Aberdeen Standard Investments recognises that the world faces a number of significant environmental and social challenges. Clients may wish to explicitly reduce exposure:

- to the long-term risks associated with ESG factors; and
- to countries which fail to meet recognised sustainability standards.

At the same time, they may wish to seek improvement in business practices through targeted engagement. For these clients, we provide a Fund which falls under our Sustainable and Responsible Investor approach.

**Environmental, Social, Governance and Political (ESGP) filter**

The ESGP filtering stage of our EMD SRI strategy relies on excluding from the investment universe a subset of countries falling below a threshold for a number of indicators that are part of our ESGP framework. The exclusion criteria focus on the indicators under the Governance and Political pillars. This method is preferred to a potentially broader approach based on the overall ESGP score as the latter would tend to unfairly exclude the poorest countries that have low Social scores and/or low Environmental scores due to industrialisation or geographic vulnerability to disasters. We however have some leeway to qualitatively exclude issuers which do not meet certain Environmental or Social standards.

Our solution builds successive filters that countries would need to go through in order to be included in the investable universe whilst also incorporating a qualitative assessment in our “Direction of Travel” analysis. The rationale for using exclusive filters is to avoid including countries that score very poorly on one important factor, for example corruption, but where the average score might be pulled up by other indicators. Concentrating on the indicators under the Governance and Political pillars, the filters are applied in the manner illustrated in the chart below:

**Government Effectiveness Index**
Exclude bottom 10%: Azerbaijan.
China, Saudi Arabia, Tajikistan (9 countries)
But put Angola (positive Direction on travel) on Watch List

**Regulatory Quality Index**
Exclude bottom 10%: Mozambique, Venezuela
But put Ecuador (positive Direction on travel) on Watch List

**Political Stability Index**
Exclude bottom 10%: Ethiopia, Iraq
But put Ukraine (positive Direction on travel) on Watch List

Same process for other indicators within the Government and Political pillars

17 countries excluded from investment universe

Source: Aberdeen Standard Investments. For illustrative purposes only.
Exclusions
The process results in the exclusion of a number of countries from the investment universe. In addition, countries that should have been filtered out due to a poor showing on one or several of the indicators but were exempted thanks to a positive Direction of Travel are instead recorded on a Watch List.

Watch lists and engagement
The Watch List also includes a number of countries that would be excluded if a higher threshold for exclusion were used (20%) and the process rerun. We commit to engage with countries excluded from the investment universe, as well as those on the Watch List, to communicate our concerns on specific issues. Engagement with sovereign issuers also helps us understand plans to address those issues, which is accounted for in our Direction of Travel assessment. Through regular road shows or meetings with senior government officials across those countries, the team is often able to gather unique insights into the ability and willingness of such Governments to tackle key ESGP issues.

Framework and process
The framework is updated twice per year, which could lead to some changes in the group of countries being excluded. If a country is removed from the exclusion list, it is transferred to the Watch List in order to make sure that the improvement is sustained. Our assessment of Direction of Travel should help identify those countries on the Watch List that are at risk of falling back and of being excluded, which should avoid the portfolio being forced to sell positions after updates to the framework.

Any changes to our ESGP framework or the exclusion list would require sign-off from our Head of ESG Fixed Income and the central ESG team. All prohibited issuers are thereafter communicated to our Investment Control team to ensure they are appropriately identified and removed from the investment perimeter of the EMD SRI strategy.

Our responsible investing capabilities
As a leading global asset manager, we believe that investing responsibly can help generate long-term value for our clients. We offer an extensive and growing range of investment solutions, as well as the very highest levels of service and support.

When investing our clients’ capital, environmental, social and governance (ESG) considerations are an integral part of our decision-making. By understanding how ESG factors affect our investments, we believe we can generate better outcomes for our clients, society and the wider world.

To help us achieve this, our dedicated, 20-strong ESG Investment team works closely with colleagues across all asset classes to support this work. A further 30 dedicated ESG asset-class analysts provide an additional layer of expertise.

Everything’s Future
Invest today. Change tomorrow.
Important Information

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.

The information herein should not be considered an offer, investment recommendation, or solicitation to deal in any financial instruments or engage in any investment service or activity. The information is provided on a general basis for information purposes only, and is not to be relied on as advice, as it does not take into account the investment objectives, financial situation or particular needs of any specific investor.

Please consider these risk factors:

· Investing in China A shares involves special considerations and risks, including without limitation greater price volatility, less developed regulatory and legal framework, exchange rate risk/controls, settlement, tax, quota, liquidity and regulatory risks.

· The use of derivatives carries the risk of reduced liquidity, substantial loss and increased volatility in adverse market conditions, such as a failure amongst market participants. The use of derivatives may result in the fund being leveraged (where market exposure and thus the potential for loss by the fund exceeds the amount it has invested) and in these market conditions the effect of leverage will be to magnify losses.

· The fund invests in emerging market equities and / or bonds. Investing in emerging markets involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.

· The fund invests in equity and equity related securities. These are sensitive to variations in the stock markets which can be volatile and change substantially in short periods of time.

· The fund may invest in companies with Variable Interest Entity (VIE) structures in order to gain exposure to industries with foreign ownership restrictions. There is a risk that investments in these structures may be adversely affected by changes in the legal and regulatory framework.

For professional investors (in Switzerland qualified investors) only – not for use by retail investors.

Standard Life Investments Global SICAV I is an umbrella type investment company with variable capital registered in Luxembourg (no.B 204.798) at 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg.

This content is available in the following countries/regions and issued by the respective entities detailed below:


Switzerland: Issued by Aberdeen Standard Investments (Switzerland) AG. Registered in Switzerland (CHE-114.943.983) at Schweizergasse 14,8001 Zürich.

Everything’s Future

Invest today. Change tomorrow.

Visit us online
aberdeenstandard.com