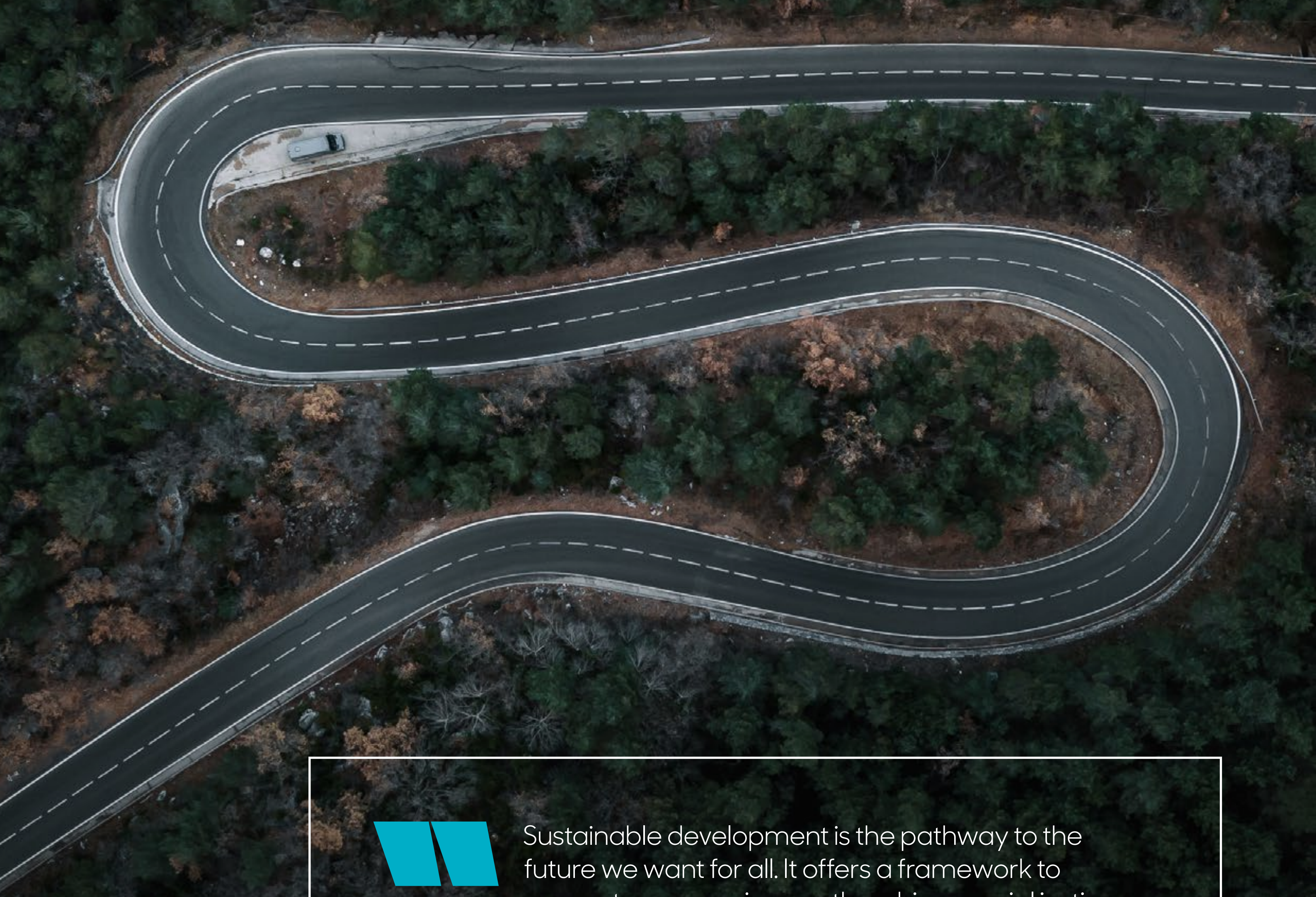
Please refer to the fund's prospectus and Key Investor Information Document (KIID) or Key Information Document (KID) as applicable before making any final investment decision.

Emerging Markets SDG Corporate Bond Fund

Annual SDG Report 2022

abrdn.com

Contents



> Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance.
>
> **Ban Ki-moon**

Introducing our Inaugural Annual SDG Report 2022

Welcome to the first edition of the Annual SDG Report for the Emerging Markets SDG Corporate Bond Fund. This report will explore the portfolio in depth by collating the positive outputs delivered in 2022 by companies whose bonds the Fund holds and showcasing some case studies across the different impact themes.

The 17 United Nations' Sustainable Development Goals (SDGs) tackle some of the most pressing challenges facing the world. Their remit is broad, but the core themes are reducing inequalities, providing climate solutions, enabling responsible consumption and production, issues which are most acute in emerging markets (EM).

Looking forward after a disorderly 2022

Last year was an extraordinarily turbulent period, with optimism around the emergence from the COVID-19 pandemic curtailed by Russia's invasion of Ukraine in February. The resulting supply shocks led global inflation to spiral, pushing the most vulnerable into food insecurity, worsening inequalities and proving a backward step in our progress towards the SDGs. Central banks began hiking cycles, curbing access to financial markets and leading to lower financial flows from developed to developing countries[1].

The Goals remain and the OECD estimates EM need an additional US$3.9 trillion (tr) in investments per year to meet them[2]. The pace of progress has not been fast enough, with Asia not set to meet the targets until 2065, a sobering forecast[3].

Whilst rising rates and currency volatility have temporarily reduced capital flows to EM, economic growth rates across EM are expected to outpace rates in developed markets. The IMF projects that growth in advanced economies will slow to 1.2% in 2023 compared with 4.0% for emerging markets[4]. Indeed, many African countries are poised to achieve growth rates of 6-8%[5]. The long-term trajectory remains encouraging, with the potential for investors to reallocate capital towards sustainable investments in EM set to increase. The US$123tr investment management industry will play a key role[6].

Ample and diverse opportunities in EM

We see the challenges the world faces as significant investment opportunities for companies delivering sustainable solutions. We believe these companies are capable of delivering superior long-term financial returns by pursuing profitable growth avenues, benefiting from rising demand for products, services and infrastructure that contribute positively to society and the environment.

[1] United Nations Conference on Trade and Development (2023). Global Investment Trends Monitor, No. 44. Available at https://unctad.org/publication/global-investment-trends-monitor-no-44 (Accessed 24 April 2023).
[2] OECD (2022). Global Outlook on Financing for Sustainable Development 2023. Available at https://www.oecd.org/publications/global-outlook-on-financing-for-sustainable-development-2023-fcbe6ce9-en.htm (Accessed 24 April 2023).
[3] UNESCAP (2022). Available at https://www.unescap.org/sites/default/d8files/knowledge-products/ESCAP-2022-FG_SDG-Progress-Report.pdf
[4] Inflation Peaking amid Low Growth (imf.org).
[5] Africa's economic growth to outpace global forecast in 2023-2024 - African Development Bank biannual report | African Development Bank - Building today, a better Africa tomorrow (afdb.org).
[6] Deloitte (2023). Available at https://www2.deloitte.com/us/en/insights/industry/financial-services/financial-services-industry-outlooks/investment-management-industry-outlook.html.

Introducing our inaugural Annual SDG Report 2022

There are ample opportunities, such as **unlocking the economic and social benefits of providing affordable internet access**; capitalising on the **exponential growth in electric vehicles**, with the International Energy Agency (IEA) putting it above 2,100% by 2030[7]; or **enabling financial inclusion for the 1.7 billion unbanked adults who are mainly in EM**[8]. Furthermore, energy security concerns and high prices have accelerated many countries' transition plans, with solar set to account for almost 60% of power installation in the next five years and overtake other sources by 2027[9].

In public fixed income markets, use of so-called proceed bonds for green and social projects continues to gain traction, representing over 30% of primary issuance in 2022, up from 5% in 2018[10]. Investment opportunities include **solar and wind projects that are helping decarbonise India's electricity grid;** expanding and electrifying rail infrastructure in Brazil and Georgia; and **providing safe sanitation access in the Philippines**.

Sustainability central to the future of investing

In the upcoming year, we will continue to put positive SDG contribution at the heart of our investment process, targeting companies that also have attractive underlying fundamentals and financial prospects. Recognition of our commitments came with the **recent award of the 'Towards Sustainability' label**[11] **and an 'A+' Rating from Conser***, a Swiss sustainability consultant. The sustainable development objective and emphasis on positive screening are also why the Fund is **one of the few EM debt products designated as Article 9** under the Sustainable Finance Disclosure Regulation (SFDR).

Although the global economic outlook remains uncertain, we are encouraged that the transition towards sustainability remains front of mind, with regulators, governments and public markets increasingly aligned in their commitment to sustainable investments.

We continue working to unearth the companies leading the way.

Samuel Bevan

Investment Director London

Siddharth Dahiya

Head of EMD Corporate London

TOWARDS SUSTAINABILITY - TOWARDS SUSTAINABILITY

A+

* Conser (2023): Results are of 31 March 2023. Available at: https://connect.canopia.ch/portfolio
[7] https://www.iea.org/reports/by-2030-evs-represent-more-than-60-of-vehicles-sold-globally-and-require-an-adequate-surge-in-chargers-installed-in-building.
[8] https://www.worldbank.org/en/news/press-release/2018/04/19/financial-inclusion-on-the-rise-but-gaps-remain-global-findex-database-shows.
[9] Renewables 2022 – Analysis - IEA.
[10] JPM.
[11] Developed on the initiative of Febelfin with more information on the following website, www.towardssustainability.be.

Investment objective

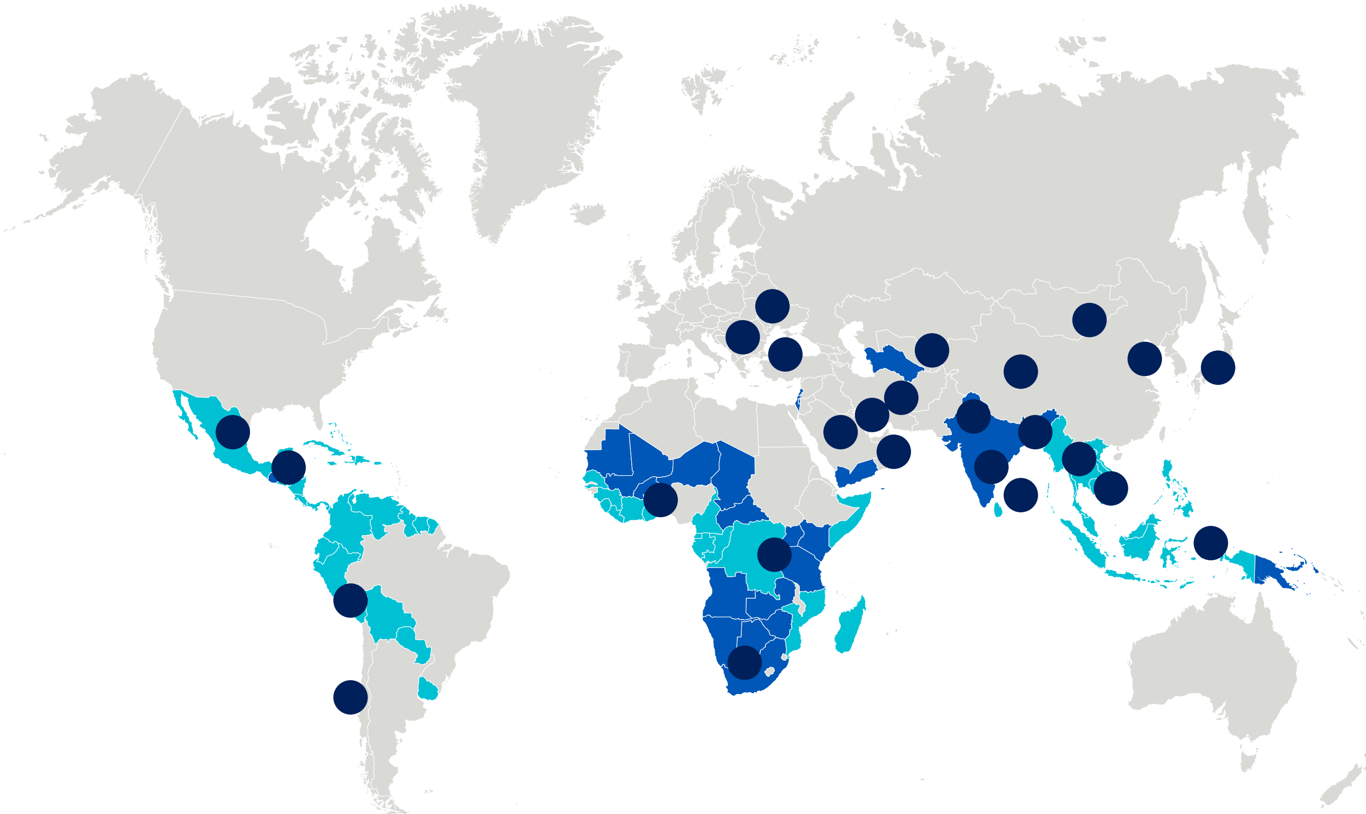
The Fund aims to achieve a combination of income and growth by investing in Emerging Market corporate bonds (loans to companies), which follow the Investment Manager's "Emerging Markets SDG Corporate Bond Approach" (the "Investment Approach"). The Fund aims to outperform the JP Morgan ESG CEMBI Broad Diversified Index (USD) before charges.

Risk factors you should consider before investing:

- The Fund invests in securities which are subject to the risk that the issuer may default on interest or capital payments.
- The Fund's 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.
- 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 high yielding bonds which carry a greater risk of default than those with lower yields.
- Convertible securities are investments that can be changed into another form upon certain triggers. As such, they can exhibit credit, equity and fixed interest risk. Contingent convertible securities (CoCos) are similar to convertible securities but have additional triggers which mean that they are more vulnerable to losses and volatile price movements and hence become less liquid.
- Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the fund's benchmark or universe of potential investments. The interpretation of ESG and sustainability criteria is subjective meaning that the fund may invest in companies which similar funds do not (and thus perform differently) and which do not align with the personal views of any individual investor.
- 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.
- To help you understand this fund and for a full explanation of risks and the overall risk profile of this fund and the share classes within it, please refer to the Key Investor Information Document (KIID) or Key Information Document (KID) as applicable, available in the local language, and Prospectus available in English, which are available on our website abrdn.com. The Prospectus also contains a glossary of key terms used in this document. A summary of investor rights can be found in English on our website **abrdn.com/corporate/legal**.

Importance of the SDGs for Emerging Markets

EM countries are at the heart of the world's greatest challenges. Although home to over 80% of the world's population, they capture a much smaller share of global financing. We believe **targeted investment in sustainable development is the solution** to tackling these challenges, whilst benefiting from the associated social and financial opportunities.



- Almost all tropical rainforests in the world are in emerging markets[1]
- 49 of Top 50 most polluted countries globally are emerging markets[2]
- 1 in 10 people live in extreme poverty, including 40% of those living in Sub-Saharan Africa[3]

Source: [1] Earth Observatory, Nasa; [2] IQAir; [3] World Bank

The SDGs provide a framework to create positive change by setting out a **"blueprint to achieve a better and more sustainable future for all".** They have global support and were adopted by the United Nations' 193 member states in September 2015. The 2030 Goals are extensive and interrelated, with a range of indicators to track progress and benchmark companies and sovereigns against.

The core themes centre on **reducing inequalities**, providing **climate solutions**, and enabling **responsible consumption and production**. The scale is vast, with the OECD forecasting **EM need over US$3.9tr per year in additional investments to meet the SDGs by 2030**[12].

[12] OECD (2022). Global Outlook on Financing for Sustainable Development 2023. Available at **https://www.oecd.org/publications/global-outlook-on-financing-for-sustainable-development-2023-fcbe6ce9-en.htm** (Accessed 24 April 2023).

Rather than seeing problems, we see opportunities – and seek out investments in sustainable solutions to deliver 'profit with purpose'.

Source: abrdn, United Nations, IFC, World Bank, WHO, FAO, OECD, BofA Global Research

Big opportunity in sustainable solutions

>$23tn

investment in climate-smart infrastructure by 2030

+2100%

volume growth in electric vehicles by 2030

-89%

cost reduction per kilowatt from solar between 2010-2020

3.6bn

lack access to safe sanitation services

1 in 2

waiting for essential healthcare services

1.7bn

unbanked adults worldwide

Our Process

We have identified eight pillars of impact that distil the SDGs into investable themes. We aim to invest in companies whose products and services demonstrate clear and material positive alignment with the SDGs, and who provide local solutions to major problems such as climate change, unsustainable consumption and production, and social inequality.

How we determine alignment with the SDGs

To be eligible for investment, companies must address an unmet need and help achieve the targets set out in the SDGs. The process identifies an unmet need by referring to the United Nations' data bank, as well as other public sources including the World Bank, OECD and local government statistics.

Clear and material positive alignment to the SDGs is demonstrated by having a minimum of 20% of either the company's capital expenditure, revenues, operating costs, profits or research and development spend contributing to a specific SDG.[13] In most cases, the materiality is significantly higher than the minimum threshold. Negative externalities are factored in with a Do No Significant Harm assessment completed.

We also invest in SDG Leaders: companies that are considered integral to supply chains that enable progress towards the SDGs and meet the 20% materiality threshold, but their impact is not currently directly measurable via their final product or service.

When SDG alignment is identified for a company, a comprehensive abrdn SDG note is produced and presented to the EMD SDG Assessment Group[14] to be approved for inclusion in the investible universe.

abrdn's SDG Investment Framework

Sustainable Development Goals	Pillars	Sub-themes*	SDG Indicators*
12, 15	**Circular Economy**	Resource efficiency Material recovery and reuse	Waste prevented/recycled
7, 13	**Sustainable Energy**	Access to energy Clean energy Energy efficiency	Renewable energy produced Renewable added to grid
1, 2, 14, 15	**Food & Agriculture**	Access to nutrition Food quality Sustainable agriculture	Sustainable agriculture area Forest set aside as protected
1, 6, 14	**Water & Sanitation**	Access to water & hygiene Clean water Water efficiency	Households provided with clean water and/or safe sanitation
1, 3, 5	**Health & Social Care**	Access to healthcare & social care Enhanced healthcare Drug development	Hospital beds provided/added
1, 8, 10	**Financial Inclusion**	Access to financial services	Loans to SMEs Adults with banking access Access to insurance
9, 11, 17	**Sustainable Real Estate & Infrastructure**	Affordable housing Eco-construction Improved access	Mobile and internet coverage Freight by cleaner alternatives Green buildings constructed
4, 5, 8, 10	**Education & Employment**	Access to education and skills development Quality employment and job creation	Quality jobs created
	SDG Leader	Companies integral to the supply chain for the SDGs	Case specific

[13] In the case of the Financials sector, Materiality can be measured on the basis of each corporate's exposure to underserved client groups within their loan or customer mix
[14] See Section 'Why abrdn for sustainable investing in EM' for more information on the composition
*Sub-themes and SDG Indicators are for illustrative purposes only and do not represent an exhaustive list.

Pillar Headline Outputs

Positive outputs from companies in the Fund's portfolio in 2022

Circular Economy

3,931,000 tons of reusable, recyclable and biodegradable products manufactured, almost double the weight of annual plastic waste in the UK.[15]

Health & Social Care

15,495 hospital beds provided, enough to sufficiently service 4 million people, the same as the population of Berlin.[16]

Sustainable Energy

48,276 MWh of renewable energy produced, enough to power Singapore for a year.[17]

Food & Agriculture

6,000 metric tons of non-GMO corn exported from Ukraine, similar to the prior year despite Russia's invasion.[18]

Financial Inclusion

36,259,000 underserved individuals granted insurance, which is the same as Canada's population.[19]

Sustainable Real Estate & Infrastructure

48,537,000 tons of freight transported by cleaner alternatives, equivalent to the capacity of 187,000 highly-pollutive heavy commercial vehicles.[20]

Water & Sanitation

12,729,589 people supplied with water services, greater than the combined populations of Belfast, Cardiff, Edinburgh and London.[21]

Education & Employment

23,390 quality jobs created in frontier African countries such as Guinea-Bissau, Mali, Niger, Senegal and Togo.[22]

[15] Source: Company data from CMPC and Klabin, https://www.statista.com/topics/4918/plastic-waste-in-the-united-kingdom-uk/#dossierKeyfigures (Accessed 27 April 2023).

[16] Source: Company data from Rede D'or, Auna and Georgia Capital, World Bank, https://www.businesslocationcenter.de/en/business)-location/berlin-at-a-glance (Accessed 25 April 2023).

[17] Source: Company data from Renew Power, Greenko, Genneia, ACME Solar, ILAP, CMI Energia, Enel Chile and Azure. Azure pro-rated for the 9-months owned in 2022. https://worldpopulationreview.com/country-rankings/electricity-consumption-by-country (Accessed 10 May 2023).

[18] Source: Company data from Kernel. Pro-rated for the 9-months owned in 2022. https://www.kernel.ua/wp-content/uploads/2022/11/FY2022_Kernel_Annual_Report.pdf (Accessed 26 April 2023).

[19] Source: Company data from Prudential, AIA and Sagicor on life and healthcare insurance. https://www.worldometers.info/world-population/population-by-country/ (Accessed 25 April 2023).

[20] Source: Company data from EFE, Georgia Rail, Rumo and Hidrovias.

[21] Source: Company data from Manila Water and GGU. Pro-rate position for GGU as position held all year until 7 September 2022. https://populationdata.org.uk/ (Accessed 25 April 2023).

[22] Source: Company data from BOAD for 2021.

Circular Economy

Promoting efficient management of natural resources, waste reduction and recycling

Core themes include...

- Resource efficiency
- Forest area protected and preserved
- Material recovery and reuse

The world's growing consumption habit continues to cause catastrophic damage to our climate and ecosystems. International agencies predict that **consumption patterns will increase annual waste generation by over 70% by 2050**, outpacing the rate of population growth to reach 3.88 billion tonnes.[23]

[23] The World Bank (2021) More Growth, Less Garbage (Online). Available at https://openknowledge.worldbank.org/handle/10986/35998 (Accessed 08 February 2023).

Circular Economy

Poor waste management can have significant environmental and social consequences. The world has finite resources, and **we're already consuming at a rate that requires the resources of 1.8 earths a year**[24]. Wasting the amount we do use puts further strain on the world's resources.

The concept of a circular economy is to move from a 'make, use, dispose' model to one that enhances and extends the lifespan of products and materials and diverts waste away from landfills. Our Circular Economy pillar targets companies offering solutions to keep resources in use for as long as possible. These products are designed to reduce pressure on natural resources and expand recycling services, which is extremely important given **33% of global waste is not managed in an environmentally safe manner**.[25]

Companies in our portfolio are...

...creating sustainable paper-based products using recycled inputs in Latin America

...setting aside 265,000 hectares of forest for environmental preservation

[24] How Many Earths? (2023) (Online). Available at https://www.overshootday.org/how-many-earths-or-countries-do-we-need/ (Accessed 28 April 2023).

[25] The World Bank (2022) What a Waste 2.0 (Online). Available at https://datatopics.worldbank.org/what-a-waste/trends_in_solid_waste_management.html (Accessed 15 February 2023).

Case Study

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

cmpc

SDG 12.5

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

BBB

(upgraded from BB in December 2022)

ESG Risks

- Carbon intensity
- Water usage
- Responsible forestry management

ESG Engagement

Constructive meeting with the company in June 2022 covering exposure to indigenous land demarcation in Chile

Empresas CMPC SA

Country: Chile

Sector: Materials – Paper Products

Unmet Need

Vertically integrated pulp and paper producer with operations in Chile, Brazil and Argentina with embed sustainable forestry management. The company is also at the forefront of creating sustainable and innovative paper-based products as alternatives to single-use plastics.

Intentionality

CMPC has been a core member of the World Business Council for Sustainable Development and its Forest Solutions Group since 2011. In 2020, CMPC was included in CDP's prestigious Forests A List, among the few companies recognised globally for its leading transparency and risk management practices related to avoiding deforestation. The company also issued its first sustainability-linked bond in 2021 with ambitious targets for reducing GHG emissions and water intensity in production.

Materiality

Materiality assessment focuses on percentage of revenues from products that are reusable, recyclable or compostable. The total is 40% and includes 93% of CMPC's revenues from biopackaging (i.e. all products except cement bags) and 73% of Softys (i.e. only tissue paper sales).

Measurability

- 90.3% of own forests under sustainable forest management certification[26]
- Recovered and recycled over 1million (m) tonnes of materials[27]
- 2025 zero waste-to-landfill target added

[26] CMPC (2022) **https://www.cmpc.com/pdf/REPORTE_INTEGRADO_2021_ENG.pdf**

[27] CMPC (2022) **https://s23.q4cdn.com/927837516/files/doc_financials/2022/q4/Earnings-Release-4Q22.pdf**

Sustainable Energy

Increasing renewables, decreasing emissions and improving access

Core themes include...

- Access to electricity, with a focus on first access for rural communities
- Clean energy, in particular wind and solar power generation and transmission
- Energy efficiency and clean energy technology, including electric vehicles

Energy is central to almost every environmental and social issue the world faces. It touches most aspects of daily life, from cooking to mobility to education. While we have made impressive progress in the electricity sector, this sector represented only one-fifth of global energy consumption in 2019, and progress has been negligible in more significant areas. An estimated **733 million (m) people lack access to electricity** and over **2.4 billion (bn)** people still use **dangerous and inefficient cooking systems.**[28, 29]

[28] United Nations (2022) Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all (Online). Available at **https://unstats.un.org/sdgs/report/2020/goal-07/** (Accessed 05 April 2023).

[29] United Nations (2022) Sustainable Development Goals Report 2022 (Online). Available at **https://unstats.un.org/sdgs/report/2022/The-Sustainable-Development-**

Sustainable Energy

While meeting global climate goals is possible, it requires large-scale mobilization of private capital and deployment of renewables. Our Sustainable Energy pillar considers three areas of energy: clean energy solutions, initiatives that promote energy efficiency, and services to expand access to energy.

Companies in our portfolio are...

...building renewable power generation in India to reduce the reliance on thermal coal

...operating the largest wind farm in Argentina based in the Patagonian region

...expanding electricity access to rural Guatemala with a 99% coverage target by 2032

...manufacturing range-extended electric vehicles and the batteries for electric vehicles

...constructing transmission lines for renewable power across the Andean region

...financing renewable finance projects alongside the World Bank in Turkey

Case Study

SDG 7.a of SDG sub-goal

By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology.

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

A (at parent company). Upgraded from BBB in November 2022.

ESG Risks

- Energy security may cause higher operating costs
- Related party transactions with parent company Geely
- Supply chain oversight

ESG Engagement

Recent engagement demonstrated its leadership on green tech development, carbon neutrality and supply chain oversight. This enhances our view of their overall ESG integration and provides more metrics for measuring their impact.

LEVC

Country: China / UK
Sector: Consumer – Auto Equipment

Unmet Need

Transportation is the highest emitting sector in the UK, accounting for 22% of total GHG emissions in 2019, among which cars comprise 13%, vans 4% and heavy goods vehicles 4% [30].
The government has announced it will ban sales of new Internal Combustion Engine vehicles by 2030. EV market is growing quickly, with over 345,000 pure EVs by October 2021. Last year saw the biggest increase, with more than 175,000 EVs registered showing 66% growth on 2019.[31]

Intentionality

The entire business model is focused entirely on producing innovative, zero-emissions capable electric vehicles since 2017. LEVC is leading the charge to provide green mobility solutions that accelerate cleaner cities around the world.

Materiality

All 100% products are range-extended elective vehicles; LEVC currently only sells Range-Extended Electric Vehicles (REEV) taxis and vans.

Measurability

- Sold 1,960 REEV taxis and 395 REEV vans in 2022, an increase of 45% y/y
- CO2 emissions of vehicles 19 CO2g/km, 90% lower than equivalent petrol vehicles[32]
- Operations powered 100% by green energy and 45% y/y reduction in carbon intensity

[30] https://www.theccc.org.uk/wp-content/uploads/2020/12/The-UKs-transition-to-electric-vehicles.pdf.

[31] https://www.nextgreencar.com/electric-cars/statistics/.

[32] Source: Geely and UK Department for Business, Energy & Industrial Strategy. **Which form of transport has the smallest carbon footprint? - Our World in Data.**

Food & Agriculture

Combating food insecurity and preventing land degradation

Core themes include...

- Access to adequate nutrition
- Improving food quality and low-carbon alternatives
- Sustainable agriculture, including sustainable forestry management

In addition to the strains of a growing global population and climate-related shocks, a pandemic and outbreak of war in Ukraine has put increasing pressure on the world's already deteriorating food supply system. As a result, growing inequalities are emerging with the UN estimating **around 150m more people facing hunger in 2021 than in 2019**.[33] The challenge to address food insecurity and promote sustainable agricultural systems is more important now than ever.

[33] United Nations (2022) https://unstats.un.org/sdgs/report/2022/Goal-02/.

Food & Agriculture

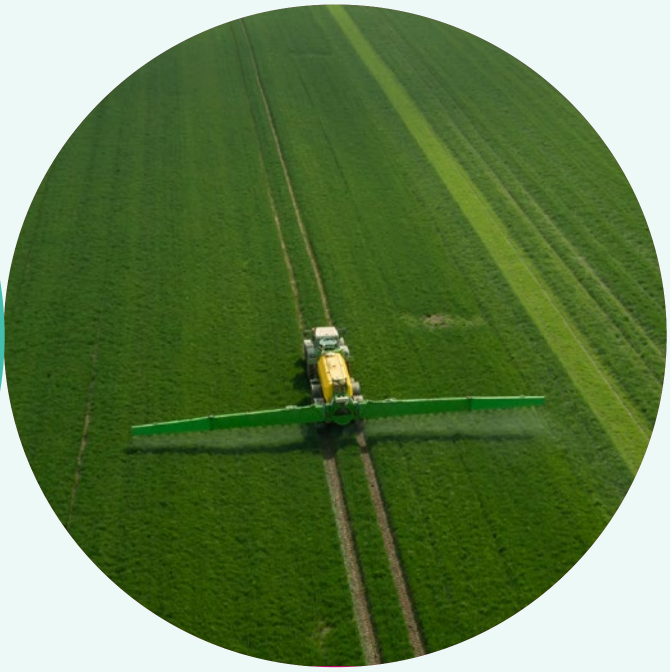
Our alignment approach to food and agriculture seeks to address the challenge from both social and environmental perspectives. We look at access to nutrition, improved nutrition and services for farmers, as well as how food is produced and the impact of farming practices on the land, water, and biodiversity.

Companies in our portfolio are...

...the largest global producer of non-GMO corn

...providing lending facilities to sustainable agriculture practices across Brazil

...targeting to conserve an extra 500,000 hectares of Brazilian forest by 2030



Case Study

SDG 15.2

By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

BB

(upgraded from B in January 2023)

ESG Risks

- Water usage
- Biodiversity impacts
- Indigenous community relations

ESG Engagement

Positive engagement in June 2022 pushed the company to increase its certified forestry assets to match peers.

Suzano

Country: Brazil

Sector: Materials – Paper Products

Unmet Need

Suzano is a net carbon-positive company committed to zero deforestation in its wood supply in Brazil. It also has initiatives to improve biodiversity by increasing conservation areas by 500k hectares by 2030. Given its sustainable forestry management practices in high-risk biomes in Brazil, Suzano aligns with SDG 15.2 on halting deforestation.

Intentionality

In addition to the new biodiversity target of connecting 500k hectares of priority conservation areas in Brazil, Suzano has committed to achieving additional ambitious ESG-related targets by 2030. These include: (i) developing and producing 10m tons of renewable-origin products derived from biomass which will replace plastics and other petroleum products; (ii) removing the equivalent of 40 million tons of carbon equivalent from the atmosphere; and (iii) directly contributing to lifting approximately 200,000 people living in the regions where it operates out of poverty.

Materiality

Materiality is assessed on revenues from products produced from its sustainably managed forestry assets. Of which, 39% are native, whilst around 60% of its wood supply is from internal sources, which means 28% of the total wood used is set aside as native.

Measurability

- 1,042,000 hectares under environmental conservation (+15% vs 2019)
- 22m tonnes of CO2e removed from the atmosphere since 2020
- 88% of energy from renewable sources

Water & Sanitation

Establishing access to safe, clean and sustainable facilities

Core themes include...

- Access to clean water & safe sanitation services
- Wastewater treatment solutions
- Water efficiency

Two billion people lack safely managed drinking water, while 1 in 4 people worldwide lack access to reliable handwashing facilities and **3.6 billion lack access to safe sanitation services.**[34] Moreover, the world's water use has been increasing globally by approximately 1% per year for the past 40 years and is expected to continue at the same rate until 2050.

[34] United Nations (2022) The Sustainable Development Goals Report 2022 (Online). Available at **https://unstats.un.org/sdgs/report/2022/The-Sustainable-Development-Goals-Report-2022.pdf** (Accessed 05 April 2023).

Water & Sanitation

This is driven by a combination of population growth, socioeconomic development and changing consumption patterns[35]. Significantly, the majority of this increase is from middle- and lower-income countries in emerging markets.

Meeting drinking water sanitation and hygiene targets by 2030 requires a 4x increase in the pace of progress[36]. When aligning to Water & Sanitation, we focus on companies that provide adequate and equitable sanitation and/or water provision for all. We seek issuers that are investing in water treatment facilities, expanding wastewater infrastructure and increasing 24-hour water supply coverage. To ensure that water and wastewater services provided by issuers are equitable, we consider pricing tariffs to ensure that the provision of water and sanitation services is affordable.

With a growing global population and the increasing prevalence of extreme weather events, more efficient use and management of water are critical to meeting increased demand and managing risks from droughts and flooding.

Companies in our portfolio are...

... serving over 8 million people in the Filipino capital Manila

MANILA WATER
CARE IN EVERY DROP

[35] UN Water (2023) The United Nations World Water Development Report 2023 (PDF) Available at: **https://unesdoc.unesco.org/ark:/48223/pf0000384655** (Accessed 18 April 2023).
[36] United Nations (2022) Goal 6 (Online). Available at: **https://sdgs.un.org/goals/goal6** (Accessed 18 April 2023).

Case Study

SDG 6.1

By 2030, achieve universal and equitable access to safe and affordable drinking water for all

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

B

ESG Risks

- Governance
- Water stress
- Anti-competitive pricing

ESG Engagement

In February 2023, we met with Manila Water and discussed 24/7 water accessibility and payment schemes for vulnerable customers.

Manila Water

Country: Philippines

Sector: Utilities

Unmet Need

In 1997, only 26% of the East Zone of Manila had 24-hour access to water. To address the poor infrastructure and meet the demands of the rapidly growing population, the Manila Water Company won the exclusive contract to service the East Zone, with a series of contractual targets that it is progressing towards. Since then, Manila Water has increased water availability from 26% in 1997 to 97% in 2020. The current focus is on improving sewer coverage from a low base of 31% to 99% by 2037.

Intentionality

Manila is one of the world's most vulnerable cities to the physical impacts of climate change and Manila Water is committed to pursuing more water security and sustainability projects as the country urbanises. It's vision is to become a leader in the provision of water, wastewater and environmental services to people, protect the environment, and enhance sustainable development.

Materiality

Materiality threshold is met via 95% revenue from water and sewage services.

Measurability

- 1,222 low-income households supplied with new water connections
- Increased sewer connections in Manila by 183x since concession started in 1997
- 11,796,256 people served with clean water

Health & Social Care

Ensuring access to quality, affordable essential care and enhancing care outcomes

Core themes include…

- Affordable access to health and social care
- Developing advanced healthcare
- Drug development

Health and social care standards vary dramatically across the globe. The COVID-19 pandemic was a setback as decades of progress could be reversed for reproductive health, maternal health and child health. Specifically, the United Nations highlights lower global life expectancy; decreasing immunisation coverage; an increase in the prevalence of anxiety and depression; and an increase indeaths from tuberculosis and malaria.[37]

[37] United Nations (2022) SDG3(Online). Available at https://sdgs.un.org/goals/goal3 (Accessed 16 February 2023).

Health & Social Care

Our alignment process for Health & Social Care targets two facets of reliable, equitable and effective services: access and innovation. We look for companies supporting and enabling drug discovery on priority diseases, improving accessibility and affordability of treatment, and contributing to broader coverage of essential health services in underserved areas. The pandemic also halted progress on universal health coverage, and health workers – already in short supply in many regions – have been stretched to their limits. Scaling up investment in health systems and drug development is essential to address the shortfall in healthcare services.

Companies in our portfolio are...

...providing lifesaving oncology treatment and research in Peru

...upgrading Soviet-era hospitals in Georgia

...building greenfield hospitals in Brazil to close the shortage of beds

...operating pharmacies across the whole of Peru

Case Study

3 GOOD HEALTH AND WELL-BEING

InRetail

SDG 3.8

Achieve universal health coverage, including financial risk protection, access to quality essential healthcare services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

abrdn ESG Risk Rating

Low

MSCI ESG Rating

BB

(upgraded from B in February 2022)

ESG Risks

- Related party transactions
- Labour relations
- Anti-competitive practices

ESG Engagement

Positive meeting in December 2022 focused on access, pricing and anti-competitive practices.

InRetail Consumer

Country: Peru

Sector: Consumer – Retail

Unmet Need

InRetail's pharmacy network of over 2,200 stores throughout Peru provides access to safe and affordable pharmaceutical products. It is modernising the segment by shifting it away from non-regulated pharmacies in the informal sector and tackling to distribution of counterfeit drugs. The breadth of InRetail's footprint, stretching across all 25 regions, establishes availability across all socioeconomic brackets, aligning InRetail with SDG 3.8 around universal health coverage.

Intentionality

The Intercorp group focus on providing services to the growing middle class in Peru. The company provides the infrastructure for this growing segment to improve their lifestyles rather than an altruistic motive to lift the lower income into the middle class.

Materiality

Pharmacy segment revenues, excluding nonessential non-pharmaceutical sales, totalled 43% of parent company InRetail Consumer revenues in 2022.

Measurability

- Pharmacy sales in Peru at 1% of GDP vs 1.4% for Latin America
- Operate 2,290 stores, up by 38 year on year (y/y)
- Modern sector with qualified pharmacists 50% of total in country, versus 33% in 2020

Financial Inclusion

Ensuring access to economic resources and financial services for all

Core themes include...

- Affordable access to financial services for SMEs
- Access to financial services for the unbanked
- Access to healthcare and life insurance to avoid catastrophe payments

Global economic recovery is hampered by rising inflation, supply-chain disruptions, increasing policy uncertainties, and labour market challenges, with further setbacks due to the Ukraine crisis in 2022. Unemployment remains above pre-pandemic levels, whilst productivity in less economically developed countries has not rebounded, following the pandemic. **Access to finance has continued to rise worldwide since 2015**, with the number of ATMs growing whilst the number of bank branches has declined.

Financial Inclusion

The COVID-19 pandemic further reinforced the importance of financial access, particularly for encouraging the growth and formalisation of SMEs, improving the lives of the poor and vulnerable, and ensuring women have equal rights to economic resources.[38]

Our alignment process for Financial Inclusion targets increasing the penetration of bank account access and formalising credit lending, particularly with regards to mortgages and MSMEs deposits. We look for companies improving access to financial services for unbanked populations, contributing to reducing the prevalence of the informal sector in developing economies. Through the provision of mortgages for lower income households, payment systems and lending products for SMEs, as well as bank accounts for individuals, these companies seek to counteract the impact of informal credit markets on the socially marginalised. Investing in the digitalisation of financial services and the availability of credit to the underbanked population and SMEs is essential to improving the productivity and development of the economy.

Companies in our portfolio are…

…offering mortgages to lower-income individuals in Georgia

…extending credit to small enterprises in the Philippines

…facilitating digital payments in Brazil

… providing insurance to poorer socioeconomic groups across Asia

BBVA

TBC BANK

BANK OF GEORGIA GROUP PLC

HDFC BANK

AIA THE REAL LIFE COMPANY

[38] United Nations (2022) SDG8 (online). Available at: **https://sdgs.un.org/goals/goal8** (Accessed 19 April 2023).

Case Study

SDG 1.4

By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

AA

ESG Risks

- Political independence
- Related party transactions
- Financial product suitability

ESG Engagement

Positive March 2023 meeting focused on exposure to lower-income individuals and SME lending.

TBC Bank

Country: Georgia

Sector: Financial

Unmet Need

As one of the leading full-service banks in Georgia, TBC has played a key role in increasing the penetration of bank account access and formalising credit lending, particularly with regards to mortgages and Micro, Small and Medium-sized Enterprises (MSMEs). With only 61% of adults having access to a bank account, Georgia still lags high-income countries at 94%, with this issue more acute for the poorest 40% of Georgian households. TBC's digitalisation strategy will be key to increasing financial inclusion for the socially marginalised and aligns with SDG 1.4 on access to financial services.

Intentionality

According to TBC's vision, a sustainable bank is a profitable institution that offers adequate, affordable and need-based services to its clients, treats its employees, suppliers and all other stakeholders with a high sense of responsibility, and strongly supports the development of society.

Materiality

Materiality is met via non-mortgage retail loans to the underbanked, retail mortgages to the underbanked and MSME loans, which total 53.2% of gross loans.

Measurability

- MSME loans have grown +18%, +21% and +40% year-on-year over the last 3-years
- Digital daily active users up 26% year-on-year
- 70.5% of adults with access to bank accounts in Georgia, compared to 92% in Europe

Sustainable Real Estate & Infrastructure

Providing affordable and eco-friendly buildings and improving connectivity

Core themes include...

- Green buildings and eco-construction
- Affordable housing
- Access to essential infrastructure, such as public transport and the internet

As the global population grows and people move to urban areas in increasing numbers, the built environment has a key role to play in supporting social and environmental goals. The **buildings and construction sector accounts for over a third of global energy use** and produced 37% of global CO2 emissions.[39]

[39] Global Alliance for Buildings and Construction (2023). Available at **https://globalabc.org/our-work/tracking-progress-global-status-report** (Accessed 05 April 2023).

Sustainable Real Estate & Infrastructure

Many countries have stated their ambitions to increase energy efficiency and mitigate the environmental impact of buildings and construction - but this needs to be matched by policy, regulatory action and continued investment. While a substantial number of buildings will need to undergo a deep retrofit as part of wider net-zero plans, the current pace of retrofitting stands at only 1-2% of leasable area in mature cities.[39]

Besides 'green' building, we need to see progress on equitable infrastructure: **1bn people reside in slums**, principally across Asia and Africa, and **99% of the world's urban population breathe polluted air.**[40] Well-planned and well-managed urban development can generate inclusive prosperity and equity.

Our Sustainable Real Estate & Infrastructure Pillar focuses on a variety of issues facing industry, infrastructure and sustainable cities and communities. These include the provision of affordable housing, efficient building practices, environmentally friendly construction materials and solutions, and increased connectivity.

Companies in our portfolio are...

...operating and constructing electrified metro services in Santiago and Lima

...building green warehouses in China, the Czech Republic and Romania

...designing cleaner alternatives to air conditioning in the Middle East

...providing cleaner alternatives to road haulage in Brazil, Chile and Georgia

...connecting people across Sub-Saharan Africa to the internet for the first time

[39] World Economic Forum (2021). Available at **https://www.weforum.org/reports/green-building-principles-the-action-plan-for-net-zero-carbon-buildings** (Accessed 05 April 2023).
[40] United Nations (2022) SDG 11 (Online). **https://sdgs.un.org/goals/goal11** (Accessed 05 April 2023).

Sustainable Real Estate & Infrastructure

Thematic Research

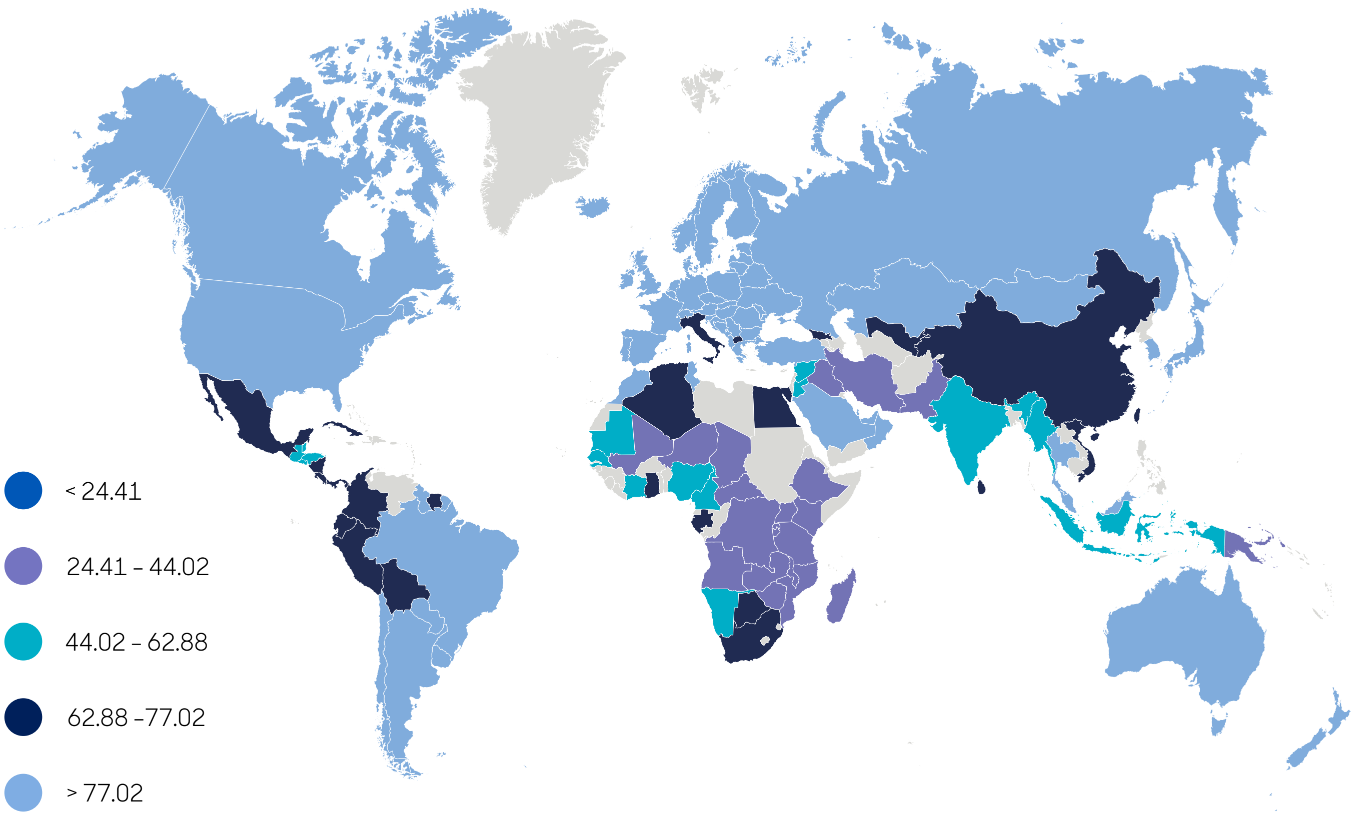
Our Sustainability Insights & Climate Strategy team, which is part of abrdn's Sustainability Group, regularly publishes sustainability research and thought leadership pieces that are used to generate investment ideas and set ESG engagement priorities.

A recent research piece focused on 'Access to the internet and its role in sustainable development', highlighting that the internet acts as an enabler to recognised human rights, such as healthcare, education, culture and freedom of expression. As the world becomes increasingly dependent on online products, those without access are at risk of becoming marginalised.

SDG Target 9.c :"Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020."

Individuals using the internet in 2021 (% of population)

35% of the population in developing countries have access to the internet.[41]



[41] The World Bank (2020), Connecting for Inclusion: Broadband Access for All [Online]. Available at https://www.worldbank.org/en/topic/digitaldevelopment/brief/connecting-for-inclusion-broadband-access-for-all (Accessed 26 May 2022).

Sustainable Real Estate & Infrastructure

Economic and social benefits

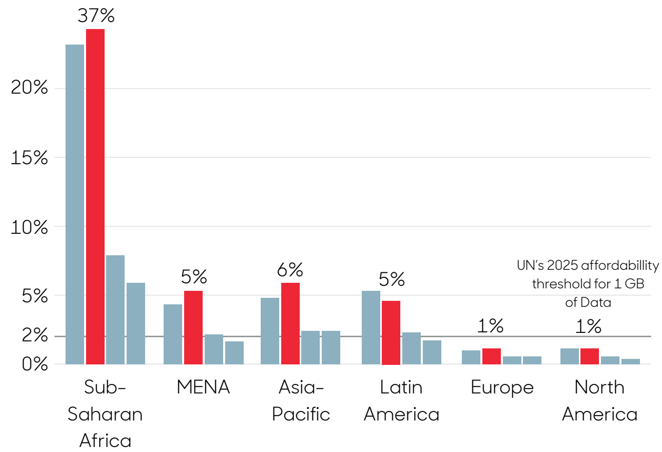
- Increasing internet penetration by 10% can add up to 1.2 percentage points to per capita GDP growth in developing markets.[42]
- If 75% of the population in all developing countries had internet access, $2 trillion could be added to their collective GDP and more than 140 million jobs created.[43]
- First access to internet can have multiple sustainable development benefits by providing access to healthcare, access to education, access to financial services, access to employment, whilst reducing carbon footprint
- Globally, the COVID-19 epidemic and reliance on remote working has increased the reliance on the infrastructure

The Affordability Issue

UN's Broadband Commission established the "1 for 2" affordability target, which aims for 1 GB of data to cost less than 2% of monthly income per capita by 2025. Many countries will struggle to achieve this target: the purchase of 1 GB of data currently represents 5-37% of income in Sub-Saharan Africa, MENA, Asia-Pacific and Latin America.

Source : GSMA (2019) Rethinking mobile taxation to improve connectivity [Online]. Available at https://data.gsmaintelligence.com/api-web/v2/research-file-download?id=39256178&file=2711-200219-Rethinking-tax.pdf (Accessed 31 December 2022).

Total cost of mobile ownership as a proportion of income, all earners.



Investment opportunities

- In developing countries, wireless mobile, fixed-line and broadband coverage are essential infrastructure for economic and social development.
- Opportunities across mobile network operators, telecom towers and fibre-network infrastructure.
- SDG aligned investment to focus on countries and states that are underpenetrated in terms of internet access and ensuring services are affordable.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Theme	Unmet Need	Solution	Pillar	Opportunities
Reducing Inequalities	Internet penetration below 30% in Sub-Saharan Africa	Develop telephony infrastructure	Sustainable Real Estate & Infrastructure	AXIAN, IHS, airtel, LIQUID, helios towers

[42] World Economic Forum (2014), Delivering Digital Infrastructure: Advancing the Internet Economy [Online], Available at http://www3.weforum.org/docs/WEF_TC_DeliveringDigitalInfrastructure_InternetEconomy_Report_2014.pdf (Accessed 29 April 2022).

[43] The World Bank (2020), Connecting for Inclusion: Broadband Access for All [Online], Available at https://www.worldbank.org/en/topic/digitaldevelopment/brief/connecting-for-inclusion-broadband-access-for-all (Accessed 26 May 2022).

Case Study

SDG 9.c

Significantly increase access to information and communications technology, and strive to provide universal and affordable access to the Internet in the least developed countries by 2020.

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

AAA

ESG Risks

- Government interference
- Data privacy
- Climate transition

ESG Engagement

Several throughout 2022 covering growth areas, net-zero targets and local job creation.

Source: **https://www.heliostowers.com/media/wo5bes00/helios-towers-2022-annual-report.pdf** (Accessed 26 April 2023).

Helios Towers

Country: Tanzania

Sector: TMT

Unmet Need

Nearly 200m people in Sub-Saharan Africa live without mobile broadband coverage, primarily in rural areas. Helios Towers plays an intrinsic role in facilitating digital connectivity for these communities, including in Tanzania, DRC, Madagascar and Malawi.
The construction and operation of telecommunications infrastructure, namely mobile cell-towers, broadens the coverage of this access in areas where coverage is well below the OECD averages.

Intentionality

Management has a clear focus on positive impact, with it regularly referenced on calls and supported by their market-leading disclosure of ESG factors and impact data. Management compensation is tied to ambitious sustainability KPIs.

Materiality

Best demonstrated through capex, with 30% going towards organic growth and therefore expanding the network coverage.

Measurability

- 5,593 rural mobile tower sites, up +70% year-on-year
- 99.97% availability of services
- 141m, people covered, up 19% year-on-year

Education & Employment

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Core themes include...

- Quality job creation
- New business formation
- Access to education and skills

There is poverty in many of the developing countries. The global economic recovery is hampered by rising inflation, net-zero disruptions, policy uncertainties and labour-market challenges. **Global unemployment is estimated to be around 6.2% and remains above pre-pandemic levels.** Child labour persists, with one in 10 (160m), children engaged worldwide. Worker productivity, in terms of output per worker, has rebounded after the pandemic but not in developing countries.

Education & Employment

Our alignment process for Decent Work and Economic growth focuses on the development of economic activity with the goal of establishing enterprises that will foster employment and contribute to GDP growth. In particular, our companies promote productive activities, job creation, entrepreneurship and the growth of micro-, small- and medium-sized enterprises. Companies target labour-intensive infrastructure refurbishment and development, including rural development, road infrastructure, energy, industry, transport, finance and tourism.

Companies in our portfolio are...

...providing development finance to create enterprises and jobs in West Africa

...creating jobs and reducing inequality in the Philippines

BOAD
BANQUE OUEST AFRICAINE DE DÉVELOPPEMENT

DBP
Development Bank of the Philippines

Case Study

SDG 8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro; small; and medium-sized enterprises, including through access to financial services.

abrdn ESG Risk Rating

Low

Sustainalytics ESG Rating

13.1 (Low)

ESG Risks

- Climate loans and risks
- Corporate governance
- Shareholder commitment

ESG Engagement

Several meetings highlighted the provision of funds to promote regional development

Banque Ouest Africaine de Developpement (BOAD)

Country: Togo

Sector: Financials – Bank

Unmet Need

Africa has an estimated annual infrastructure funding gap of $68bn-$108bn. A substantial proportion of BOAD's $4.1bn loan portfolio is invested in projects that meet several SDGs, with its core focus on quality job creation. BOAD finances a variety of projects in the West African Economic and Monetary Union (WAEMU) region in various sectors, including rural development, road infrastructure, telecommunications, energy, industry, transport, the financial industry and tourism.

Intentionality

BOAD's purpose is to promote the balanced development of its member states and foster economic integration in West Africa.

Materiality

Materiality threshold is met as the majority of its loan book is devoted to the promotion of productive activities, supporting job creation and the formation of small- and medium-sized enterprises

Measurability

- Contribute 0.8% to WAEMU GDP over 2021-2025
- 23,390 jobs created in 2021, with a target to create a further 222,000 by 2025
- Raise US$0.93bn in taxes for WAEMU governments over 2021-2025

SDG Leaders

Companies critical to the value chain for achieving the SDGs

In addition to companies aligned with the eight impact pillars, the strategies can also invest up to 20% in what we call SDG Leaders. These are companies whose products and services **enable a SDG-aligned value chain,** facilitating the delivery of solutions in at least one (and most likely many) of our impact pillars. Whilst these businesses are integral to progressing towards the SDGs, they don't themselves have direct and measurable positive benefits. In creating this basket of SDG Leaders, we avoid double-counting the positive operational outcomes derived along the length of the value chain.

We are conservative in our approach. In a construct that allows SDG Leader classification for any firm that is involved in a value chain, the net is unfairly and unreasonably wide. To counter this, we have focused on companies that play **an essential and material role in delivering positive social and environmental outcomes**, and without which many of the products that have a positive effect on our impact pillars would not be possible. This means avoiding companies that are several steps removed from the ultimate positive outcome.

Leaders are playing a central role in achieving the SDGs, but they are doing so one step removed from the direct positive change – playing a crucial role in enabling rather than driving positive change.

Companies in our portfolio are...

...manufacturing energy-efficient chips that go into technology from smartphones to electric vehicles

tsmc

Case Study

INDUSTRY, INNOVATION AND INFRASTRUCTURE

SDG 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

abrdn ESG Risk Rating

Medium

MSCI ESG Rating

AAA

ESG Risks

- Water intensity
- Energy consumption
- Human capital management

ESG Engagement

Water and energy efficiency have been key areas for ongoing discussion. Through the years we have seen TSMC commit to using renewable energy sources and it is accelerating this commitment.

TSMC

Country: Taiwan

Sector: IT – Semiconductors

Unmet Need

Semiconductors perform a wide range of functions for electronic products and systems. They enable technology, facilitating the delivery of solutions in at least one of our impact pillars. TSMC plays a central role in innovation and product development. In 2022, TSMC manufactured 12,698 products for various applications spanning high-performance computing, smartphones, the Internet of Things, automotive, and digital consumer electronics.[44]

Intentionality

TSMC's ongoing research and development enables lower energy consumption per unit of production compared to older technologies, in alignment with the aims of SDG 9.4 to "upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency", as well as target 7.3 to "double the global rate of improvement in energy efficiency".

Materiality

70–80% of TSMC's research and development spend is allocated to extend its technology leadership, increase energy efficiency and create value for the semiconductor industry by enabling more efficient innovation.

Enabling SDG progress

TSMC's energy-efficient chips both reduce the environmental cost of computing, whilst enabling the delivery of technologies that are critical to achieving the SDGs. This includes the provision of renewable energy, the development of smart grids, the penetration of electric vehicles, and the delivery of mobile-enabled healthcare.

[44] TSMC. About TSMC. Available at **https://www.tsmc.com/english/aboutTSMC** (Accessed 17 April 2023).

Emerging Market Sovereigns and ESGP Approach

Our ESGP Approach

abrdn ESGP Factors

Environmental (25%)	Governance (25%)
SDG 7 and SDG 13	SDG 9 and SDG 16
Air pollution	Voice and accountability
Carbon intensity	Government effectiveness
Renewable energy	Regulatory quality
	Rule of law
	Open budget index
Social (25%)	**Political (25%)**
SDG 3, 4, 5, 9 and 10	**SDG 16**
Access to electricity	Corruption perception
Life expectancy	Political stability
Quality of infrastructure	State fragility
Gender inequlity index	Press freedom
GINI coefficient	
Mean years of schooling	
Infant mortality	

Frontier countries are some of those most in need of sustainable development financing, but often have financial markets that are not sufficiently developed for companies from these nations to issue public debt.

Investing in public sovereign debt ensures financing gets to these countries and aligns with **SDG 17.3: "Mobilise additional financial resources for developing countries from multiple sources".**

abrdn's proprietary Environmental, Social, Governance and Political (ESGP) Score is applied to the entire sovereign EM debt universe to exclude the highest risk countries in terms of ESGP factors from the investible universe.

We assess sovereigns using a range of quantitative metrics across the four pillars to determine an overall ESGP Score (Higher is Better). We also apply a qualitative overlay to determine the trajectory (Direction of Travel) of the country on these issues and the scope for improvement in each measure.

The Fund can own a maximum 10% in hard currency bonds issued by frontier sovereigns, with a maximum 0.75% per individual sovereign.

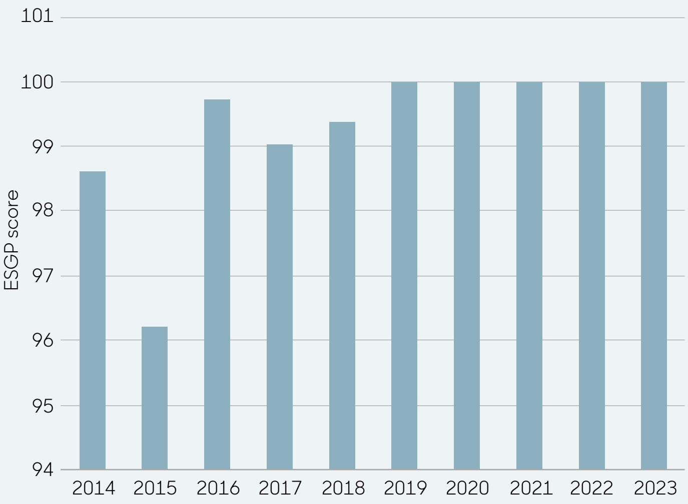
Case Study

Costa Rica

ESGP Score	79
E Score	100
S Score	46
G Score	80
P Score	92
Direction of Travel:	Neutral

Costa Rica is one of the top ESGP scoring countries in our universe. It is an advanced democracy with numerous layers of independent, constitutionally protected checks and balances, including its judicial system. It is also **clearly a global leader in terms of environmental factors**, with carbon neutral energy production currently, 25% of the rainforest protected, and, crucially, near-political consensus on the direction of environmental policies. Recent economic constraints have forced it into an IMF program, which may hamper fiscal expenditure in the short term and limit the ability to improve further, particularly with respect to financing social programs and improving institutional quality.

Costa Rica environmental pillar over time



The **Environmental pillar is a clear bright spot for Costa Rica** (see bar chart for score progression), with a perfect score, of 100, for the past five years. Air pollution indicators have been steadily dropping from already low levels over the past decade, with policies targeting energy production, waste management and heavy-duty diesel vehicles. Renewable energy makes up 99.5% of total energy supply, making Costa Rica the world leader for nine years. Hydroelectric makes up the bulk at 68%, wind at 17% and geothermal at 14%.

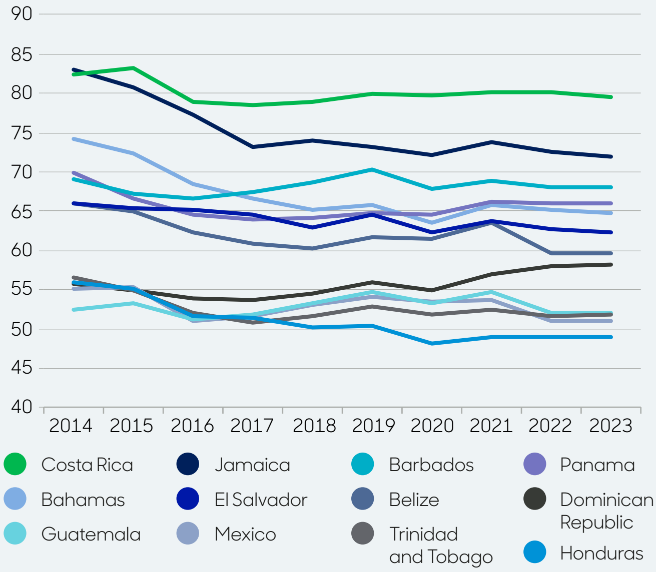
The **Social pillar is more difficult for Costa Rica**, as a more challenging macro environment has forced the government to impose fiscal austerity. Saying this, access to electricity is at 100%, life expectancy is one of the highest in EM, with a high standard of medical care thanks to a public health insurance system with almost universal coverage. Infrastructure projects are focussed on road and public transport, and there is a backlog of multilaterals looking to invest, with the bottleneck coming from implementation issues relating to cumbersome bureaucratic processes. Gender equality has been slowly improving, whilst migrants from elsewhere in Central America pose difficulties in terms of inequality.

The **Political pillar has a neutral outlook:** the country already scores highly, so ability to improve is limited, with advanced autonomous institutions and minor drug cartel infiltration, Costa Rica is one of the most stable countries in the region.

Similarly, **Governance is strong**, with a relatively free environment for citizens, open elections, strong societal organisations and strong budget transparency. There is room for improvement in regulatory quality, with over-regulation preventing progress in infrastructure and some allegations of corruption and harassment in the highest levels of government.

ESGP score in Central America:

Costa Rica scores highly overall compared to the rest of the region



Engagement: A Pathway to Impact

Regular, proactive and action-oriented

The companies we select for our portfolios are actively contributing to achieving the SDGs through their business activities. Yet, our work does not stop once we have determined material SDG alignment. Proactive and regular engagement is the cornerstone of our investment process and the intention is to drive positive change in behaviour, with a focus on improving access to impact data and addressing shortfalls related to ESG factors.

Our Investments Vector Sustainability Group and on-desk ESG specialists collaborate with our EM Corporate Debt and EM Equity teams to actively engage with EM issuers. We believe this complementary relationship is advantageous as we can pool our collective expertise to advocate positive change, whilst also making better-informed investment decisions. In 2022, our EM Debt and Equity teams completed over 2,000 meetings with EM issuers.

Our leading role in improving impact data disclosures

We believe that when issuers offer a product or service that addresses environmental or social needs, reporting on related measurable outcomes helps to give stakeholders a more holistic picture of their progress. Reporting and disclosure standards vary across the globe and EM issuers tend to be earlier on in their sustainability journey than developed-market peers. That's why engaging and collaborating with companies around investor expectations is vital. By working with portfolio companies to enhance and improve disclosure around alignment and related outcomes, we believe that our holdings will be recognised by the market for their positive contributions to society and the environment.

Combining abrdn's long-term investment horizon, established investee relationships and consistent messaging around SDG-related disclosures, we hope to move from a case study-based report to one which consistently reports on the aggregate pillar-level impacts generated by the issuers in which we invest.

Our approach to engagement

By engaging companies, together we can find inefficiencies, improve disclosures, encourage better behaviour, mitigate risks and drive positive change and financial performance. Therefore, we aim to set milestones with issuers where we believe this will encourage action. Once a milestone is set, we plan to follow up with the issuer on an annual basis to track progress and set new milestones once these are achieved. We initiate and close-off milestones via our lifecycle approach: Identity, Acknowledge, Plan, Execute and Close. If the milestone are not being progressed through these stages within an acceptable timescale, we may choose to escalate the milestone through a different channel.

Engagement types

Priority engagement			Continuing engagement
Respond	**Enhance**	**Thematic**	**Review**
Reacting to an event or newsflow that may affect a single investment or a section of similar investments	Designed to seek change that, in our view, would minimise risk and enhance company value	Focus on a particular ESG theme, such as climate change, diversity and inclusion or modern slavery	Ongoing diligence and stewardship; frequent interactions led by the investment team

Engagement lifecycle

Identify	Acknowledge	Plan	Execute	Close
We have identified specific concerns to be raised with the company	The concern has been acknowledged	There is a credible plan to mitigate the issue	The plan is being excuted to address our concerns	The plan has been successfuly delivered and this issue is closed

Informed and constructive engagement helps foster better companies

Engagement: A Pathway to Impact

Engagements in 2022

Over 2022, we completed 102 engagements with portfolio issuers, of which 22 were priority ESG engagements. Thematic engagement priorities centred on getting better access to impact data, including a project focused on telecom companies. Success stories include contributing to the first sustainability report from Latin American operator Millicom and the forthcoming report from Pan-African operator Liquid Telecom. Another key area was improving oversight of solar supply chains across our global electricity generators, with an emphasis on responsible production and labour rights.

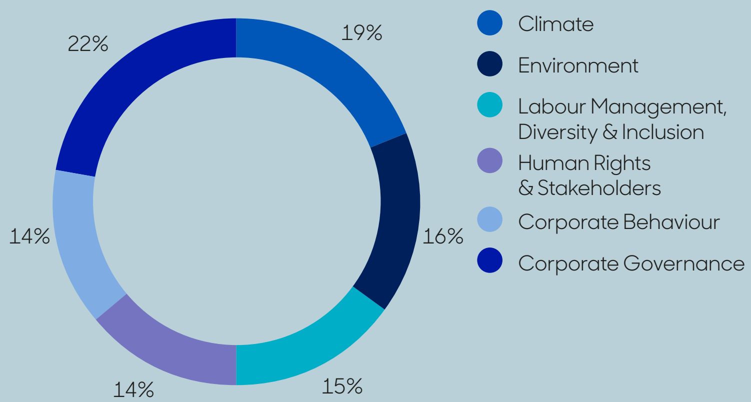
Company	Lifecycle Status	Engagement Summary	Investment View Change
Axian Telecom (Togo) Human Rights & Stakeholders, Labour Management, Diversity & Inclusion	Plan, Acknowledge	We had a positive engagement with the Axian investor relation team where they were transparent about their processes and practices. Axian provided quantitative data on their impact while also addressing other ESG concerns. They explained how their countries of operation lack privacy laws hence, an internal privacy policy is being enforced. In Togo, the majority of employees are in unions. In terms of their customers, affordability seems to be an issue for rural areas even though infrastructure is present.	Enhances
Bancolombia (Colombia) Corporate Behaviour, Corporate Gov. & Disclosure, Human Rights & Stakeholders	Identify	The bank's focus on the promotion of financial inclusion through both access to credit and improved financial literacy ultimately aligns with SDG 1 around No Poverty, and more particularly within SDG 1.4. Equal Rights to Financial Services. Not only does the bank increase access to the financial system through traditional methods of progression from savings account through to lending, it also promotes and drives inclusion through its digital channels. We discussed improving financial inclusion within Colombia.	Reinforces
Bank of Georgia (BGEO) Labour Management, Diversity & Inclusion	Identify	Its Employee Net Promoter Score (E-NPS) fell from 60+ to 50 this year due to its lowest paid workers struggling with 20% energy and food inflation. The Bank of Georgia increased their wages by 25% and the employee Net Promoter Score has increased to 54. Additionally, the CEO mentioned that 90% of his pay is in shares and so there is strong alignment with minority shareholders.	Enhances
Enel Chile SA (Chile) Climate Change, Environment	Identify	The company is going full steam ahead with development of renewable assets. It is planning to deploy US$ 2.6bn of capex in the 2022-2024 period, 71% of it in the development of renewable assets. In first half of 2022, the company invested US$ 500m, around 20% of total expected in the guidance period and mainly in renewables (US$400m). The company is adding 610mega-watts (MW) of capacity by year-end which can add 1.7 TWh of annual generation once fully operational (second half of 2023). A further 775 MW of renewables are expected to begin commercial operations by end 2023/early 2024.	Reinforces
Greenko Energy (India) Climate Change, Environment, Human Rights & Stakeholders	Execute, Acknowledge	This is our second catch up with Greenko this year. We remain comfortable with solar supply chain-related labour risks given Greenko's focus on hydro and developing integrated hydro. It is reassuring that it has ongoing dialogue with suppliers on carbon footprint, indicating some level of oversight despite limited labour-related processes. Greenko also has been open to speak about biodiversity-related issues it is facing, and have put in place adequate mitigation measures (i.e. diverters).	Reinforces

Engagement: A Pathway to Impact

Company	Lifecycle Status	Engagement Summary	Investment View Change
India Cleantech Energy (ACME (India)) Corporate Gov. & Disclosure, Environment, Human Rights & Stakeholders	Execute, Acknowledge	From our engagement in November 2021, ACME was in the process of sending questionnaires on forced labour to suppliers. It was a fairly comprehensive survey, covering traceability and oversight. It does not seem like anything has been flagged from that process and ACME has not engaged vendors for new modules since due to highly volatile module prices. We will follow up with the company when the next procurement season starts. While ACME has assets located in potential habitats of the Great Indian Bustard, we're presently comfortable with how the company manages biodiversity risks. The company also operationally remains in line with performance despite weaker solar radiation in full-year 2022.	Reinforces
Manila Water Co Inc (MWC (Philippines)) Climate Change, Corporate Behaviour, Corporate Gov & Disclosure, Environment	Execute, Close, Acknowledge	Engagements with MWC has been productive, as it is open to speaking to investors on ESG. Despite exposure to ESG risks (water stress, supply reliability, regulation), we are presently comfortable with MWC's management of such risks. MWC integrates sustainability considerations into many aspects of its business strategy, especially with regards to climate change risks on water supply and assets. With the recent changes in ownership, there will be a newly established board-level sustainability committee with increased focus on addressing carbon and energy within operations.	Enhances
Millicom International (Guatemala) Environment, Human Rights & Stakeholders	Plan, Identify	Millicom clearly aligns with SDG 9 and the intentionality piece is strong. However, data gaps make analysis hard so we pressed for better data around capex spend (focusing on additionality), better data around rural access (4G and homes that can be used as a proxy) and better data around affordability. Encouraged that management took on board our feedback and included much improved data in their first sustainability report.	Enhances

Source: abrdn, above are examples rather than exhaustive list.

Engagement Topics 2022



Case Study

Tower Bersama (TBIG)

Country: Indonesia

Sector: TMT

Identifying future ESG leaders: at the initial engagement with Tower Bersama in late 2019, the company had minimal formalised ESG processes and disclosures in place. We encouraged it to provide disclosure on ESG issues which it assessed as most material to the business. Following our engagement, the company published their inaugural sustainability report in March 2020. We further encouraged the company to establish board-level sustainability oversight, set timebound targets and assess physical climate risk in line with TFCD (Taskforce for Climate-related Financial Disclosures) requirements.

Setting clear and practical milestones: since our first engagement, Tower Bersama has consistently achieved the milestones that we communicated. The company has conducted a full ESG assessment, developed a comprehensive sustainability strategy, published sustainability reports in line with international standards. It has also established commitments around carbon emissions, ESG governance and supply chain oversight.

Misunderstood perceptions of ESG risks: we recognise the challenges a company like Tower Bersama has in ensuring ESG efforts and impacts are reflected external ESG ratings. For example, data protection is often assigned as a key material issue by rating agencies, despite TBIG not directly handling customer data as it builds and operates. Conversely, the company's role in improving Indonesia's internet and mobile accessibility has not been reflected (e.g. almost half their towers are ex-Java and Bali, in areas where connectivity remains an unmet need). Highlighting these points with external ESG providers is a part of our engagement process.

Multiple upgrades to MSCI ESG Rating: upgraded from A to B during our engagement. This has translated into a consistent and rapid improvement of ESG scores, with MSCI upgrading the company from B in late 2020 to A in November 2022.

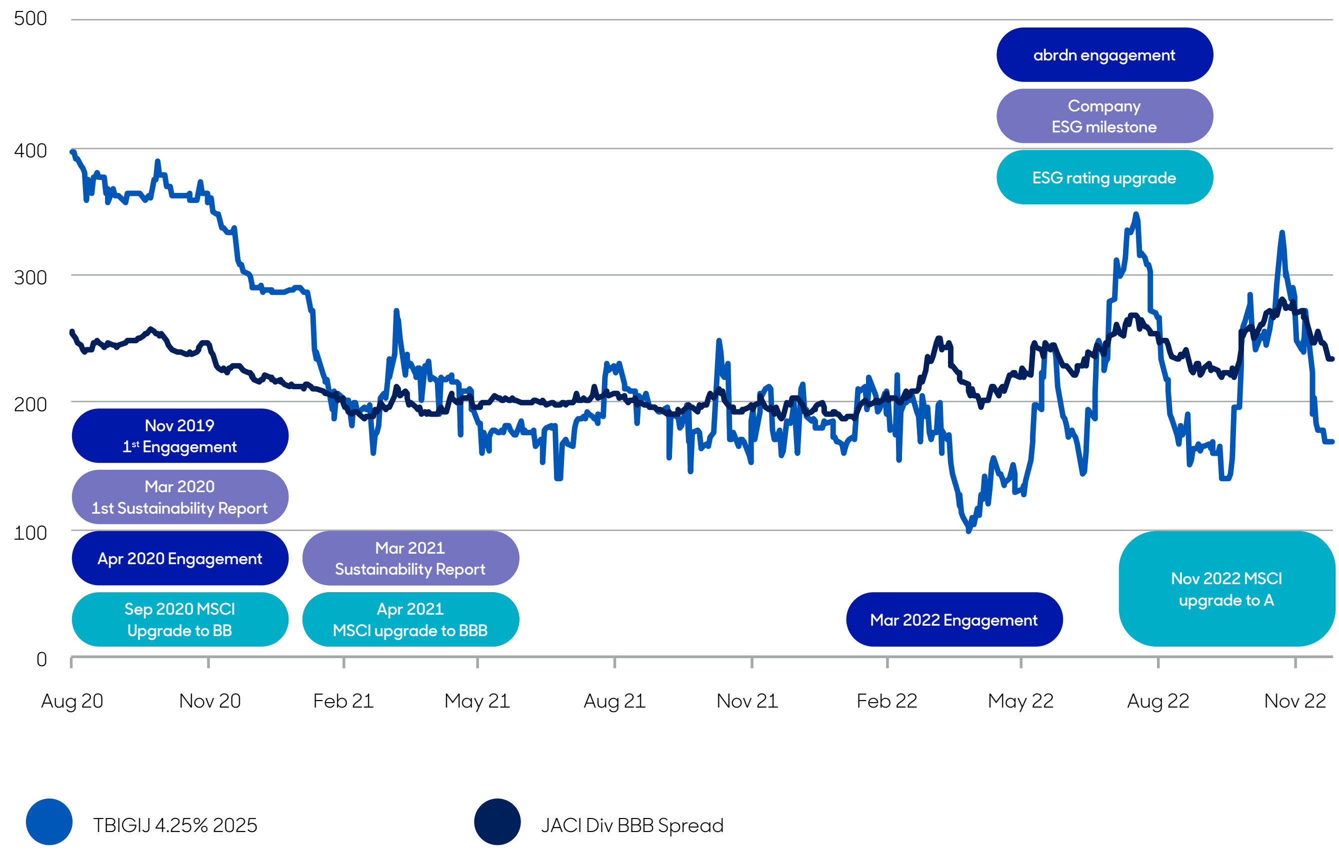
Case Study

Learning points and conclusion: this is a clear story of how engagement can lead to positive ESG improvements and also relative spread compression versus peers. Targeted and action-oriented engagement can identify leaders in sustainability whose risks are misunderstood and mispriced. Engagement can be a force for positive change and also a driver of financial returns.

In a world with various sustainability-related guidelines and standards, such an engagement approach provides an invaluable opportunity for two-way dialogue – both for investors to understand key sustainability challenges faced by the company, and for companies to get a better understanding of investor expectations and how to address them.

Tower Bersama vs JACI Spread

Tower Bersama bond spreads outperformed as its ESG ratings were upgraded

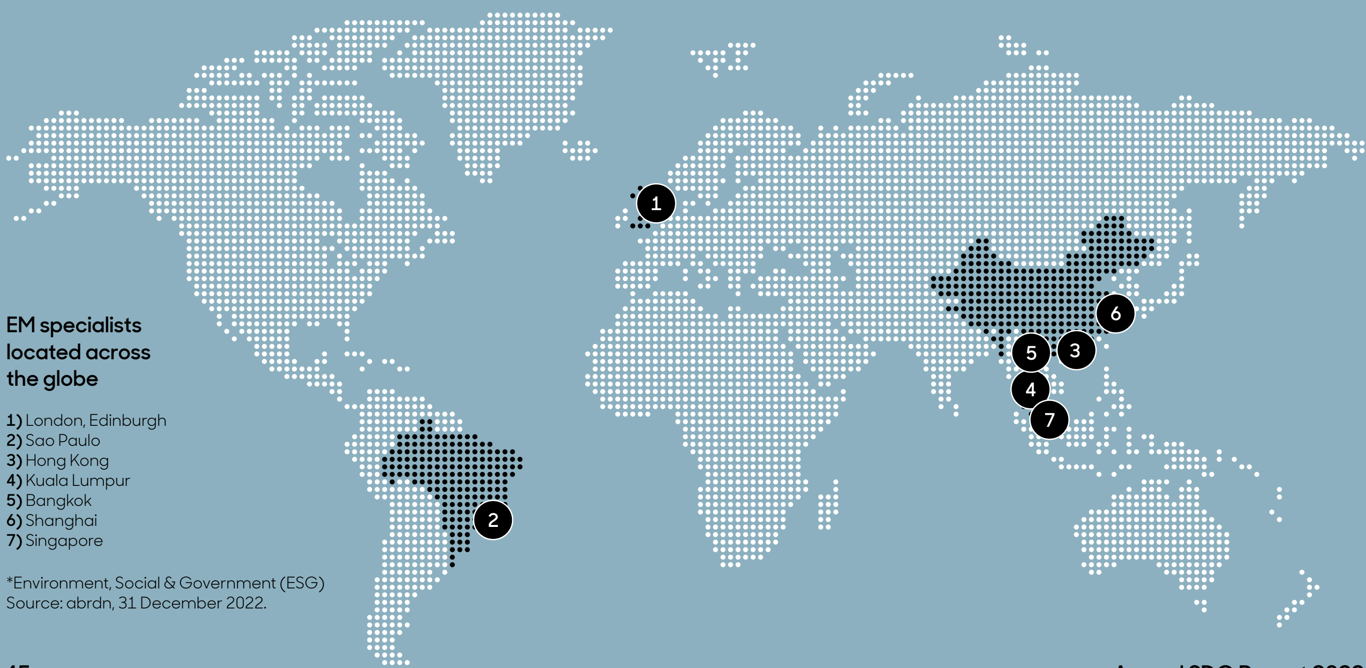


Why abrdn for Sustainable Investing in EM?

Experience, depth of resources and firm-wide commitment to sustainability

At abrdn, we have a long heritage of investing in EM and a stable team. Our EM Debt (EMD) and global EM Equity (GEM) teams comprise of 100+ investment professionals, including nine dedicated on-desk ESG specialists. We are in eight locations around the world, gathering insights from Shanghai to Sao Paulo. This deep research capability is complemented by our leading Sustainability Group.

EM Assets	History of EM investing	EM Research	Resources
$66bn	33years EM equity	80+ Countries	100+ Investment professionals
$49bn in EM equity	28years EM debt	1,000+ Companies	30+ sustainability specialists
$17bn in EMD	21years EM corporates	2,199 Company meetings	9 on-desk ESG* specialists



EM specialists located across the globe

1) London, Edinburgh
2) Sao Paulo
3) Hong Kong
4) Kuala Lumpur
5) Bangkok
6) Shanghai
7) Singapore

*Environment, Social & Government (ESG)
Source: abrdn, 31 December 2022.

EM Debt SDG Assessment Group

EM Corporate Debt, London

Portfolio Managers

The Fund is managed by the EM Corporate Debt Team: an experienced and talented team managing US$4.3bn in direct EM corporate debt mandates.

We created the EM Debt SDG Assessment Group to oversee the SDG process. The Group meets weekly to review SDG notes, discuss thematic research and assess eligibility for inclusion in SDG-aligned portfolios.

The primary fund managers from the EM Corporate Debt Team chair this meeting and there are participants from across Fixed Income, Equity and the Investment Vector Sustainability Group. The participation of sustainability specialists, including the Chief Sustainability Officer, Sustainability Managers and the Heads of ESG for Fixed Income and Equities, ensure consistent integration of SDG analysis.

Samuel Bevan (11)
Investment Director
London

Siddharth Dahiya (17)
Head of
EMD Corporate
London

Kevin Craig (17)
Investment Director
Edinburgh

Max Wolman (23)
Investment Director
London

Kathy Collins (14)
Investment Director
London

Liam Blaikie (5)
Credit Analyst
London

Hannah Waddilove (3)
Credit Analyst
London

Lochlann Kerr (10)
Investment Manager
London

EM Debt SDG Assessment Group

Specialist Fixed Income

Marianne Zangerl (14)

Head of ESG –
Fixed Income

Kate McGrath (5)

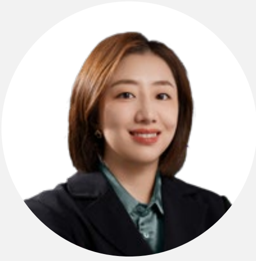
Investment
Analyst – ESG
Fixed Income
Edinburgh

Scott McQuiston (2)

Investment
Analyst – ESG
Fixed Income
Edinburgh

Henry Loh (9)

Head of Asian Credit
Fixed Income – Asia
Singapore



Melody Huang (9)

Investment Analyst –
ESG
Fixed Income – Asia
Shanghai

Nicole Lim (5)

ESG Analyst
Fixed Income – Asia
Singapore

EM Debt SDG Assessment Group

Sustainability Group

Amanda Young (25)

Chief Sustainability Officer
Sustainability Group
Edinburgh

Elizabeth Chiweshenga (9)

Senior Sustainability Manager
Sustainability Group
Edinburgh

Specialist Equity

Catriona Macnair (14)

Investment Director
EM Equities
Edinburgh

Fraser Harle (4)*

Investment Analyst – ESG
EM Equities
London

Sarah Norris (11)

Head of ESG – Equities
Edinburgh

Sustainability Data: Fund Characteristics

Fund Objective

Summary

Our Emerging Markets SDG Corporate Bond Fund seeks to generate strong long-term performance by allocating capital to companies that we believe can deliver a strong financial return and demonstrate – via their products, services, and actions – a clear and material alignment to one or more of the SDGs.

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.

This Fund is subject to Article 9 of the Sustainable Finance Disclosure Regulation ("SFDR").

Fund Characteristics

Investment universe	Emerging Market Companies (USD/EUR/CHF/GBP) & Frontier Market Sovereigns (USD/EUR/CHF/GBP)
Launch date	01/12/2021
Base currency	USD
Number of holdings	98 (as of 31 March 2023)
Assets under management	US$124.9m (as of 31 March 2023)
ESG Exclusions	• Non-compliance with the UN Global Compact • Companies that derive over 5% of revenues from tobacco, gambling, alcohol, adult entertainment and conventional weapons production • Companies that derive any revenues from oil & gas production, thermal coal extraction and controversial weapons production • Power generation companies with a carbon emission intensity inconsistent with the Paris Agreement 2 degrees scenario • Companies deemed to have a 'High' abrdn ESG Risk Rating • Sovereign and quasi-sovereign bond issuers that are excluded by abrdn's ESGP Framework

Sustainability Data: Fund Characteristics

Key Sustainability Data

58.4%
Lower-carbon intensity relative to the benchmark

102
Engagements covering ESG topics

1st
MSCI peer group quartile rating

AA
Fund MSCI ESG Rating

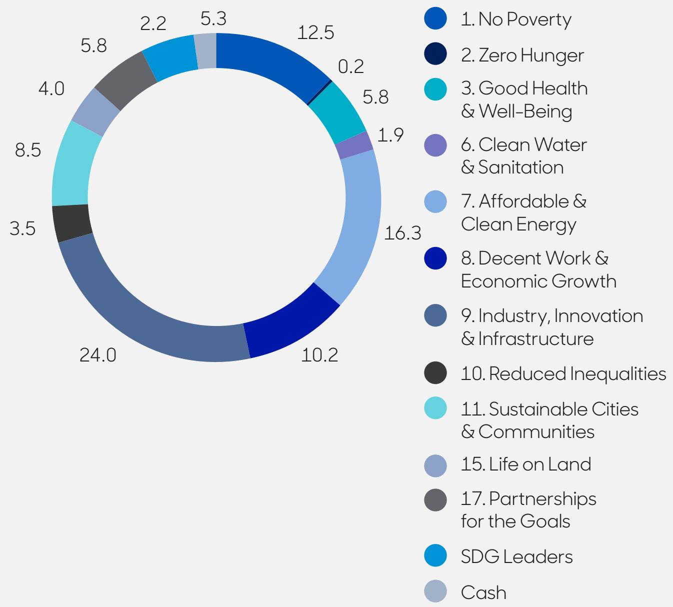
'A+' rating from Conser

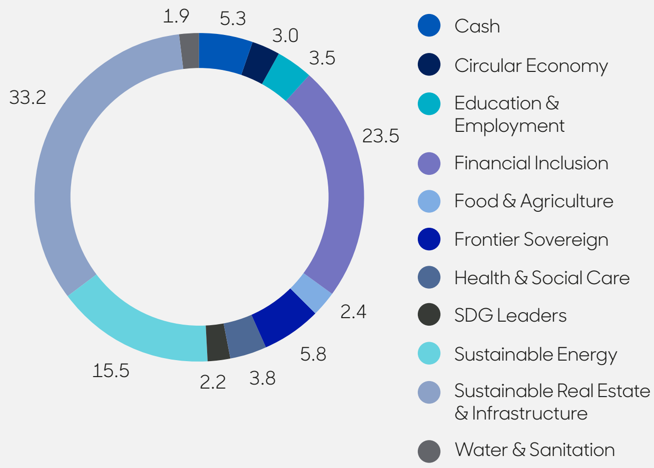
Febelfin 'Towards Sustainability' label

Source: abrdn, as of 31 December 2022. Conser rating as of 31 March 2023 and Febelfin 'Towards Sustainability' label awarded in January 2023.

Sustainability Data: Fund Characteristics

Sustainability Data – Sustainable Development Characteristics





Core Investment Themes

- Reducing Inequalities (57% of portfolio)
  - **Access to basic goods and services, such as healthcare, water, financial services and communication**
- Climate Solutions (34% of portfolio)
  - **Focus on renewable energy, low-carbon cities and energy efficiency**
- Responsible Consumption and Production (4% of portfolio)
  - **Circular economy solutions and sustainable production practices**

Source: abrdn, as of 31 December 2022.

Sustainability Data: Fund Characteristics

Top 10 Holdings

Company	Pillar	Primary SDG	Active Weight
CATL	Sustainable Energy	SDG 7 – Affordable and Clean Energy	2.1%
Development Bank of the Philippines	Education & Employment	SDG 10 – Reduced Inequalities	2.0%
Swire Properties	Sustainable Real Estate & Infrastructure	SDG 11 – Sustainable Cities and Communities	1.9%
Indonesia Infrastructure Finance	Sustainable Real Estate & Infrastructure	SDG 11 – Sustainable Cities and Communities	1.9%
West African Development Bank	Education & Employment	SDG 10 – Reduced Inequalities	1.9%
Prudential Funding Asia PLC	Financial Inclusion	SDG 3 – Good health and well-being	1.9%
BBVA Mexico	Financial Inclusion	SDG 8 – Decent work and economic growth	1.9%
Tower Bersama	Sustainable Real Estate & Infrastructure	SDG 9 – Industry, Innovation and Infrastructure	1.9%
Tabreed	Sustainable Real Estate & Infrastructure	SDG 9 – Industry, Innovation and Infrastructure	1.9%
Manila Water	Water & Sanitation	SDG 6 – Clean Water and Sanitation	1.8%

Source: abrdn.

Source: abrdn, as of 31 December 2022.

Sustainability Data: Fund Characteristics

Sustainability Data – Carbon Analysis

Carbon footprinting is a starting point for understanding exposure to climate risks and the impact of a company or a portfolio on the energy transition. It can help identify relatively high carbon-intensive companies and drive corporate engagement. In our analysis we consider Scope 1, 2 and 3 emissions at company and sector level. For portfolio carbon footprinting we limit emissions to Scope 1 and 2 to avoid double counting and data inconsistencies.

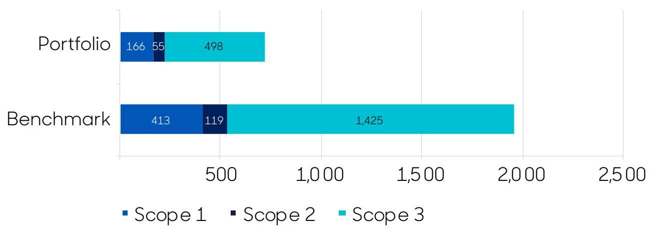
Please note that Carbon footprinting has its limitations as it is a backward-looking measure. Our analysts overlay this with their own forward-looking assessment of the company.

The Fund's carbon footprint is 58.4% lower than the benchmark, as detailed below. The main contributors towards the carbon footprint are National Central Cooling Co PJSC, Enel Chile SA and Swire Properties.

Data Disclosure	Portfolio	Benchmark
Number of Companies with Data	58	1,079
Trucost Data Coverage (%)	63.0	73.5

Sustainability Data: Fund Characteristics

Fund Carbon Footprint



Portfolio Carbon Intensity versus Benchmark

How carbon intensive are the companies in my portfolio compared to benchmark?

(in tonnes of CO2e/ million USD revenue)	Weighted Average Carbon Intensity Scope 1+2	Scope 1	Scope 2	Scope 3
Portfolio	221	166	55	498
Benchmark	532	413	119	1,425
Relative Carbon Intensity (%)	416	40.3	46.1	35.0

A portfolio with less than 100% relative carbon intensity has lower carbon emissions per dollar of revenue than the comparative benchmark. For example, a portfolio with 90% relative carbon intensity has 10% lower carbon intensity than the benchmark.

Total Portfolio Emissions versus Benchmark

What emissions are 'owned' by the portfolio based on company ownership?

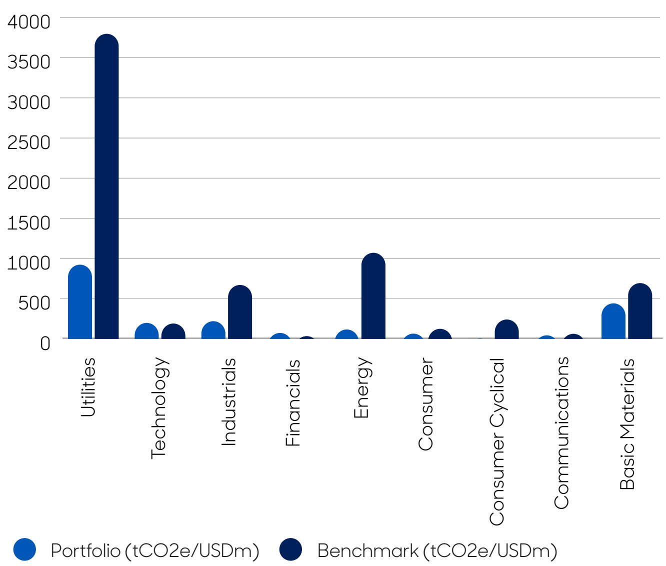
(in tonnes of CO2e)	Emissions Scope 1+2	Scope 1	Scope 2	Scope 3
Portfolio	4,233	3,336	887	5,576
Benchmark	23,404	18,846	4,559	82,404
Relative to Benchmark (%)	18.0	17.7	19.5	6.8
Avoided Emissions	19,181	15,510	3,672	76,828

The total emissions owned increase with the size of the portfolio and are therefore not comparable across funds.

* Benchmark rebased to the portfolio market value for comparison purposes.

Carbon Footprint Sector Contribution

Scope 1 & Scope 2 Carbon Emissions (tCO2e/USDm)



Source:Trucost.

Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream Value Chain emissionsTrucost data is partly based on estimated figures. Coverage % based on number of holdings.

Sustainability Data: Fund Characteristics

Sustainability Data – MSCI ESG Ratings

MSCI company ratings are provided to enable comparisons with investments held elsewhere in a standardised format. We conduct our own proprietary research which may lead us to have a view different to that expressed by the MSCI score.

MSCI rates companies on a AAA-CCC scale according to their exposure to ESG risks and how well they manage those risks relative to peers.

The Fund MSCI ESG Quality Score assesses the resilience of a fund's aggregate holdings to long-term ESG risks and is provided on a 0-10 scale, with 10 being the highest fund score. The Fund MSCI ESG Rating measures the resiliency of portfolios to long-term risks and opportunities arising from ESG factors. The Fund ESG Rating is calculated as a direct mapping of Fund MSCI ESG Quality Score to letter rating categories.

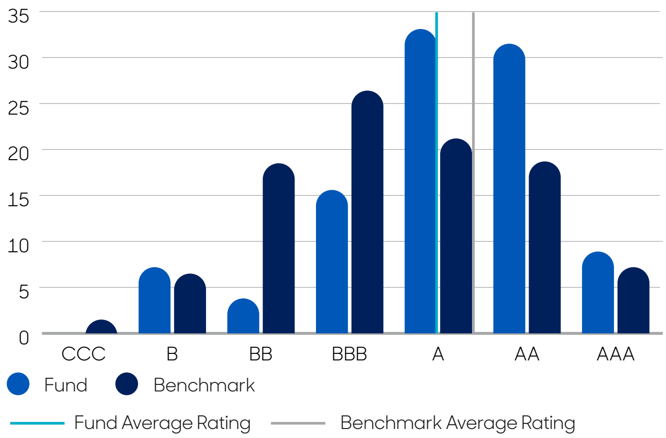
The Fund MSCI ESG Rating is – AA

MSCI Fund ESG Quality Scores

	Overall Score (1-10)	Benchmark Average
Fund	6.7	5.7
Environmental	7.2	5.5
Social	5.7	5.4
Governance	4.8	4.6

Source: abrdn derived average based on underlying MSCI company scores.

MSCI ESG Rating Distribution Fund and Benchmark



Source: abrdn derived averages based on underlying MSCI company ratings.

	Fund	Benchmark
MSCI data coverage (by market value)	55.2	78.1

MSCI company ratings are provided to enable comparisons with investments held elsewhere in a standardised format. We conduct our own proprietary research which may lead us to have a view different to that expressed by the MSCI score.

MSCI ESG Rating: this is sourced direct from the vendor and includes MSCI adjustments incorporating positive & negative ESG trends and ESG laggard metrics in the calculation of the rating. MSCI ESG Rating Distribution: The Fund and benchmark averages are calculated based on the individual security level MSCI scores.

Therefore, the ratings are not directly comparable. In both calculation methodologies Portfolio and Benchmark positions are reweighted on a pro-rata basis to reflect holdings where MSCI data is available.

Important Information

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

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In Austria from the Fund's Representative and Paying Agent Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Wien. **In Belgium**, these documents can be obtained from the Fund's Paying Agent, BNP Paribas Securities Services, Succursale de Bruxelles, 489, Avenue Louise, 1050 Bruxelles.

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