ESG Rating Methodology and Governance Disclosure

The Fixed Income ESGP Framework

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aberdeeninvestments.com

This disclosure is provided in accordance with Regulation (EU) 2024/3005 (the EU ESG Ratings Regulation) and has been prepared having regard to the disclosure requirements set out in Annexure III to that Regulation.

Aberdeen applies a proprietary ESGP (Environmental, Social, Governance and Political) framework to assess the sustainability risks and opportunities of sovereign issuers across both emerging and developed markets. The methodology combines a systematic quantitative model with a qualitative overlay to provide a comprehensive and forward-looking assessment of ESG risk within fixed income portfolios.

The ESGP Framework is developed and overseen by the Aberdeen Investments Fixed Income and Sustainability Investments Teams and is used to systematically assess sovereign ESG risks and opportunities.

The ESGP framework is not marketed or sold as a standalone commercial ESG rating and does not represent a regulatory classification or external sustainability label. This disclosure applies solely to the ESGP methodology for sovereigns, and does not extend to other ESG tools or scores produced by Aberdeen Investments.

Rating Product Disclosures

1. 1(f) information on the ESG rating's clearly defined objective and marking whether the rating is assessing risks, impacts, or both, according to the double materiality principle, or any other dimensions, and in the case of double materiality the proportion of the risk and impact materiality;

The objective of Aberdeen's ESGP rating framework is to provide a systematic assessment of financially material ESG risks and opportunities that may affect the creditworthiness, valuation, and long-term performance of sovereign issuers within fixed income portfolios.

The methodology is therefore primarily designed as a risk assessment tool, focusing on how environmental, social, governance and political factors may influence macroeconomic stability, institutional strength, and a country's ability and willingness to meet its financial obligations over the investment horizon.

The framework incorporates a range of indicators, such as carbon intensity, inequality, governance quality, and political stability, which are selected based on their relevance to sustainable economic development and financial risk transmission channels. These factors are assessed both quantitatively and qualitatively, including through forward-looking "Direction of Travel" analysis.

Accordingly, the ESGP rating framework is best characterised as applying a single materiality (risk-based) approach, rather than double materiality.

This approach ensures alignment with the fiduciary objective of protecting and enhancing client value, while incorporating ESG considerations in a structured and consistent manner.

2.1 (g) the ESG rating's scope, namely, whether it covers an individual E, S, or G factor or whether it is an aggregated rating aggregating E, S and G factors, or whether it covers specific issues such as transition risks;

Aberdeen's ESGP rating framework provides an aggregated ESG assessment, integrating a broad range of environmental, social, governance and political factors into a single composite rating.

The methodology is structured around four pillars:

- **Environmental** (e.g. carbon intensity, renewables, biodiversity protection, physical risk)
- **Social** (e.g. inequality, education, health indicators)
- **Governance** (e.g. institutional quality, rule of law, regulatory effectiveness)
- **Political** (e.g. political stability, corruption, state fragility).

These pillars are equally weighted and combined to produce an overall ESGP score, ensuring a balanced and holistic view of ESG risks.

While the rating is aggregated, it retains granularity at the pillar and indicator level, enabling identification of specific ESG risk drivers within each country.

These factors are assessed both through quantitative indicators and a forward-looking qualitative overlay, ensuring that emerging or evolving risks (such as transition risks) are appropriately captured.

Overall, the ESGP rating is an aggregated, multi-factor ESG assessment, designed to reflect the interconnected nature of ESG risks and their combined impact on sovereign credit fundamentals.

3. (h) in the case of an aggregated ESG rating, the weighting of the three overarching E, S and G categories of factors (for example 33 % for the E factor, 33 % for the S factor, 33 % for the G factor), and the explanation of the weighting method, including weight per individual E, S and G category;

Aberdeen's ESGP rating framework is constructed as an equally weighted aggregation of four pillars: Environmental (E), Social (S), Governance (G), and Political (P).

As such, the overall ESGP score is calculated as follows:

- Environmental (E): 25%
- Social (S): 25%
- Governance (G): 25%
- Political (P): 25%

Where required to map to the traditional three ESG categories, the Governance and Political pillars can be considered jointly, reflecting the importance of institutional and political factors in sovereign analysis. On this basis, the indicative weighting would be:

- Environmental (E): 25%
- Social (S): 25%
- Governance (G, including Political factors): 50%

Weighting methodology

Within each pillar:

- Individual indicators (e.g. carbon intensity, life expectancy, rule of law, political stability) are first standardised using z-scores to ensure comparability across countries
- These indicators are then equally weighted within each pillar to derive a pillar-level score
- Each of the four pillars is subsequently equally weighted to calculate the overall ESGP score.

This equal-weighting approach reflects the view that environmental, social, governance and political factors are all material and interconnected drivers of sovereign risk, and that no single category should systematically dominate the assessment across all countries.

In addition, adjustments (such as correcting for income bias in social indicators) are applied where appropriate to ensure that weightings produce fair and economically meaningful comparisons across issuers at different stages of development.

The ESGP framework is also modular which enables bespoke index construction across developed, emerging or global universes whereby indicators can be normalised in a regional context.

4. (i) within the E, S or G factors, specification of the topics covered by the ESG rating, and whether they correspond to the topics from the sustainability reporting standards developed pursuant to Article 29b of Directive 2013/34/EU;

Within the ESGP framework, Aberdeen assesses a broad set of ESG topics across Environmental, Social, Governance and Political pillars, using a combination of quantitative indicators and qualitative analysis.

Environmental (E) topics include:

- Carbon intensity and greenhouse gas (GHG) emissions
- Energy mix and renewable energy penetration
- Protection of biodiversity
- Physical risk to climate impact

These factors are designed to capture climate-related risks, environmental sustainability, and exposure to transition risks linked to decarbonisation.

Social (S) topics include:

- Health and wellbeing (e.g. life expectancy, infant mortality)
- Education (e.g. years of schooling)
- Inequality (e.g. Gini coefficient)
- Gender equality
- Access to basic services (e.g. electricity)
- Infrastructure quality

These indicators assess human capital development, social stability, and inclusiveness, which can contribute to long-term economic performance.

Governance (G) topics include:

- Government effectiveness
- Regulatory quality
- Rule of law
- Voice and accountability
- Budget transparency

In addition, the framework includes a distinct **Political (P) pillar**, covering:

- Corruption (e.g. Transparency International index)
- Political stability
- State fragility
- Press freedom

Governance and political indicators are closely linked and collectively assess institutional strength, policy credibility, and political risk, which are critical for sovereign credit analysis.

Alignment with EU sustainability reporting standards

The topics covered by the ESGP framework are not explicitly mapped to, nor derived directly from, the sustainability reporting standards developed under Article 29b of Directive 2013/34/EU Change to (Corporate Sustainability Reporting Directive (CSRD)). This reflects the fact that the framework is primarily designed for sovereign issuers, whereas CSRD standards are focused on corporate disclosures.

5. (j) information on whether the rating is expressed in absolute or relative value;

The ESGP rating is expressed on a relative basis.

The quantitative component of the methodology is constructed using z-score standardisation, which evaluates each issuer's performance relative to the distribution of scores across the full universe of countries within the model. This approach indicates how a country performs compared to its peers on each individual indicator and across each ESG pillar.

Importantly, the framework allows for relative comparisons to be presented across different peer group definitions. Scores can be assessed on a global basis, as well as within emerging market (EM) and developed market (DM) cohorts, enabling like-for-like comparisons between countries at similar stages of development.

As a result, scores reflect relative positioning (i.e. above or below the average of the peer group), rather than an absolute measure of ESG performance.

This relative framework is complemented by the qualitative "Direction of Travel" assessment, which provides additional forward-looking context on whether an issuer's ESG profile is improving, stable, or deteriorating.

6. (o) if an ESG rating of a rated item covers the E factor, information on whether that rating takes into account the targets and objectives of the Paris Agreement or any other relevant international agreements;

Within the ESGP framework, the Environmental (E) pillar incorporates a range of indicators which are directly relevant to assessing countries' exposure to climate-related risks and their progress in transitioning to lower-carbon economies.

While the ESGP methodology does not explicitly benchmark or score issuers against specific Paris Agreement targets (e.g. Nationally Determined Contributions or temperature alignment pathways), it indirectly reflects alignment with the objectives of the Paris Agreement.

In addition, the framework aligns a number of its environmental and broader ESG indicators with selected United Nations Sustainable Development Goals (SDGs), including:

- SDG 13 (Climate Action)
- SDG 7 (Affordable and Clean Energy)
- SDG 15 (Life on Land)
- SDG 14 (Life Below Water)

These global frameworks are complementary to the objectives of the Paris Agreement and help ensure that environmental risks are assessed in line with widely recognised international policy priorities.

7. (p) if an ESG rating of a rated item covers the S and G factors, information on whether that rating takes into account any relevant international agreements;

Within the ESGP framework, Social (S) and Governance (G) factors are assessed using a range of indicators derived from internationally recognised institutions and datasets, which inherently reflect widely accepted global standards and norms.

The methodology does not explicitly benchmark or score issuers against specific international agreements or conventions (such as individual UN or OECD frameworks). However, it is implicitly aligned with relevant international principles, as many of the underlying data sources and indicators are constructed to reflect these standards. For example:

- Social indicators (e.g. health outcomes, education, inequality, gender equality) are sourced from organisations such as the World Bank and UN Development Programme, whose frameworks underpin and reflect international development objectives and human rights principles
- Governance and political indicators (e.g. rule of law, government effectiveness, corruption, voice and accountability, press freedom) are sourced from institutions such as the World Bank, Transparency International, and Reporters Without Borders, which assess countries against globally recognised norms relating to governance, transparency, accountability, and civil liberties.

In addition, the ESGP framework is partially aligned with several UN Sustainable Development Goals (SDGs), including those related to Social development (e.g. health, education, inequality), and Governance and institutions (e.g. peace, justice and strong institutions)

These global frameworks incorporate and reflect a broad set of international agreements and policy objectives.

General Methodological Disclosures

8. (a) Overview of the rating methodologies used and changes thereto, including whether analysis is backward-looking or forward-looking and the time horizon covered.

Aberdeen applies a proprietary ESGP (Environmental, Social, Governance and Political) framework to assess the sustainability risks and opportunities of sovereign issuers across both emerging and developed markets. The methodology combines a systematic quantitative model with a qualitative overlay to provide a comprehensive and forward-looking assessment of ESG risk within fixed income portfolios.

The quantitative component is based on a range of externally sourced ESG indicators drawn from recognised institutions (including the World Bank, IMF, UN agencies). These indicators are selected based on their relevance to sustainable economic development, consistency over time, and methodological transparency. Data points are standardised using z-scores to enable cross-country comparability and aggregated into four equally weighted pillars: Environmental, Social, Governance and Political. The resulting ESGP score provides a largely backward-looking assessment, reflecting structural ESG characteristics and long-term trends observable in historical data.

To address the inherent lag in reported sovereign ESG data and ensure relevance for investment decision-making, the quantitative model is complemented by a qualitative "Direction of Travel" assessment, conducted by in-house analysts. This assessment captures forward-looking views on whether an issuer's ESG profile is improving, stable, or deteriorating, based on current policy developments, political dynamics, reform momentum, and other material ESG factors that may not yet be reflected in the data. This ensures that the overall ESG assessment incorporates forward-looking insights and near-to-medium-term expectations.

The combined approach therefore balances backward-looking structural indicators with forward-looking qualitative judgement, enabling a more holistic view of ESG risk. The time horizon of the framework is aligned with the medium- to long-term investment horizon typical of fixed income investing, focusing on factors that may impact creditworthiness, valuation, and risk over time

9. (b) Industry classification used;

This is not applicable to the ESGP rating methodology.

The framework is primarily designed for sovereign issuers (countries) and therefore does not rely on traditional industry classification systems. Instead, the methodology assesses ESG risks across four pillars (Environmental, Social, Governance and Political) using country-level indicators.

10. (c) an overview of data sources, including whether data is sourced from sustainability statements required under Directive 2013/34/EU [the EU framework for preparing financial statements] or from information disclosed under Regulation (EU) 2019/2088 [SFDR] and whether sources are public or non-public, and an overview of data processes, estimation of input data in case of unavailability and frequency of data updates;

The ESGP methodology applied by Aberdeen relies predominantly on publicly available, third-party data sources complemented by internal qualitative research and analysis.

Data sources

The quantitative component of the framework is based on a range of reputable international data providers, selected for their transparency, consistency, and relevance to ESG risk assessment. Key sources include, but are not limited to:

- Multilateral organisations such as the World Bank, International Monetary Fund (IMF), and United Nations Development Programme (UNDP)
- Specialist providers such as Trucost (for greenhouse gas emissions and energy data)
- International NGOs and institutions including Transparency International, Reporters Without Borders, International Budget Partnership, and the Fund for Peace
- Selected datasets from organisations such as the World Economic Forum.

These sources provide country-level ESG indicators, which are publicly available information, analyst judgement and, where applicable, non-public information considered subject to controls based on established and transparent methodologies. Given the sovereign focus of the framework, data is not typically sourced from corporate sustainability statements under Directive 2013/34/EU or disclosures under SFDR (Regulation (EU) 2019/2088).

Data processing and methodology

Input data is standardised using statistical techniques (z-scores) to ensure comparability across countries and over time. Indicators are aggregated into four pillars (Environmental, Social, Governance and Political) and combined into an overall ESGP score using an equal-weighting approach. Adjustments are also applied where appropriate (e.g. to reduce income bias in social indicators), ensuring fair comparison across issuers at different stages of economic development.

Handling of data gaps and estimation

The framework relies on robust and widely available datasets and therefore minimises the need for estimation. Where data gaps or lags occur, these are addressed primarily through the qualitative "Direction of Travel" assessment, which incorporates forward-looking internal research to capture recent developments not yet reflected in reported data. As such, reliance on modelled or imputed data is limited.

The ESGP framework does not rely on a formal issuer engagement process to determine ESGP scores. Where engagement with sovereign issuers, public authorities or related stakeholders occurs as part of broader investment research, any relevant information may inform the qualitative "Direction of Travel" assessment, but is considered alongside publicly available data, internal research and analyst judgement and does not automatically determine the ESGP score.

Frequency of updates

The ESGP framework is formally updated twice per year, reflecting updates to underlying datasets as well as any methodological enhancements. In addition, ongoing analyst oversight ensures that material developments (e.g. political changes or policy shifts) are captured in the qualitative assessment on a more continuous basis.

Overall, the combination of transparent data sources, systematic processing, and forward-looking internal analysis ensures a robust and comprehensive assessment of ESG risks.

11. (e) information on whether and how the rating methodologies are based on scientific evidence;

Aberdeen's ESGP rating methodology is grounded in established empirical research and internationally recognised data frameworks, ensuring that ESG assessments are underpinned by objective, evidence-based inputs.

The quantitative component of the methodology relies on data sourced from multilateral institutions, international organisations, and specialist providers (such as the World Bank, IMF, UN agencies, and Trucost). These organisations employ robust, transparent, and scientifically validated methodologies to construct their datasets, drawing on economic, environmental, and social research. Many of the indicators used, such as greenhouse gas emissions, governance effectiveness, and inequality metrics, are based on widely accepted scientific and statistical approaches used in academic research and policy-making.

The framework further aligns a number of its indicators with the United Nations Sustainable Development Goals (SDGs), which themselves are informed by extensive global research and scientific consensus on sustainable development priorities. This alignment helps ensure that the methodology reflects globally recognised sustainability standards and evidence-based policy objectives.

In addition, the use of statistical techniques, such as standardisation through z-scores and adjustments to remove structural biases (e.g. income-related effects), supports a systematic and quantitatively rigorous approach to assessing ESG performance across issuers.

The qualitative "Direction of Travel" overlay complements this by incorporating forward-looking insights based on analyst expertise and ongoing monitoring of policy, political, and macroeconomic developments. While inherently more judgement-based, this assessment is anchored in observable evidence, including government policy announcements, regulatory developments, and country-level ESG trends.

Overall, the methodology combines scientifically grounded data inputs, recognised global frameworks, and structured analytical techniques, ensuring that ESG ratings are robust, consistent, and supported by credible evidence.

12. (k) where applicable, reference to the use of artificial intelligence in the data collection or rating process including information about current limitations and risks of using artificial intelligence;

Within Aberdeen Investments, AI-enabled tools may be used to support research and information gathering, particularly supporting Direction of Travel assessment. Artificial intelligence is not used to make decisions, assign scores or determine ESGP results.

Limitations in Data Sources, Methodologies and Information

13. (m) any limitation in data sources and methodologies used for the construction of ESG Ratings;

ESG assessments are subject to inherent limitations, including differences in data availability, quality and inconsistency across sectors, jurisdictions and issue areas. ESG assessments should therefore be interpreted as analytical views at a given point in time and may be revised as data and disclosure practices evolve.

15 (d) any limitation on the information available to ESG rating providers.

The ESGP Rating relies on information that is publicly disclosed or otherwise reasonably accessible. Disclosures may be incomplete, prepared using different methodologies or subject to reporting delays. Data availability may also vary by jurisdiction, affecting comparability across regions.

Organisational Disclosures

15. (d) the ownership structure of the ESG rating provider;

Aberdeen Investments is the global investment management business of the Aberdeen Group and is not a standalone legal entity, but a business name and trading identity used by regulated investment management entities within the Group. The ultimate parent undertaking is Aberdeen Group plc, a United Kingdom-incorporated public limited company with its registered office at 1 George Street, Edinburgh, which provides group-level governance, strategic direction and oversight.

Aberdeen Group operates through three principal businesses: Investments (operated under the Aberdeen Investments brand), Adviser and interactive investor. The investments business is delivered through regulated subsidiary entities operating in multiple jurisdictions, all of which are wholly owned, directly or indirectly, by Aberdeen Group plc and subject to local regulatory supervision.

Group-wide governance frameworks apply across Aberdeen Investments, while day-to-day responsibility for investment activities and internal analytical tools rests with dedicated teams within the relevant regulated entities.

16. (i) general information on criteria used for establishing fees charged to clients, specifying the various elements taken into consideration, and general information on the business/payment model;

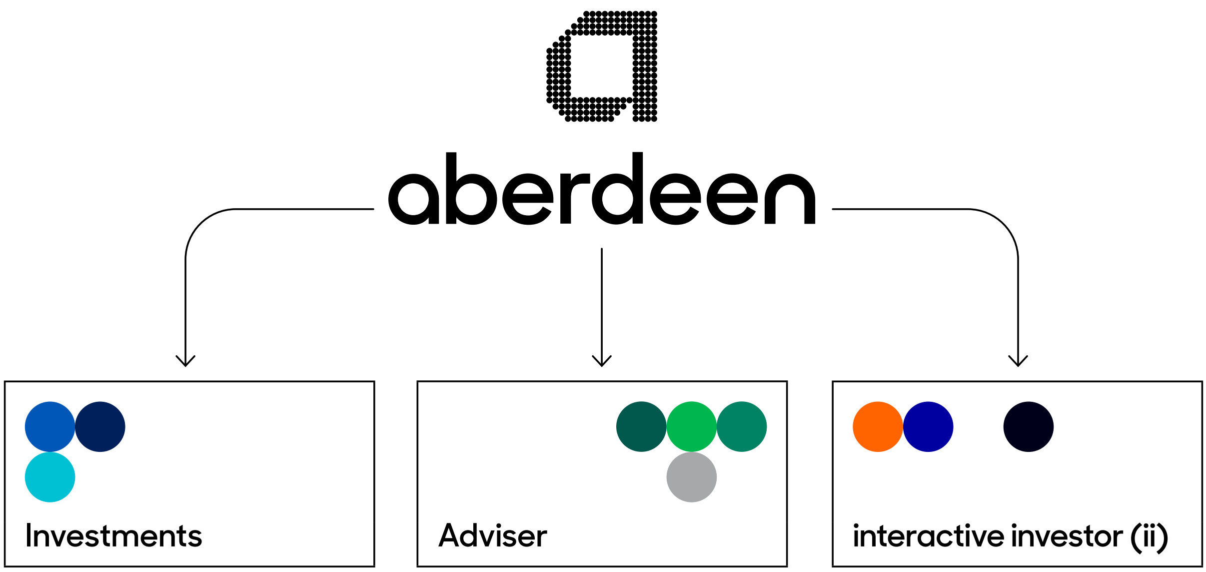
The ESGP ranking is an internal analytical framework. It is not offered as a paid, standalone ESG rating service, and rated companies do not pay for assessment.

17. (n) the main risks of conflicts of interest and the steps taken to mitigate them;

The primary risks of conflicts of interest in the context of Fixed Income ESGP ratings arise from the potential influence of commercial, investment, or issuer-related considerations on the objectivity of ESG assessments and sovereign recommendations. These may include situations where investment teams have existing or prospective positions in issuers, where there are relationships with corporate clients, or where internal incentives could create perceived or actual bias in ESG evaluations.

These risks are mitigated through organisational separation between the Sustainable Investment Team and investment functions, and group-wide policies on conflicts of interest and business conduct, which are published on Aberdeen Investments' website and apply to the ESGP rating.

Further information on relevant policies and governance arrangements is available at **Document library | Aberdeen Investments**



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