

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 ESG 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, everything we do as an organisation is focused on generating the best long-term outcomes for our clients.

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 addition, we have more than 50 ESG analysts and champions in those asset classes 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, analyse 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, then using this analysis to make better informed investment decisions for our clients.

Actively managing our investments to the benefit of our clients

Our investment approach centres 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 in protecting our clients' interests. It also helps set the foundation for future engagement to drive higher standards and stronger returns.

50⁺

ESG specialists around the world*



1000⁺

investment professionals*

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



Research approach

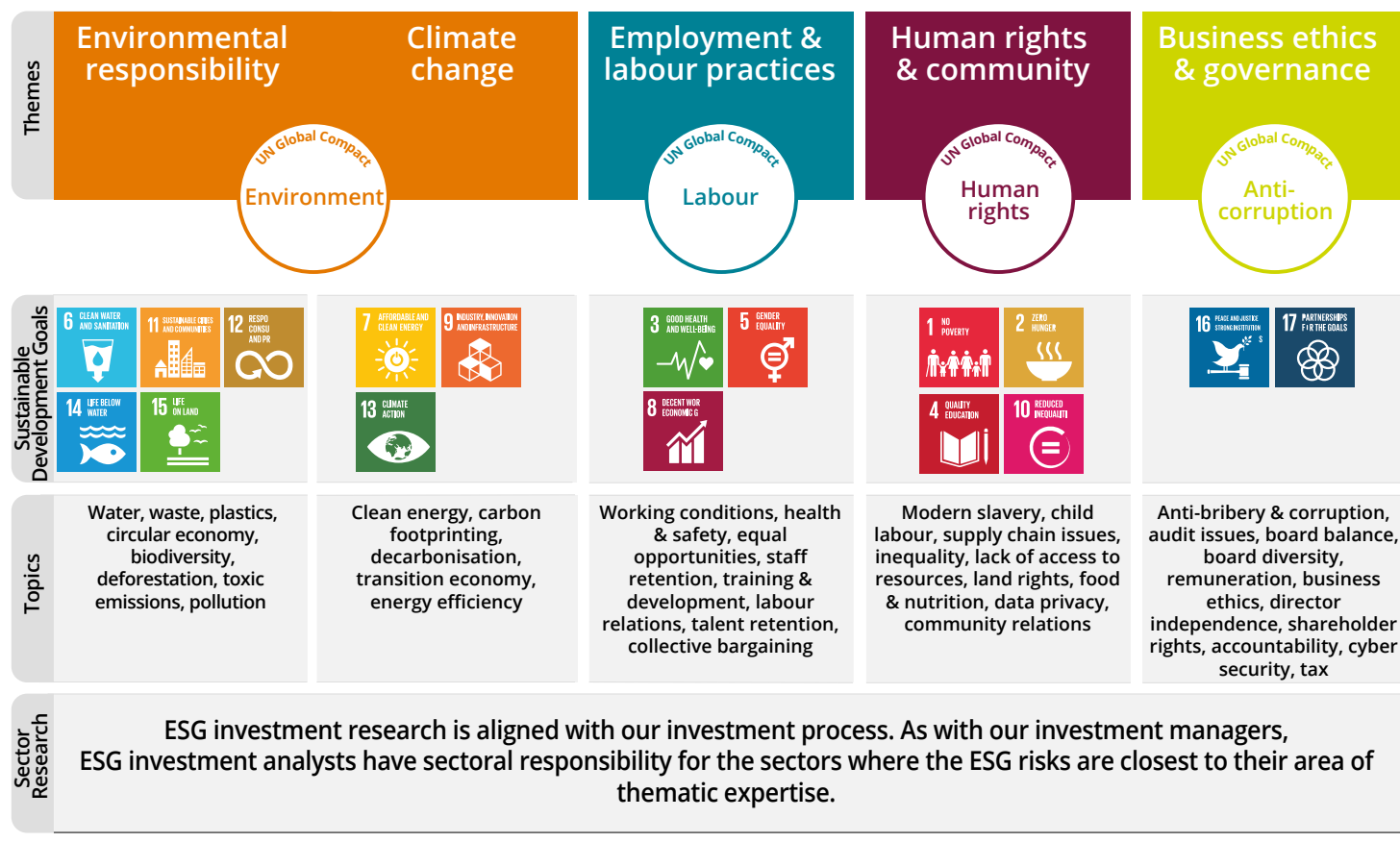
Deep insights from fundamental research

We focus on undertaking primary, internal research 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

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 superior outcomes for our clients. We embed ESG considerations 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 categorised according to severity, allowing them to be priced appropriately alongside other credit risks
- Engagement with management on risks, areas for 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 factor into 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.

An aerial, high-angle photograph of a cobblestone plaza. Several people are walking across the plaza, which is composed of large, light-colored rectangular stones. The people are dressed in winter clothing, including coats, hats, and scarves. The image is split diagonally by a white line, with the text and some of the people's figures on the left side and the rest of the plaza and people on the right side.

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

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Risks of investing:

Equities: securities in certain markets may be more volatile, harder to price and less liquid than securities in other markets. They may be subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries.

Fixed income: Fixed income securities are subject to certain risks including, but not limited to: interest rate, credit, prepayment, and extension.

Multi-asset: Investment in multi-asset involves diversification across a wide range of asset classes including equities, fixed income, real estate and certain alternative investments - all which involve different degrees of risk.

Real estate: Investments in property may carry additional risk of loss due to the nature and volatility of the underlying investments. Real estate investments are relatively illiquid and the ability to vary investments in response to changes in economic and other conditions is limited. Property values can be affected by a number of factors including, inter alia, economic climate, property market conditions, interest rates, and regulation.

Quantitative: 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.

Alternative investments: Alternative investments may engage in speculative investment practices; involve a high degree of risk; and are generally considered to be illiquid due to restrictions on transferring interests. An investor could lose all or a substantial portion of their investment. Investors must have the financial ability, sophistication / experience and willingness to bear the risks of such an investment.

Derivatives: Some styles of investment may involve use of derivatives either for Efficient Portfolio Management (EPM) or extensively 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 before investing.

To find out more about our ESG capabilities
please speak to your local Aberdeen Standard
Investments representative.

Visit us online
aberdeenstandard.com.au