

Stewardship Report

2023

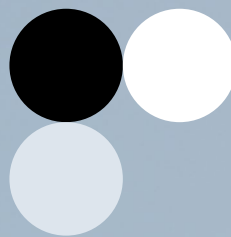
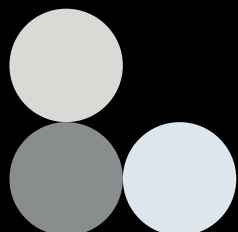
abrdrn.com

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.”

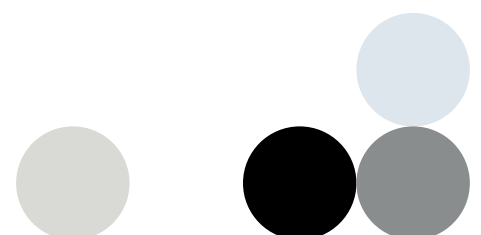
A key focus of the Code relates to the activities supporting the outcomes of stewardship, not just the intent of policy statements, across all asset classes. There are 12 defined principles to be applied by asset owners and asset managers. This report sets out our response to the Code and explains how 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 83 highlights how the content within this report aligns to each principle.



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Companies mentioned throughout this report are included only to demonstrate examples of our engagement efforts and should not be deemed as a recommendation to buy or sell any securities.



Purpose & Governance



A message from Peter Branner, Chief Investment 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."

As responsible investors, we ensure that stewardship and the consideration of ESG factors are given due attention as part of our business. Our aim is to make a positive difference – for our clients and the companies in which we invest, while considering the impact on society and the wider world. It's about aiming to achieve our clients' long-term financial goals while doing the right thing. With increasing scrutiny and expectations from various stakeholders, it is vital that we are transparent about our stewardship activities and outcomes.

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. In 2023 alone, we voted on 73,780 resolutions and carried out a total of 2,008 ESG engagements, highlighting our commitment to active ownership.

Over the past year there has been increasing debate about the purpose, outcomes, and usefulness of ESG. Reflection, review and analysis are healthy and in the market we continue to see questions across the wide spectrum from ESG having no commercial value to ESG being a panacea for all social and environmental ills. Our focus is our client and what is financially material for them. Our stewardship of investee companies begins with the 'G' of ESG – corporate governance. This considers how the boards and executives of companies direct strategy and manage operational issues linked to environmental and social factors that are financially material to their business. We believe that well managed companies have the ability to innovate and deliver long-term financial success that is beneficial to our clients. Our focus is the financially material factors that will deliver these benefits.

As asset managers we face an evolving and increasingly challenging regulatory environment that requires a greater level of reporting on our actions and the outcomes of those actions. We have continued to evolve our regulatory and fund specific reporting and are well placed to meet these additional requests as they evolve. To support these outcomes-based assessment models 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. We detail these steps in the report.

Key to delivering these goals are our people. It has been a difficult year for the industry and many asset managers have seen changes to their workforce, including abrdn. We see our employees as our greatest asset and will continue to invest in their growth. We use our worldwide investment expertise and local market resources to seek out investment opportunity globally. Through active investment, stewardship and innovation, we aim to deliver sustainable and future-fit investment solutions to help every client achieve more with their capital.

Peter Branner

Chief Investment Officer

A handwritten signature in black ink, appearing to be 'P. Branner', written over a light grey circular background.

A message from Amanda Young, Chief Sustainability Officer



"I am confident in the ability of our teams to continue to support and meet the requirements of the UK Stewardship Code, in support of our client needs and outcomes."

I am delighted with our continued efforts in meeting the UK Stewardship Code. Integrating sustainability factors into our investment process and ensuring we are engaged and dedicated stewards of our clients' capital continues to be core to our investment activities.

Our Sustainability Group works hard to ensure that our research, standards, frameworks, voting and engagement activities meet our client needs and outcomes. Our well resourced team of sustainability experts, supported by dedicated on-desk investment professionals, ensures we strike the right balance between integrating materiality and independence and oversight.

This has been a challenging time for those involved in sustainable investment and stewardship, balancing the continued demands of investors and clients with the growing regulatory landscape. It has required constant review of activities and structures to ensure that we remain future fit.

I am confident in the ability of our teams to continue to support and meet the requirements of the UK Stewardship Code, in support of our client needs and outcomes.

Amanda Young

Chief Sustainability Officer

A handwritten signature in black ink that reads "Amanda Young". The signature is fluid and cursive, with a period at the end.

Our purpose

abrdn is a global investment company that helps clients and customers plan, save and invest for the future

Specialist asset management



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.

Our clients:

- Insurance companies
- Sovereign wealth funds
- Independent wealth managers
- Pension funds
- Platforms
- Banks
- Family offices

Adjusted operating profit

£50m

AUM

£366.7bn

Cost/income ratio

94%

UK savings and wealth platforms



Adviser

Our Adviser business, the UK's second largest advised platform by AUA, provides financial planning solutions and technology for UK financial advisers which enables them to create value for their businesses and their clients.

Our clients:

- Financial advisers
- Discretionary fund managers

Adjusted operating profit

£118m

AUA

£73.5bn

Cost/income ratio

47%



interactive investor (ii)¹

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

Our clients:

- Individuals

Adjusted operating profit

£114m

AUMA

£66.0bn

Cost/income ratio

60%

Source: abrdn Annual report and accounts 2023.

¹ Personal has been renamed ii and includes Personal Wealth unless otherwise stated.

Our purpose

To enable our clients to be better investors



What sets us apart

A diversified business supporting clients at all financial stages

Trusted brands with strong market positions

Diversified, multi-client segment business model creating a resilient organisation

Positive and decisive action to strengthen the business model

Embedding AI and technology in the business

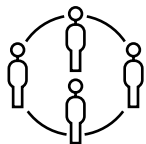
Strong commitment to sustainability and climate action

Industry-leading platforms enabling enhanced client service and value

Operating in markets with structural growth characteristics

Strong balance sheet and shareholder returns

Shaped by our cultural commitments



We put the client first



We are empowered



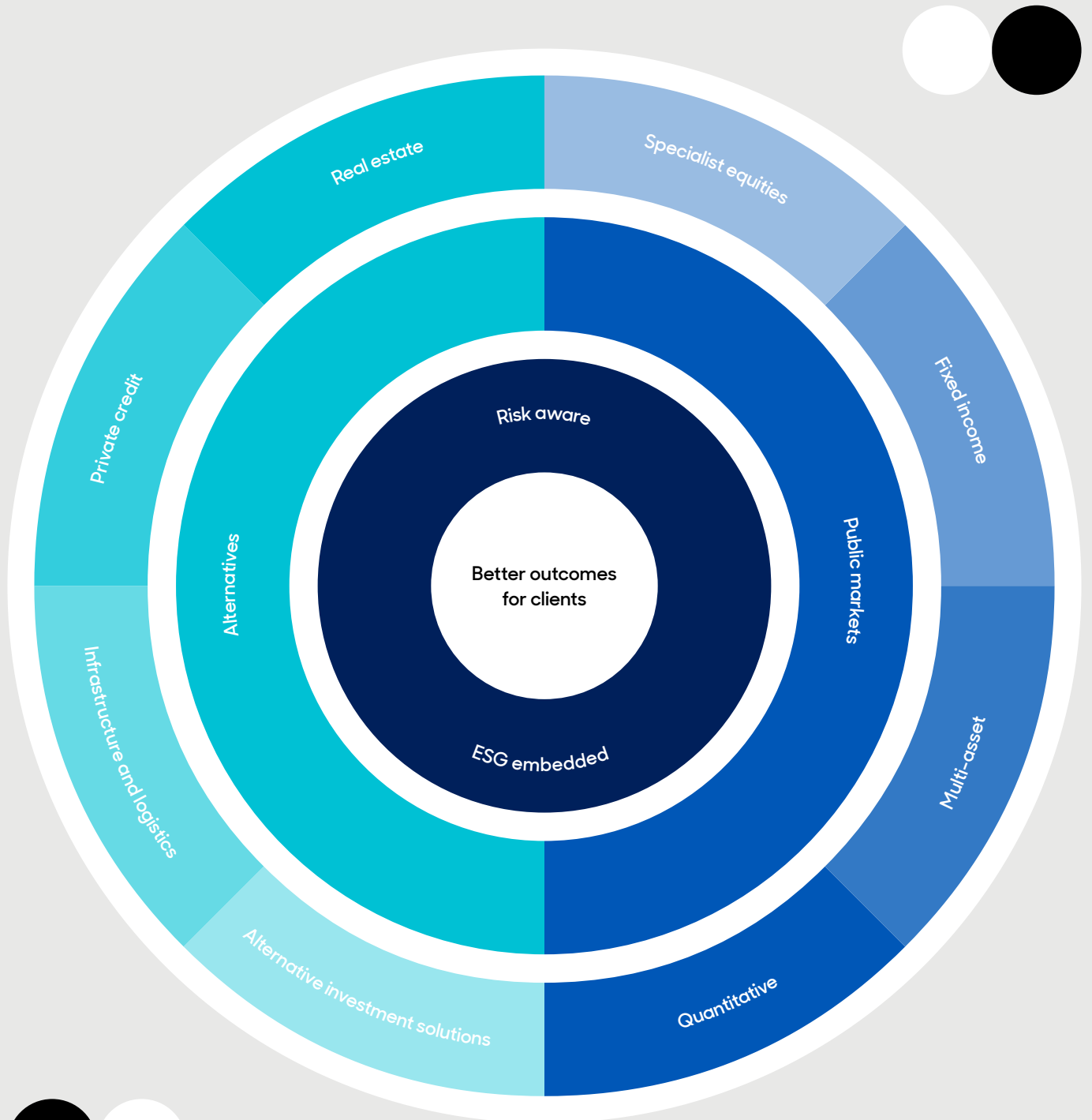
We are ambitious



We are transparent

Our purpose

abrdn is an asset manager with £366.7bn² in AUM. We focus on areas where we have both the strength and scale to capitalise on the key themes shaping the market, through either public markets or alternative asset classes.



² abrdn Annual report and accounts 2023.

Building a modern investment company

Positioned for success through the economic cycle

Driven by our purpose to enable our clients to be better investors, we have strengthened our business model through effective capital management and investment to create strong foundations for growth.

Our strengths and resources

Specialist asset manager providing investment solutions to meet complex needs.

Sustainable investment considerations integral to our investment process.

Strong UK adviser platform offering, powered by leading technology.

UK's second largest direct-to-consumer investment platform.

Strong balance sheet to drive shareholder value.

Positioned to benefit from key investment market opportunities

1
Continued growth opportunities in Asia and emerging markets, driven by:

- Demographics
- Urbanisation
- Economic opportunity
- Wealth effect

2
Energy transition seen across every industry including:

- Homes
- Transportation
- Construction

3
Democratisation of technology and investment

- People empowered to shape their own investment decisions

An efficient, diversified model

Strengthened, simplified business

- Strategic focus
- Robust governance
- Effective capital management

Driving investment in long-term growth

- People
- Product
- Technology

Structured around three complementary businesses

- Investments
- Adviser
- ii

Delivered through strong operational processes

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.

Long-term value created

Diversified business and a strong balance sheet support long-term value creation

Investment in long-term growth



Payment of dividends and the return of excess cash to shareholders



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 cash balances.

Value shared with stakeholders



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.

42%

Three-year investment performance



People

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

54%

Employee engagement score



Society

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

No.1

Ranked asset manager by World Benchmarking Alliance³



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

Full year dividend

³ The World Benchmarking Alliance is a non-profit organisation holding companies accountable for their part in achieving the Sustainable Development Goals. This ranking is from 2022 and remains the most current. More detail can be found on their [website](#).
Source: abrdn Annual report and accounts 2023.

Governance framework



Board

The Board's role is to organise and direct the affairs of the Company and the 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. During 2023, the Board's key activities included approving, overseeing and challenging:

- The updated strategy and the 2024 to 2026 business plan to implement the strategy.
- Capital adequacy and allocation decisions including the decision to sell stakes in HDFC Asset Management.
- Oversight of culture, our standards and ethical behaviours.
- Dividend policy including the decision framework governing when to return the dividend to growth.
- Financial reporting.
- Risk management, including the Enterprise Risk Management (ERM) framework, risk strategy, risk appetite limits and internal controls and in particular how this was adapted for blended working including working from home.
- Significant corporate transactions.
- Succession planning, in particular in the appointment of Jason Windsor.
- The quarterly performance of the Investments business.
- The ESG approach, both as a corporate and as an asset manager.
- Significant external communications.
- The work of the Board Committees.
- Appointments to the Board and to Board Committees.
- Matters escalated from subsidiary boards to the Board for approval.

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 Business CEOs and business functional leaders.

Chair

- 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 Director 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 Chair, 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 Chair, 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 Chair.

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 (N&G)

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

Audit Committee (AC)

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

Remuneration Committee (RC)

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

Risk and Capital Committee (RCC)

- 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.

Businesses

Business CEOs support the CEO to deliver growth across the business:

- Investments.
- Adviser.
- ii.

Talent

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

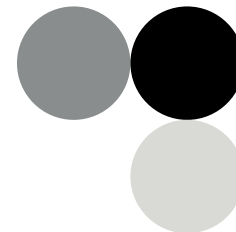
Efficient Operations

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. The Chief Internal Audit Officer attends ELT controls meetings.

Understanding what's material to our business



Assessment process

What is a double materiality assessment?

Sustainability materiality assessments consider the relative significance of topics to a business. Topics are assessed in view of potentials impacts, risks, and opportunities, with either financial applicability to the business, or outward potential for impact on the economy, people, and the environment.

Materiality assessments consider stakeholder perspectives on the activities and relationships of a business, within the bespoke context of its industry and operating environment. These inputs are then assessed to inform the prioritisation of sustainability topics and strategies, with outputs often presented with an illustrative matrix.

The value of a double materiality assessment is that it considers both financial materiality and impact materiality, with assessed impacts, risks, and opportunities not limited to those with objective ties to financial performance.

Understanding our approach

Following a transparent process

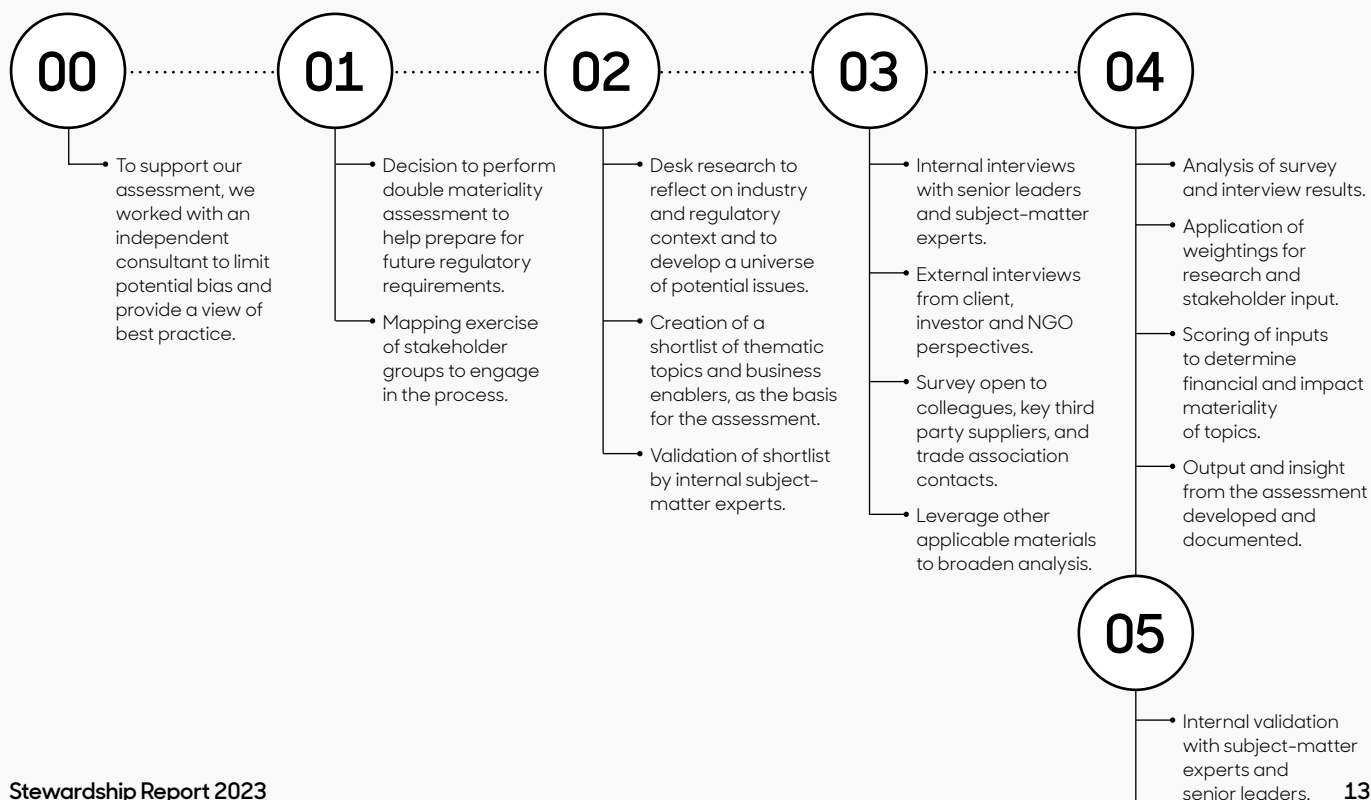
There is no widely accepted standard for double materiality assessments. The concept is now recognised in regulation but is yet to be fully cemented in practice. We accept that our approach will likely need to evolve in the long term and choose to disclose our approach and methodology to provide transparency on the steps we followed.

Limitations to the assessment

One of the primary challenges of double materiality assessments is that quality inputs are required from a variety of stakeholders to shape a credible output. We made efforts to capture key stakeholder views but the voluntary nature of engagement, and resource constraints, are limiting factors. As we perform similar exercises in future, we will carry forward key learnings to refine our approach over time.

Illustrating our assessment process

Phases and milestones to enable our double materiality assessment:



Our material sustainability topics

Our latest assessment

Background to our double materiality review

We completed our double materiality assessment in early 2023 and this reflects our understanding of material sustainability topics for our business. Our belief is that considering both financial materiality and impact materiality is important as global investors, as we consider the ability of topics to alter the enterprise value of a business, or influence investment decision-making, alongside the wider potential for impacts on the economy, environment, and communities. Our previous sustainability materiality assessment was conducted in 2019 with the intervening period subject to radical global changes and transformation for our business. In relative terms, 2023 has been a year of stability, and our view of material sustainability topics for our business remains consistent with the outputs from our latest materiality assessment.

Areas of focus

We have used the outputs of our materiality review to refine our corporate sustainability strategy. This report includes disclosure relating to all our material areas of focus, and signposts to our wider reporting suite where additional information can be found. Our impacts, risks, and opportunities manifest differently across our value chain due to the nature of our business as global investors. This assessment should therefore not be interpreted as a static, or absolute view, rather as basis of how we prioritise sustainability topics as components of our strategy.

Understanding the output and priority level

All topics are material and will be important components of our evolving sustainability strategy. We have grouped the topics across three priority levels to illustrate areas of focus.

Level 1

Topics considered to pose the greatest relevance to our ability to create value and/or reflect highest outward impacts on society and the environment.

Level 2

Topics considered very significant and requiring active management as components of our sustainability strategy.

Level 3

Topics considered important but with relatively less significance, versus other identified topics.

Level 1

- Climate change
- Ethical conduct and financial practices
- Human and labour rights
- Cyber security and data privacy

Level 2

- Diversity, equity, and inclusion
- Financial inclusion and access to services
- Community support and development
- Biodiversity and natural capital
- Education, opportunity, and talent development

Level 3

- Health, safety, and well-being
- Waste, consumption, and circularity

- Topic of emerging importance versus previous assessment.
- Topic identified as of high importance to stakeholders.

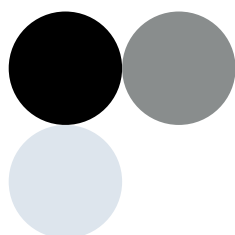
Assurance

We produce an annual internal controls report for our investments 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 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.

For our stewardship activities, our internal governance structure is designed to provide assurance - both through reviewing our policies and approach and providing a check and challenge over our processes. Our Enel case study demonstrates our governance structure in action, and how we take into account all of our stakeholders' needs.

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 the latest PRI Assessment Report (published for 2023 covering calendar year 2022), we were rated against 14 investment modules. We achieved the highest possible rating of 5 stars across 7 of these and 3-star or 4-star ratings for the remainder.



Case study Enel

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 UNGC 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.

As an example of this process, in May 2023 the Group agreed to override an external data provider's assessment that Enel failed the UN Global Compact based on **Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights** in relation to the impact of several windfarm projects on indigenous communities in Colombia.

Reaching this decision involved significant dialogue between the Sustainability Standards Group, on-desk analysts covering Enel, representatives across wider asset classes, and engagement with the company itself.

In supporting the case for the override, we noted the historic nature of events and subsequent remedial actions taken. We engaged with Enel and set milestones, amongst them a target of disclosing processes for engaging with indigenous groups on its website. The company has halted the project in Windpeshi and is undertaking a full review of its human rights procedures, which we welcome.

The degree to which this analysis is used within the investment process depends on the characteristics or objectives of the fund or product.

Stewardship Approach



A message from Andrew Mason, Head of Active Ownership



“Our thematic engagement has focused on several areas. Including collaborating with others in relation to climate change, and abr dn engaging with the mining sector on human rights and a number of sectors on long-term decarbonisation.”

ESG continues to develop and as it does, we are seeing conflicting views sometimes acting contemporaneously on both its financial materiality and its application. abr dn is committed to being an active investor and focusing on the ESG issues which are in the best long-term financial interests of our clients. This is detailed throughout the report in relation to both our governance of ESG and how we put ESG into practice.

The area I would like to focus on is how we put ESG into practice. Our approach is guided by robust research and understanding. Both our investment desks and our Sustainability Insights team provide detailed research at both the company level and at the global thematic level. Our focus is guided by the sustainable development goals and the UN global compact and sits across four broad research areas: preserving natural capital, navigating the climate transition, promoting a fairer society, and championing strong governance. These guiding principles support our ongoing company engagement at both a thematic and company specific level.

Over the year our thematic engagement has focused on several areas. Including collaborating with others in relation to climate change, and abr dn engaging with the mining sector on human rights and a number of sectors on long-term decarbonisation. Through specific voting standards we have also promoted macro themes such as the promotion of diversity, equity, and inclusion. Our investment desks across asset classes have tailored their approach to meet abr dn’s collective goal of leveraging ESG to deliver long-term financial success.

In 2023, we published our voting priorities prior to the voting season and updated Listed Company ESG Principles & Voting Policies to clearly communicate our expectations of our investee companies. In October 2023, we published how we actioned against these priorities.

Following the identification of our highest-financed emitters in our equity and fixed income holdings (2022), we developed a framework and climate-related engagement strategy; documenting our escalation framework on engagements in our stand-alone Engagement policy which was published in December 2023.

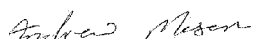
In 2024, we will continue to implement our active ownership approach, notably through ongoing engagement with our top 20 highest financed emitters and dedicated diversity and inclusion voting strategies. We will continue to update our Listed Company ESG Principles & Voting Policies at least annually and keep monitoring and considering the demands for 'client expression of wish' and 'client-directed voting'.

Our Equities teams operate a proprietary ESG scoring system called the ESG Quality Score. This considers the regional universe and peer group in which a company operates and allocates companies a score between 1 and 5 (1 indicating poorest performers). The team is also working on an engagement road map set to be published in 2024. Our Fixed Income colleagues conduct ESG assessments of a company's credit profiles and assign an ESG risk rating ranging from Low, Medium to High (low indicating lowest level of risk). Our sovereign debt teams apply priority models assessing both ESG and political risks of country debt. Our quant funds apply various ESG screens on behalf of our clients and work with investment desks to deliver stewardship. Finally, our real estate teams continue to apply detailed rigor to our investments including specialist environmental reviews.

The above is a small snapshot of the level of diligence applied across abrdn to ensure the integration of ESG factors into its investment process. Examples of the work listed above can be found within the report.

Andrew Mason

Head of Active Ownership



Our Investments business stewardship aims and commitments

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

01

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

02

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

03

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

04

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

05

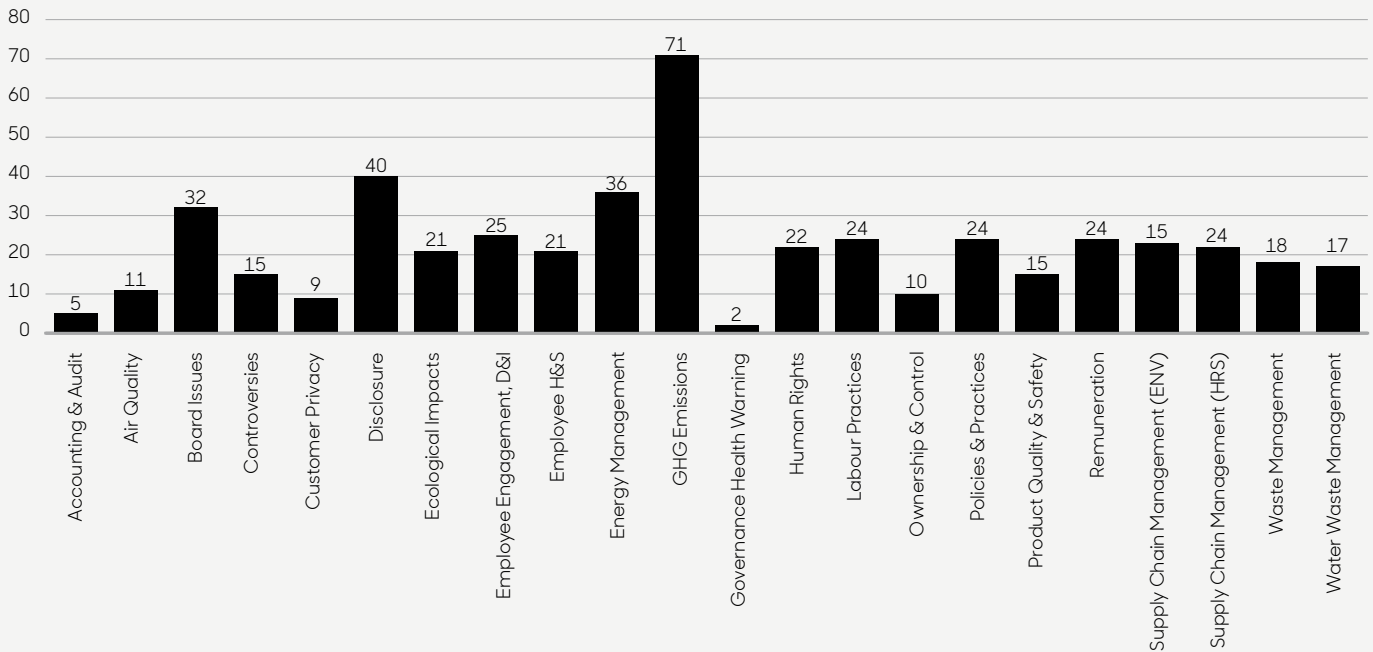
Our corporate activity: We gather data to understand and manage the material ESG factors in our own operations to ensure our own impact contributes to positive outcomes for all stakeholders.

Active Ownership in Numbers



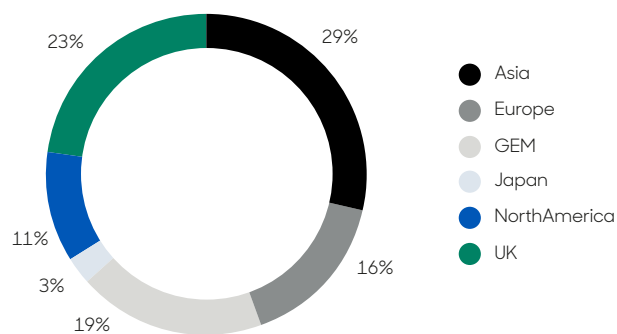
2023 engagement statistics

% of priority company meetings in 2023 where ESG topics were discussed⁴



⁴ 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, December 2023.

Engagement Stats

	Total
Priority ESG engagements	253
Non-priority ESG engagements	1,755
Total ESG engagements	2,008
Total companies engaged ⁵	1,209

⁵ Some companies are subject to multiple engagements.

Actively voting across our portfolios

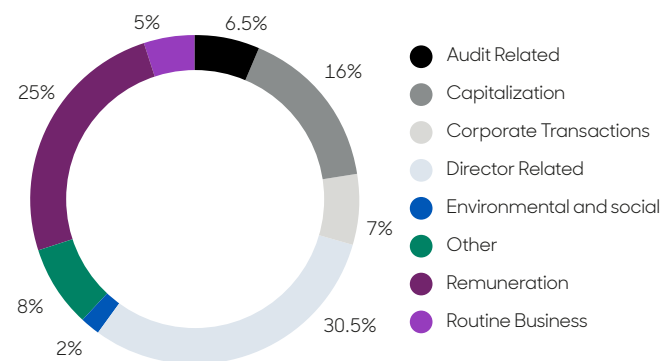


2023 Voting Statistics

	Total
Number of meetings voted	7,113
Number of meetings with at least 1 vote Against, Withhold or Abstain	3,805 (53%)
Total number of resolutions voted	73,780
Percentage of resolutions voted against management recommendations	14%
Percentage of votes different from ISS policy	7%

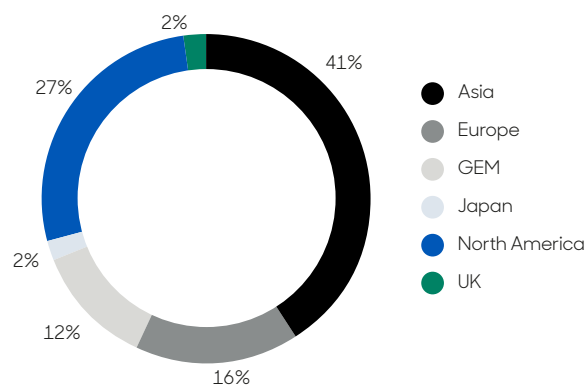
Source: abrdn, December 2023.

Thematic breakdown of votes against management recommendations



Source: abrdn, December 2023.

Geographical breakdown of votes against management recommendations





It should be noted that the stewardship code is applied to our investments business. interactive investor and Adviser do not make direct investments.

Our Chief Sustainability Officer (CSO) sets and leads the sustainability strategy for abrdn's Investments business. The CSO is an executive member of the Investment Leadership Team 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 Investments business. Our CSO reports to our Chief Investment Officer (CIO) and has a dotted line to our CEO of Investments, to ensure sustainability matters are embedded across the business value chain. As we integrate ESG considerations into our investment approach, the CIO and asset class heads hold responsibility for enforcing integration within each asset class.

Our CSO also leads our Investments Sustainability Group (ISG) which is responsible for setting the associated sustainability standards, providing independent oversight, delivering sustainability insights, driving our active ownership strategy and supporting our clients across our Investments business.

Sustainability Council

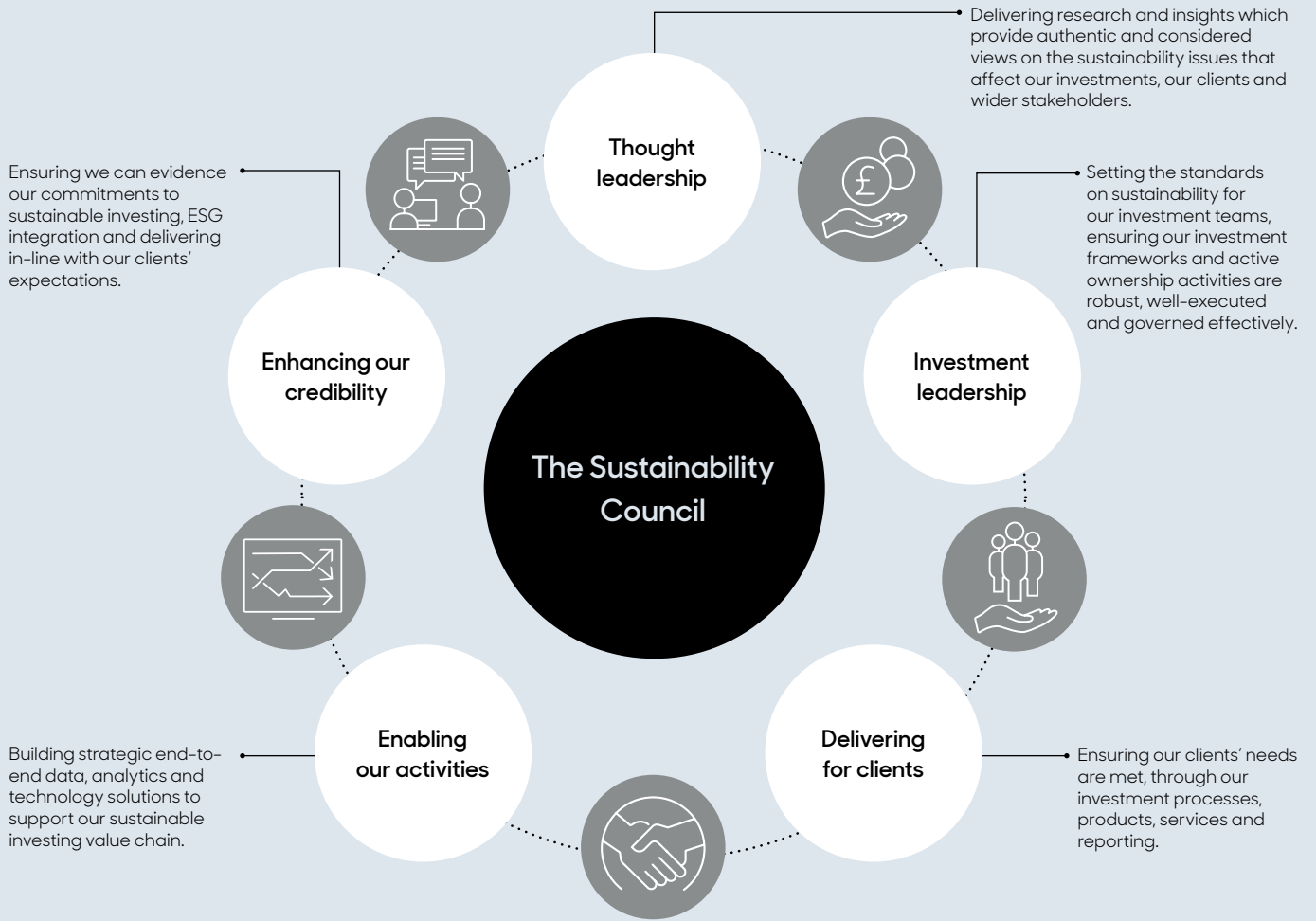
The Sustainability Council is a senior governance body with responsibility for ownership and implementation of the sustainability strategy across the full spectrum of services delivered by the Investments business. It ensures different parts of the business have clear accountability for their areas. 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 comprised of six executives who lead our Investments business and chaired by the Investment CSO. The Council has the authority to set sustainability standards, approve policies and set the expectations for the implementation of our sustainable investing strategy. The seniority of the Council ensures that the right level of priority is given to sustainability matters and each area of business is aware of their responsibilities. Senior managers and sustainability specialists, who oversee and drive sustainable activity across the Investments business, are members of the Sustainability Strategy Forum. This Forum oversees the implementation of the Sustainability Strategy, as agreed by the Council. This allows us to coordinate sustainability matters across the Investments business.

The supporting working groups are aligned to the Council's strategic priorities and are responsible for designing and leading the strategic priorities for their individual areas that will enable the business to meet its objectives. The strategic priorities are signed off and progress overseen by the Sustainability Council. The Council delegates responsibility for the implementation and progress reporting to the relevant business areas.

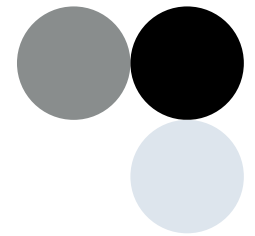
Key investment priorities

The Council oversees five key investment priorities (shown in the diagram on page 23). 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.



Source: abrdn, December 2023.

Investments Sustainability Governance



Investment Sustainability Council Governance Structure

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



Delivered through Working Groups



Source: abrdn, Sustainability Council, February 2023.

Investments Sustainability Governance

The working groups are aligned to the Council's strategic priorities and are responsible for designing and leading the strategic priorities for their individual areas that will enable the business to meet its objectives. The strategic priorities are signed off and progress overseen by the Sustainability Council. The Council delegates responsibility for the implementation and progress reporting to the relevant business areas.

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.

For details of the high-level responsibilities of the supporting groups, please refer to our Appendix on page 83.

Sustainability Council alignment with wider Investments governance

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

- The Sustainability Council is made up of the Investments business executive.
- The Sustainability Strategy Forum is responsible for executing the Strategy and feeds into the Sustainability Council.
- Issues around 'Investment leadership' are escalated to the Investment Forum.
- Issues around 'Thought Leadership' & 'Delivering for Clients' are escalated to the Growth Forum.
- Issues around 'Enhancing our Credibility' and 'Enabling our activities' are escalated to the Investments Risk & Controls Forum.



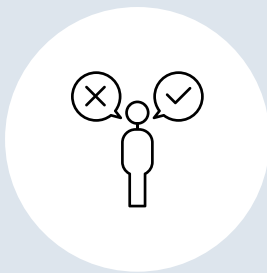
Investment Sustainability Strategy 2024



Strategic Areas of Focus

Building on our foundations for the future to ensure that our client and investment needs are met.

Our focus for 2024 falls into three areas:



Amplify our voice

through our research, thought leadership, influence and active ownership activities



Protect & grow our assets

in supporting our investment process, people capabilities, product development & client outcomes



Simplify & enhance

our processes, governance structures & data strategy

Delivering for Clients	Thought Leadership	Investment Leadership	Enabling our Activities	Enhancing our credibility
Grow sustainable product pipeline aligned to client need across regions	Strong sustainability research for investment teams and clients	Enhance ESG integration across investment teams	Strengthen ESG data governance model	Enhance risk and controls environment
Grow ESG knowledge among client group and clients	Strong voice to encourage industry best practice	Build sustainability outcomes model	Develop ESG analytics toolkit within investment operating model	Upskill staff on ESG and greenwashing risks
Enhance client and regulatory reporting	Partner and collaborate internally & externally	Strong active ownership activities to drive change	Deliver consistent challenge to investment integration practices	Build clear oversight in 1st, 2nd and 3rd line of risk management
	Thought leadership on sustainability themes	Demonstrate credentials to meet client & regulatory requirements	Deliver the output of programme into operating model	

Investment Sustainability Strategy 2024



Embedding programmes into operating models

We have made significant progress moving data projects into our BAU operating model. During the year, abrdn appointed a new CIO. As part of the new CIO office, a modelling and analytics team was established. Data and analytics projects, largely undertaken by previous programmes moved into this team to ensure the work being built forms part of our future investment platform. The aim is to ensure all our ESG data, tools and frameworks are part of our investment team processes.

We have bolstered our ESG regulatory reporting, increased our level of ESG reporting for specific funds, and completed the upgrading of ESG tools to increase the ESG data provision to investment teams and to our clients. In 2024, 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.





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.

As a global investor, with a focus on ESG, 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.

How engagements are prioritised

Our engagement process consists of four components:

- **Review:** Part of our ongoing due diligence and frequent interactions led by the analyst responsible for oversight of the investment.
- **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.

Our regular 'review' meetings are normally held with the investee company's executive management, 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 is such that they are ever-present but often 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.

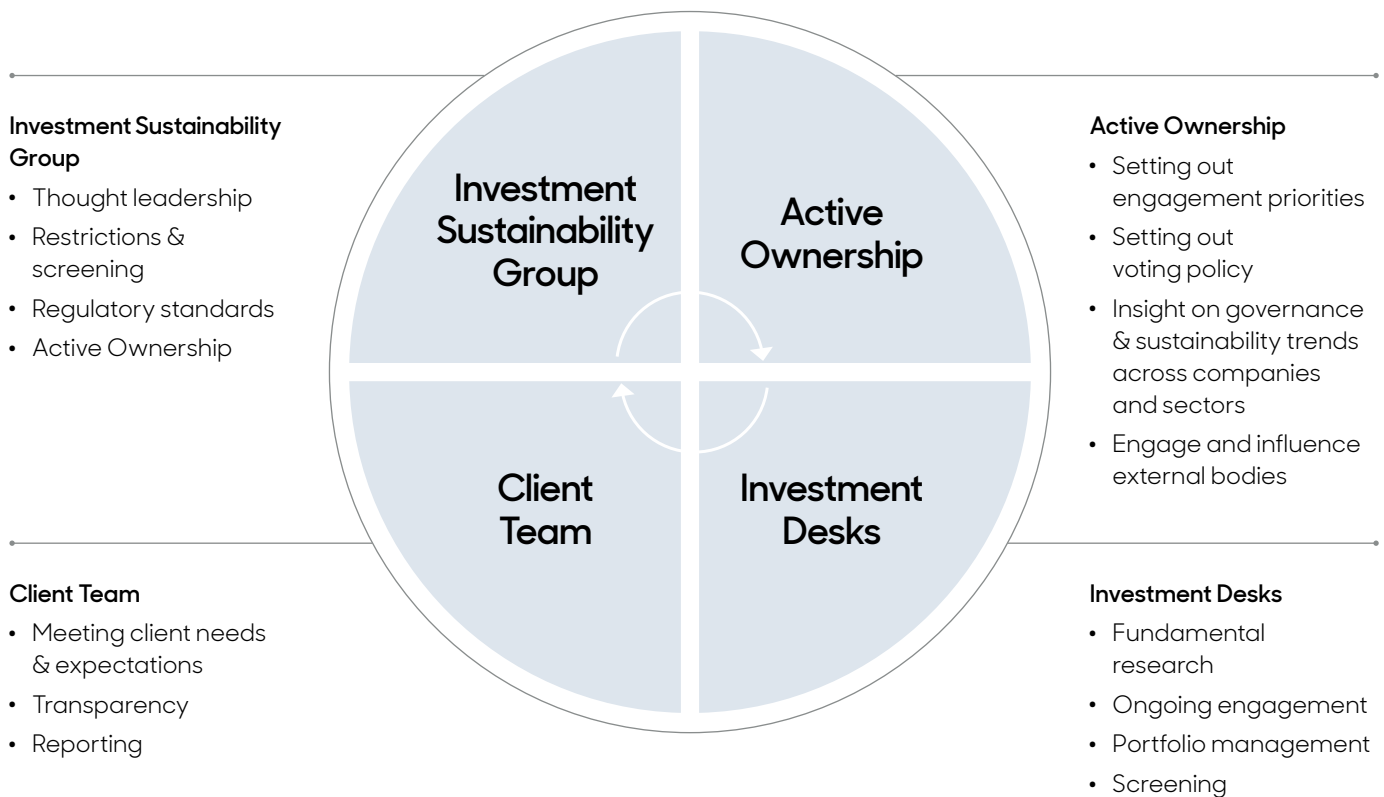
For our 'thematic' engagements, we select investments which are felt to be materially impacted by sustainability themes identified by our research. These themes may arise in the short term due to particular events or may be long running in nature and impacting many sectors and investments. Engagements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

How engagement efforts are organised

For every engagement, we have a wide pool of resources to draw from. We have ESG expertise embedded within our investment teams. Our on-desk investment analysts are supported by the ISG, who bring specialist knowledge on sustainability issues. These include, but are not limited to, areas such as risk management, board composition, remuneration, audit, climate change, labour issues, diversity, equity, and inclusion, human rights, bribery, and corruption. In addition, we leverage the macro insights of abrdn's Global Macro Research team.

The engagement planning process is led by our investment desks, 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. Our ISG provides detailed global thematic research and insight on stewardship and sustainability issues across all asset classes. Our research focuses on key sustainability themes and is linked to the UN Global Compact and Sustainable Development Goals (SDGs).

Our Sustainability Insights team conducts thematic research to assess how changes in ESG issues could impact investment behaviours and therefore negatively or positively impact companies in which we invest. Furthermore, conducting thematic research enables us to conclude what should be deemed best practice and to encourage businesses to adopt these considerations within their business practices.



We engage with our investments in a number of ways:

- Face-to-face meetings with board members, senior executives and decision makers;
- On-site visits to see progress in action;
- AGM attendance to push for innovation and change;
- Exercise rights as a shareholder through voting and provide transparency around the rationale and expectations behind our votes;
- Collaborative engagements with other investors who may be seeking to achieve similar change from a single investment or a range of investments;
- Meetings with ex-employees, customers, suppliers, stakeholders or other experts to verify information provided by staff;
- Divestment in certain instances where a company's actions, strategy or plans don't meet our, or client, expectations or benchmarks.

How engagement efforts are monitored

We believe that it is important for our engagement activities to lead to improvements in our investments and the way they manage and mitigate risks informs our investment decisions. We record concerns and issues raised with our investee companies and set timeframes within which we expect our concerns to be addressed.

To do this we have defined the following 'lifecycle' steps for our engagements:

- **Identify:** We identify specific concerns or issues to be raised with those investee companies.
- **Acknowledge:** The concern is acknowledged by those investee companies.
- **Plan:** There is a credible plan to address our concerns.
- **Execute:** The plan is being executed to address our concerns.
- **Close:** The plan has been successfully executed and our concerns have been addressed.



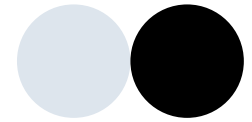
Engagement with investee companies for certain asset classes are recorded and identify the objectives for the engagement as well as the milestones, allowing us to classify success markers at the start of the engagement, and monitor (and report on) our engagements on an ongoing basis. This is important given some of the outcomes we are expecting will not be immediate, and it may be appropriate to set an engagement milestone which allows us to assess which steps the company has taken after our engagement. These milestones are created and tracked in relation to which steps the company has taken after our engagement. These milestones are created and tracked in relation to company engagement and the company's progress, or lack of, against these milestones, which in turn informs the company's ESG ratings. We advise our investments of the areas where we wish to see improvement and carry out desktop analysis or further engagement to measure progress.

Escalation Approach

We consider escalation on a case-by-case approach and aim to identify risks early and set measurable milestones with investee companies. We may choose to resort to escalation in certain instances where a company is unresponsive, or in our view, the company is insufficiently responding to a material issue. We have a decision tree that provides potential tools of escalation in the instance when an investee company in our view, has inadequately responded to a material risk. At abrdn, we engage with investments through escalation actions to drive change and achieve outcomes toward objectives. A flexible escalation approach is essential, given certain escalation actions may occur simultaneously or as part of regular due diligence with investments.

Escalation Actions

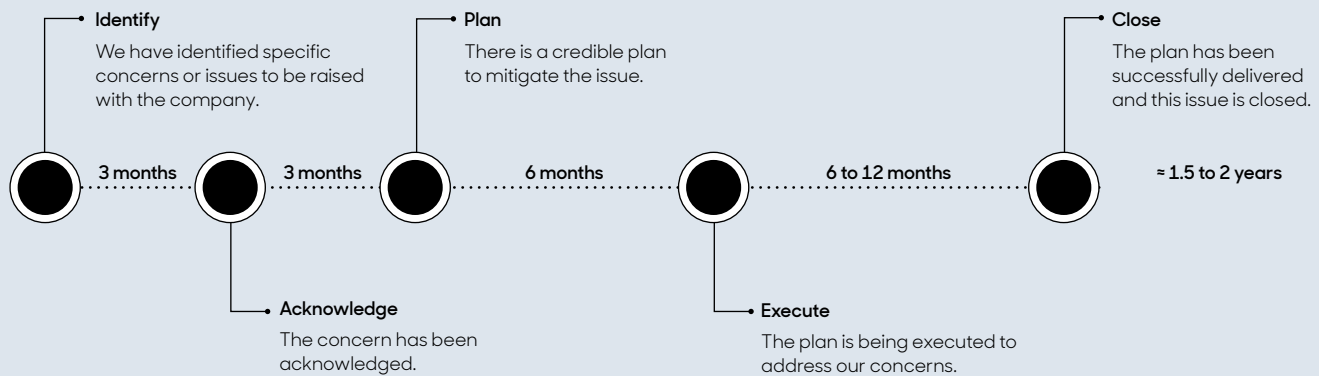
Request Engagement	Revise Internal Assessments	Letter to the Board	Ownership Rights and Voting	Public Statement	Collaboration with External Parties	Divestment
Lead analyst may choose to request a follow up engagement with members of senior management or the board to address material risks.	Stakeholders such as portfolio managers, lead analysts and ESG specialists where possible, may choose to revise internal quantitative assessments of investee companies on a particular and material risk.	Lead analyst may choose, where possible, to send a letter to senior management or the board to communicate our milestones, expectations and suggest a reasonable timeline to progress against specific actions.	Voting is integral to our Active Ownership activities. Lead analysts and the Active Ownership Team where possible, may choose to enforce voting rights to encourage the progress of an investee company on a material risk.	abrdn may choose to issue a public statement detailing its view of a specific issue in the market and its expectations of investee companies.	We leverage participation in industry and investors-led initiative frameworks. We may choose to escalate issues to investee companies as a member of initiative frameworks, with the aim to have a unified view and to take collective action to drive change.	We may choose to divest where possible, and where we find an investee companies' response has material negative financial impacts. We believe in engagement approach over divestment.



Illustrative timelines for Escalation

Escalation tools are enforced at the decisive point it becomes clear the company has not followed the typical engagement lifecycle: **Identify, Acknowledge, Plan, Execute and Close**. We assess the execution and credibility of a company’s plan for an identified risk, through tracking of the delivery on milestones set in engagements or public disclosures. It is imperative that the time for fulfilment of engagement objectives remains flexible. For examples, investments such as emerging market or high yield bond issuers may require more resource and time to deliver on outcomes.

Engagement lifecycle - illustrative timeline



Note: for illustrative purposes only.

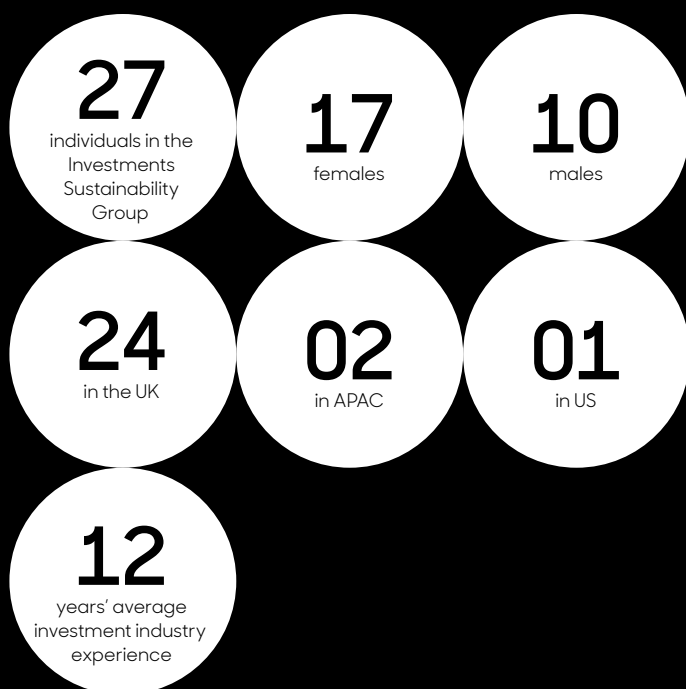
We monitor our investments closely in order to assess whether they have established a credible plan to address the issue within 6 to 12 months of the initial conversation. We set milestones in engagements and measure progress against measurable and reasonable milestones. We typically expect our investments to execute on a milestone between 6 to 12 months, depending on the issue and when the issue was raised. In a typical lifecycle engagement, we aim to engage with our investments every year. We revisit progress against milestones set at the initial engagement. The engagement lifecycle timeframes apply more strictly to developed market and listed equities companies, therefore flexibility is required for investments in emerging markets and fixed income. Risks may vary, depending on materiality and scale, some milestones may take several years to materialise than others.

People as our key asset

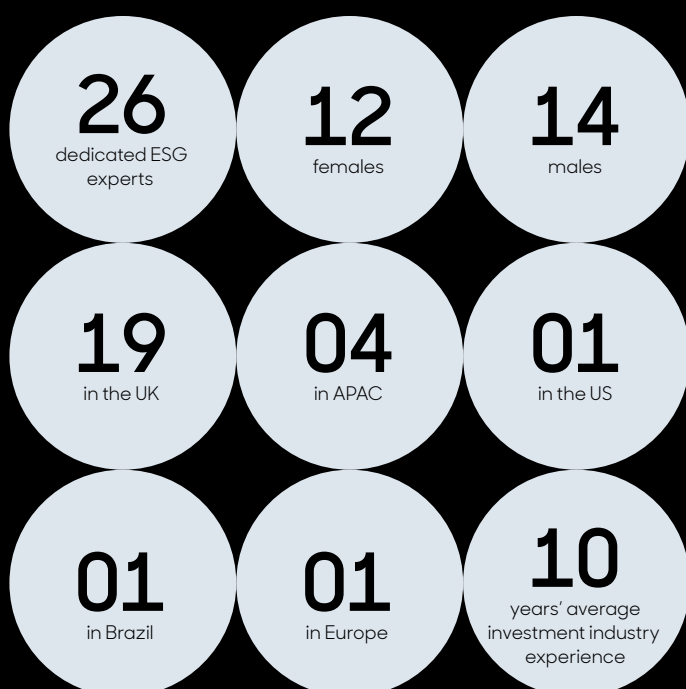
ESG and stewardship expertise

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 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 Global Macro Research team.

Investments Sustainability Group



Dedicated asset class ESG resources

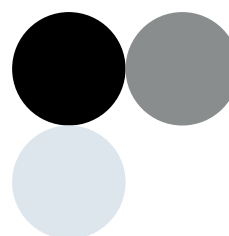


Training and development

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.

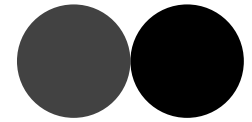
These expectations are often wide-ranging, covering areas including how we manage environmental, social and governance (ESG) risks and opportunities in our investments, how we engage with companies, and how we define and label our sustainability products. As a result, we believe that we must continue 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 2023 we launched the Grow Sustainably Academy; a tailored ESG training programme aimed at meeting the needs of various teams within Investments. Training covered a variety of topics, including but not limited to: regulation and greenwashing, proprietary tool training, thematic research and our engagement approach. In total almost 40 training sessions were held with more than 1,400 attendees across the sessions.



Source: abrdn, December 2023.

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 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.

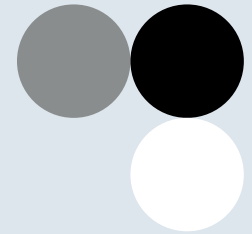
For more information, please refer to our approach to sustainable investing on our website.

Our research on macro themes is not done in isolation. We also consider the macro risks that we face as a company. Further details on our investment process and macro research can be found on page 73.

Sustainability themes	Preserving natural capital	Navigating the climate transition	Promoting a fairer society		Championing strong governance and business ethics
Sustainable Development Goals	UN Global Compact Environment		UN Global Compact Labour	UN Global Compact Human Rights	UN Global Compact Anti-Corruption
Topics	<ul style="list-style-type: none"> Natural capital data Biodiversity, Deforestation Oceans, water, Circular economy: plastics, sustainable packaging Food sector 	<ul style="list-style-type: none"> Climate scenario analysis Carbon metrics Net zero alignment Carbon offsets Credible transition leaders Climate policy Low carbon technology Fuels of the future 	<ul style="list-style-type: none"> Working conditions, Health & safety, Diversity, equity & inclusion Staff development & talent retention, Labour relations 	<ul style="list-style-type: none"> Modern slavery, Supply chain issues, Inequality, Land rights, Food & nutrition, Data privacy, Community relations 	<ul style="list-style-type: none"> Anti-bribery & corruption, Audit issues, Board balance, diversity, Remuneration, Director independence, Shareholder rights, Accountability, Cyber security, Tax, Digital assets
Establishing authentic and credible insights & positions on sustainability issues that influence investment decisions					



2023 Collaborative engagement examples



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. 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. 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.

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. CA100+ has 3 goals in encouraging companies to set clear targets to cut carbon emissions in line with the Paris agreement to limit warming to 1.5C, improve governance and oversight of climate related items and enhance climate related financial disclosures and transition plans. abrdn engages through CA100+ with several high carbon emitters and encourages those companies to align disclosure to the CA100+ Net Zero Benchmark. Phase 2 of the Net Zero benchmark was launched last year. As part of Phase 2 of the initiative, thematic engagements were introduced and a commitment to publish them annually, increase transparency and support investors to manage climate related risks.

Nature Action 100 (NA100)

We are involved in Nature Action 100, a global investor engagement initiative focused on driving greater corporate ambition and action on tackling nature loss and biodiversity decline. We are engaging with companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030.

Cumulative Voting in Brazil

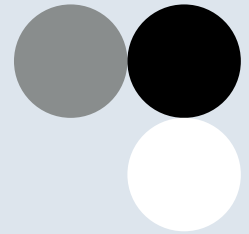
abrdn is a member of Amec, a Brazilian organisation of minority investors with membership of over 50 foreign and domestic investors. Amec seeks to defend the rights of minority shareholders in Brazilian publicly-held companies by promoting good corporate governance practices.

Over several years there has been discussion between investors, companies and regulators trying to resolve challenges in the execution of cumulative voting. Cumulative voting may be requested by shareholders when electing the board of directors and is a system whereby shareholders can cast all votes in favour of a single candidate or divide votes across more candidates. Historically, international investors experienced a number of limitations to distribute votes in cumulative voting cases due to system restrictions of the global proxy voting chain. Due to these restrictions, some voting situations had to be executed through manual voting which increased the risks of voting execution.

As part of Amec, a representative from abrdn took a lead role in discussions with securities regulators, custodians, the exchange, listed companies and other investors on this topic to seek improvement. Our main contribution was to educate the stakeholders in the local market about the complexities of proxy voting execution process for foreign shareholders. As part of this we conducted several fact-finding meetings with all the links in the proxy voting chain to identify the pain points and bottlenecks. With that we were able to present issues and engage with stakeholders on potential solutions - some of which were implemented by the regulator CVM and the B3 exchange. Following improvements to systems within the proxy voting chain made by the regulator and exchange, we were pleased to note that in 2023 international shareholders were able to have full voting power when voting in cumulative voting situations in Brazil.



2023 Thematic engagement example



Supporting a carbon transition through our engagement

Net-zero stewardship: an engagement-led approach to decarbonisation

Active ownership is a powerful tool to mitigate financial risks and to influence real-world decarbonisation. It allows us to challenge companies on their transition strategies and to influence corporate behaviour. Our proprietary 'credibility framework' serves as a foundation tool for us to pinpoint transition leaders. However, to conduct a more proactive analysis, especially in regions with limited data and disclosure gaps, an engagement-led approach becomes imperative.

Our net-zero stewardship quantitatively assesses the integrity of companies' climate transition plans. It's built on the following indicators:

- a company has a clear and transparent decarbonisation plan;
- policy support is favourable and supportive;
- investments are made in net-zero enabling technologies; and
- the allocation for 'green' capital expenditure is specifically dedicated to environmental initiatives.

How can active ownership help the net-zero credibility gap?

abrdn's active ownership encourages companies to set credible targets and to enact changes in support of climate action. Active ownership also involves engaging with businesses to encourage the appropriate level of oversight by the board. This helps to manage climate-related risks and allows us to gain an understanding of sectoral and geographical nuances to decarbonisation.

A standardised approach can be applied across sectors and geographies, and it allows us to measure and compare the effectiveness of a company's decarbonisation progress with other heavy polluters. Active ownership provides an in-depth analysis of a company's climate strategy, rather than relying on merely third-party data or a principles-based approach on climate issues. Our ownership approach assesses policy support for clean energy, a company's policy advocacy, low-carbon substitutes, market appetite for low-carbon products, and technology readiness in terms of barriers to entry and stage of development.

Both data-driven and engagement-led approaches are essential for a well-rounded assessment of a company's progress against its climate targets. In addition to engagements, we assess quantitative information, such as the proportion of 'green' revenue, the scope of a company's targets, and the disclosure against benchmarks (including Science-Based Target Initiative, Climate Action 100+ and Transition Pathway Initiative).

But how do we hold companies accountable and monitor progress? Active ownership involves keeping track of progress, by setting milestones with each of abrdn's top-financed emitters. We assess progress against set milestones and determine whether the company has made sufficient progress to achieve their climate ambitions. We can escalate our concerns in a variety of ways, including revising our quantitative assessment of a company, taking voting action, and by collaborative engagement.

What does active ownership tell us?

Our active ownership research has identified the following five key points.

1. Intensity targets hide the absolute truth

We identified that the majority of top-financed emitters are using intensity targets rather than absolute emissions reduction targets. Emissions intensity is often used a metric as it's comparable with other companies and controlled by a company's size. However, it doesn't always mean that actual emissions are decreasing, as changes in capacity or energy output can affect the overall intensity target outcome. As we aim to assess real world impact on reducing emissions, we encourage companies to set absolute reduction targets. Two of the emitters that we invest in, CRH and Engie, have already adopted absolute targets. We are now working with them on other climate-related measures, such as improving their energy mix.





2023 Thematic engagement example



2. Targets need to cover direct and indirect emissions

Companies must set comprehensive targets that cover all emissions, with an additional focus on those that are significant and most material. While many oil and gas firms set short-term goals for direct emissions, they often ignore the larger impact of indirect emissions. We expect companies to identify material emissions to address this gap and to support initiatives for standardised reporting and methodology. An excellent example is Siam Cement Group (SCG), a chemical and cement company in Thailand, which audited its full scope emissions with the Science Based Target Initiative. It included Scope 3 emissions (indirect emissions) in its audit, despite them representing less than 30% of its total emissions. We are now working with the company to encourage it to reduce the clinker content (which releases CO₂ in production) of its cement.

3. Capital expenditure is a sign of commitment

Companies allocating capital expenditure towards 'green' initiatives demonstrate a commitment to a net-zero transition. However, the impact of such investments on reducing emissions will take time. It depends on the company's competency, expertise, and technological readiness. For example, Ultratech Cement, one of the largest cement companies in India, has set ambitious clean energy targets. We are encouraging the company to invest in new technology to electrify its kilns. We will monitor its progress over the next three-to-four years.

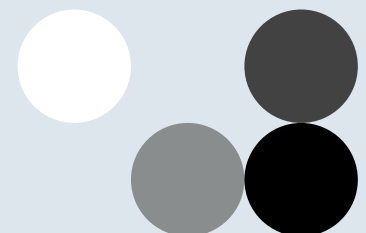
4. Policy support is needed

Policy support is essential for a credible transition to net zero. Governments must enact policies that encourage the shift towards clean energy. This helps to reduce long-term emissions and to minimise the reliance on fossil fuels. At the same time, we work with our top-financed emitters – such as Total Energies, Shell and BP – to help them set climate targets to reduce their methane emissions. We monitor their progress, whilst also encouraging them to invest in low carbon solutions and alternative fuels where feasible.

5. Aligning pay with delivering climate targets

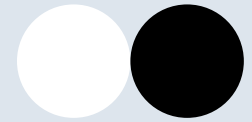
Lastly, we believe companies that are high financed emitters should hold executives accountable by tying climate performance metrics with executive remuneration. This holds executives accountable, and it incentivises them to take strategic action on climate change. Our active ownership process encourages detailed and long-term key performance indicators, which focus on climate change. If these targets aren't met, we can vote against remuneration recommendations for key executives.

Most companies in heavy-emitting industries have set climate targets, but there are still gaps that may affect their credibility. We work closely with the companies we invest in to encourage them to plug those gaps and to make the changes needed to meet their targets. Our influence as a large investor is significant. We recognise our responsibility in holding companies accountable and driving positive change. We closely monitor and track all the companies we invest in to ensure they're progressing towards their climate targets and real-world decarbonisation





2023 Thematic engagement example



Employee Wellbeing in the Mining Industry

The mining industry is central to the economy of many countries, global growth, and the transition to a low carbon economy. However, the sector is often criticised for its social impacts. These have been centered on unacceptable workplace behaviours, illustrated by incidence of sexual harassment and assault in Australia and elsewhere in the world. From an investment perspective, performance that fails to meet stakeholder expectations can lead to operational disruption and reputational damage that can negatively affect investor sentiment and asset values.

This, combined with concerns about environmental degradation, have led some investors to exclude or divest from all mining companies in the name of sustainability. While this is understandable, this approach overlooks the fact that our future – which depends on renewable energy, mobility, sustainable cities and a zero-carbon economy – relies on the availability of metals and minerals.

At abrdn, we recognise the challenge and complexities of this debate. In our view, constructive dialogue and engagement with the mining industry offers the best opportunity to support safer workplaces and a just energy transition. Over the last two years, we've undertaken focused engagement with our larger mining holdings to understand what actions they are taking to improve performance in these areas and how we can help drive that improvement.

Our key conclusion is that mining companies should use all the tools they have available to them – governance, performance incentives such as remuneration, oversight, monitoring, and reporting – to improve workplace behaviour, diversity, equity, and inclusion, and apply the same rigour of existing health and safety regimes to psychological safety. Many mining companies have demonstrated a strong track record in improving health and safety, embedding aspects into all areas of their organisational cultures and business processes. We believe that employees' psychological wellbeing warrants a similar approach.

Taking this action is aligned with what the International Council on Mining and Metals (ICMM), the global body that represents one-third of the global industry, expects of its members. Its Mining Principles place the same importance on psychological and physical health and safety, including action to eliminate all forms of harassment and unfair discrimination and proactive steps to achieve gender equity.

We believe that taking action to support employee wellbeing is aligned with positive steps already being taken in the industry and will further help to improve workplace behaviours and protect employees. Further, it will help towards protecting the value of our investments by avoiding the operational, reputation and legal fallout that often accompanies poor performance.

In line with our collaborative approach, we've garnered support from a number of mining companies and the ICMM. We are encouraged by this support and will continue these discussions in our ongoing engagement.



Natural capital strategy



Within our Investment business, our belief is that understanding and managing nature-based risks and opportunities can lead to better investment decisions, and ultimately support client objectives.

We aim to incorporate nature-related considerations into our investment process using six areas of focus:

The case for nature focused investing

Human activity has significantly altered land and marine environments, impacting the ecosystem services that underpin our societal and economic needs. Critical dependencies and impacts related to nature have the potential to be financially material and investors need to understand risks and opportunities associated with the use of natural capital. Climate and nature are interlinked and protecting and restoring natural capital is essential to reach net zero.

Research and data

We aim to enhance our understanding of the implications of unsustainable use of natural capital across our asset classes and regions.

Investment integration

We aim to build upon and enhance the data and tools we use to enable investment decision-making when considering the preservation of natural capital.

Active ownership

We aim to better understand how investee companies manage nature-related risks and opportunities and to encourage improvements.

Client solutions

We look to understand our clients' expectations and develop investment solutions that can help deliver nature positive outcomes.

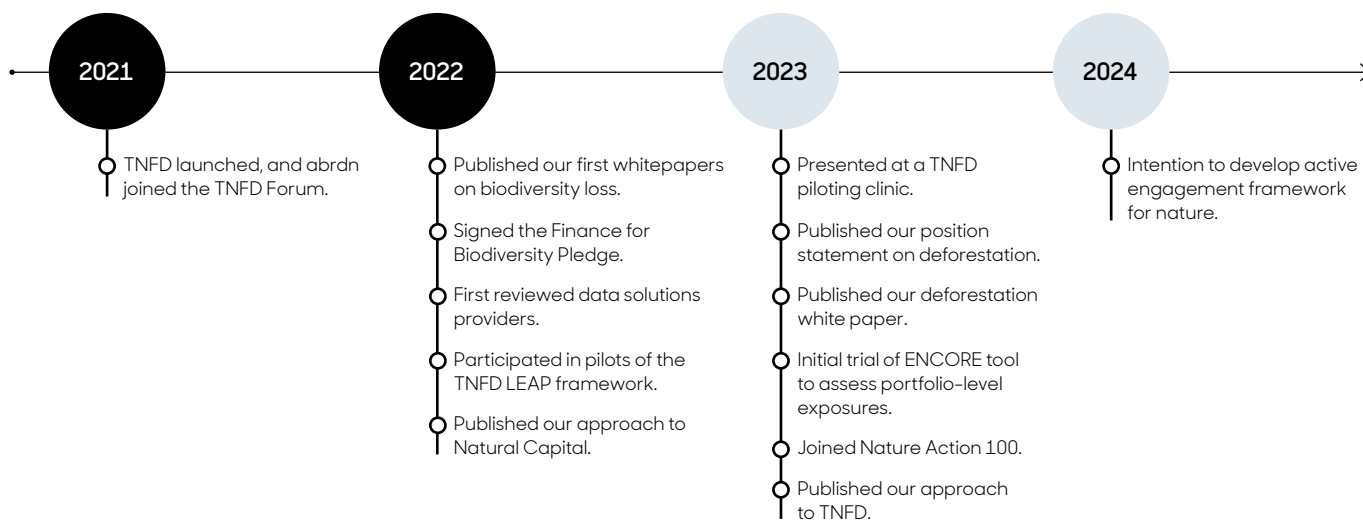
Collaboration and influence

We collaborate with relevant industry associations and initiatives, engaging with peers and policy makers to stimulate improvements and best practices.

Disclosure

We will encourage better disclosure in line with the recommendations of the Taskforce on Nature-related Financial Disclosures.

Application of our approach on nature to date:





Biodiversity 'net gain' in the UK

Focus on implications of regulation for investment real estate.

From 2024, developments such as housing, commercial buildings, and smaller infrastructure projects in England will need to deliver a 'net positive' biodiversity impact from project development. In practice this means developers will need to develop habitats and green spaces. This can either be at the project site, or through purchased private, or statutory credits.

This presents both risks and opportunities for investors. For example, developers could incur additional costs, with landowners potentially being positioned to benefit from an option to create 'habitat banks' to be sold as biodiversity credits. Our investment real estate approach considers the potential impacts on nature across both the construction and use phase of an asset's lifecycle. We are alert to the need to mitigate negative impacts to nature and continue to develop our approach to enhancing local biodiversity at both development and standing assets.



Case study

Piloting 'net gain' for new developments

Our real estate team has worked with DEFRA on pilot projects so as to provide feedback on live regulatory updates using developments from our funds. For instance, when converting an intensive cattle pasture to a 62,000 square feet parcel delivery hub, we could not enhance biodiversity at ground level, despite retaining trees and hedgerows. Instead, we incorporated a green roof when designing the delivery hub. This incurred a cost but avoided the purchase of biodiversity credits for the project, which under the regulation would be a greater expense. Despite the additional cost, we delivered a biodiversity uplift on-site, without needing to purchase biodiversity credits.



Case study

Solutions for nature-related data

One of the primary challenges for investors is access to high quality data, with disclosure on nature still emergent. This is a particular challenge for metrics such as land use change, water stress exposure, and non-GHG air pollutants. We expect to see changes over time, driven by regulatory frameworks, but for investors looking to fully assess portfolio-level risks and opportunities, currently, there are limited solutions. During 2022 and 2023, we mapped the current market for data, footprinting, and geospatial data providers to understand how, as investors, we could access quality nature-related data. Despite an array of existing and emerging providers, our assessment is that there is insufficient coverage for the entire range of data we need. This is nonetheless a rapidly evolving space and there is now sufficient data to begin identifying potential risks and opportunities in our portfolios.

Research and insights

Further reading available on our website.

- Preserving Natural Capital – Our approach for investments
- Biodiversity Loss – Introducing the next environmental crisis
- Biodiversity Loss – Impossible for investors to ignore
- Nature as a climate solution
- Deforestation – Why it matters for investors

Stewardship across asset classes



High-quality research, including the understanding of ESG factors, forms the basis of all the investment decisions we make. Our investment teams and Investments 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.

ESG House Score

In addition to the assessments for public companies that the various asset classes conduct, 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 see our website.

Below we describe the high-level stewardship activities of different asset types. 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.





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.

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	<p>Best in class</p> <p>Exceptional ESG risk management. Business is taking advantage of ESG opportunities and enhancing its competitive advantage. Strong oversight and governance with robust control mechanisms.</p>
2	<p>Above average</p> <p>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.</p>
3	<p>Average</p> <p>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.</p>
4	<p>Below average</p> <p>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.</p>
5	<p>Laggard</p> <p>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.</p>

Region	5	4	3	2	1	Total
Asia Pac ex Japan	1	13	248	123	10	395
Europe	0	5	38	61	7	111
GEM ex Asia	0	5	25	20	6	56
Japan	0	1	59	45	4	109
North America	0	7	106	94	13	220
Small Cap	0	0	21	59	12	92
UK	0	20	82	67	8	177
Total	1	51	579	469	60	1,160

Source: abrdn, December 2023.



Our credit profile is 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 and to substantiate the overall ESG Risk Rating assigned to debt issuers.

We actively engage with companies in which we are or may become an asset owner. Engagement provides a forward-looking view on the management of ESG risks, opportunities, and the ability to encourage value-enhancing best practice standards. In our research and analysis of ESG issues, we identify any concerns we may wish to discuss. We then set engagement objectives according to the circumstances of each debt issuer. These objectives may include enhancing our knowledge, setting milestones to encourage best practice or to identify leaders and laggards on any given ESG topic.

Our Developed Market (DM) and Emerging Market (EM) Sovereign teams utilise separately developed proprietary models which assess the performance of a country's ESGP factors, where P stands for politics, highlighting the importance of political drivers in sovereign analysis. Although there are a number of common data sources within these tools, DM and EM models are tailored to represent the different dynamics of each asset class. This generates better peer comparisons and therefore more impactful insights for investment decision making.

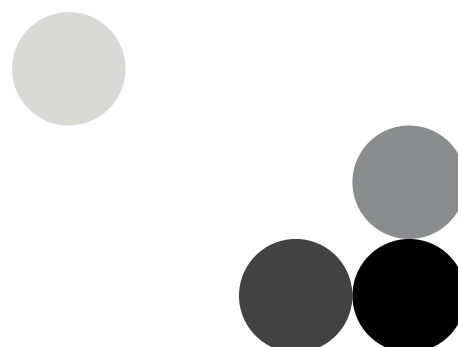
We see engagement with sovereigns as a useful way to support governments in formulating sustainable policies and adopting best practices, to achieve just and sustainable development, while being cognisant of political sensitivities. Engagement also allows us to gain a better understanding of the investment risks posed by environmental, social and governance factors affecting a country. Sovereign engagements may be held with a variety of different sovereign stakeholders including a nation's Debt Management Office, Central Bank or Ministry of Finance.

In the sovereign space, it can be difficult to set milestones on issues such as climate policy due to: 1) lack of access to the relevant policy decision makers and 2) inherent politics. However sovereigns regularly seek feedback on their labelled bond frameworks and here we can play a much more active role in shaping outcomes. Given the relatively low levels of individual investor influence in the sovereign debt market, collaborative engagements play a vital role when engaging with sovereigns.

Engagement activities in Private Credit can be split into two stages of the process:

- Initial due diligence & underwriting prior to investment
- Ongoing monitoring of the investment

During the initial due diligence phase we engage to understand the risk and opportunities the underlying assets or companies are exposed to. We may do this via direct conversations with management or technical advisors where applicable e.g. in Commercial Real Estate debt we will have access to specialist environment reports. Our greatest ability to set milestones for our borrowers occurs prior to investment where we may be able to negotiate certain ESG KPIs, ESG reporting or other ESG related structuring requirements into the legal documentation governing the investment. Following initial investment, there are regular opportunities to engage with management and where material, will be discussed as part of this ongoing dialogue.





Within abrdn's real estate business, abrdn has both direct and indirect investments and thus the engagement approach differs depending on the real estate sub-asset class.

Indirect real estate investments can be executed in two ways. The first is through our real estate multi-manager (REMM) team, where we invest into unlisted third party real estate funds. The second is through our listed real estate team, where we invest into quoted real estate companies which follows a similar engagement process to our equities business.

Direct real estate investments are when abrdn actively buys, manages and sells real estate assets on behalf of our investors.

This section outlines the engagement approach for both indirect real estate where we invest through an external manager into an external fund and direct real estate.

Indirect - real estate multi-manager

As described above, the indirect real estate multi-manager (REMM) investments are into external real estate funds managed by external investment managers.

ESG factors are taken into consideration in the investment process leveraging the three key intervention points below. These three stages allow for interaction with the underlying managers and the opportunity to engage on ESG specific items:

1. Allocation
2. Selection
3. Management

Allocation

The starting point to any product is an open and transparent discussion with the client to understand the investment objectives, aspirations, and decide the investment parameters including consideration of bespoke ESG criteria and risk tolerance. We believe that an open discussion is an important first step to building a relationship with our clients, and that a transparent process on an on-going basis is necessary for a successful long-term partnership.

Once the investment objectives and ESG parameters are agreed, we will begin portfolio construction, where we incorporate the macro views of our Real Estate Research and Investment Strategy team.

Selection

The key intervention points when selecting a real estate portfolio and investment manager apply on (1) Screening and (2) through due diligence which populates the Investment committee memo for discussion at the Investment Committee (IC).

1. **Screening:** In order to screen potential investments, the REMM team have a screening guidance document which outlines the screening process. This includes ESG guidance which require the ESG specific questions to be answered alongside the other screening criteria in order to determine whether to proceed with the investment:
2. **Due diligence for IC:** For IC approval relating to new investments, there is a two-stage IC decision-making process (i.e. Stage 1 and Stage 2 Investment Committee). A representative of the Real Estate ESG team sits within the REMM Investment Committee, to provide feedback. As part of the IC process:
 - a. The REMM ESG Questionnaire should be completed by the Underlying Investment manager prior to the IC1 meeting, with a summary of the responses detailed in the ESG section along with material risks and mitigants summarised within the Investment Memo. The questionnaire is shared with the Real Estate ESG team before the IC1 Meeting.
 - b. There is a dedicated section in the Investment Memo on ESG matters, which includes a summary of a fund/ firm's ESG policies, scores, and issues. This also includes external ESG data provided by the managers (e.g., GRESB scores, UNPRI assessment results etc.).

Management

ESG consideration and analysis is carried out through the management of existing investments through (1) Annual manager ESG survey (2) ESG data request and (3) Investment plans including a holistic ESG risk and review process. The key opportunities to engage with underlying managers occur in the first two steps.



1. Annual Manager ESG survey: Underlying Investment managers are asked to complete an ESG Questionnaire which focuses on understanding its adherence to industry principles, evolution of ESG policies and key ESG risks of the investment and how they are being addressed. Based on that analysis each fund gets a ESG Score:

- **Maintain:** REMM team is satisfied with the underlying manager's reporting and policies – no further action required
- **Monitor:** REMM team will monitor the underlying investment over the coming months in regard to their ESG reporting
- **Engage:** REMM team will actively engage with the underlying investment manager to discuss improvements to their ESG approach and reporting.

The REMM team reviews the ratings annually and update the ratings as appropriate based on discussions with the underlying managers and GRESB scores where applicable. This is then passed by a member of the ESG RE team to provide final approval and comment.

2. ESG data request: An ESG data request is sent out quarterly in order to provide a more quantitative ESG data set for the underlying investment manager and funds.

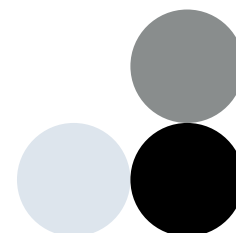
Direct real estate

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.

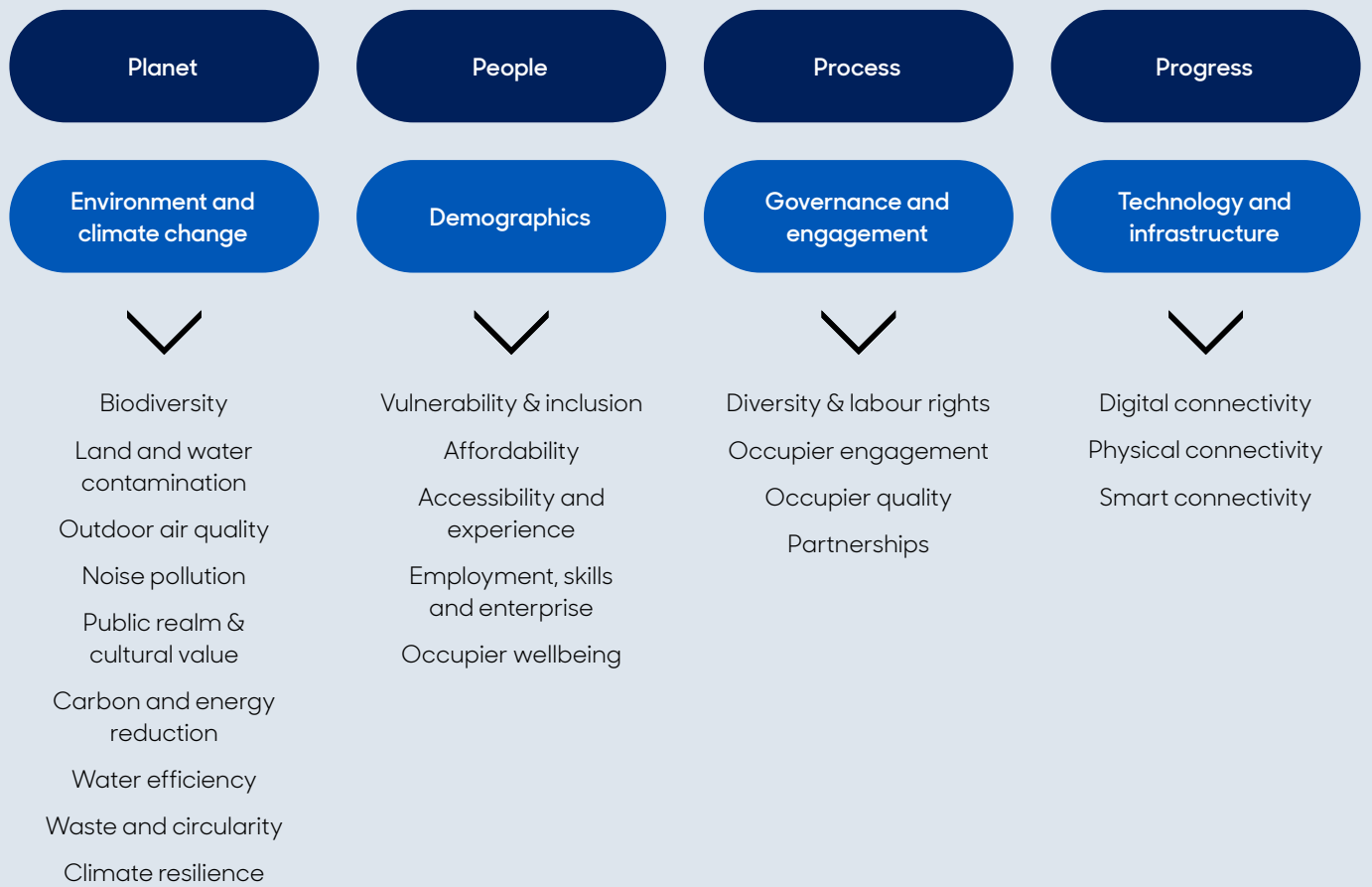
This approach allows the identification and promotion (where relevant) of material ESG risks and opportunities relevant to a fund's investment strategy, sector and geography. These guide the prioritisation and integration of ESG factors at the fund and asset level, while providing a structure for engagement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





Our ESG approach

Real estate material ESG indicators



Integration across asset classes



Further to the asset classes detailed previously, we highlight the work of our Private Equity and Quantitative Index Strategies teams.

Private Equity

Our Private Equity team believe that ESG factors are financially material and can impact a company's performance – either positively or negatively. Understanding ESG risks and opportunities, alongside other financial metrics, is therefore an intrinsic part of our research process.

We actively engage with the companies in which we invest with a top-down Portfolio Construction Committee assessment of ESG risks by country. We screen out pipeline opportunities that do not fit with our ESG focus and objective and combine this with the insights of our investment managers, ESG equity analysts and Investments Sustainability Group. This comprehensive approach means we can build a richer, more holistic view of each company. It also means we can consistently evaluate one company against another.

This is all part of our responsible stewardship of our clients' assets – helping us mitigate risks, unlock opportunities and enhance potential long-term returns.

Quantitative Index Strategies

Our Quantitative Index Strategies (QIS) have provided indexation and rules-based solutions since its inception in 2005. QIS has a full range of equity and fixed income strategies. ESG is part of investment decision making and QIS believe that it should be assessed simultaneously with financial considerations. This helps to promote competitive financial returns, mitigate associated risks and improve ESG outcomes. QIS recently passed a significant milestone for UK investors with the Sustainable Index range passing the £20 billion AUM mark. This is all the more impressive given the Sustainable Index range only launched 3 years ago in 2020.

ESG integration needs to be tailored to customer requirements, as different customers have different risk & return requirements and also different ESG objectives. Sustainable indexation aims to deliver sustainable improvements while keeping the benefits of passive investing. The aim is to generate long-term returns by replicating the risk and return profile of customised indices that target broad sustainable improvements. Some examples of broad sustainable improvements could include higher exposure to ESG scores, lower exposure to carbon emissions or higher exposure to green revenues. We focus on minimising long-term risks associated with ESG and climate as well as leveraging on opportunities arising from the transition to cleaner technologies. Our customised indices have been designed by abrdn in partnership with the calculation agent MSCI, a global leader in index design and provision of ESG data and analytics.

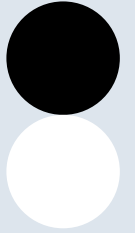
As long-term holders of capital in our index business and as a large active manager, we have an important role to play in driving better ESG behaviours. We seek to be active stewards of every investment we make and to be a global leader in ESG investment. Active voting is applied across all our Equity index funds, with direct engagement considered on a case-by-case basis.

On the following pages there are some examples of our engagement over the year, as well as further detail on our voting process and activity.





2023 Company engagement examples



Ultratech Cement

Region: Asia

Topics discussed: Green energy mix, cement decarbonisation, verification of emissions reductions targets

Ultratech Cement is the largest cement producer in India and abrdn's number one top financed emitter. Cement is hard to decarbonise, given traditional cement kiln manufacturing produces a substantial amount of CO₂e known as process emissions. Ultratech Cement is studying electrification of the cement kiln heating process and is using alternate fuels in combustion and production processes to replace fossil fuels.

Our requests:

We encouraged Ultratech Cement to increase its share of renewable energy and to make sufficient progress against its target to reach 34% of renewable energy capacity by 2024.

We also encouraged the company to verify its emission reduction targets with the Science Based Target Initiative (SBTi), where emissions are most material.

Outcomes:

- The company has announced more renewable energy targets and aims to increase the overall share of green energy mix to 85% by 2030. Currently, green energy represents 22% of its total energy mix and is making positive progress to achieving its target.
- Ultratech Cement approved its emission reduction targets with SBTi, among the first Indian cement companies to do so.
- Ultratech Cement has formed a partnership with Coolbrook to develop Roto Dynamic Heater technology. This technology to electrify kilns is still in early stages of research and development and is approximately 3 to 5 years away from a break-through.
- We are pleased with the progress the company has made to reach its net zero targets despite being in a difficult to decarbonise sector.





2023 Company engagement examples



Grupo Mexico

Region: Emerging Markets

Topics discussed: Corporate Governance, Capital Allocation, ESG Disclosure, Mining Standards

Grupo Mexico is a multi-industry company that operates through mining, transportation and infrastructure divisions. The company had a mixed track record when it comes to ESG. It had a series of E&S controversies at certain sites. We have seen positive developments in the company's culture but continue to see room for improvement.

Our requests:

During 2023 Grupo Mexico was involved in headlines as one of the potential buyers for Citi's sale of Mexican bank Banamex. We engaged with the company regarding this matter to emphasize the importance of proper diligence on capital allocation strategy as we believed a diversification to the banking sector would be detrimental to the overall business. In May 2023 we had the opportunity to engage with the company on corporate governance, emphasising the importance of adopting best practices, including access to management and board members, as well as diligence on capital allocation, in light of the potential acquisition at that time. In our engagements with Grupo Mexico we also had the opportunity to highlight the importance of continuing their E&S initiatives within the company, which includes improved disclosure on ESG and alignment with global best practices on mining.

Outcomes:

- Despite not being members of ICMM yet, the company has begun adherence to the Copper Mark, and many sites have already achieved the certification, which signals a forward momentum. In addition, the company utilises requirements from ICMM across several high-risk areas such as tailing dams and water stewardship.
- While many advancements have been done at the holding level regarding E&S, we still see potential for further improvement within the subsidiary, Southern Copper, with adoption of global best practices of mining such as ICMM, and better disclosure. Southern Copper is penalized by ESG rating agencies such as MSCI due its poor disclosure. We will monitor ongoing progress, and at future meetings with the company push for greater progress at asset level with Southern Copper Company.
- Grupo Mexico has been involved in E&S controversies in the past, which led to a negative initial quality assessment. Through our engagement process we were able to get a clearer understanding of the company's approach to E&S and operational practices, which led to an improved view on quality. By engaging with the company we were also able to voice the investor concerns and help promote the ESG agenda within the company's governance bodies.
- The company has improved the operational standards of multiple assets, adhering to the Copper Mark, and improved ESG disclosure as well. Greater integration of these factors has built a greater appreciation of holistic quality and were able to maintain our investment.





2023 Company engagement examples



Enel

Region: Europe

Topics discussed: Decarbonisation strategy

abrdn engaged with Enel during 2023 to discuss the Company's decarbonisation strategy, primarily as a lead investor of the CA100+ coalition.

Our requests:

We consider Enel's decarbonisation strategy to be industry leading; Enel is phasing out all coal power generation in 3 years, expects more than 80% of gross capex to be aligned to the EU Taxonomy between 2024-26 and has set a 1.5°C verified Science-Based Target to achieve zero emissions by 2040. However, the CA100+ investor group has identified a handful of areas where Enel's decarbonisation strategy and disclosures can be further strengthened in order to once again achieve full alignment to the Climate Action 100+ Net-zero Benchmark. For instance, further clarification can be given on the use of offsets, climate governance and just transition.

In 2023, we also engaged and collaborated with other stakeholders prior to Enel's AGM, which was dominated by significant board and managerial change. Following the AGM, we met with members of the incoming management team and underlined our strong support for Enel's decarbonisation strategy and carbon reduction commitments.

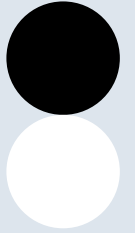
Outcomes:

- At Enel's CMD in November 2023, the company reiterated its commitment to a 1.5 °C decarbonisation pathway and to create shareholder value by growing the renewable power business.
- Enel had previously become the first company to comply with all indicators in 2022.
- In 2023 Enel made further changes to its Long Term Incentive Plan (LTIP). This included increasing the weighting of carbon emissions reductions from 10% to 15%. In addition, a scope 3 emissions target was added to the plan. These were both changes abrdn had requested in previous engagements and we were comfortable to vote in favour of the LTIP at the 2023 AGM.
- The investor group will continue to support Enel towards full compliance with the indicators of the CA100+ Benchmark Assessment.





2023 Company engagement examples



Standard Chartered

Region: UK

Topics discussed: Sustainable finance, diversity equity, and inclusion, financed emissions

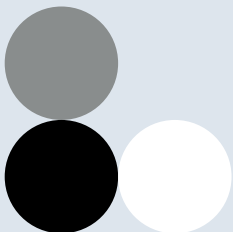
During 2023 we conducted thematic engagements with major banks in our portfolio. We have observed that global banks such as Standard Chartered have stated that sustainable finance is central to their growth ambitions. Standard Chartered has set targets to mobilise \$300billion for green and transition finance from 2021 through to 2030 and to reach \$1billion of income from sustainable finance in the medium term.

Our requests:

We communicated to the bank that we would value additional transparency in relation to absolute numbers for Standard Chartered's sustainable finance activities as well as on the company's thinking behind its sustainable finance targets, on the basis that this would potentially help us, and the wider market better understand how the company is positioning itself to benefit from these opportunities.

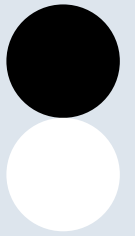
Outcomes:

We were encouraged to see that in the company's 2022 reporting they had started disclosing in absolute terms their sustainable finance income and sustainable finance mobilised. This should help investors start to evaluate progress towards the bank's goals, the key drivers, and comparisons with peers. We will continue to urge the banks to elaborate more on the operational changes they are implementing in order to achieve the sustainable finance opportunities identified.





2023 Company engagement examples



ExxonMobil

Region: USA

Topics discussed: Board composition, board diversity, M&A, net zero targets, tax transparency and emissions reduction targets, Scope 3

ExxonMobil Corporation is an American multinational oil and gas corporation. We engaged with ExxonMobil on several issues ranging from board composition and remuneration to topics of climate change such as emission reduction targets and green capital expenditure.

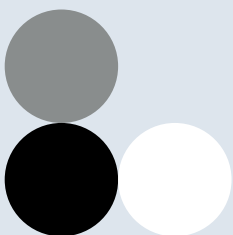
Our requests:

Following our 2023 AGM vote, we encouraged the company to achieve at least 30% of female directors on the board. In addition, we encouraged the separation of roles of CEO and Chair and applauded the company for its ethnic board diversity figure for being 38%.

We addressed the impact of ExxonMobil's largest acquisition since the 1990s of Pioneer Natural Resources on its net zero targets. We encourage the company to set a Scope 3 target and to strengthen tax transparency report, given regulatory pressure and to align closer to global oil and gas peers.

Outcomes:

We voted against the Chair of the Nomination Committee at the company's 2023 AGM, due to our concerns regarding the gender diversity of the board. The following month, ExxonMobil announced the appointment of a new female director raising representation at board level from 25% to 33%.





2023 Company engagement examples



Government of Hungary

Region: Europe

Topics discussed: Green Bond Framework


abrDN has been engaging with Hungary's debt management agency for a number of years and the country published its first green bond framework in 2020.

Our requests:

In early 2023, abrDN set a number of milestones to be implemented in Hungary's green bond post-issuance allocation reporting and when the country looked to renew its green bond framework. Milestones included placing increased focus on additionality via capital expenditures rather than operational expenditures spend particularly on its rail network (initial framework was largely allocated towards operational expenditures for its rail network) and reporting projects in line with EU Taxonomy guidelines.

Outcomes:

- In July 2023, Hungary published a renewed green bond framework with much better EU Taxonomy alignment reporting.
- In a subsequent meeting with Hungary's State Secretary for Energy and Climate and its Debt Management Agency, they also confirmed there would be an increased focus on capital expenditure across green bond project categories which includes clean transportation, energy efficiency and renewable energy projects.



"Increased focus on capital expenditure across green bond project categories which includes clean transportation, energy efficiency and renewable energy projects."

Exercising Rights and Responsibilities

Proxy voting is an integral part of our active ownership approach and is closely linked to our engagement activities, particularly as an escalation tool. We believe that voting at company meetings is one of our most important activities when investing on behalf of our clients, and we seek to exercise voting rights in a manner in line with their best interests. We therefore take great care to set high expectations in our voting policies, and assess resolutions at the meetings of companies in which we actively invest.





In line with our active ownership approach, we review the majority of general meeting agendas convened by companies which are held in our active equity portfolios. Analysis is undertaken by a member of our regional investment teams or our Active Ownership team and votes instructed following consideration of our policies, our views of the company and our investment insights. To enhance our analysis we may engage with a company prior to voting to understand additional context and explanations, particularly where there is deviation from what we believe to be best practice.

To supplement our own analysis we make use of the benchmark research and recommendations provided by ISS, a provider of proxy voting services. In the UK we also make use of the Investment Association's Institutional Voting Information Service (IVIS). We have implemented regional voting policy guidelines with ISS which ISS applies to all meetings in order to produce customised vote recommendations. These custom recommendations help identify resolutions which deviate from our expectations. They are also used to determine votes where a company is held only in quant funds. Within our custom policies, however, we do specify numerous resolutions which should be referred to us for active review. For example we will analyse all proposals we identify as environmental or social proposals. 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. We instruct the same voting outcome across all of our funds for each holding. Analysing the research provided for our active positions allows us to monitor the quality of the research provided.

On an annual basis, ISS reviews its benchmark policy guidelines which it uses when undertaking its research and providing its 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. In conducting our policy review we consider regulatory changes, developments in market practice or expectations and the evolution of our own views. Throughout the year we also actively engage with clients to seek input to voting policy development.

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.

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 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 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.

While it is most common for us to vote in line with a board's voting recommendation we will vote our clients' shares against resolutions which we believe are not consistent with their best interests. We may also vote against resolutions which conflict with local governance guidelines, such as the Investment Association in the UK – of which we are an active member. Although we seek to vote either in favour or against a resolution we do make use of an abstain vote where this is considered appropriate. For example we may use an abstention to acknowledge some improvement, but as a means to reserve our position in expectation that further improvement is needed before we can vote in favour. Where we vote against a resolution we endeavour to inform companies of our rationale. In exceptional circumstances we may attend and speak at a shareholder meeting to reinforce our views to the company's board.

Proxy Voting

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 2023 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.

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.

There are a number of facets to the ISS service which enable us to vote at 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.

Voting on environmental and social resolutions



Resolutions concerning environmental and social issues have become more prominent at company meetings. Some of the most prevalent themes are climate change, diversity, equity, and inclusion, lobbying and political contributions, and employment practices. We endeavour to review any resolution at a company meeting that we identify as covering environmental and social factors.

Our approach to analysis of these votes is consistent across active and quantitative 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 in-house guidance to frame case-by-case analysis.
- **Monitor** the outcomes of votes.
- **Follow-up** with on-going engagement as required.

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. Our objective is not to vote in favour of all shareholder resolutions but to determine the best outcome for the company in the context of the best outcome for our clients.

We are supportive of the steps being taken by companies to provide transparent, detailed reporting of their ESG strategies and targets. Well drafted environmental and social resolutions can enhance this reporting, hold management to account on important issues, and protect value for investors. They are clear, unambiguous, focused on financially material issues, and tailored to a company's circumstances. They encourage improvement without unduly constraining the agency of the board. However, many resolutions do not withstand closer analysis. For example, some request action that is already addressed by existing commitments, disclosure and practices, while others fail to account for governance implications. In our view, such resolutions do not merit support.

Our interest is the long-term and sustainable growth of our clients' capital. This is why our approach to voting on environmental and social resolutions involves case-by-case analysis and draws on a range of internal and external research and expertise.

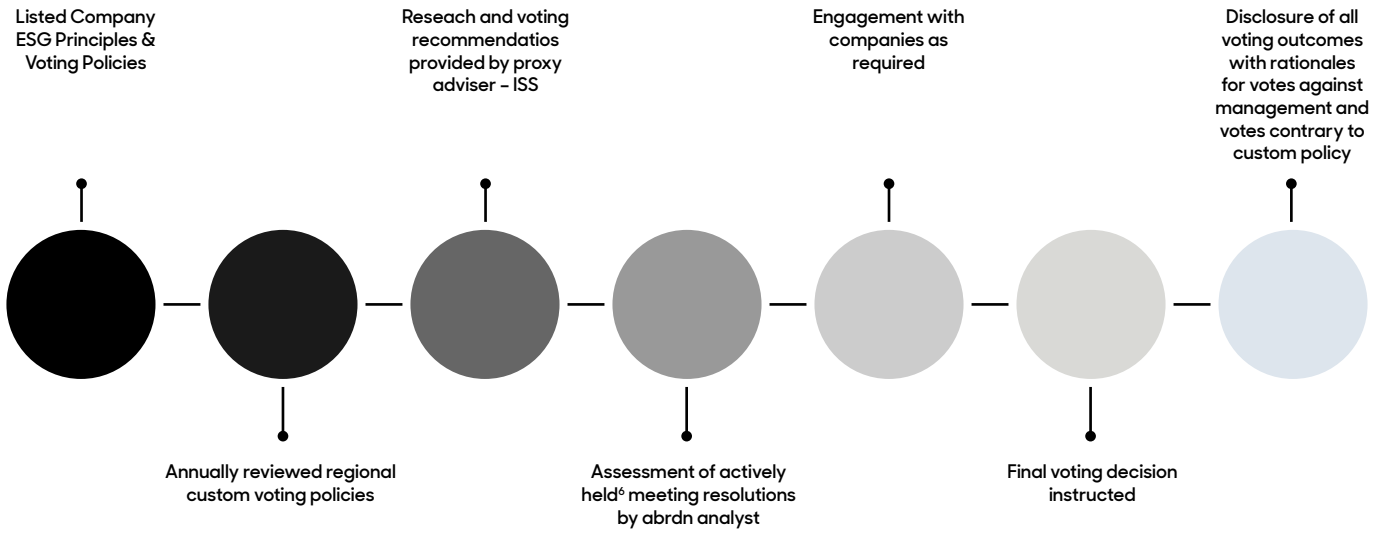
Say on Climate

Resolutions on environmental and social issues are typically filed by shareholders but they can also be tabled by company management. Most management proposals of this nature are 'Say on Climate' resolutions.

These resolutions ask shareholders to cast advisory votes on a company's climate strategy. Although these votes are well intentioned, when shareholders support a Say on Climate vote it may limit scope for subsequent challenge. Presenting the climate strategy as a standalone item also risks diminishing the integration of climate in strategy and the direct responsibility and accountability of the board and individual directors.

We have therefore decided to abstain on Say on Climate resolutions. We believe targeted engagement, like our thematic Net Zero engagement detailed on pages 35-36, and other voting mechanisms, including our climate oversight voting policy utilising CDP data, offer a more effective way to work with companies on their climate oversight.

Voting process



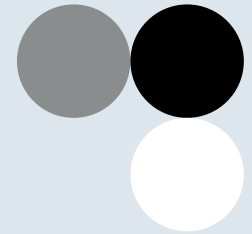
⁶ Quant only holdings are voted in line with custom voting recommendations, with certain exceptions where Active Ownership will review and instruct.

On the following pages are some examples of how voting is applied in action.





2023 Voting Case Studies



Centrica

Region: UK

Vote topic: Executive Remuneration

Background:

Centrica is the owner of British Gas, and is a member of the FTSE100. In 2020 the company granted a Long Term Incentive (LTI) share award to executives. While the normal award limit was 300% of salary, awards were granted at 250% of salary which was consistent with 2019 grants. We were of the view that full awards would not have been appropriate in the context of performance. As a result of market-wide decline in share prices due to the Covid-19 pandemic the number of shares granted was higher than previous years. It was therefore our expectation that, in the event of a recovery, the Remuneration Committee would use discretion to reduce the vested shares at the end of the performance period in December 2022 to avoid 'windfall gains'. At the time of vesting, the performance shares were worth £2.6m (over 300% of salary). We were of the view that there were windfall gains and were disappointed that the LTI was not reduced.

In addition to concerns regarding the vested LTI, we noted that the Remuneration Committee awarded the CEO a generous annual bonus of £1.42m for 2022. We did not think this award was reflective of the impact of forced prepayment installations on vulnerable customers during the ongoing cost of living crisis and the probe by Ofgem. We were concerned that the Remuneration Committee's decisions were harmful to the reputation of the company and failed to reflect the experience of vulnerable customers.

Action:

Prior to voting at the 2023 AGM, we engaged with the company to discuss remuneration outcomes, the decision making process and to query whether the Remuneration Committee was considering using any discretion to adjust awards. We were advised that no part of the bonus or vested LTI would be adjusted or waived.

Outcome:

While the company provided further commentary on remuneration outcomes, we were of the view that a vote against the Remuneration Report was warranted. In advance of the AGM we disclosed our voting intentions and rationale to the company, and we also disclosed this information publicly. At the AGM, the Remuneration Report was approved with 93%. We will monitor outcomes for FY23 and engage in respect of any concerns.

YouGov

Region: UK

Vote topic: CEO to Chair role move

Background:

In August 2023, the company appointed a new Chief Executive Officer (CEO) and the former CEO became non-executive Chair. We are not generally supportive of the move of a retiring CEO to the role of Chair.

Action:

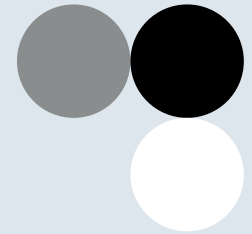
Ahead of the company's AGM we engaged with the Company Secretary to discuss the move. We sought assurance around the checks and balances in place, given such a role change is not considered to be best practice. Most notably the board had appointed a new Senior Independent Director (SID) to support the move from CEO to Chair. The new SID has experience as the Chair of a main market company and has robust experience of governance. Having himself moved from an executive to Chair role, he was considered very well placed to support the transition. In addition distinct role specifications are in place, including a charter which sets out these distinctions.

Outcome:

We were provided reassurance that the role changes were working well. In view of this, and having considered the benefit of retaining the former CEO's expertise and relationships, we were comfortable with the move in this instance. We voted in favour of his re-election at the AGM, and his appointment was approved with 92% of votes. We have indicated that we would like to speak to the SID in due course to discuss how the board is functioning following the changes to composition.



2023 Voting Case Studies



Seven & i

Region: Asia

Vote topic: Proxy Contest

Background:

Seven & i Holdings is a Japanese retail company which operates convenience stores, supermarkets and department stores primarily in Japan and North America. We have been engaging with the company for several years. At the company's AGM in May 2023, the board proposed thirteen incumbent directors for re-election and two new independent outside directors for election. However there was a board contest as US based activist shareholder ValueAct Capital nominated four outside director candidates to the board.

Action:

Prior to the general meeting, abrdn engaged with the company to understand board dynamics and to discuss corporate governance as well as execution of strategy. In our engagement we conveyed our view that improvement in board independence is needed, and also that we wanted to see improvement in capital allocation, strategy execution and shareholder communication. We also engaged with ValueAct to discuss their proposals and to understand their views and interaction with the company.

Outcome:

Following our engagement with both parties we instructed votes against the company president, two long standing directors and the two new board candidates to emphasise our views. Having considered the proposed candidates of ValueAct we were of the view that the nominees would bring relevant board, capital allocation and executive experience to the company. We therefore voted in favour of the four candidates proposed by ValueAct. While these nominees received around one third support from shareholders, this did not meet the threshold for appointment to the board. All the board proposed candidates were elected/re-elected. We will continue to engage with the company on our views.

Dow

Region: USA

Vote topic: Shareholder Proposal (Environment) – Report on Reduced Plastics Demand

Background:

At Dow's 2023 AGM, investors As You Sow and Mercy Investment Services submitted an environmental proposal to the agenda. The investors requested of the Board that the company issue an audited report addressing whether and how a significant reduction in virgin plastic demand would affect the company's financial position and assumptions underlying its financial statements. The proposal concerned a specific plastic demand scenario in which there is significant plastic demand reduction and substitution.

Action:

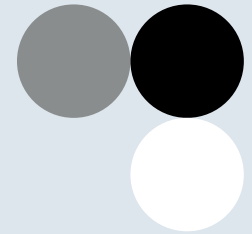
We undertook analysis of the proposal and company practice. Regulatory drivers and consumer expectations are shifting demand away from virgin plastic towards recycled alternatives. Considering regulatory drivers and consumer expectations, we were of the view that undertaking the suggested analysis would be a useful exercise to understand the potential financial impact of such a scenario.

Outcome:

Dow has previously highlighted the demand and supply imbalance associated with forecasted recycled plastic production capacities, as such we also see this scenario analysis exercise as a way to better understand the scale of the opportunity Dow seeks to capture. We therefore voted in favour of the shareholder resolution, which received 30% support. Though the resolution was not passed, we engaged with the company after the annual meeting in 2023 to discuss its approach to recycled plastic and explore the company's view of the market dynamics in greater detail. We intend to continue our engagement with the company in 2024 to monitor the progress of its recycled plastic strategy and review other material ESG risks and opportunities.



2023 Voting Case Studies



TJX

Region: USA

Vote topic: Shareholder Proposal (Social) – Adopting Paid Sick Leave Policy for Employees

Background:

At TJX's 2023 AGM, shareholder Figure 8 Investment Strategies submitted a proposal asking the company to adopt and disclose a policy that all employees, part-time and full-time, accrue some amount of paid sick leave that can be used after working a reasonable probationary period.

Action:

We undertook analysis of the proposal and company practice. While we were supportive of the range of benefits awarded to employees and the steps TJX took to support employees during the Covid pandemic, we do not believe the existing range of benefits fully address the needs of part-time employees. We recognise that the company is aligned with legal requirements, and that we did not support a similar vote in the previous year, however we now sought to encourage the company to go beyond these requirements.

Outcome:

We were of the view that providing paid sick leave to part time employees would support retention and reduce occupational injury and contagion. As a result, we supported the shareholder's proposal. The resolution received 22% support, so did not pass. We subsequently engaged with the Company to reiterate our position and hear its views.

Ubisoft

Region: Europe

Vote topic: Related Party Transaction

Background:

At the company's 2023 AGM, shareholders were asked to approve the auditors' special report on related party transactions. While this is a standard resolution and had not historically been an area of voting dissent, we had concerns regarding a 'master agreement' which was entered into between Ubisoft, Guillemot Brothers Ltd and Tencent in 2022. Chinese technology conglomerate Tencent acquired a 49.9% stake for €300m, in Guillemot Brothers Ltd – a vehicle controlled by the Guillemot family which holds the largest share position in Ubisoft. Tencent will have only 5% of the Ltd company's voting rights and no board representation. The deal implied a valuation of €80 per share for Ubisoft which was significantly higher than the closing price the day before the announcement. The master agreement provided an extension of the family concert arrangement to Tencent, allowing an increase in the concert shareholding to 29.9% of Ubisoft's share capital. Tencent undertook not to increase its shareholding beyond 9.99%, and not to dispose of securities for five years.

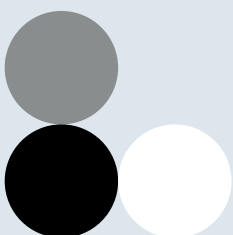
We had significant concerns regarding the agreement particularly in view of the reduction in economic interest of the Guillemot brothers, while they continue to hold 5 out of 14 board seats.

Action:

Prior to the AGM, we engaged with the company to discuss the agreement and broader governance topics including board composition. Primarily due to the presence of executives, the board is not majority independent and we indicated that we would like to see this addressed.

Outcome:

While two new NEDs proposed at the AGM appeared to be good appointments, and we supported their elections, we do not consider this to go far enough to address broader concerns regarding corporate governance. To further emphasise our concerns regarding the agreement we voted against the two incumbent NEDs who were proposed for re-election and also against the compensation of the Chair/CEO and four Vice-CEOs. At the AGM the vote on the related party transaction received significant dissent of 43%.



Policies and Processes

This section highlights how we operate as a responsible business, detailing our stakeholders, how we manage risks, including macro-thematic risk, and how we engage with our suppliers.





Employees

Embedding our commitments

Actions we are taking in support of colleague engagement

During 2023 abrdn have focused on integrating our commitments into every stage of colleague experience, supported by powerful storytelling and robust feedback mechanisms. The examples below illustrate some of our engagement programmes in action.

1 Leadership communication programme

In 2023 we launched our leadership communication programme. The focus being to strengthen trust, confidence, and connection between leaders and colleagues. We have six active leadership communication channels, including digital broadcasts, informal coffee sessions, and hybrid townhalls. We continually gather feedback and make changes in response to colleague ideas.

2 Our listening strategy

Central to our approach is our strategy for colleague listening. Our regular rhythm of surveys includes candidate onboarding, leavers, and complete engagement monitoring. These provide actionable analytics that empower people leaders at all levels of the business, in addition to enabling focus on the areas with the most significant impact.

3 Talking talent series

We want colleagues to feel abrdn is the place to grow their careers. Building on our 2022 series we invited leaders and colleagues to come together to share personal development stories. This amplifies our existing development programmes and illustrates opportunities available at all levels.

4 Awards and recognition

In 2022 only 44% of colleagues felt recognised for their work in the business. We want colleagues to feel celebrated for the work they do, so we launched our first 'abrdn awards'. With over 600 colleagues receiving a nomination it was a great response. In 2023 we see an improvement to 64% of colleagues feeling recognised for their work.

5 Colleague communication channels

We continue to evolve our approach to colleague communications, delivering strategic content through streamlined channels. Each week the most important updates from the business are collated and circulated through our all-colleague email. This includes amplified personal stories and community activities. In 2023 we also rolled out Microsoft Engage, which we hope will lead to greater interactivity in 2024.

2023 engagement results

Each year our annual engagement survey provides colleagues with the opportunity to have their voices heard. Our November 2023 survey saw 79% of our people take part, with over 5,200 comments providing a rich picture of how we are doing across areas of focus. Amidst a challenging market, ongoing transformation, and organisational change, overall colleague engagement increased slightly to 54% (2022: 50%). We see positive scores attributed to the roles people play, their sense of inclusion, the nature of their work, and motivation levels. Where we have focused, we see improvements across 2023, with increased scores around leadership, systems, and processes. As we transform abrdn, we continue to focus on our culture and the actions we need to take to shape our overall colleague experience. Whilst we know there is work to do, we are ambitious and committed to making demonstrable progress for our people.

Looking ahead

Clarity, communication, trust and transparency are key drivers of progress. Continuing to listen, and demonstrate that people are important to the success of our business, is the top action that will build confidence in leaders and the future.

Our stakeholders

Speaking up

Importance of speaking up

We are committed to operating in an honest and transparent way across abrdn, and this 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 conduct. This principle helps to protect our clients, customers, colleagues, and our business, as we act with integrity and take accountability for our actions.

Reporting channels

If colleagues have a concern, we encourage them to report this to their manager. This is our suggested first point of contact, and is often the best way to resolve any challenges. Our latest annual engagement survey finds that 61% of respondents agree their leaders role model open and honest two-way communication, which is an increase of 19 percentage points versus the previous survey. This is important as our objective is to create a safe environment where all colleagues feel empowered to express concerns. We also have formal grievance procedures in place should there be a need to follow a different process. All concerns raised are taken seriously and any victimisation, harassment, discrimination or bullying of anyone is not tolerated and may be considered a disciplinary matter.

Confidential Speak Up service

Recognising the importance of multiple reporting channels and the ability to raise concerns anonymously, an independent Speak Up service is available globally to clients, colleagues, third parties and anyone who may wish to raise a concern. The service is managed independently by Safecall and is available 24 hours a day, seven days a week, in multiple languages, with a dedicated website www.safecall.co.uk/report. All reports are monitored, and we carry out investigations based on the nature of report. Any concern raised is taken seriously and investigated. The anonymous nature of the service is important, but it can limit our ability to provide feedback to any concerned parties. Our Audit Committee maintains oversight over the Speak Up arrangement, with a specific report on related matters provided annually.

8

Speak Up reports

2022: 11

In 2023 we received 8 reports via the service, versus 11 reports in 2022.



People as our key asset



Case study

Diversity Equity and Inclusion governance and progress

Our DEI strategy helps hardwire Diversity, Equity, and Inclusion through all we do. Our strategy intends to make a positive impact across our business and is led by our Executive Leadership Team, with oversight from our Board. It enables us to measure progress, hold ourselves accountable and reflect the expectations we have of investee companies.

Our Nomination and Governance Committee has oversight for our DEI strategy across abrdn. This oversight is additionally supported by our Board and other Committees. Our DEI actions across abrdn are led by our Executive Leadership Team, with accountabilities tracked through scorecards and goals. Our strategy is global but requires local delivery to create authentic inclusion. Each of our Executive Leadership Team sets priorities relevant to local contexts against our framework. This is supported through a committee of leaders from across the business to help set our DEI strategy and support the delivery of local initiatives. Our global code of conduct sets out the standards and principles that we hold ourselves to, with each of our colleagues asked to consider the principles in every decision we make.

In 2023 we updated our Gender, Ethnicity, and socio-economic inclusion action plans through our Global Inclusion committee, our colleague led networks, and our HR specialist teams continue to drive work towards a diverse, equitable, and inclusive global organisation.

We have committed to a new ethnicity target applicable to our senior leadership population which comes into effect from 2024 while continuing to meet the Parker review recommendation of one abrdn plc Board member who identifies as ethnic minority.

Our commitments, oversight, and colleague experience priorities globally, enable us to hardwire DEI through all that we do. With a toolkit of inclusive initiatives, partnerships, and action plans we focus on encouraging leaders to role model, use, and encourage all colleagues to embed the tools we have in place to support diverse, equitable, and inclusive teams. This includes inclusive recruitment drivers such as Diversity Partnerships, Diverse interviewers, informative data, training for hiring managers, interview templates, and an augmented writing tool to ensure role profiles are attractive to a wide range of candidates.

With tools available from our Talent Acquisition team, Learning and development, reporting and data, and other areas; our various inclusion groups lead awareness of this capability, and encourage colleague empowerment to use these tools to create inclusion each and 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 115 of our 2023 Annual report and accounts, we include details of our Directors' remuneration report, where we outline the performance conditions for the annual bonus in 2023, 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).



People as our key asset

Executive remuneration

Our Executive Directors Remuneration policy is set by our Remuneration Committee and agreed at our Annual General Meeting. The award for variable bonus considers non-financial measures, including performance against our climate change targets, alongside progress on climate focused solutions and client engagement. Climate-related performance makes up 5% of the overall scorecard. The Remuneration Committee received periodic updates from the business and independently review performance. The policy is applicable to both our Chief Executive Officer and Chief Financial Officer. More information is available in our Annual report and accounts.

Staff remuneration

Our investment teams are responsible for incorporating sustainability considerations into their investment process, their remuneration structure contains both qualitative and quantitative sustainability-related KPIs. Qualitative KPIs tend to focus on the quality of engagements and the engagement outcomes. Quantitative KPIs across investment desks will have a minimum number of ESG training sessions that need to be completed and other asset class specific targets. For example, the Active Equities team has ESG objectives that are aligned with our investment objectives, our company strategic drivers and behaviours, and our more focused investment behaviours. These objectives are used to create the goals for individuals against which their performance and incentivisation is assessed. This has been incorporated into the scorecard of these individuals' investment roles. The result is that ESG becomes a third component of 'Investment Excellence' alongside 'Research' and 'Portfolio Construction' and will constitute between 12% and 40% of the overall scorecard, or higher, depending on role. Managers will assign a qualitative score to the ESG component of the scorecard, informed by various inputs including peer and stakeholder feedback. What most appropriately drives the score will be dependent on individual roles and responsibilities. Other asset classes will take similar, but nuanced, approaches which align with our overall approach to how we incentivise the incorporation of ESG considerations.



Our stakeholders

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 roundtables for them so that we can share our thinking and listen to their views on important themes and likely future developments.

Additionally, through use of industry surveys and providers, such as the Wisdom Council, we gather input from clients so that the products and solutions that we offer are best aligned to meet client expectations. During the course of 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.

We hosted and attended numerous client round-tables and events, and provided client training and education on stewardship and sustainability matters upon request. We also expanded our sustainability solutions, launching a range of sustainable index strategies 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 implemented 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 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 (page 80).

In 2023, a significant proportion of our time and effort was spent supporting our clients' increasing stewardship requirements and expectations.

abrdn gather: shaping the future together

In June 2023, we hosted our Investment Forum in London, 100+ of our clients coming together to hear from our abrdn and industry experts on the investments trends and topics shaping 2023 and beyond. External speakers included Anne Applebaum, Pulitzer Prize winning journalist who covered all aspects of geopolitics and what might shape our future. Dr Paul Redmond a leading expert on the world of work also gave brilliant insight into different generations in the workforce and a peek into the evolving world of AI.

Our stakeholders

Sustainability Summit

In May 2023, we delivered our second Sustainability Summit in Singapore, welcoming over 70 clients to join several sessions with expert leaders covering multiple aspects of sustainable investing, the topics including:

Climate
credibility
gap

Biodiversity

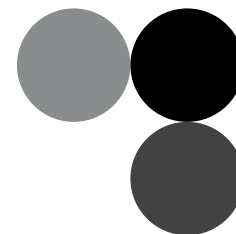
Investing
in the
transition

ESG
Fund
ratings

We were honoured to have David Atkin, CEO of Principles for Responsible Investment (PRI), as one of our keynote speakers.



Our stakeholders



Shareholders

Engaging with investors

abrdn Group's Investor Relations and Secretariat teams support the direct investor engagement activities of the Chairman, Senior Independent Director (SID), CEO, CFO and, as relevant, Board Committee chairs. During 2023, we carried out a comprehensive programme of meetings with domestic and international investors, via a range of 1:1, group, conference and reporting related engagements. Investors had broad interests including progress on cost reduction targets, synergies between the three business units, progress on strategy to drive revenue growth, investment performance, financial performance and share price, capital allocation and strategy for returns to shareholders, the relationship with Phoenix and the role of the share stake, customer cash balances and the regulatory focus on this area given high interest rates, and corporate governance, including approach to ESG and sustainability. The Chairman, SID, CEO and CFO bring relevant feedback from this engagement to the attention of the Board.

The Board ensures its outreach activities encompass the interests of the Company's circa one million individual shareholders. Given the nature of this large retail shareholder base, it is impractical to communicate with all shareholders using the same direct engagement model followed for institutional investors. Shareholders are encouraged to receive their communications electronically and around 400,000 shareholders receive all communications this way. The Company actively promotes self service via the share portal, and more than 203,000 shareholders have signed up to this service. Shareholders have the option to hold their shares in the abrdrn Share Account where shares are held electronically and around 91% of individual shareholders hold their shares in this way.

To give all shareholders easy access to the Company's announcements, all information reported via the London Stock Exchange's regulatory news service is published on the Company's website. The CEO and CFO continue to host formal presentations to support both the full year and half year financial results with the related transcript and webcast available from the Investors' section of the Company's website. For 2024, the Company published a Q4 2023 update in mid-January and intends to publish Q1 and Q2 2024 updates after the close of these periods.

The 2023 Annual General Meeting (AGM) was held in Edinburgh on 10 May 2023. The meeting was arranged as a 'hybrid' meeting. This allowed shareholders to participate in the meeting remotely, as well as in person. For those participating remotely, questions could be submitted during the meeting via a 'chat box', many of which were then posed to the Chair by a moderator. The Chair and CEO presentations addressed the main themes of the questions which had been submitted at the meeting. 45% of the shares in issue were voted. Although all resolutions were passed, a number of resolutions received less than 80% of votes cast in favour of the resolution. The results of the vote were primarily driven by a small number of shareholders, and the significant majority of shareholders who voted did so in favour of the resolutions. Following the AGM, the Company Chair and Jonathan Asquith, abrdrn's Senior Independent Director, met with shareholders representing more than 80% of the shares voted against the five resolutions, to understand their views.

Learn more from page 87 of our Annual Report and accounts.



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, equity, 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 an UN-supported network of investors that works to promote sustainable investment through the incorporation of environmental, social and governance factors.
- **Climate Action 100+ (CA100+):** As discussed on page 34, we are part of CA100+, which is a collaborative initiative between asset owners and managers to engage with high-carbon emitters.
- **Nature Action 100 (NA100):** We are involved in Nature Action 100, a global investor engagement initiative to drive greater corporate ambition and action to stem nature and biodiversity loss. See page 34 for more detail.
- **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

Communities

Contribution

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.

Governance

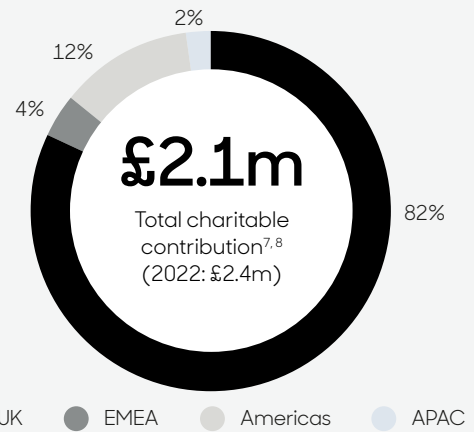
Our giving strategy is governed through the abrnn Charitable Foundation (aCF) SC042597, with our Board of Directors meeting quarterly to consider new partnerships and discuss strategy and progress. The Board of Directors for the aCF has six members, including two independent Directors and provides oversight and guidance for our charitable giving activity globally. Though it is important to note that some community support or sponsorship activity is governed directly by abrnn plc. ii also retains discretion over specific community partnerships. The aCF Board also provide some autonomy to regional colleague forums, with the objective to enable colleagues to engage directly with chosen partners and projects.

Charitable contribution

In 2023, abrnn directly supported charities through three streams of funding aligned to our giving strategy. Our powerful partnerships are intended to be transformative, enabling partner charities to deliver meaningful projects beyond their existing capabilities, with additional localised giving through our colleague forums, and donations in support of specific thematic causes. We note our total contribution in 2023 remained relatively consistent with the previous year, with plans in place for 2024 to consider new powerful partnerships.

Enhancing colleague giving

Many of our colleagues are passionate supporters of specific causes, or organisations, and we enable this through company matching initiatives. abrnn supports 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.



Donations

£1.4m

Strategic partners

Donations direct to powerful partnerships (2022: £1.7m).

£211k

Colleague forums

Donations direct to charities selected by our regional colleagues (2022: £96k).

£180k

Thematic giving

Donations in support of specific causes linked to global events, or select localised grants (2022: £377k).

Fundraising

£53k

Matched contribution

abrnn matching of colleague fundraising through our Fundraise Plus scheme (2022: £34k). Colleagues fundraised and donated £194k voluntarily.

Payroll giving

£103k

Matched contribution

abrnn matching of colleague giving through our Give As You Earn scheme (2022: £105k). Colleagues donated £190k voluntarily via payroll giving.

In-kind giving

£134k

Volunteering time

The value of colleague volunteering time based on number of hours volunteered divisible by average UK hourly rate (2022: £112k).

⁷ Figures as of 31 December 2023 relating to donations to charitable organisations and in-kind giving from volunteering time.

⁸ The chart on this page does not capture the regional split matched contributions and volunteering time but is inclusive of other noted figures.

Source: abrnn, Sustainability and TCFD report 2023.



Suppliers

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 labour and human rights, providing a safe work environment, and minimising environmental impact.

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 robust onboarding approach which includes; due diligence, financial health checks, assurance, and contract negotiation processes. These activities continue throughout the life of the contract.

The outcomes of the due diligence process are reviewed by relevant subject matter experts, and any issues found 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 choose not to onboard the supplier or 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.

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 the higher wage level set by the Living Wage Foundation, and we have a policy on UK Living Hours. This mainly applies to staff working within the Facilities area but is also applicable to contractors. In addition, we understand the importance of treating our Third Parties fairly which includes our commitment to paying them on time.

We have a number of key suppliers who provide data and services closely related to our stewardship services. These include Institutional Shareholder Services (ISS), MSCI, LSEG and Trucost. As each service is onboarded, the processes, as set out, are followed to ensure these Third Parties' policies and practices align to our standards.

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. Our Global Procurement function has a dedicated Third Party Risk Management team who oversees the policy and associated processes, and who can call on specialist support from subject matter experts e.g. risk domain owners (such as information security) if required.

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 appropriate governance is in place. These activities ensure that relevant SLAs, contractual provisions and due diligence (which covers core domain areas as well as financial health and financial crime screening) are in place prior to onboarding. Ongoing monitoring takes place through regular performance meetings (dependent on the profile of third party) and regular ongoing due diligence. To support the above, abrdn's Third Party Code of Conduct is published on its website as well as being referenced in its standard contracts and purchase orders.



Our approach to risk management

A strong risk and compliance culture underpins our commitment to put client and customers first and safeguard the interests of our shareholders. Our Board has ultimate responsibility for risk management and oversees the effectiveness of our Enterprise Risk Management (ERM) framework.

ERM framework

The ERM framework supports risk management throughout our business. We operate 'three lines of defence' with defined roles and responsibilities. We continually evolve our framework to meet the changing needs of the company and to make sure it keeps pace with industry best practice. In 2023, improvements to the framework included:

- Delivering a new approach to Risk and Control Self Assessments, focused on key business outcomes and executive accountability.
- Improving abrdn's risk acceptance process. – Improved management information to better measure how the framework is applied in practice.
- Reviewing our risk taxonomy.
- Strengthening capabilities within Enterprise Risk.
- Further embedding of capabilities to support Operational Resilience and Consumer Duty outcomes.
- Updating our Global Code of Conduct.

Sustainability risks

We have a responsibility to shareholders, clients, customers and all stakeholders to assess, report on, manage and mitigate our sustainability risks. As an investment firm, we need to consider the impact of our corporate activities while making investments in line with client mandates. We are mindful of the increasing challenges around providing consistent ESG disclosures across multiple geographies. During 2023, we continued to deliver against a number of key milestones. These included regulatory disclosure requirements under the EU SFDR and UK TCFD and enhancing our climate and carbon analytical tools. We completed the integration of ESG data into our investment data platform to support 2024 regulatory reporting and transitioned to a new ESG screening and exclusion tool. We have commenced a review of the UK SDR reporting and disclosure requirement for delivery in 2024.

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 Investments business. 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



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

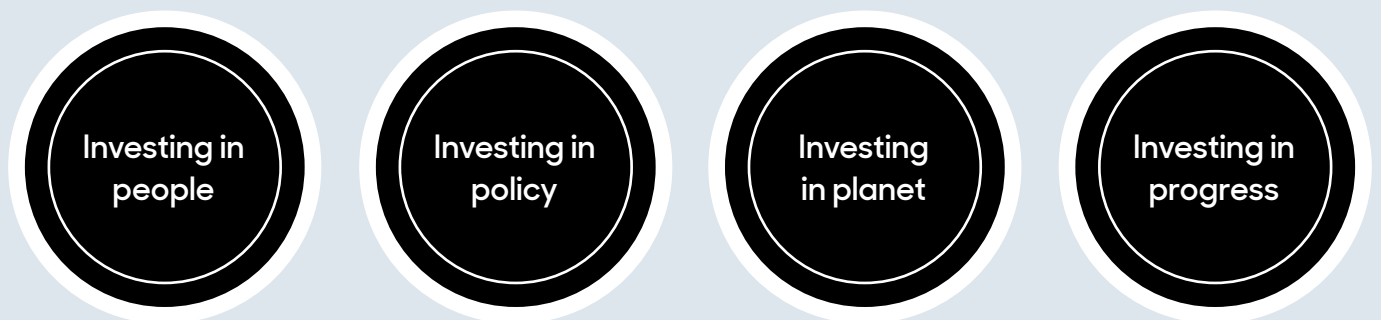
Our Global Macro Research team, supported by our Investments Sustainability Group expertise produces original research for use by our investment teams. It analyses the intersection of economics, government policy and markets, producing an assessment of the likelihood and impact of macro and systemic 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 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 Global Macro Research publications on our website



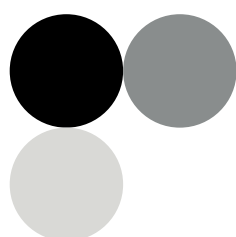
The material macro risks that our Global Macro Research team has identified are detailed below. Each of these are aligned with our four meta-themes and we have provided the impact assessment and mitigation for our clients through our investment activities.

Meta-theme	Macro risk	Impact	Mitigation
People	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 monitored to provide timely analysis for portfolio managers. 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.
People	Diversity, equity, and inclusion a. Discrimination b. Social inequality	Diversity, equity, and inclusion are core to the way that companies manage their human resources. It is also an increasingly important component of firms' social licence 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, equity, and inclusion. We have a DEI approach for investment built around research, investment integration, active ownership and solutions.
Policy	Risk of policy error 1. Recession risks 2. Risks to inflation progress	US growth has been robust, while inflation has moderated. This provides the pathway to a soft-landing, however there are several challenges. Credit conditions remain tight, while the supportive fiscal backdrop in 2023 will shift to a small drag as spending cuts bit. Inflation has moderated well, however, a number of major economies face uncomfortably high rates of wage growth and core inflation. Central banks pushing the elevated rates policy maybe surprised at how low inflation can fall	Asset class teams focus on investing in higher quality firms with strong balance sheets that are less exposed to refinancing risks. Macro teams to build diversified portfolios that can perform in different policy regimes. The Global Macro research team to monitor and forecast policy developments to capture regional policy divergence
Policy	Geopolitical 1. Middle East Conflict 2. US-China tensions 3. Russia-Ukraine conflict 4. Eurozone fragmentation 5. Global election uncertainty	Large geopolitical shocks can disrupt markets through their effect on energy prices, economic growth, corporate earnings and the pricing of risk premia. Middle east tensions may threaten local stability and also impact global trade, supply chains, freight transportation and energy prices. Growth and inflation progress maybe impacted. 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.	Global Macro Research provide regular updates on evolving geopolitical risks to ensure portfolio managers are appropriately informed. Analysis includes economic and ESG considerations.
Planet	Climate change a. Longer horizon manifests in shorter-term issues and opportunities b. Just transition	Climate transition and physical risks have the potential to significantly alter the return profile of exposed assets over the coming decades. Transition risks related to policy changes have the potential to move markets and strand assets on short-term time frames. While the magnitude of physical climate risks is expected to intensify over the coming decades, extreme events are already impacting an increasing number of areas. A climate transition that does not take into account social factors (avoiding unjust harm or exacerbating inequalities) would exacerbate financial risk from social issues.	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 2023 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. We published in December 2023 a framework to invest in a just transition, and actively engage on material just transition issues in key sectors. We plan to expand our approach to consider how emerging just transition data and frameworks can be embedded into the investment process and the development of aligned products.

Macro risks



Meta-theme	Macro risk	Impact	Mitigation
Planet	Nature a. Land, sea and freshwater-use change b. Resource exploitation c. Pollution d. Alien Invasive Species and Other	More than half of global GDP is moderately or highly dependent on nature. Unsustainable economic activity is driving destruction of nature and species loss because the economic and social value of biodiversity is not being properly accounted for. This has significant economic impacts as businesses all have a direct or indirect impact on nature that could affect their operations.	We published in November 2022 an approach document on how we incorporate natural capital considerations into our investment processes. We have a dedicated Senior Analyst that undertakes research on Nature trends and developments. Nature is incorporated into corporate engagement. abrdn participates in the multiple initiatives and associations to encourage improvements and best practices.
Progress	Corporate social licence to operate a. Changing views of society and impact on companies b. Inaccurate assessment of reputational risk by companies	As the idea of the corporate social licence 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 41) 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.



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.

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. Our conflicts of interest list for 2023 comprised 1,172 companies. 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 relevant persons engaged in activities involving 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 separate conflicting activities 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, and the course will be rolled out through 2024. 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

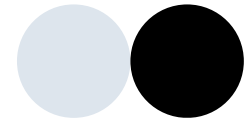
Examples of conflicts of interest

There are several different scenarios that can create a conflict of interest.

1. Potential conflicts can arise between abrdn's interests and those of its clients where their shares are held in companies in which abrdn has strategic shareholdings. In such situations abrdn does not instruct a vote on the shares held on behalf of its clients. abrdn has a strategic partnership with Phoenix Group, and a seat on the board. In view of the conflict which exists we did not vote our clients' shares at Phoenix Group's 2023 AGM.
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 an employee holds a regulatory or legal responsibility across entities. 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.

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

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 investments¹⁰

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 engagements
- Direct input to governments and regulators
- Membership of trade and industry bodies

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 engagements

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 engagements

Industry standards

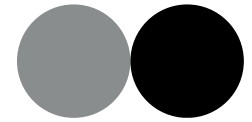
Includes development of best practice across all activities such as Principles for Responsible Investment (PRI), climate analysis, transparent disclosure and market infrastructure.

Methods used include:

- Published thought pieces
- Board and senior executive engagements
- Direct input to governments and regulators
- Membership of trade and industry bodies



¹⁰ Investments business only.



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 a number of ongoing policy and regulatory developments that are relevant to our business, including emerging sustainability disclosure standards, green taxonomies and transition pathways. We believe it is imperative that these regulations are well thought out and carefully implemented 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.

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 operates 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 planning, 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.

Our corporate influence



Transparency and reporting

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

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. 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 their portfolios and to hold us to account for our consideration of ESG factors and our engagement with investments.

We currently provide information on engagement activities through various regular reporting mechanisms, including:

- Our annual Stewardship Report, which contains a sample of engagements we conducted over the year, including information on the reasons for engagement and the outcomes delivered. Our fund-specific 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 engagement activities upon request and in-line with key industry initiatives, such as the Investment Consultants Sustainability Working Group (ICSWG) templates in the UK. We provide details of our engagement activity, the types of meetings held, progress through the engagement lifecycle and more information on the outcomes of our engagement. The regulatory environment relating to disclosure of ESG activities and sustainability continues to evolve.



Our corporate influence

Sustainability reporting

Providing transparency on sustainability-related performance and activities

- Annual Stewardship Report that follows UK Stewardship Code
- Firm level Sustainability and TCFD report to report against climate-related disclosure including our Net Zero commitments at both corporate and investment level
- Modern Slavery Statement detailing our work to mitigate modern slavery risk in our operations and value chain
- Entity and product level TCFD reports according to the UK FCA listing rules

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

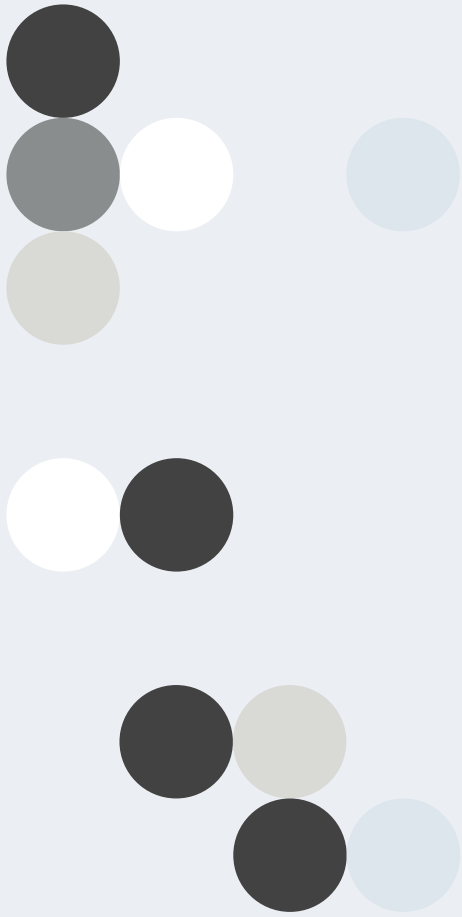
Climate
change

Social factors

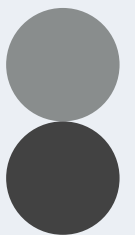
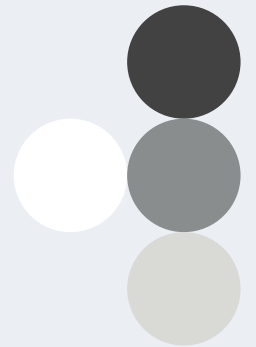
Environment and
sustainability

Engagement
Policy

Risk Integration



Appendix



Sustainability Council

Governance Structure Appendix



This relates to information found on page 24.

Strategy Groups	Role and remit
Sustainable Investing Strategy Group (SISG)	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.
Climate Change Strategy Group	It is the management forum for climate-related risks and opportunities in the Investments business. The group is responsible for setting strategy and escalating material issues through our wider governance framework. The group meets quarterly and is chaired by our Head of Sustainability Insights & Climate Strategy. The group receives more technical climate insights for consideration and decision making from the Technical Climate Working Group.
Sustainability Research Forum	The Forum produces, discuss and promote delivery on research priorities set by the SISG and promote sustainability insight across asset classes.
Sustainability Standards Group (SSG)	The SSG's remit is to uphold standards in abrdn's investment process to ensure they stand up to scrutiny, reflect client objectives and ensure rigorous internal standards with focus on screening and standard breaches (including potential cases of controversies). The SSG is chaired by the Head of Sustainable Investing and is composed of colleagues from the Investment Sustainability Group and has representation from Product and Compliance.
Sustainability Product Strategy Group (SPSG)	The SPSG supports the development of our Sustainability Fund Range offered by abrdn. The cross-functional group provides the relevant expertise and insight to guide the development of the existing range and new additions. The group is chaired by the Global Head of Product Strategy and comprises of product, client and ESG asset class representatives.
APAC and Americas Sustainability Institutes	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.
Regulatory & Standards Taskforce	The Taskforce assesses new regulatory developments and market standards across all abrdn investment business jurisdictions with ad-hoc working groups to mobilise business engagement and understand implications for the business. The Taskforce brings together colleagues from global Compliance teams, Public Affairs, Corporate Sustainability, the Investment Desks, and the Investment Sustainability Group.
2nd Line ESG Oversight Forum	The Forum is responsible for globally centralising the implementation and oversight of sustainability controls across the Investments business from a Risk & Compliance perspective. This group also serve as the compliance advisory function to the business broadly on ESG-related compliance queries. A dedicated Monitoring & Oversight team operates a risk-based programme, which incorporates sustainability related regulation, to provide assurance to senior management over the effectiveness of controls to ensure regulatory compliance.



Mapping to the UK Stewardship Code Principles



UK Stewardship Code Principle	Page Number(s)
<p>Principle 1</p> <p>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.</p>	5-11, 40, 62-63
<p>Principle 2</p> <p>Signatories governance, resources and incentives support stewardship.</p>	12, 19, 22-25, 32, 64-65
<p>Principle 3</p> <p>Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.</p>	76-77
<p>Principle 4</p> <p>Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.</p>	72-75
<p>Principle 5</p> <p>Signatories review their policies, assure their processes and assess the effectiveness of their activities.</p>	13-15
<p>Principle 6</p> <p>Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.</p>	66-71
<p>Principle 7</p> <p>Signatories systematically integrate stewardship and investment, including material environments, social and governance issues and climate change, to fulfil their responsibilities.</p>	20-21, 33, 40-46
<p>Principle 8</p> <p>Signatories monitor and hold to account managers and/or service providers.</p>	69
<p>Principle 9</p> <p>Signatories engage with issuers to maintain or enhance the value of assets.</p>	28-31, 35-39
<p>Principle 10</p> <p>Signatories, where necessary, participate in collaborative engagement to influence issuers.</p>	34, 79-80
<p>Principle 11</p> <p>Signatories, where necessary, escalate stewardship activities to influence issuers.</p>	28-31, 80-81
<p>Principle 12</p> <p>Signatories actively exercise their rights and responsibilities.</p>	17, 53-60





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