

February 2020

Responsible Investing

ESG integration in Quantitative Investment Strategies (QIS)



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 award-winning Quantitative Investment Strategies (QIS).

Our core beliefs

We think it's vital to integrate ESG into our quantitative investments process.



ESG criteria can help promote competitive financial returns and directly affect corporate performance.



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



Informed and constructive engagement helps corporations improve practices – protecting and enhancing the value of our clients' investments.

Investment strategy and process

The assessment of ESG factors is integrated into every step of our Quantitative Investment process.

How we do it

- Our central ESG team votes consistently on behalf of all client assets in line with ASI voting policy. They also engage with companies on ESG and stewardship issues on behalf of client holdings as appropriate.
- We have passive mandates which are managed against ESG-focused indices and also implement client-specific ESG exclusions.
- Our enhanced index funds target a portfolio ESG score that is higher than, or at least equal to, the index. They also exclude any companies involved in controversial weapons, such as cluster bombs and chemical weapons.
- Our smart beta funds exclude companies that have been involved in severe ESG controversies, and those involved in controversial weapons. We employ the same process for our artificial intelligence (AI) driven active quant strategies. We also offer a range of ESG smart beta indices which are optimised towards companies that score highly on ESG criteria, which results in a tilt towards sustainable companies.
- Analysis of portfolio ESG and Carbon exposures is a core component of our portfolio review process.
- We integrate ESG into all discretionary portfolios and mandates.

Our engagement process

Our process consists of four interconnected and equally important stages.

Monitor

Ongoing due diligence

- Business performance
- Company financials
- Corporate governance
- Company's key risks and opportunities

Contact

Frequent dialogue

- Senior executives
- Board members
- Heads of departments and specialists
- Site visits

Engage

Using our voice

- Maximise influence as asset owners to drive positive outcomes
- Where possible, leverage equity holdings to vote on issues

Act

Consider all options

- Increase or decrease our holdings
- Collaborate with other investors
- Take legal action if necessary

Everything's Future

Invest today. Change tomorrow.

Capability & collaboration



- We collaborate with our central ESG team and other investment teams on the development of ESG research and process integration.



- We take a lead role in the quantitative investment industry on the integration of ESG, including collaboration with commercial and academic partners.

Transparency & integrity



- We are transparent and persuasive in the communication and discussion of ESG strategy and approach with our clients and stakeholders.



- We stay connected to clients on their evolving thinking on ESG, making sure that products and solutions are highly tuned to their aspirations.

About Quantitative Investment Strategies (QIS)

Quantitative Investment Strategies (QIS) has over a decade of experience in quantitative investment approaches. Our aim is to provide investors with a systematic, rules-based means to capture return, manage market risk and target investment goals. We manage a range of quant-based investments. These include traditional index trackers, as well as enhanced index and smart beta strategies. We also manage active quant driven by artificial intelligence techniques.



An experienced and stable team of investment professionals with complementary skillsets, including economists, statisticians, actuaries and ex-traders.



We embed ESG into the investment process.



We have a track record in passive investing since 2005, active systematic strategies since 2007, smart beta strategies since 2013 and active quant using AI since 2018.

Our commitment to responsible investing

QIS does not work in isolation. We are 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 into investment decisions.
- ESG specialists and champions are 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 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 to deliver long-term, sustainable value consistent with our clients' objectives



our corporate influence – we actively advance policy, regulation and industry standards to deliver a better future for our clients, the environment and society.

About ASI

As a leading global asset manager, we at Aberdeen Standard Investments are 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 is a fundamental part of our quantitative investments process.

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

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. Past performance is not a guide to future results.

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Risks of investing:

Quantitative Investment: Quantitative Investments may involve extensive use of derivatives for investment purposes. Due to the leveraged nature of derivatives, gains and losses can be greater than associated with traditional investment instruments.

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 investing.

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