



# Responsible Investment Policy for Corporate Debt

Aberdeen believes that the basis for all investment is fundamental research which is independent and forward-looking, and conducted at the regional team level. By including the examination of environmental, social, and governance (ESG) factors in their research, investment teams can more accurately identify and understand all the risks and opportunities presented by a potential investment.

Within Fixed Income, the material risks of an investment are examined across a spectrum of issues, including traditional financial metrics, governance issues, country and industry specific considerations, and environmental and social risks. These are all taken into consideration, using information from many different sources, before an investment decision is made on behalf of Clients. Because risks can vary substantially between investments, no single factor determines every investment decision. A top-down, thematic approach to risk assessment is combined with a bottom-up, issuer-specific analysis. This combined approach ensures the best understanding of the material risks of each underlying investment, which ultimately serves to mitigate the downside, or default, risk of Fixed Income investing, as well as highlighting opportunities.

The approach from an ESG perspective is to examine factors which have a potential, material impact on the credit risk of the underlying investment. Aberdeen assesses how they are managed and mitigated, as well as the opportunities they create for the issuer and therefore the investor. This includes factors such as remuneration, board structure, corruption, climate change, human rights, and supply chain issues.

Engagement with companies is generally associated with equity investing, but it is also part of our fixed income investment process. While there are fewer opportunities to engage with bond issuers than with equity investee companies, where material risks do arise, Aberdeen seeks to encourage bond issuers to adopt best practice and to put in place controls to mitigate their principle risks.

In addition to integrating the analysis of material, credit-impacting ESG factors into all issuer reviews, Aberdeen also offers clients detailed comparative assessment and scoring of a broader range of ESG factors which can be customised to suit specific ESG requirements.