January 2020

Investment approach

Aberdeen Standard Investments

Aberdeen Standard Investments (ASI)

Sustainable Development Equity Approach

ASI's Sustainable Development Equity investments seek to generate strong long-term performance by allocating capital to companies that may deliver a strong financial return and demonstrate – via their products, services, and actions – an active and material alignment to one or more of the United Nation's (UN) Sustainable Development Goals (SDGs).

Our sustainable development proposition

Investing in companies that are delivering an attractive financial return while making a positive contribution to society.

Investments aligned with UN Sustainable Development Goals (SDGs), which seeks to address the world's greatest challenges.

Company engagement to increase alignment, demonstrate intentionality and better disclose SDG activities.

In doing so, companies reflect a commitment to help address the world's most pressing problems and support a shift to a more sustainable economy.

The SDGs are designed to address the world's major long-term challenges. These include climate change, growing social inequality, and unsustainable production and consumption. We believe alignment with the SDGs creates tangible opportunities for companies to contribute positively to society and the environment, while simultaneously enhancing the long-term financial value of the business.

Investment approach

In managing our sustainable equity strategies, we will seek to:

invest in a highly active portfolio of what we believe are companies that can deliver strong financial returns, while actively contributing towards the UN's SDGs and delivering positive and sustainable change.

be diversified and active, delivering both attractive financial returns (reference index return plus 3%[1]) and positive sustainable development outcomes.

benefit from our active engagement with companies, where we encourage positive changes in corporate behaviour.

leverage the support and insights of our large, dedicated equity teams that have been managing emerging markets and Asian equities since the 1980s.

[1] Source: Aberdeen Standard Investments. As at 1.11.2019. This is an internal performance target which the Investment Manager aims to achieve as at the date of this document. This target is not based on past performance, may be subject to change and cannot be guaranteed. Investors should always refer to the investment objective and restrictions as stated in the latest prospectus.

Our portfolio managers combine the expert analysis of our equity teams with the insights of our Environmental, Social and Governance (ESG) specialists. This allows us to assess a company's alignment with ASI's established eight-pillar SDGs framework.

Pillars	Sub-themes
Circular Economy	Resource efficiency Material recovery and reuse
Sustainable Energy	Access to energy Clean energy Energy efficiency
Food & Agriculture	Access to nutrition Food quality Sustainable agriculture
Water & Sanitation	Access to water & hygiene Clean water Water efficiency
Health & Social Care	Access to healthcare & social care Enhanced healthcare Drug development
Financial Inclusion	Access to financial services
Sustainable Real Estate & Infrastructure	Affordable housing Eco-construction Improved access
Education & Employment	Access to education and skills development Quality employment and job creation
SDG Leader	Companies that are integral to the supply chain for progressing towards the UN SDGs, or do not currently meet our materiality requirements.

Assessment criteria

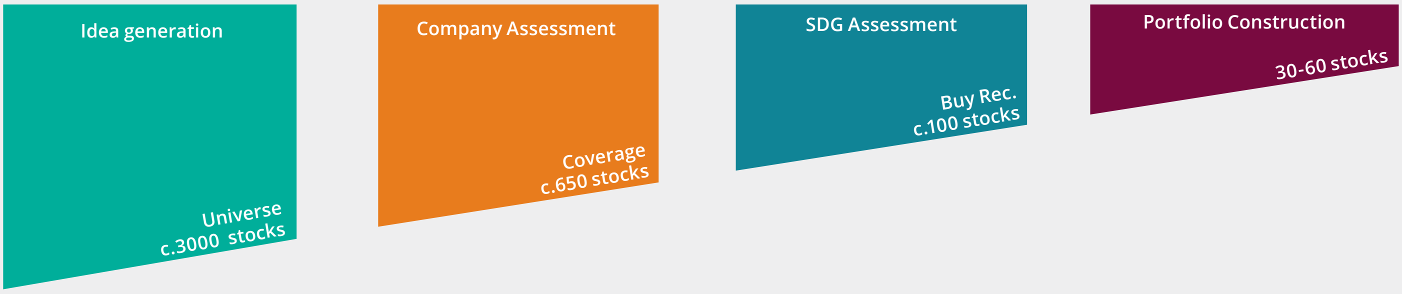
Our Sustainable Development Equity strategies will follow a fundamental, bottom-up investment research process in which ESG analysis and company engagement are integral parts of our assessment of the investment potential of all companies.

We will invest in companies with a minimum of 20% of their revenue, capital or operating expenditure – or research and development – linked to the UN's SDGs[2]. We will also invest up to 10% in SDG leaders. These are companies that are considered to be integral to the supply chain for progressing towards the UN's SDG's, but do not currently meet the 20% materiality requirement. Distinct company research notes for each stock in the Sustainable Development funds capture and formally document the SDG impact made by each company and the needs they meet.

[2] The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges the world faces, including those related to poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. The 17 goals were adopted in 2015 and are contained in the 2030 Agenda for Sustainable Development. Further information is available at www.un.org/sustainabledevelopment/.

Sustainable development investment process

ESG assessment is embedded through all stages of the investment process



Universe	Identify "Buys"	Alignment & Materiality	Stock selection
• Extensive coverage of market • Teams across the region	• Business fundamentals and key drivers • Dynamics – what's changing? • Financials and valuation analysis and forecast • ESG analysis • Sector review	• Pillar alignment • Quantify materiality of investment • Company engagement • Track and measure activity	• Portfolio construction group • Risk review • Portfolio construction tools • Team debate • Model portfolio / position sizing

Screening

The sustainable development strategies will apply binary screens in order to exclude companies that operate or generate significant revenues in certain sectors. It will also exclude companies which have failed to uphold one or more of the UN Global Compact's '10 principles' which are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Further information on these can be viewed at https://www.unglobalcompact.org/what-is-gc/mission/principles.

In particular the strategy will exclude the following businesses from the possible investment choices:

- businesses which make over 10% of their gross annual turnover from gambling
- businesses which make over 10% of their gross annual turnover from the production and/or sale of tobacco products
- businesses which make over 10% of their gross annual turnover from the production and/or sale of alcohol
- companies which manufacture or sell nuclear weapons or cluster munitions, conventional weapons or weapons systems.
- businesses which derive any revenue from thermal coal
- businesses which derive any revenue, estimated or reported, from unconventional oil and gas. This includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane
- businesses which derive any revenue from oil and gas activities as per the definition of the California State Department of Insurance. These include revenues from extraction and production, pipelines and transportation and refining but exclude revenues from distribution / retail, equipment and services, petrochemicals, biofuel production and sales and trading activities.

Engagement

At ASI, we engage actively and regularly with companies. This allows us to question their ability to deliver financial returns and ensure that positive social and environmental impact remains part of their core strategy. Our active engagement approach enables us to learn more about a company's sustainability strategy and impact. It also means we can appraise company management, encourage best practice on ESG issues and/or exchange views.

Through this, we seek to increase the SDGs alignment of our holdings and ensure they remain or become better companies.

Reporting

Measurement and reporting on companies' alignment to the UN's SDGs is a developing area. We are committed to present regular reports on the companies we invest in and the engagement activity of the fund managers.

Important Information

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

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121038510 09/19 | DH: GB-181119-103863-2