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# Responsible Investing

## ESG integration in Private Markets

At Aberdeen Standard Investments (ASI), we are responsible investors. As such, we ensure environmental, social and governance (ESG) considerations are embedded in everything we do. Our goal is to make a difference – for our clients, society and the wider world. It's about doing the right thing, while aiming to achieve our clients' long-term financial goals. Here's how this applies to our Private Markets team.

### Our core beliefs

There are three reasons why we think it's vital to integrate ESG factors into our private markets process.



ESG factors are financially important and directly affect investment performance. Indeed, those investments where ESG has been considered tend to outperform those that don't.



Understanding ESG risks and opportunities, alongside other financial metrics, helps us make better investment decisions for our clients.



Informed constructive engagements help improve practices – enhancing the value of our clients' investments.

### Investment strategy and process

Private Markets, is by its very nature diverse and illiquid, as such our ESG approach must be tailored to the underlying investment, whether Real Assets, Private Equity or Infrastructure.

We ensure that the assessment of ESG factors is integrated into every stage of our private markets investment process. Our goal is to identify all the risks and opportunities within any given investment. Our skills enable us to meet the increasingly diversified needs of our clients, generate long-term growth, enhanced returns, reduced volatility and, in some cases, additional tail protection.

### How we do it

As part of our proprietary research, we assess the risks and potential opportunities from ESG factors. We have identified a range of key ESG topics which guide the prioritisation and integration of ESG factors at the fund and investment level, whilst providing a structure for engagement with, and reporting to stakeholders.

Our approach across all private markets investments will ensure that we are:

- Enhancing clients' risk-adjusted returns by proactively identifying and addressing material ESG risk factors when acquiring, managing and disposing of assets.
- Identify and capture opportunities to deliver positive outcomes and solutions for society without detriment to our clients' investment performance.
- Agreeing specific long-term targets to set direction and provide vision.

### Direct, Co-investments and Credit

When we directly own assets, are directly investing in a company, or are providing private credit to understand the specific ESG risks and opportunities associated with that investment, how they are managed and, where appropriate, how they are mitigated.

### Indirect investments

When we invest in new funds, our due diligence process includes consideration of the underlying ESG risks and opportunities and how they are managed. Where applicable, we would look to understand a manager's specific ESG policy, the rigour with which it is applied and embedded into the process before and after the investment.

Once invested, we will continue to engage with our underlying fund managers and direct holdings on these and other issues ensuring effective ongoing monitoring and management.

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**AberdeenStandard**  
Investments

## Capability & collaboration

We are committed to being the most responsible investor we can be – both as individuals and as a company.



- We consider ESG in role descriptions, performance management and continued professional development for all relevant investment staff.



- We work as a team. We facilitate the timely and effective sharing of information, skills and insights on relevant ESG factors across all ASI private markets functions. We do this through our ESG Private Markets Network and the relevant support teams.



- We are keen to be part of the ESG conversation. To that end, the Private markets team collaborates with clients, industry partners and our central ESG Investment & Stewardship team to create market-leading research and thought leadership. These insights drive the development of new investment solutions for our clients.

## Transparency & integrity

We have to preach what we practice – sharing and evidencing all our responsible investing activities with key stakeholders.

We do so by:



- ensuring we are transparent and persuasive in communicating and discussing our ESG strategy, approach and performance with clients and stakeholders



- staying connected to clients and stakeholders on their evolving thinking on ESG, making sure that products and Private Markets solutions are tuned to their aspirations and financial goals.

## Our Private Markets team



Aberdeen Standard Investments has a long track record of managing private market strategies spanning real estate, private equity, infrastructure, real assets and private credit as well as having developed a number of innovative private markets solutions.



In these markets, experience, investment insight and access are key. We have a broad team of over 400\* dedicated professionals located around the world sourcing and evaluating private markets opportunities. As a leading investor, we have strong relationships with other leading private markets managers, asset owners, developers, and government bodies – often enabling us to hear about opportunities at an early stage. Our teams undertake first-hand fundamental research to seek out high-quality investment opportunities and following investment, focus on active management and engagement to realise returns for investors.



**Dan Grandage**  
Head of ESG, Private  
Markets

“Considering ESG risks and opportunities alongside traditional financial metrics, is no longer a nice to have but a critical element of our decision making”

## Our commitment to Responsible Investing

Our Private Markets team doesn't work in isolation. It is supported by our experienced ESG Investment team, which undertakes sector and thematic research, engagement and voting. As a company, we seek to accomplish our clients' long-term goals through our core capabilities.

- We integrate ESG factors into all investment decisions.
- ESG specialists and champions are also an integral part of each team.
- We carry out thematic sector and asset-level research to help inform our investment decisions.
- We engage with the leadership of our holdings across all asset classes, and vote on every shareholder resolution globally.
- We engage with governments, regulators and industry bodies globally to raise standards, and work with other stakeholders to improve companies' practices.
- We continually work to develop innovative client solutions.

## ASI's ESG principles

We put stewardship and ESG considerations at the heart of:



**our investment process** – we integrate and appraise environmental, social and governance (ESG) factors in our investment process, with the aim of generating the best long-term outcomes for our clients



**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



**our investment activity** – we actively take steps as stewards and owners to protect and enhance the value of our clients' assets



**our corporate influence** – we actively advance policy, regulation and industry standards to deliver a better future for our clients, the environment and wider societal stakeholders

## About ASI

As a leading global asset manager, Aberdeen Standard Investments is dedicated to creating long-term value for our clients - their investment needs are at the heart of what we do.

With this in mind, the consideration of ESG factors is a fundamental part of our private markets process. It forms a vital part of how we assess the investment case for any investment in which we seek to invest.

We offer a comprehensive range of investment solutions, and the very highest level of service and support.



**400\*** dedicated professionals located around the world



**50 ESG specialists** company-wide



**£66 billion\*\*** (€76 billion) in private markets assets under management

\*Source: Aberdeen Standard Investments, as at June 2018  
\*\* Source: Aberdeen Standard Investments, as at June 2019



**Peter McKellar**  
Global Head of  
Private Markets

**“As a long term investor in direct and indirectly held private markets investments, we consider the strategic management of our environmental and social impacts as central to our future success.”**

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Investment involves risk. The value of investments, and the income from them, can go down as well as up and an investor may get back less than the amount invested. Past performance is not a guide to future results.

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### Risks of investing:

**Equities:** Foreign securities may be more volatile, harder to price and less liquid than domestic securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries.

**Fixed Income:** Fixed income securities are subject to certain risks including, but not limited to: interest rate, credit, prepayment, and extension.

**Real Estate:** Investments in real estate may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Real estate values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

**Alternatives:** Alternative investments may engage in speculative investment practices; involve a high degree of risk; and are generally considered to be illiquid due to restrictions on transferring interests. An investor could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication / experience and willingness to bear the risks of such an investment.

Diversification does not necessarily ensure a return or protect against a loss.

This is not a complete list or explanation of the risks involved and investors should read the relevant offering documents and consult with their own advisors before investing.

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