

# Environmental, Social and Governance Investment

Generating the best client outcomes by investing responsibly and sustainably

“We aim to be the industry leader in ESG investment, helping to protect and enhance the value of our clients’ investments, while contributing to a sustainable world.”

Euan Stirling,  
Global Head of Stewardship and ESG Investment

**Our ESG capabilities**  
We put Environmental, Social and Governance (ESG) investment considerations at the heart of our investment process for each asset class because we believe that positive investment outcomes are consistent with positive outcomes for society and the environment.

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About us

# Investing every day for a better future

At Aberdeen Standard Investments, we are active stewards of the investments that we make on behalf of our clients around the world.

In order to create the right outcomes, we invest with conviction across all asset classes. That conviction is informed by the research and engagement that we undertake and ESG (environmental, social and governance) factors are integral to that.

## Our investment philosophy is built on the following fundamental beliefs:

- By putting ESG considerations at the heart of our investment process, we are able to generate better client outcomes
- High-quality research and fundamental investment understanding underpin sustainable outperformance
- Connected teams deliver better innovation and investment results
- All our investment decisions should benefit from our ESG insights
- Positive investment outcomes are consistent with positive outcomes for society and the environment.

## Our global ESG resource

We have a market-leading ESG resource in terms of the number of people, and their experience, expertise and talent.

Our central ESG Investment team of over 20 professionals supports all of the asset classes in which we invest. In those asset classes, we have more than 50 ESG analysts and champions carrying out research and making investment decisions.

Our success lies in our ability to connect across teams, geographies, public and private markets to generate robust investment solutions for our clients. We also play a pivotal role in connecting our investment decision-makers more closely with the aims and objectives of our clients.



“Put simply, we believe integrating ESG factors adds value for our clients. This is reflected in increasing client demand for investment strategies in this sector.”

Rod Paris,  
Chief Investment Officer



## Our philosophy

# Improving long-term returns through ESG integration

Our primary objective is the pursuit of the best long-term outcomes for our clients. To achieve this, we undertake significant ESG research.

**Our engagement with companies allows us to make fully-informed investments decisions, in turn driving higher standards and stronger returns.**

### ESG puts the 'long-term' in long-term investing

ESG factors are typically long-term in nature, developing and evolving over time. That is why ESG integration and our long-term approach to investing are intrinsically aligned.

### Full ESG integration is key to delivering successful client outcomes

We research, analyze and engage with investments around the world. For us, ESG integration improves our understanding and, as such, is part of our mainstream investment processes.

ESG is not simply a list of criteria to be adhered to, or a box-ticking exercise. ESG integration is about analysis of the key issues for each asset class, using this analysis to make better informed investment decisions for our clients.

### Actively managing our investments

Our investment approach centers on assessing risk and opportunity through a long-term ESG lens. We engage with companies before, during and after we invest, and actively use our voting rights.

Active stewardship protects and enhances the value of the portfolios we manage. Our extensive engagement with the companies we invest in is ongoing. We encourage them to set targets, put in place robust, transparent management processes and governance, and meet best practice in all their operations. The majority of our engagements begin and end

positively and constructively. However, there are times when we need to escalate our concerns which can require AGM attendance and voting, formal representations to boards or the raising of issues in the media. Our goal is to make them better companies – for the benefit of our clients and society as a whole.

### Shaping the conversation

We actively seek to raise the standards of the investment community, helping develop better awareness of ESG risks and opportunities. We collaborate and engage with our asset-management peers as well as asset-owners around the world.

A concerted voice can achieve greater influence.

We harness the power of our research capacity by publishing external research and white papers, using the results to shape solutions for clients.

We guide policymakers by attending parliamentary committees and contributing to policy and code reviews of the industry bodies we subscribe to.

### Voting on behalf of our clients

Exercising our vote at company general meetings is an important element of our ownership duties. This does not happen in isolation – it is integral to our investment process and must be aligned with our investment view.

Voting against management-sponsored resolutions is important in escalating our concerns and protecting our clients' interests. It also helps set the foundation for future engagement to drive higher standards and stronger returns.

# 50<sup>+</sup>

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ESG specialists around the world\*



# 1000+

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investment professionals\*

...all putting ESG  
at the heart of our  
investment processes





## Research approach

# Deep insights from fundamental research

We focus on undertaking primary, internal research and on the attributes underlying any prospective investment.

We provide research and support around key ESG investment themes in the following ways:

- Identify key ESG topics for investment research
- Conduct research and analysis on global sectors
- Identify companies around the globe that require further analysis and engagement
- Conduct research on screened products.

Our research focuses on the areas shown.



# 25

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ESG research conducted  
across 25 different  
market sectors



ESG by asset class

# Supporting positive outcomes across our investment universe

Across every asset class, we take an active and highly engaged approach to ESG issues

ESG integration spans all the asset classes in which we invest. This ensures our ESG view of prospective investments is aligned with our broader investment view, helping us to deliver robust outcomes for our clients. We embed ESG considerations into asset classes in the following key ways.

## Active equities

- Holistic company and board risk/opportunity assessment, including ESG factors
- Engagement with management on risks, areas of improvement and opportunities
- Exercise all voting rights.

## Fixed income

- ESG analysis embedded in fundamental in-house credit research
- ESG risks categorized according to severity, allowing them to be priced appropriately alongside other credit risks
- Engagement with management on risks, areas of improvement and opportunities.

## Real estate

- Holistic risk and opportunity assessment, including ESG factors
- Engagement with key stakeholders on risks, improvement and opportunities.

## Alternatives

- Due diligence on underlying managers' ESG considerations
- ESG metrics feed decision-making.

## Multi-asset

- Tailoring of portfolios to meet clients' ESG requirements
- ESG assessment based on underlying funds' and managers' ESG policies.

## Quantitative investment

- ESG fully integrated into systematic investment processes at both universe construction and portfolio construction stages
- Exercise all voting rights.



Specialist solutions

## Strategies to match clients' investment requirements

Alongside embedding ESG insights into our investment processes, we apply our in-depth analysis to a range of strategies tailored to pre-defined values or beliefs.



### Ethical – negative screening

Strategies tailored to clients' needs according to their values or beliefs.

For example, since 1996 we have offered an ethical world strategy that uses our 'Quality and Value' investment process and includes a number of exclusionary ethical screens.



### Sustainable & Responsible Investment

Companies are screened on their sustainability credentials. The worst-performing companies are excluded. This approach involves a high level of active engagement.



### Impact – positive screening

The selection of companies that are delivering products and solutions to address social and environmental challenges.

For example, in 2017 we launched a global equity impact strategy with a high-conviction portfolio of stocks that we believe can deliver both a financial return, and a meaningful and measurable impact on society and the environment.

We also launched a UK equity impact – employment opportunities strategy that aims to generate a financial return over the long term by investing in companies that promote and implement good employment opportunities and practices in the UK.



### Thematic – e.g. climate-based

Climate concerns are captured through a range of activities including engagement, exclusions, carbon-tilted portfolios and carbon foot-printing.

## IMPORTANT INFORMATION

### PAST PERFORMANCE IS NOT AN INDICATION OF FUTURE RESULTS

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