



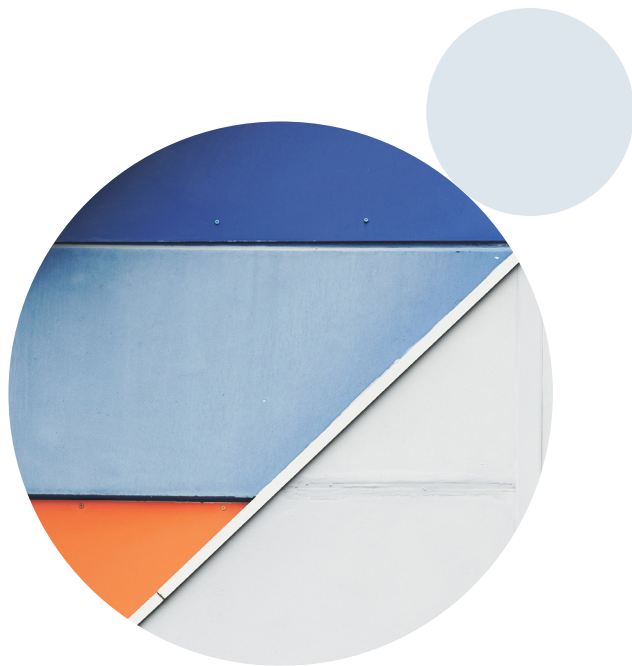
# Engagement Policy

December 2023

[abrdn.com](http://abrdn.com)

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# Introduction

We believe it's our duty to be active and engaged owners of the assets in which we invest. Our aim is to both enhance and preserve the value of our clients' investments by considering a broad range of factors that impact on the long-term success of the company. Through our engagement we seek to improve the financial resilience and performance of investments, sharing insights from our ownership experiences across geographies and asset classes. Where we believe we need to catalyse change, we will endeavour to do so through our strong stewardship capabilities.

As a global investor, with a focus on sustainability, we leverage our scale and market position to raise standards in both the companies and industries in which we invest and help drive best practice across the asset management industry.

To meet the needs of our clients and key stakeholders, we focus on these core areas:

- 1. Our investment process:** We integrate and appraise ESG factors in our investment process and seek to generate the best long-term outcomes for our clients, consistent with their risk and asset allocation preferences.
- 2. Our investment activity:** We actively take steps as stewards and seek to deliver long-term, sustainable value consistent with our clients' objectives and risk tolerance.
- 3. Our client journey:** We clearly define how we act in our clients' interests in delivering stewardship and ESG principles and transparently report on our actions to meet those interests.
- 4. Our corporate influence:** We actively support enhancements to policy, regulatory and industry standards to deliver a better future for our clients, the environment and society.
- 5. Our corporate activity:** We gather data to understand and manage the material ESG factors in our own operations to ensure our own impact contributes to positive outcomes for stakeholders.

# Introduction

## Policy objectives

This Engagement policy outlines our engagement approach and processes we follow when engaging with our investments and the wider industry. Although many mechanisms described in this document apply to listed assets, such as equities and fixed income, engagement is part of our sustainable investment strategy for all assets (sovereigns, real estate and infrastructure for example). Our approach can vary between asset classes as a result of the different rights available. These are covered in detail in our annual **Stewardship Report**.

Our engagement approach is designed to comply with the UK Stewardship Code, the expectations set by the UN-backed Principles for Responsible Investment (PRI), the Taskforce for Climate-related Financial Disclosures (TCFD) and many other relevant industry initiatives.

This policy aims to be updated annually or more frequently if required. It should be read in conjunction with:

**abrdn's approach to sustainability risk integration**

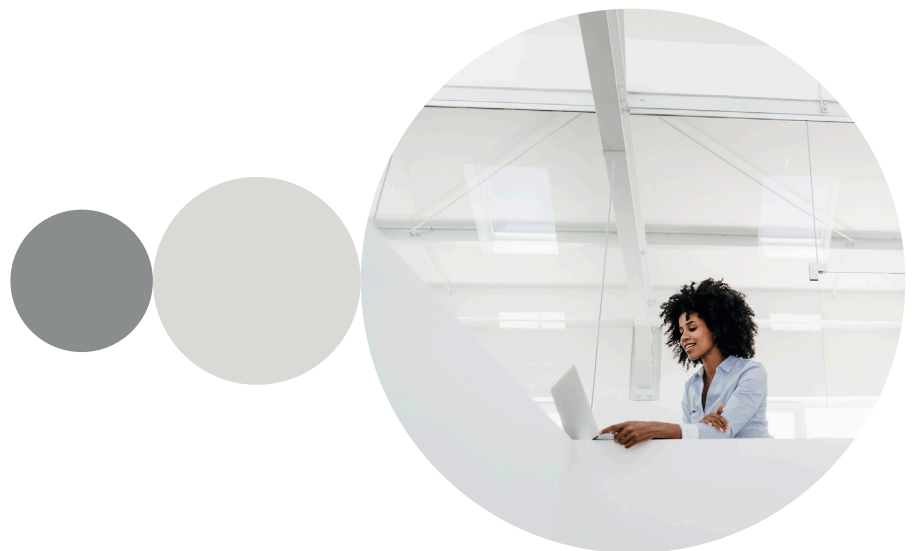
**abrdn's annual Stewardship Report**

**Listed Company ESG Principles & Voting Policies**

**Active Equities Engagement Roadmap**

## Stewardship governance

abrdn's Sustainability Council is the senior governance body with responsibility for ownership and implementation of the sustainability strategy across the full spectrum of services delivered by our investments business. It ensures different parts of the business have clear accountability for their areas. It approves the principles and plans set by the underlying strategy groups and provides an escalation mechanism to help manage complex sustainability issues and risks within our investments business. The Council receives regular updates on stewardship activities, and it is within its remit to both challenge and seek further information on all areas of stewardship carried out by the investments business.



# Our engagement process



## How engagements are prioritised

Our engagement process consists of four components:

- **Review:** Part of our ongoing due diligence and frequent interactions led by the analyst responsible for oversight of the investment.
- **Respond:** Reacting to an event that may impact a single investment or a selection of similar investments.
- **Enhance:** Designed to seek change that, in our view, would enhance the value of our investment.
- **Thematic:** Resulting from our focus on a particular ESG theme, such as climate change, diversity and inclusion or modern slavery.

Our regular 'review' meetings are normally held with the investee company's executive management, but we will also engage with board members – generally the chair or other non-executive directors. Such meetings further develop our understanding of how the board is fulfilling its responsibilities and give us the opportunity to communicate views constructively, as and when appropriate.

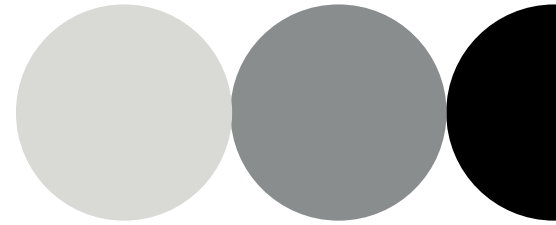
Our 'respond' and 'enhance' engagements are bespoke interactions with specific outcome intentions and are defined as priority engagements. These also focus on the delivery of long-term value from the investments we make on behalf of clients. The nature of ESG risks is such that they are ever-present but often require a long-term outlook to fully assess them. Our engagements will often be with board members, both executive and non-executive, but will also include detailed assessment of specific risk mitigation through engagement with relevant experts within a company, including those relating to sustainability.

For our 'thematic' engagements, we select investments which are felt to be materially impacted by sustainability themes identified by our research. These themes may arise in the short term due to particular events or may be long running in nature and impacting many sectors and investments. Engagements relating to a specific theme are likely to occur over multiple planning periods and are often led by our Investments Sustainability Group (ISG)<sup>1</sup> experts.

<sup>1</sup>The Investments Sustainability Group is a centralised resource of professionals dedicated to maximising the quality and value of ESG research, analysis and integration across all asset classes. The group has a number of responsibilities, including: standard setting on all ESG matters, quality assurance and consistency of the ESG regional analysts' research and analysis, the consideration of governance issues, undertaking thematic sustainability-driven research, highlighting themes and emerging risks in ESG, consultation and support to all of our asset classes on ESG issues, supporting the development of abrdn's Sustainable Investment products, representing the firm on external ESG bodies, and reflection and promotion of abrdn's positions on key ESG issues externally.



# Our engagement process

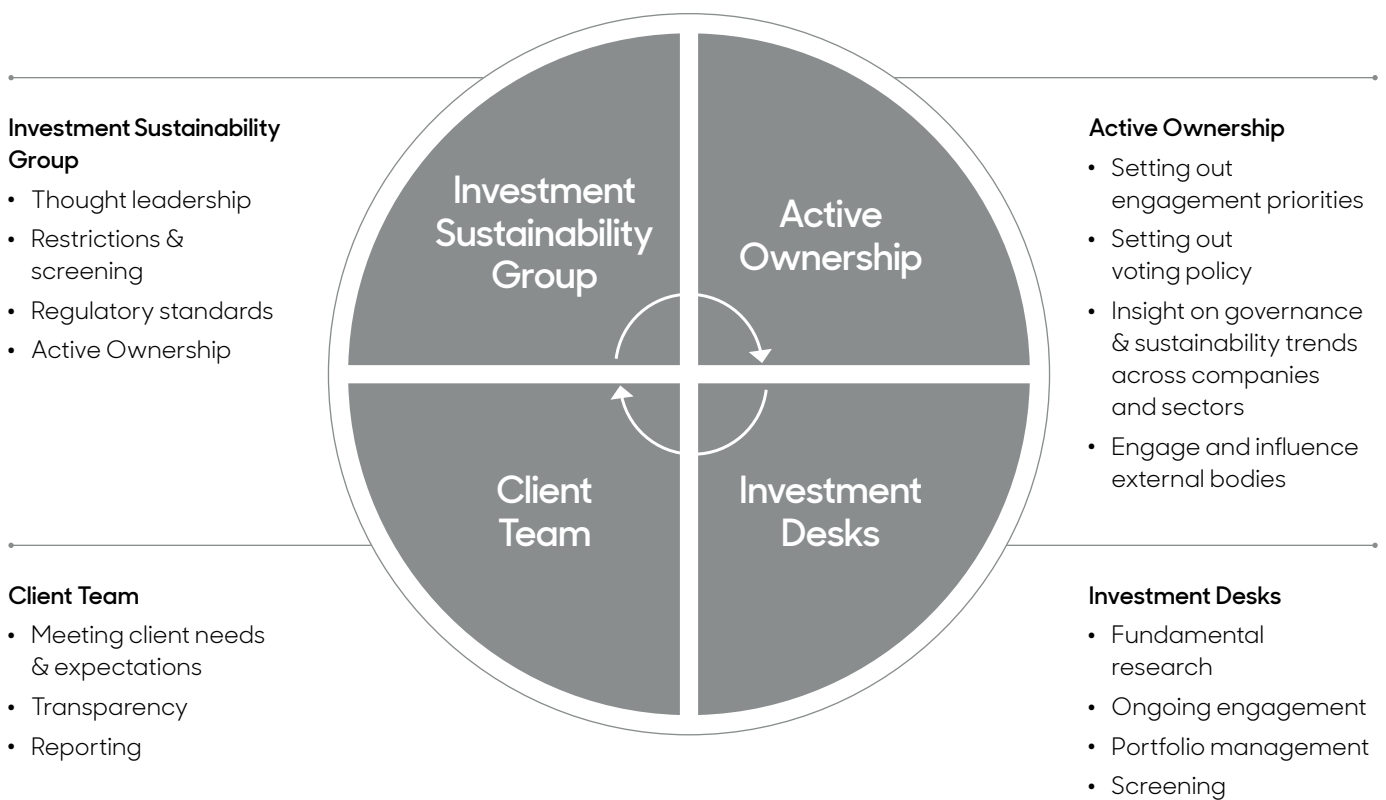


## How engagement efforts are organised

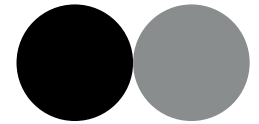
For every engagement, we have a wide pool of resources to draw from. We have ESG expertise embedded within our investment teams. Our on-desk investment analysts are supported by the ISG, who bring specialist knowledge on sustainability issues. These include, but are not limited to, areas such as risk management, board composition, remuneration, audit, climate change, labour issues, diversity and inclusion, human rights, bribery, and corruption. In addition, we leverage the macro insights of abrdn's Global Macro Research team.

The engagement planning process is led by our investment desks, and is informed by our ongoing diligence and research, reviews of investment sectors, specific fund reviews, our ESG scoring mechanisms and the peer review processes used by investment desks.

Our ISG provides detailed global thematic research and insight on stewardship and sustainability issues across all asset classes. Our research focuses on key sustainability themes and is linked to the UN Global Compact and Sustainable Development Goals (SDGs). Our Sustainability Insights team conducts thematic research to assess how changes in ESG issues could impact investment behaviours and therefore negatively or positively impact companies in which we invest. Furthermore, conducting thematic research enables us to conclude what should be deemed best practice and to encourage businesses to adopt these considerations within their business practices.



# Our engagement process



We engage with our investments in a number of ways:

- Face-to-face meetings with board members, senior executives and decision makers;
- On-site visits to see progress in action;
- AGM attendance to push for innovation and change;
- Exercise rights as a shareholder through voting and provide transparency around the rationale and expectations behind our votes;
- Collaborative engagements with other investors who may be seeking to achieve similar change from a single investment or a range of investments;
- Meetings with ex-employees, customers, suppliers, stakeholders or other experts to verify information provided by staff;
- Divestment in certain instances where a company's actions, strategy or plans don't meet our, or client, expectations or benchmarks.

## How engagement efforts are monitored

We believe that it is important for our engagement activities to lead to improvements in our investments and the way they manage and mitigate risks informs our investment decisions. We record concerns and issues raised with our investee companies and set timeframes within which we expect our concerns to be addressed.

To do this we have defined the following 'lifecycle' steps for our engagements:

- **Identify:** We identify specific concerns or issues to be raised with those investee companies.
- **Acknowledge:** The concern is acknowledged by those investee companies.
- **Plan:** There is a credible plan to address our concerns.
- **Execute:** The plan is being executed to address our concerns.
- **Close:** The plan has been successfully executed and our concerns have been addressed.

Engagement with investee companies for certain asset classes are recorded and identify the objectives for the engagement as well as the milestones, allowing us to classify success markers at the start of the engagement, and monitor (and report on) our engagements on an ongoing basis. This is important given some of the outcomes we are expecting will not be immediate, and it may be appropriate to set an engagement milestone which allows us to assess which steps the company has taken after our engagement. These milestones are created and tracked in relation to company engagement and the company's progress, or lack of, against these milestones, which in turn informs the company's ESG ratings. We advise our investments of the areas where we wish to see improvement and carry out desktop analysis or further engagement to measure progress.



# Our engagement process

## Escalation

### Escalation Approach

We consider escalation on a case-by-case approach and aim to identify risks early and set measurable milestones with investee companies. We may choose to refer to escalation in certain instances where a company is unresponsive, or in our view, the company is insufficiently responding to a material issue.

We have a decision tree that provides potential tools of escalation in the instance when an investee company in our view, has inadequately responded to a material risk. At abrDN, we engage with investments through escalation actions to drive change and achieve outcomes toward objectives. A flexible escalation approach is essential, given certain escalation actions may occur simultaneously or as part of regular due diligence with investments.

### Escalation Actions

Request Engagement	Revise Internal Assessments	Letter to the Board	Ownership Rights and Voting	Public Statement	Collaboration with External Parties	Divestment
Lead analyst may choose to request a follow up engagement with members of senior management or the board to address material risks.	Stakeholders such as portfolio managers, lead analysts and ESG specialists where possible, may choose to revise internal quantitative assessments of investee companies on a particular and material risk.	Lead analyst may choose, where possible, to send a letter to senior management or the board to communicate our milestones, expectations and suggest a reasonable timeline to progress against specific actions.	Voting is integral to our Active Ownership activities. Lead analysts and the Active Ownership Team where possible, may choose to enforce voting rights to encourage the progress of an investee company on a material risk.	abrDN may choose to issue a public statement detailing its view of a specific issue in the market and its expectations of investee companies.	We leverage participation in industry and investors-led initiative frameworks. We may choose to escalate issues to investee companies as a member of initiative frameworks, with the aim to have a unified view and to take collective action to drive change.	We may choose to divest where possible, and where we find an investee companies' response has material negative financial impacts. We believe in engagement approach over divestment.

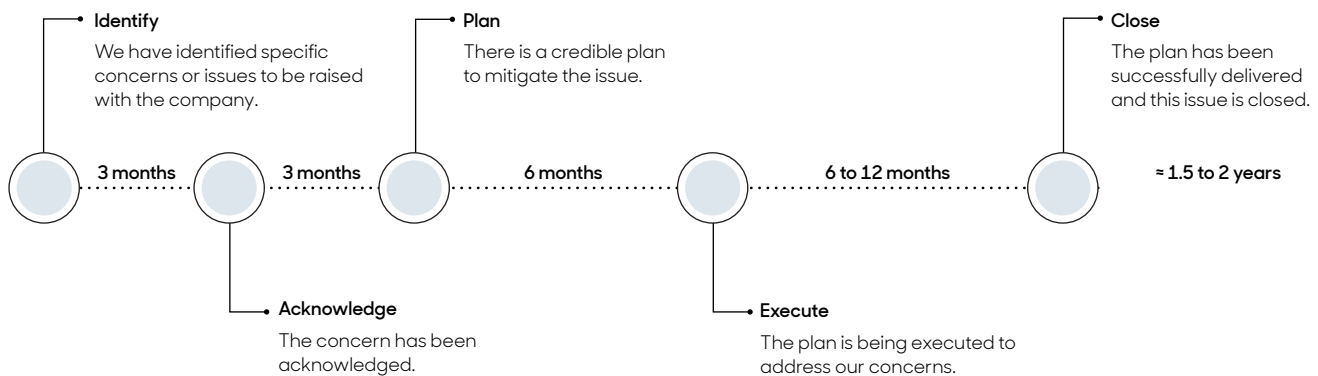


# Our engagement process

## Illustrative timelines for Escalation

Escalation tools are enforced at the decisive point it becomes clear the company has not followed the typical engagement lifecycle: **Identify, Acknowledge, Plan, Execute and Close**. We assess the execution and credibility of a company's plan for an identified risk, through tracking of the delivery on milestones set in engagements or public disclosures. It is imperative that the time for fulfilment of engagement objectives remains flexible. For examples, investments such as emerging market or high yield bond issuers may require more resource and time to deliver on outcomes.

## Engagement lifecycle - illustrative timeline

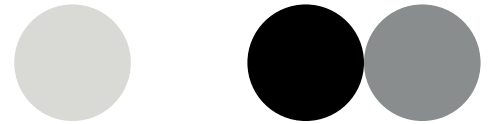


Note: for illustrative purposes only.

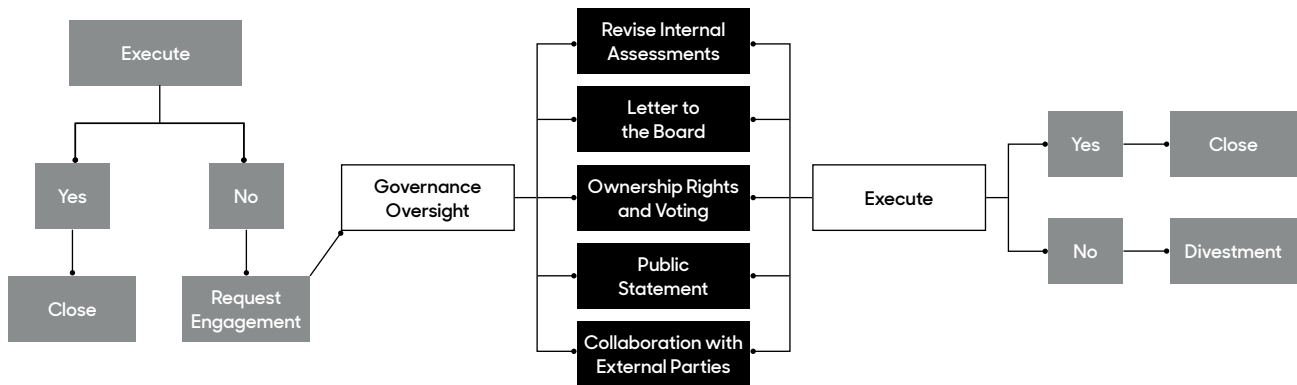
We monitor our investments closely in order to assess whether they have established a credible plan to address the issue within 6 to 12 months of the initial conversation. We set milestones in engagements and measure progress against measurable and reasonable milestones. We typically expect our investments to execute on a milestone between 6 to 12 months, depending on the issue and when the issue was raised. In a typical lifecycle engagement, we aim to engage with our investments every year. We revisit progress against milestones set at the initial engagement. The engagement lifecycle timeframes apply more strictly to developed market and listed equities companies, therefore flexibility is required for investments in emerging markets and fixed income. Risks may vary, depending on materiality and scale, some milestones may take several years to materialise than others.



# Our engagement process



## Examples of Escalation Actions



Note: for illustrative purposes only.

The exact stage when escalation actions are considered may vary case -by -case. Time frames can also vary in relation to the type of engagement the request put to the company and the nature of change requested. Below are examples of types of engagement and expected timelines (this is not an exhaustive list):

- Thematic timeframes: our net zero engagement is carried over a two-year horizon, if we do not see appropriate actions taken by investments within this time frame voting action will be taken.
- Disclosure requests: typically, these will be focused on the investments reporting cycle, and we will expect appropriate levels of disclosure on a comply or explain basis. If appropriate disclosure is not in place escalation steps will be taken.
- Nuanced areas: on areas such as cultural change, improved risk models etc. it may be more difficult to establish clear indicators. To assess success varying indicators and ongoing engagement with investee companies can be applied.

It is important to note that abrdn's approach with our investments is collaborative. We seek to work with our investments to achieve change that is beneficial to both the investments and our clients. Divestment is a last resort, and only when we view the company's inaction on ESG topics a significant risk to the business.

It should also be noted that as investors we are one of many interested stakeholders which our investee companies must consider. As collaborative investors we support our investments along their ESG journey. Our influence is one among many and there is no agreed mechanism that can better attribute investor engagement to company actions. The key output within an asset manager's sphere of influence is an alteration in investment approach. Actions taken by companies following engagement is not within the control of asset managers.

# Our engagement process

## Collaborative engagement

Collaborative engagement will be used as a result of an escalation of our own activities or to drive change relating to a specific theme across a group of investments. These collaborations may involve a bespoke group of investors, or may be one of the many regional affiliation groups that we belong to or in relation to a specific theme. We may publicly disclose the details of collaborative groups with which we regularly act.

Collaborative engagements are an important tool in influencing change, but as they often focus on single issues, it can be challenging and time consuming to reach agreement with co-collaborators who may have conflicting agendas. We support the market as a whole and drive positive change on specific sustainable investing issues, which is why we choose to participate in certain collaborative engagements. It is important to note that joining a collaborative engagement on a specific issue does not necessarily mean we agree with all views and ideas that the organisation/initiative publicise.

An example of collaborative engagement we are involved in is Climate Action 100+ (CA100+). This is an initiative between asset owners and managers to engage with high-carbon emitters, influence disclosure and encourage positive behaviour in relation to climate risk management. Further information on the inputs, actions, and outputs we have been involved with CA100+ can be found in our **Stewardship Report**.



# Transparency and reporting

With increasing scrutiny and expectations from various stakeholders, it is vital that we are transparent about our stewardship activities and outcomes.

Our corporate purpose – enabling our clients to be better investors – drives us to achieve the highest standards in our operations and in the investments we make, and to achieve our clients’ desired outcomes. In our reporting, we aim to demonstrate the outcomes-orientated stewardship and sustainable investment activities we undertake and to report on the exposures in the portfolios we manage on behalf of clients. Transparent disclosure allows our clients to understand their portfolios and to hold us to account for our consideration of ESG factors and our engagement with investments.

We currently provide information on engagement activities through various regular reporting mechanisms, including:

- Our annual Stewardship Report, which contains a sample of engagements we conducted over the year, including information on the reasons for engagement and the outcomes delivered. Our fund-specific Sustainable Investment Reports also provide visibility of our active ownership efforts across individual client portfolios.
- We are increasingly reporting more granular information relating to our engagement activities upon request and in-line with key industry initiatives, such as the Investment Consultants Sustainability Working Group (ICSWG) templates in the UK. We provide details of our engagement activity, the types of meetings held, progress through the engagement lifecycle and more information on the outcomes of our engagement. The regulatory environment relating to disclosure of ESG activities and sustainability continues to evolve.

## Conflicts of interest

Effective management of conflicts of interest is at the core of good client outcomes, and a key aspect of the global regulatory and legislative conduct risk agenda. We provide a wide range of products and solutions to a variety of clients, and we may from time to time have interests that conflict with these clients. There may also be conflicts that arise from the personal activities of our employees – for example, business ventures or outside appointments.

We ensure that all appropriate steps are taken to identify and prevent any conflicts of interest. However, if a conflict cannot be prevented then we take appropriate steps to mitigate and manage it. We have policies and procedures to address conflicts of interest that may arise from different scenarios. A full list of these scenarios can be found on our **Stewardship Report**.

Where actual or potential conflicts are identified, these are reported to our Risk and Compliance team and recorded on a central register, which is maintained within the function and escalated appropriately. As a general principle conflicts of interest are managed at a local level. However, in instances where it is deemed necessary the conflict is escalated to the Executive Leadership Team. Key details recorded include the type of conflict of interest and

who the conflict relates to, the measures taken to manage the conflict of interest and the senior individual who is responsible for overseeing the management of the conflict of interest.

Steps taken by abrdn to manage actual, potential, and perceived conflicts can include, but are not limited to:

- Procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more customer or client.
- Clear and segregated reporting lines.
- Processes to separate conflicting activities for clients to ensure that individual employees are prevented from performing activities where conflicts could arise.

Any actual, potential or perceived conflict of interest that cannot be effectively managed, and which poses a material risk of damage to a client’s interests, are disclosed to the client before undertaking the business.

Further information on Conflicts of Interest can be found in our **Group Risk Policy**.

abrdn plc is registered in Scotland (SC286832)  
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