39, 52–53, 63, 71–72
Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities.	11, 27, 29–33
Principle 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	19–27
Principle 7 Signatories systematically integrate stewardship and investment, including material environments, social and governance issues and climate change, to fulfil their responsibilities.	40–49
Principle 8 Signatories monitor and hold to account managers and/or service providers.	23
Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.	71–72
Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.	10, 12–14, 52–63, 68–70, 74–75
Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.	64–66
Principle 12 Signatories actively exercise their rights and responsibilities.	67

abrdn.com

STA0223879588-001