

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

abrdn’s Operational Sustainability Score uses a series of environmental and social indicators, overlaid with our internal expertise, to assess and draw conclusions on the extent to which companies’ current 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.

We have constructed our Operational Score to mirror our approach to sustainability thematic research. Therefore, it covers four core areas: climate change, environment, labour management and human rights & stakeholders. Subject-matter experts in our central Sustainable Investment Team support each of these areas.

Methodology

The first step in assessing sustainable operations is to determine the activities a 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, using external frameworks, such as those provided by the Sustainability Accounting Standards Board (SASB), and our internal expertise, we map the most salient environmental and social issues to each sector.

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, which is independent of the investment process. The sustainability standards applied to the scoring reflect the relevant issue. For each thematic area, this includes (but is not limited to):

- **Climate Change** – the Institutional Investors Group on Climate Change (IIGCC) Net Zero Framework.
- **Environment** – the Taskforce on Nature-related Financial Disclosures (TNFD).
- **Labour Management** – the International Labor Organization (ILO) Core Conventions.
- **Human Rights & Stakeholders** – the UN Guiding Principles on Business and Human Rights (UNGPs).

Operations

| Climate Change | Environment | Labour Management | Human Rights & Stakeholders |
|-------------------|--------------------|--------------------------|------------------------------------|
| GHG Emissions | Water & Wastewater | Labour Practices | Human Rights & Communities |
| Air Quality | Waste Management | Employee Health & Safety | Privacy & Data Security |
| Energy Management | Material Sourcing | Engagement & Diversity | Product Quality & Customer Welfare |
| | Ecological Impacts | | Supply Chain Management |



Where information is available, our scoring system seeks to assess a company's commitment or policy in relation to 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. Examples are provided below (but are not an exhaustive list).



Climate Change

GHG Emissions & Resilience

The IIGCC Net Zero Framework stresses the importance of appropriate governance, setting targets and objectives, taking action and measuring progress in decarbonisation. Our scoring system assesses the aggressiveness of the company's carbon emissions reduction targets, programs to reduce emissions, trends in actual emissions and controversies (among others).



Environment

Water & Wastewater

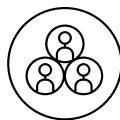
TNFD recommends focusing on governance, strategy, risk and impact management, and measuring progress with metrics and targets. Our scoring system assesses oversight of water management, programs to monitor and measure water consumption, actual water usage and controversies (among others).



Labour Management

Employee Health & Safety

One of the ILO Core Conventions is Occupational Health and Safety (155). It stresses the importance of appropriate maintenance of the physical workplace, processes to safely operate machinery, and training and communications (among others). Our scoring system assesses the company's commitments to health and safety, systems and process certifications, and incident rates and controversies (among others) in order to understand the extent to which a company meets this standard.



Human Rights & Stakeholders

Human Rights & Communities

The UNGPs recognise the role of businesses to respect human rights, with policy commitment reflecting this, a human rights due diligence process and processes to enable remediation where relevant. Our scoring system assesses the company's policy commitment to human rights, monitoring processes to support their commitment and controversies (among others).

We apply thresholds to the company's response 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. The thresholds set for each underlying indicator are determined by the Sustainable Investment Team. Where the issue is identified as salient for the sector, this score is then weighted in accordance with our sector mapping and aggregated into the Operational Score.

This provides a holistic view of how sustainable the company's operations are. Note that while sector mapping is used to identify salient issues, the underlying metrics and thresholds used to assess these issues are consistent.



We do not consider sustainability to be a binary assessment; all companies must work to continually improve. Our approach allows us to assess the overall sustainability of companies' operations and draw conclusions on whether they address adverse environmental impacts and promote societal welfare. Low scores (below 40) indicate poor practices or a lack of information available for scoring and higher scores (above 60) indicate that a company is implementing strong operational standards and practices in relation to relevant issues. Scores in the middle range broadly fall into an average band where there is room for improvement.

Analyst input

abrdn's Sustainable Investment Team, which is independent of our portfolio management teams, owns and oversees our Operational Score. Sustainability 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 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.



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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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.

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