



This document explains the framework and methodology for abrdn's in-house ESG Score, which is referred to in the prospectus and other regulatory documentation for certain abrdn funds. It is not a marketing communication.



Our ESG House Score

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abrdn.com

Our ESG House Score



Using our environmental, social and governance (ESG) House Score, we can compare how companies in listed markets around the world manage ESG issues. The output makes it easier to spot the ESG leaders and laggards in each field. However, the ESG score combines many different, sometimes unrelated, factors. This means that while it offers a high-level view of a company’s relative position, a single ESG score alone cannot provide a full picture.

For this reason, we have designed our scoring system so that we can assess specific themes and categories. The majority of ESG data providers split their scores into environmental (E), social (S) and governance (G) categories. However, we felt that it is better to understand ESG factors on two levels. First, we want to know how companies govern themselves; and second, we want to understand how they operate. We believe this method provides better insights into a company’s management of ESG matters. Our ESG House Score is, therefore, comprised of two distinct operational and governance scores. These provide a more detailed and nuanced view of how each company manages ESG issues.

Governance Score	Assesses the company’s corporate governance structure and the quality and behaviour of its corporate leadership and executive management.
Operational Score	Assesses the company’s ability to effectively address adverse environmental impacts and promote societal welfare.

We have constructed our governance and operational scores to mirror our approach to ESG thematic research. Therefore, they cover six core areas: climate change, environment, labour management, human rights and stakeholders, corporate behaviour, and corporate governance. Subject-matter experts in our ESG investment function support each of these areas.

Operations				Governance	
Climate Change	Environment	Labour Management	Human Rights & Stakeholders	Corporate Behaviour	Corporate Governance
GHG Emissions	Water & Wastewater	Labour Practices	Human Rights & Communities	Controversies	Board Issues
Air Quality	Waste Management	Employee Health & Safety	Privacy & Data Security	Policies & Practices	Accounting & Audit
Energy Management	Material Sourcing	Engagement & Diversity	Product Quality & Customer Welfare		Remuneration
	Ecological Impacts		Supply Chain Management		Ownership & Control

Methodology

Governance scores

We assess every company that we score on all components of the governance framework. We selected the relevant scoring indicators using abrdn's longstanding expertise in corporate governance. The company's data in relation to each indicator is assessed, scored and then aggregated into the Governance Score.

Scores range from 0-100. Low scores indicate poor practices or a lack of information available for scoring and higher scores indicate a strong governance approach.

Operational scores

Our operational assessments are typically more complex because companies are involved in a wide range of industries and activities. We use a series of environmental and social indicators, overlayed with our internal expertise, to assess and draw conclusions on the extent to which companies' operations can be considered sustainable. Companies with sustainable operations align themselves with the long-term value of the environment and society by addressing adverse environmental impacts and promoting societal welfare.

The first step in our assessment is to determine the activities the company is involved in and the ways in which stakeholders may be affected by them. To do this, we first identify the company's sub-industry. Then we use external frameworks such as the Sustainability Accounting Standards Board (SASB) Materiality Map and our internal expertise to select the most salient environmental and social issues within our ESG House Score framework.

For each environmental and social issue, we have identified the appropriate standards and most meaningful indicators to track and assess the sustainability of a company's operations. The standard that a company is assessed against, as well as the composition of data and scoring, is determined by our Sustainable Investment Team. Where information is available, our scoring system seeks to assess a company's commitment or policy concerning the issue, its processes to implement this commitment, metrics to demonstrate its success in implementation, and any controversies or other sources that may indicate reasons for concerns.

We apply thresholds to the company's data in relation to these indicators to arrive at a 0-100 score (higher is better) for each indicator, which is then aggregated up into an issue-level score. Where the issue is identified as salient for the sector, this score is then aggregated into the Operational Score to provide a holistic view of how sustainable the company's operations are.

Scores range from 0-100. Low scores indicate poor practices or a lack of information available for scoring and higher scores indicate that a company is implementing strong operational standards and practices with regards to each issue.

ESG House Scores

To calculate the ESG House Score, the Operational Score is standardised to the company's peer group and the Governance Score is standardised to the global universe. The weights of Operational and Governance Scores are driven by the company's home market. For companies in developed markets, the standardised Operational Score contributes 55% and the standardised Governance Score contributes 45% to the overall ESG House Score. In most emerging markets, governance has proved to be a larger risk factor as standards are less well-developed. For companies in these regions, the standardised Governance and Operational Scores are both weighted 50% when calculating the overall ESG House Score.

Analyst input

abrdn's Sustainable Investment Team, which is independent of our portfolio management teams, owns and oversees our ESG House Score. ESG issues are often complex and nuanced, with views on best practices evolving rapidly. Within the Team, we recognise that while a score based on quantitative or binary inputs offers a helpful indication of a company's performance, it may not accurately reflect the quality of a company's management and practices.

In these cases, we may manually adjust the score to reflect our internal ESG views. Insight can come from our investment teams, with agreement from the Sustainable Investment Team, or directly from our analysts and subject-matter experts within the Sustainable Investment Team.

Our ability to add in-house views to the system means that a regular feedback loop continually enhances the scores.

How we use the ESG House Score

We have designed our proprietary ESG House Score to provide a unified view of a company's ESG management. It does so by combining different data sources with the insights of our Sustainable Investment Team and portfolio managers. By stimulating discussion and allowing detailed ESG analysis, the scores will help inform our view of the investments we make. Created with the intention that it will continue to evolve, the score will allow us to integrate new ESG trends, themes and factors as they develop. The ESG House Score supports and informs three main goals:



ESG integration

Our ESG House Score enables us to identify key ESG challenges and opportunities at a company and portfolio level. Transparency on every component of the ESG House Score means we can easily see the overall view as well as a more detailed analysis.

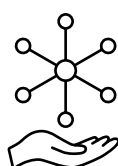
The score stimulates challenge and discussion among our investment professionals on ESG issues. We have designed it to complement and support the existing ESG analysis and frameworks already embedded within our equity and credit teams.



Demonstrate sustainability credentials

Client demand for sustainable investment products has grown significantly in the last ten years. Our ESG scoring allows us to set clear, relevant and consistent parameters for our range of sustainable products.

We can use this information to demonstrate the ESG profile of our funds and how sustainability standards are upheld. We are also able to target specific ESG themes and issues, in line with client requirements.



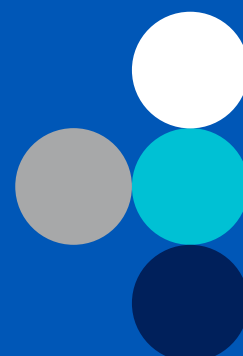
Governance and oversight

Our ESG House Score supports more informed risk analysis. This empowers our governance and oversight teams to make more informed challenges on specific ESG issues. And, where we apply sustainability criteria to specific mandates, our ESG House Scores enable us to demonstrate why companies may or may not meet the fund's standards.

Challenges and evolution

We've put a lot of work and expertise into developing our ESG House Score, but there is still more to do. Data availability remains a challenge. Disclosure is improving, especially where there is support from regulators, and we continue to explore alternative data sources. These could help to fill some of the gaps we currently experience.

We also recognise that companies face a plethora of different information requests. This makes it difficult for them to know what information is meaningful for investors. We have tried to focus our scoring system on the issues most relevant for companies, and we will use our engagement activities to encourage meaningful disclosure in these areas. These disclosures will feed into our scoring system to help improve its accuracy and relevance.



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.

This document is strictly for information purposes only and should not be considered as an offer, investment recommendation, or solicitation, to deal in any investments or funds mentioned herein and does not constitute investment research. abrdn does not warrant the accuracy, adequacy or completeness of the information and materials contained in this document and expressly disclaims liability for errors or omissions in such information and materials.

Applying ESG and sustainability criteria in the investment process may result in the exclusion of securities within the universe of potential investments. The interpretation of ESG and sustainability criteria is subjective meaning that products may invest in companies which similar products do not (and thus perform differently) and which do not align with the personal views of any individual investor. Furthermore, the lack of common or harmonised definitions and labels regarding ESG and sustainability criteria may result in different approaches by managers when integrating ESG and sustainability criteria into investment decisions. This means that it may be difficult to compare strategies within ostensibly similar objectives and that these strategies will employ different security selection and exclusion criteria. Consequently, the performance profile of otherwise similar vehicles may deviate more substantially than might otherwise be expected. Additionally, in the absence of common or harmonised definitions and labels, a degree of subjectivity is required and this will mean that a product may invest in a security that another manager or an investor would not.

The fund offering documents available on abrdn.com set out the extent to which the contents of this document apply to any particular abrdn fund.

This document is issued by the relevant Fund Management Company (i) For our main UK OEIC range of funds, abrdn Fund Managers Limited, registered in England and Wales (740118) at 280 Bishopsgate, London, EC2M 4AG. Authorised and regulated by the Financial Conduct Authority in the UK (ii) For our SICAV range of funds, abrdn Investments Luxembourg S.A. 35a, Avenue J.F. Kennedy, L-1855 Luxembourg. R.C.S. B120637. Authorised in Luxembourg and regulated by CSSF (iii) Details of the Fund Management Company for our other funds can be found in the relevant fund offering documents.

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