abrdn SICAV I

Diversified Growth Fund

May 2025

Summary

The Diversified Growth Fund aims to achieve capital growth combined with income by actively managing allocations in investments in worldwide Transferable Securities.

Alongside more traditional analysis we use Environmental, Social & Governance (ESG) integration, screening and the promotion of certain E&S characteristics, to achieve the Fund's objectives.

Our tailored approach to ESG integration involves the incorporation of ESG factors into the investment analysis and decision-making process for holdings across the Fund. Specifically, we consider ESG factors both as part of the asset allocation process and within asset classes, with approaches tailored for the different areas of our portfolio.

Pre investment, abrdn applies a number of norms and activity-based screens to ensure that severe, lasting or irremediable harm is avoided.

Furthermore, our approach positively identifies companies which promote certain E&S characteristics, seeking to ensure that at least 70% of the portfolio is aligned with the E&S characteristics identified. We do this by tracking certain sustainability indicators, which allow us to measure the attainment of the E&S characteristics the fund is promoting. These indicators include the aforementioned ESG screening, as well as the assessment of ESG performance using different approaches that are appropriate for the particular investment in question.

The Fund is subject to Article 8 of the SFDR (Sustainable Finance Disclosure Regulation, (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial sector). and therefore, promotes Environmental & Social characteristics and investments follow good governance practices.

The investment framework

The Fund seeks to invest in a broad range of asset classes that have different return drivers and risk characteristics.

How we integrate ESG

The management team identify and capture the best long-term opportunities across a broad range of asset classes. As part of our investment process we analyse the risks and opportunities, including those influenced by ESG factors.

Our tailored approach considers ESG factors both as part of the asset allocation process and within asset classes. It is supported by our centralised Sustainability Group.

On a top-down basis, we integrate ESG by incorporating climate scenario analysis within our strategic asset allocation when considering long-term expected returns. On a bottom-up basis we tailor for different areas within our portfolio. These areas can broadly be broken down into our allocations to listed alternatives, internal capabilities, and external funds.

- For every listed investment company in our portfolio, we produce a structured ESG research note. This analysis contributes to our broader investment view on the company. It also acts as a basis for ongoing engagement.

- For the other parts of our portfolio, managed internally, we take advantage of internal ESG capabilities across different investment teams.
- Our ESG process for external funds is centred around understanding, for each manager, their ESG policies and procedures. Assessing whether they are appropriate and aligned with our expectations.

ESG assessment

Listed Alternative Investment Companies

For every listed investment company in our portfolio, we produce a structured ESG research note. This analysis contributes to our broader investment view on the company. It also acts as a basis for ongoing engagement.

Given the lack of external data in relation to listed alternatives there are no external scores, nor data from external third parties we have developed our own internal proprietary approach.

This approach is focused on the following ESG factors:

- Corporate Governance
- Corporate Behaviour
- Climate Change
- Environment
- Labour Management
- Human Rights Stakeholders

We assign each ESG factor a score from 1 to 5 (1 indicates best in class and 5 indicates laggard). An overall ESG Score for the company reflects a balance of the ESG factors.

In itself, the ESG score does not drive our investment decision, but a low score makes it far less likely that we would invest in the company. The weakest scoring companies (rated 5) are excluded.

Developed Market (DM) Government Bonds

The approach for Developed Market government bonds results in the exclusion of holdings relating to countries that in abrdn's view present more intense ESG risks. On an annual basis countries are ranked according to ESG factors which are aligned with the UN Sustainable Development Goals (SDGs).

Countries in the bottom 25% of that ranking are excluded our DM government bond allocation.

Emerging Market Debt (EMD)

For EMD, the team employ a proprietary ESGP framework – where 'P' are the political factors. This will produce a relative quantitative score for each country from 0-100 (higher is better), which 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.

ESGP analysis is an integral part of the investment process, and the fund commits to exclude the bottom 15% of countries within the ESGP framework.

In addition, 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.

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.

Credit

Our credit analysts apply an ESG Risk Rating of Low, Medium, High to each issuer (Low is better). This is credit profile-specific and represents how impactful they believe ESG risks are likely to be to the credit quality of the issuer now and in the future. The key area of focus is the materiality of the inherent environmental and social risks of the sector of operation 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 analysts utilise 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 assigned to debt issuers.

Low	The issuer has successfully mitigated ESG risks and these do not have a material negative effect on the team's credit assessment.
Medium	The team has identified one or more ESG risks as having a potentially negative effect on the issuer's credit assessment. The issuer's management has not addressed the risk(s) or is unable to sufficiently mitigate it/them.
High	The team has identified one or more ESG risks as having a potentially material negative effect on the issuer's credit assessment. The issuer's management has not addressed the risk(s) or is unable to sufficiently mitigate it/them.

Additionally, the team make use of our proprietary ESG House Scores (scored 0 – 100 with higher being better). 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.

High ESG Risk Rated issues are not purchased, however there may be situations where bonds are downgraded to a High ESG Risk Rating and the Credit team will look for good opportunities to sell these. The bottom 5% of companies with the lowest ESG House Scores are also excluded.

Listed equity – passive

The core of our listed equity exposure is a passive ESG enhanced equity strategy. The strategy targets global equity index returns in line with those of the MSCI AC World Index, with positive ESG tilts. This includes a portfolio ESG score of at least 110% of the index (abrdn and MSCI), a carbon footprint (abrdn definition of Scope 1 + 2) of 50% of the index and green revenues of 150% of the index. This is measured at the point of every quarterly rebalance. This strategy is managed by our Quantitative Investment team and has been developed in conjunction with our Sustainability Group.

Listed equity – active

Our proprietary ESG House Score, developed by our central ESG 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 governance score and operational 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.

We exclude at least the bottom 5% of companies with the lowest ESG House Score in the benchmark. If investing in a company that is not in the benchmark, the company must have an ESG House Score that is equal to or higher than the minimum acceptable score within the benchmark.

We also use our proprietary research framework to analyse the foundations of a business to ensure proper context for our investments. This includes the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat. We also consider the quality of its management team and analyse the ESG opportunities and risks impacting the business and appraise how well these are managed. We assign a proprietary ESG Quality Rating of 1-5 (1 indicates best in class and 5 indicates laggard) to articulate the quality attributes of each company. We exclude companies rated 5 by the ESG Quality Rating.

Global Real Estate Investment Trusts (REITS)

ESG research is undertaken by the Global REITs portfolio management team and supplemented on certain investments (generally where they are held widely across the firm) by the wider firm's ESG research. ESG assessment criteria will include ESG Quality Rating and ESG House Score. The former is a qualitative score assigned by the team for all companies under coverage and the latter is a quantitative score developed by our central ESG team calculated by combining a variety of data inputs and ESG factors weighted according to how material they are for each sector.

We exclude the bottom 20% of companies from the index based on ESG House Score. The bottom 20% of companies will be removed across each of the three regions: (1) UK & Europe, (2) APAC Including Japan, (3) US & Canada.

Additionally, companies rated 5 by the ESG Quality Rating will be excluded.

Asset-backed securities (ABS)

Our ABS investments can be made in 3 different ways.

1. Internal ABS sleeve: Internal abrdn screens would be applied here (to the extent data is available).
2. ABS closed-end funds: listed ABS CEFs are part of our listed alternatives allocation and would follow the same process – an exclusionary attestation (to the extent data is available) would be sought both upon initial investment and on an on-going basis as well as an ESG Score being assigned to the investment.
3. ABS external collective investment schemes: the Diversified Assets team will also engage with external managers to monitor compliance with the negative screens (to the extent data is available). Compliance with the negative screens will be monitored upon initiation of an investment and then as part of ongoing meetings/ engagements, conducted with a frequency of at least once per year. Moreover, as part of our analysis our own ESG questionnaire will be sent to managers to ensure there are no 'red flags' covering:

- Factors associated to the management company and team
    - Adequacy of the investment committee, ensuring that there is oversight and clarity on investment decisions
    - Investment team – appropriate skills, experience, track record
    - Conflicts of interest policies
- Factors associated to the investment process and the investment strategy
    - Understanding ESG integration
    - Clear lines of responsibility in relation to ESG/RI matters within the investment team
    - Reporting – level of disclosures

Exclusions and restrictions

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 Coal[1]	Have a revenue contribution of 5% or more from thermal coal extraction and/or Have a revenue contribution of 20% or more from thermal coal power generation unless and/or Are directly investing in new thermal coal extraction or power generation capacity in EU or OECD countries Unless identified as 'Transition Opportunity' (see below)	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.

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

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

[1] 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.

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. 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 from thermal coal screens and Transition Opportunities. Of the 10%, no more than 5% can be exposure to Transition Opportunities.

Promotion of environmental and social characteristics

The Fund promotes environmental and social characteristics by aiming to invest in issuers that:

- Avoid severe, lasting or irremediable harm; and
- Appropriately address adverse impacts on the environment and society; and
- Support a decent standard of living for their stakeholders

The Fund aims to promote environmental and social characteristics holistically. In doing so, we do not consider all characteristics for all investments, but rather focus on the most relevant characteristics for each investment based on the nature of its activities, areas of operation, and products and services. Using our proprietary research framework we aim to promote the below characteristics within this fund, however a broader suite of characteristics may also be promoted on an investment by investment basis:

Environment – improving energy management and reducing greenhouse gas emissions, improving water, waste and raw materials management and addressing biodiversity/ecological impacts.

Social – improving labour practices and relations, maximising employee health and safety, supporting diversity in the workforce, and healthy relationships with communities.

No benchmark is used for portfolio construction or as a basis for setting risk constraints in the management of the Fund.

Our approach positively identifies companies which promote the above E&S characteristics, seeking to ensure that at least 70% of the portfolio is aligned with the E&S characteristics identified. We do this by tracking the below sustainability indicators which allow us to measure the attainment of the E&S characteristics the fund is promoting.

Sustainability indicator – screening criteria

Pre investment, abrdn applies a number of norms and activity-based screens to ensure that severe, lasting or irremediable harm is avoided. Binary exclusions are applied to exclude the particular areas of investment of concern. Our exclusions are informed by the Principle Adverse Indicators, but not limited to them. The criteria includes investments related to the UN Global Compact (PAI 10), Controversial Weapons (PAI 14), Tobacco Manufacturing and Thermal Coal.

Sustainability indicator – ESG assessment

As this is a multi-asset investment strategy, we invest in a number of ways and assess ESG performance using different approaches that are appropriate for that particular investment. These different approaches are detailed below and deployed as appropriate on an investment-by-investment basis. Importantly, we look to use the best ESG datasets available and as such, they may be subject to change over time.

The fund looks to exclude companies and countries rated poorly based on their management of ESG risks within their business. This is drawn from the insights of our analysts and central ESG investment function.

A summary of our ESG approach by asset class

Asset class	ESG integration	ESG screening	Promotes E&S characteristics
Listed alternative investment companies	Yes	Yes	Yes
Emerging Market debt	Yes	Yes	Yes
Developed Market government bonds	Yes	Yes	Yes
Credit	Yes	Yes	Yes
Listed equity – passive	Yes	Yes	Yes
Listed equity – active	Yes	Yes	Yes
Global REITs	Yes	Yes	Yes
Asset-backed securities	Yes	Yes	No
Derivatives	No	No	No
Cash	No	No	No

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 commits to a minimum of 10% in Sustainable Investments.

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. Additional information on the Article 8 approach to making Sustainable Investments is detailed in the SFDR Annex, appended to the fund prospectus.

ESG commitments

The binding elements of the strategy include:

1. A commitment to hold a minimum of 70% of the assets aligned with E&S characteristics and within these assets, the Fund commits to hold a minimum of 10% of those assets that meet abrdn's methodology for determining Sustainable Investments.
2. A commitment to apply binary exclusions to exclude the particular areas of investment related to the UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal.
3. A commitment to exclude the ESG laggards as identified via the relevant ESG assessment criteria deployed for that investment.

These elements apply in a binding manner and on an ongoing basis.

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.

Voting

Voting analysis is carried out for all general meetings in actively-held companies. Vote instructions on our holdings are decided by analysts in our regional and ESG investment teams. We subscribe to proxy research providers IVIS and ISS and use their research to support our own analysis rather than automatically following recommendations of any third party. Our decisions will reflect our knowledge of companies, and insights gained through engagement. The involvement of our investment managers in voting decisions allows us to ensure proxy voting remains an integral part of the investment process.

ESG engagement

Engagement with company management teams is key and a standard part of our equity investment process and ongoing stewardship programme. It provides us with a more holistic view of a company, including current and future ESG risks that the firm 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 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 companies is required:

- If it becomes in breach of any of the negative or norms-based screens.
- If it no longer meets the minimum ESG standards as applicable for the given asset class.

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 from the point of notification, 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.

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