

March 2020

Sustainable Investment Approach for the European Corporate Bond SRI Fund

Approach applies to

- European Corporate Bond Sustainable and Responsible Investment Fund

Aberdeen Standard Investments recognises that the world faces a number of significant environmental and social challenges. For clients who wish to explicitly reduce exposure to the long-term risks associated with environmental, social and governance (ESG) factors and to companies which fail to meet recognised sustainability standards while seeking improvement in business practices / approach through targeted engagement, we provide a range of funds that fall under our Sustainable and Responsible Investor approach.

Assessment criteria

Company rating model

Our Sustainable and Responsible Investment screen is a proprietary rating tool. It is based on the UN Global Compact, a set of internationally recognised legal, social, ethical and environmental standards that encompass human rights, labour, the environment and anti-corruption. Using external data providers and our internal measurement systems driven by independent research and company engagement, our Stewardship and ESG Investment team rate companies on their approach to these standards. Their assessment of a company reflects both its level of risk - influenced by the sector in which it operates - and the company's mitigation of these risks.

Inputs: We compile raw ESG data from various sources. This raw data captures information on how companies manage their ESG risks. We use it to measure key issues related to the specific ESG risks linked to an individual business's operations.

Proprietary rating model

We use the raw data to form the basis of our company rating model. A company's score is largely influenced by the specific ESG risks linked to its operations. For example, energy companies will typically have a larger tilt towards environmental issues where as software companies will be more affected by social and governance issues.

Companies are assessed relative to their peers on the management of these ESG risks and this provides an initial company score. However, we do not rely on this data to provide the definitive source of a company SRI score. Our Stewardship & ESG Investment team is able to adjust the score based on its own research and company engagement.

Engagement

Meeting with companies provides the opportunity to assess their strategy for managing ESG risks on a forward-looking basis. This gives us the insight to ascertain how a company is mitigating these risks and allows us to assign the appropriate company rating. Furthermore, through engagement, we can promote management of ESG risks in line with best practice. Our aim is to encourage positive company behaviour and activities that support long-term value.

Our general approach is to rate all companies in which we invest. A key element that influences the rating of a company is engagement. We prioritise this based on the following.

- **Materiality:** driven by significant exposure to a company's assets. This ensures that we are comfortable with this exposure from an ESG perspective. Also, we are able to use our position as significant asset owners to actively influence a firm's management of ESG issues in line with best practice.
- Where the score is a material driver for a company, detailed assessment of a company's ESG management is required to consider investment an option. Within our SRI fund range, we also monitor a 'Watch List' of names. This consists of:
 - companies rated just above the exclusion threshold
 - companies with negative score movements over a given month
 - 'hot' topics – typically headline-grabbing company events.

Risk sector classification

Sectors are classified using industry data and internal analysis on quantitative risks relating to climate change, human rights, environment, labour issues and business ethics. The overall rating is determined by the Stewardship and ESG Investment team and in consultation with the relevant sector analyst in our credit and equity teams. The objective is to assign a risk classification for each sector: high, medium or low.

| HIGH-RISK SECTOR | MEDIUM-RISK SECTOR | LOW-RISK SECTOR |
|---|--|--|
| Examples <ul style="list-style-type: none">• Construction materials• Mining• Oil and gas• Gas and electricity utilities | Examples <ul style="list-style-type: none">• Real estate• Food distributors• Healthcare services• Industrial machinery | Examples <ul style="list-style-type: none">• IT consulting• Advertising• Leisure products• Renewable electricity |

The investment universe is then screened based on the following criteria.

1. Binary exclusion

- Companies that fail the UN Global Compact principles.
- Companies involved in controversial weapons covering; cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, depleted uranium ammunition and white phosphorus.
- Companies involved in tobacco manufacture.

2. Active exclusion

- Companies with a lower than average company rating and operating in what we classify as high and medium-risk sectors from an ESG perspective.

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.

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 the below risk factors

- The fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- The fund invests in mortgage and asset-backed securities (which may include collateralised loan, debt or mortgage obligations (respectively CLOs, CDOs or CMOs). These are subject to prepayment and extension risk and additional liquidity and default risk compared to other credit securities.
- 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 high yielding bonds which carry a greater risk of default than those with lower yields.
- The fund price can go up or down daily for a variety of reasons including changes in interest rates, inflation expectations or the perceived credit quality of individual countries or securities.

Standard Life Investments Global SICAV I and II is an umbrella type investment company with variable capital registered in Luxembourg (no. B78797) at 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg. Registered in Spain with Comision Nacional del mercado de Valores under the number 814 and 1528. Subscriptions may only be made on the basis of the The prospectus, the key investor information documents, the articles of incorporation, the annual and semiannual report. Further information can be obtained free of charge on www.berdeenstandard.com. and from the representative in Switzerland: Carnegie Fund Services S.A., 11, rue du Général-Dufour, CH-1204 Geneva, Switzerland, web: www.carnegie-fund-services.ch. The Swiss paying agent is: Banque Cantonale de Genève, 17, quai de l'Île, CH-1204 Geneva. The last share prices can be found on www.fundinfo.com.

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

Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain and Sweden:

Issued by Aberdeen Standard Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. No. S00000822.

Authorised in Luxembourg and regulated by CSSF.

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

The logo for Aberdeen Standard Investments. It features the word "Aberdeen" in a dark blue font with a stylized blue wave graphic under the 'A'. "Standard" is in a bold, dark blue font. "Investments" is in a lighter blue font below "Standard". A small blue triangle points upwards to the right of "Investments".