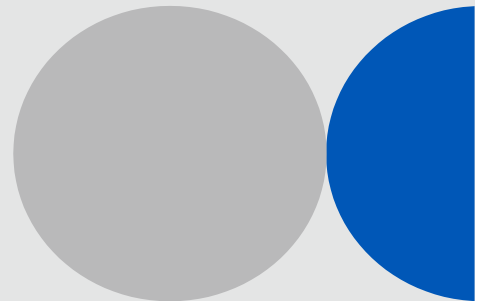


abrdn SICAV II

Emerging Market Local Currency Debt Fund

May 2025



Summary

The Emerging Market Local Currency Debt Fund seeks to deliver long-term performance by investing in bonds issued by companies, governments or other bodies in Emerging Market countries and Emerging Market currencies.

The portfolio is underpinned by our well-established active management approach of security selection tailored to the overall environment, which combines fundamental and environmental, social and governance (ESG) considerations into our individual name, sector and top-down portfolio construction decisions. An assessment of an issuer's sustainability is supported by proprietary rating models and a deeply embedded ESG framework utilising on-desk Fixed Income and central ESG resources.

The Fund is classified under SFDR as Article 8 and therefore promotes Environmental & Social characteristics and investments follow good governance practices.

The Fund will:

- Exclude issuers with poor ESG practices.
 - For sovereign issuers, excludes those with poor ESG performance. This is achieved through exclusion of the worst performers in our proprietary sovereign ESG framework.
 - For state owned enterprises (SOEs) and corporate issuers, excludes those with poor ESG business practices. This is achieved through a set of exclusions, which identify controversial business activities and ESG laggards i.e. companies rated poorly based on their management of ESG risks within their business.
- Engage with issuers to gather a forward-looking insight as follows:
 - For sovereign issuers to gather unique insights into the ability and willingness of such governments to tackle key ESG issues. Engagement is one of the ways we can inform our Direction of Travel assessment, a forward-looking view of the overall ESG performance of a country.
 - For state owned enterprises (SOEs) and corporate issuers to gather forward-looking insight into management of ESG risks, opportunities and actively influence the management of these factors in line with best practice standards.

The Investment Framework

The Fund seeks to:

- Generate consistent risk-adjusted outperformance using our active management approach of stock selection tailored to the overall environment.
- Benefit from our active engagement with issuers, where we encourage positive changes in behaviour.
- Construct a portfolio that invests in issuers with strong ESG practices.
- Leverage the support and insights of our large, dedicated Fixed income team and embedded ESG specialists' resources.



ESG Assessment Criteria

Whilst the primary investment universe for the Fund is local currency Emerging Market government and government-related bonds (represented by the JP Morgan GBI-EM Global Diversified Index), the Fund may also invest off-benchmark in hard currency Emerging Market bonds and bonds issued by companies. Therefore, ESG criteria is applied to both on-benchmark and off-benchmark exposures.

The Fund uses a number of ESG Assessment Criteria:

ESG Laggards

The Fund excludes issuers rated poorly based on their management of ESG risks, whilst taking into consideration environmental, social, governance, and political risks. This is drawn from the insights of our credit analysts and central ESG investment team in the form of proprietary ESG screening tools.

Sovereign Issuers

ESGP Score

The ESGP universe consists of Emerging Market countries with investable Fixed Income securities and an ESGP score is assigned to each country. The score ranges from 0 to 100 (higher is better) and is calculated by combining a variety of data inputs related to Environmental, Social, Governance and Political pillars. Following standardisation of data points and adjusting for GDP per capita, the overall ESGP score for each country is calculated as an equally weighted average of each pillar.

The Fund will exclude the bottom 15% of countries in the ESGP universe with investable sovereign bonds or bonds issued by SOEs.

For full details of our ESGP framework please [click here](#).

Exemptions to the ESGP Score Exclusions

Positive Direction of Travel

For each country in the ESGP universe, a Direction of Travel (DoT) indicator is assigned based on our internal assessment of whether a country is on an improving or deteriorating ESG trend, with each country being assigned a Positive, Negative or Neutral DoT indicator. The assessment is based on our internal research focused on material ESG factors, with materiality defined as any environmental, social, governance or political factor which can have a significant impact on the valuation of an asset in our investment portfolio over the investment horizon or may have a major reputational or legal impact on abrdn. The DoT assessment process is overseen by our internal central ESG team and any Positive DoT indicator must be approved via internal forums independent of the investment desk.

Where a country sits in the bottom 15% of the ESGP universe but is assigned a Positive DoT indicator, it is re-included in the permissible investment universe. Where a country is removed from the exclusion list based on a Positive DoT assessment, it will be replaced by another country to ensure the 15% exclusion threshold is always applied.

ESG-Labelled Bonds

For countries excluded via the ESGP Score an exemption will be made for labelled bonds including Green, Social, and Sustainable. This does not extend to Sustainability-linked bonds. This approach will only apply to an individual bond and not the issuer in its entirety.

Each labelled bond considered needs to clearly evidence that the proceeds of the financing are going towards improving environmental or social outcomes and also pass our own internal labelled bond framework.

Labelled bonds issued by countries with very poor governance or political scores will not be approved for investment.



Corporate and SOE Issuers

ESG Risk Rating

Our credit analysts apply an ESG Risk Rating of Low, Medium, High (Low is better) to each corporate and SOE issuer. This is credit profile-specific and represents how impactful we believe ESG risks are likely to be to the credit quality of the issuer now and in the future. The key areas of focus are the materiality of the inherent Environmental and Social risks of the sector of operation (e.g. extraction, water usage, cyber security) and how specific companies manage these risks, combined with the quality and sustainability of its corporate governance. This materiality assessment is combined with a judgement on the timeframe over which these ESG risks may have an impact. Our analyst utilises an ESG Risk Rating Framework to support making these assessments. This is a proprietary tool designed to help focus the knowledge and expertise of credit analysts in a systematic way to substantiate the overall ESG Risk Rating (low/medium/high) assigned to debt issuers.

The Fund will exclude companies where an analyst's governance assessment drives the overall ESG Risk Rating to be assigned as High.

ESG House Score

Our proprietary ESG House Score, developed by our central ESG investment team in collaboration with the Quantitative investment team, is used to identify companies with potentially high or poorly managed ESG risks. The score is calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector. This allows us to see how companies rank in a global context.

The abrdn ESG House Score was designed so that it can be broken down into specific themes and categories. The ESG score comprises of two scores; the Operational score and Governance score. This allows a quick view of a company's relative positioning on its management of ESG issues at a granular level.

- The Governance score assesses the corporate governance structure and the quality and behaviour of corporate leadership and executive management.
- The Operational score assesses the ability of the company's leadership team to implement effective environmental and social risk reduction and mitigation strategies in its operations.

To complement this, we also utilise our active stewardship and engagement activities.

The Fund excludes companies with the highest ESG risks, as identified by the ESG House Score. This is implemented by excluding at least the bottom 5%¹ of issuers with an ESG House Score that are in the JP Morgan Corporate EMBI Broad Diversified Index. The ESG House Score associated with the bottom 5% of the index will be the hurdle rate portfolio holdings will have to be higher than, to be considered for investment.

¹ State Owned Entities (SOEs), Asset Backed Securities (ABS) & Collateralised Loan Obligations (CLOs) are excluded from the bottom 5% calculation. This is due to lower levels of disclosure resulting in inaccurate scores or not enough information to generate a score. Please note SOEs, ABS & CLOs are still captured by all of the other sustainability screens i.e. the Controversial Business Activities and the Credit ESG Risk Rating.



Portfolio Commitments

Performance

To measure financial performance, the Fund's reference index is the JP Morgan GBI-EM Global Diversified Index. The Fund aims to outperform the index before charges. While the index is representative of the investment opportunities we explore for the Fund, the index is not constructed using any environmental or social criteria.

Sustainable Investments

The SFDR provides a general definition of "Sustainable Investment". This definition applies to Funds which have a sustainable investment objective. In addition, Article 8 Funds may also set a minimum proportion of Sustainable Investments, but they do not have a specific sustainable objective.

This Fund makes a commitment to a minimum proportion in Sustainable Investments of 5%.

In line with the SFDR definition, abrdn has developed an approach on how to satisfy the three criteria for Sustainable Investments in the relevant Funds as set out below. The three criteria are:

1. **Economic Contribution** - The economic activity makes a positive contribution to an environmental or social objective.
2. **No Significant Harm** - The investment does not cause Significant Harm ("Do No Significant Harm"/"DNSH") to any of the sustainable investment objectives.
3. **Good Governance** - The investee company follows good governance practices.

If the investment passes all of the above three tests, it can then be deemed as a Sustainable Investment, and a numerical value will be assigned to reflect its level of economic contribution. Additional information on the Article 8 approach to making Sustainable Investments is detailed in the SFDR Annex, appended to the Fund prospectus.



Exclusions and Restrictions Criteria

The investment universe is screened to exclude issuers with poor ESG practices. This is achieved through a set of exclusions, which identify controversial business activities and ESG laggards (detailed above). We use negative criteria to avoid investing in certain industries and activities that our customers are concerned with. The Fund avoids investing in areas that are set out in the table below.



For more details, please visit our website at www.abrdn.com under "Sustainable Investing" where we have position statements on various ESG-related issues.

Screen	Criteria The Fund excludes investments that:	Data Source
UN Global Compact or OECD Guidelines for Multinational Enterprises	Fail to uphold one or more principles.	We utilise a combination of external data sources, including MSCI and our own internal research and insights, as well as sustained engagement.
Controversial Weapons	Have any tie to controversial weapons covering; cluster munitions, anti-personnel landmines, nuclear weapons, chemical and biological weapons, non-detectable fragments, incendiary devices, depleted uranium ammunition or blinding lasers.	MSCI
Tobacco	Are involved in the cultivation or production of tobacco products.	MSCI
Thermal Coal²	<p>Have a revenue contribution of 5% or more from thermal coal extraction.</p> <p>and/or</p> <p>Have a revenue contribution of 20% or more from thermal coal power generation</p> <p>and/or</p> <p>Are directly investing in new thermal coal extraction or power generation capacity in EU or OECD countries.</p> <p>Unless identified as a 'Transition Opportunity' (see below).</p>	MSCI, Global Coal Exit List (https://www.coalexit.org/), investment research

The above sets out the screens that are applied for this Fund. We cannot exhaustively list screens that are not applied and it is important for investors to be clear that the interpretation of ESG and sustainability criteria is subjective, meaning that the Fund may invest in companies which do not align with the personal views of individual investors.

² This excludes metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.



Labelled Bonds and Transition Opportunities Methodology Details

Labelled Bonds:

For the screens related to thermal coal, an exemption will be made for Labelled Bonds including Green, Social, and Sustainable. This does not extend to Sustainability-linked bonds. This approach will only apply to an individual bond and not the issuer in its entirety.

Each bond applying this exemption must either be issued under the European Green Bonds Regulation (Regulation (EU) 2023/2631) or must clearly evidence that its proceeds are not financing any of the activities stated in these exclusions. These bonds must also pass our own internal labelled bond framework, and the issuer must adhere to all other screens above.

Transition Opportunities

We may override thermal coal exclusions where we have identified a credible action plan for the issuer to mitigate the adverse impacts associated with its thermal coal activities. This may be done through engagement with the issuer or additional research. The aim is to distinguish between issuers with ambitious and credible plans to decarbonise and those that don't. Each issuer considered must demonstrate that it is on track to be compliant with the exclusion criteria by 2030 for Developed Markets and 2040 for Emerging Markets. This must include clear and observable milestones that may be used to monitor progress. Transition Opportunities must be approved and monitored through a formalised independent internal oversight process. Issuers must still meet all other fund criteria.

A maximum of 10% of the portfolio can be invested in a combination of labelled bonds generating exemptions and Transition Opportunities. Of the 10%, no more than 5% can be exposure to Transition Opportunities.

Investment in financial derivative instruments, money market instruments and cash may not adhere to this approach.



Active Stewardship

Active Ownership

In our view, good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly in relation to its customer, employees, shareholders, and the wider community. We also believe that markets and companies which adopt best practices in corporate governance and risk management – including the management of environmental and social risks – are more likely to deliver sustainable, long-term investment performance.

As owners of companies, the process of stewardship is a natural part of our investment approach as we seek to benefit from their long-term success on our clients' behalf. Our fund managers and analysts regularly meet with the management and non-executive directors of companies in which we invest.

ESG Engagement

Engagement with issuers is key and a standard part of our investment process and ongoing stewardship programme. It provides us with a more holistic view of an issuer, including current and future ESG risks that the issuer needs to manage and opportunities from which it may benefit. It also provides the opportunity for us to discuss areas of concern, share best practice and drive positive change. Priorities for engagement are established by:

- The use of the ESGP Score and ESG House Score, in combination with
- Bottom-up research insights from investment teams across asset classes, and
- Areas of thematic focus from our company level stewardship activities.

Stock Lending

abrdn ESG funds take part in our Stock Lending programme, details of which can be found in the prospectus. Collateral held on behalf of ESG funds is currently restricted to Government bonds and securities issued by constituents of the MSCI ESG Screened indices; further detail on these indices can be found at <https://www.msci.com/esg-screened-indexes>.

Divestment Approach

Disinvestment from an issuer is required:

- If they become in breach of any of the exclusions. OR
- If an analyst's governance assessment drives their overall ESG Risk Rating to be assigned as "High". OR
- If they no longer meet the ESGP Score or ESG House Score hurdles.

Should the review of a security result in it being deemed non-compliant, the intention would be exit as soon as is practicably possible, but generally no longer than 3 months, allowing for market conditions.



Additional Disclosures

For further information about the Fund, including the prospectus, annual report and accounts, half-yearly reports, the latest share prices, or other practical information, please visit www.abrdn.com where documents may be obtained free of charge.

Further information can also be obtained from:

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The rights of investors in this Fund are limited to the assets of this Fund.

For further information about Paying agents, Depositories, Custodians and Administrators, please refer to the Prospectus.

abrdn Investments Luxembourg S.A. may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the Prospectus for the Fund.

