



Sustainable Investment Report

abrdn Asia Focus PLC

31 December 2023

Prepared by: abrdn

abrdn.com

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Portfolio Overview

abrdn Asia Focus PLC

FUND SIZE

As at 31 December 2023, the fund size was £ 527.28m

Sustainable Investment Approach

- abrdn believes that Sustainable Investing is how we help clients to meet both their financial and sustainable investing objectives – with the aim of enabling our clients to be better investors.
- We also believe that integrating material ESG analysis can produce better risk-adjusted returns potential over the long term for our clients.
- Our beliefs are supported by principles that centre on our proprietary research, tools and analysis, all focused on delivering better value to our clients.
- We also offer clients a range of dedicated sustainable investment funds.



Our goal is to integrate environmental, social and governance risks and opportunities into the investment process with the ultimate aim of making better-informed investment decisions.

How we embed ESG into the Investment Process

01 Investment Insight



High quality fundamental and first hand research
Assessment of ESG for all stocks under coverage

02 Active Ownership



Engage and vote with aim of improving financial resilience and investment performance
Raise standards in companies and industries we invest in, and help drive industry best practice

03 Risk & Monitoring



Combine in-house and external scoring to inform view
Active tracking of fund holdings against ESG objectives

04 Our People



Over 110 equity professionals and circa 37 dedicated central & on-desk ESG specialists across the world

Key Data and Ratings

abrdn Asia Focus PLC

Below we set out some key information about the way ESG considerations have been embedded across abrdn and in the portfolio

abrdn

c.60

Dedicated ESG experts across our business



5-star

Rating across 7 categories in the latest Principles for Responsible Investment (PRI) assessment



932

Company engagements covering ESG topics



Equities Investment Team

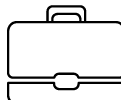
5-star/4-star

PRI Rating for Integration/Active Ownership in Listed Equities



100%

of researched companies include integration of ESG company analysis



Fund

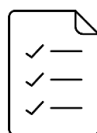
81

Number of meetings where we voted



22.2%

of meetings with at least one vote against management



As at 31 December 2023 scores are included for representative purposes only and are not reflective of our ratings across other modules. Our latest PRI Assessment Report containing our scores across all modules is available on our Sustainable Investing website <https://www.abrdn.com/en-gb/institutional/sustainable-investing/document-library>

Engagement: time period referenced is preceding 6 months.

Voting: time period referenced is preceding 12 months.

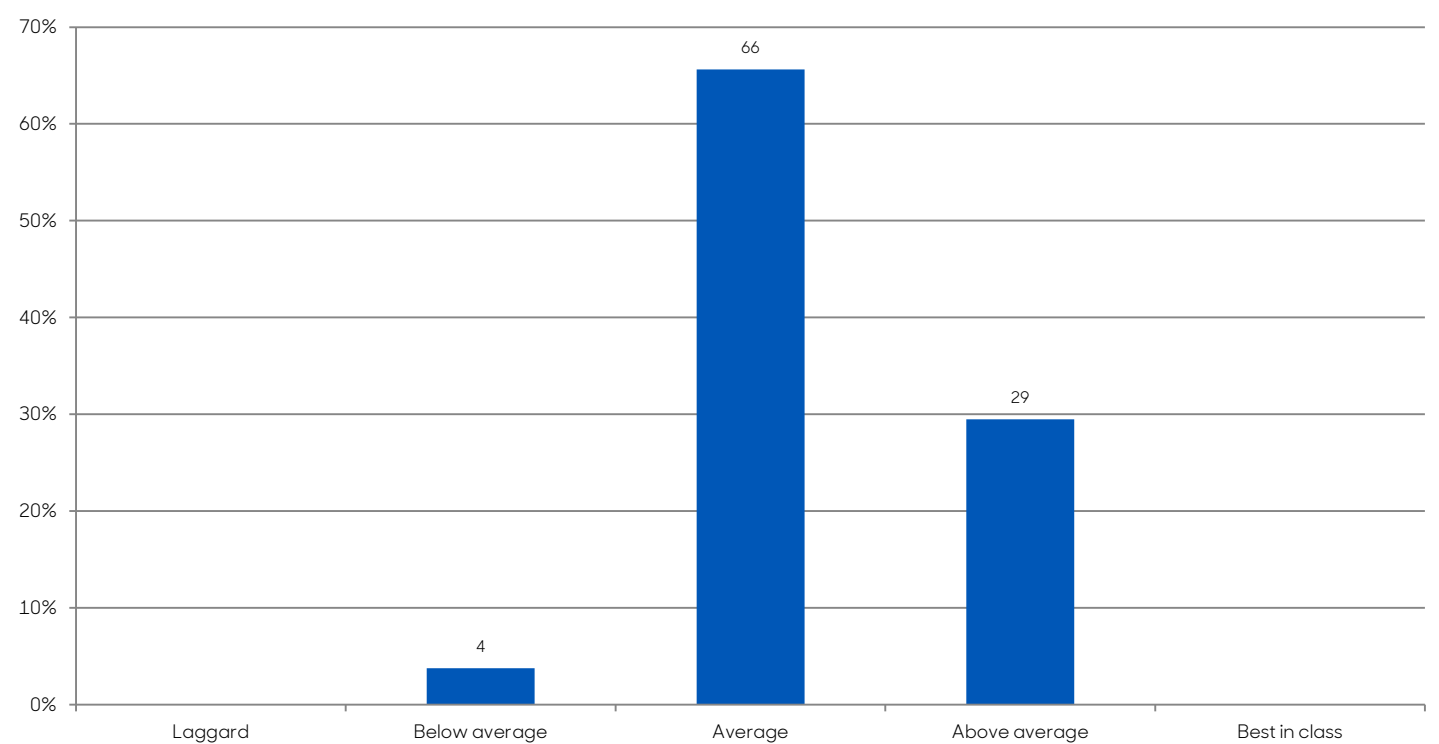
abrdn ESG Analysis

abrdn Asia Focus PLC

Fund ESG Quality Score Distribution

As part of their company research, our stock analysts evaluate the ownership structures, governance and management quality of the companies they cover. They also assess potential environmental and social risks that the companies may face. These insights are captured in our company research with every company that we invest in given a proprietary overall Quality rating and a component of this is the ESG Quality rating. Companies are ranked from Laggards (5) to Best in class (1).

Portfolio scores continue to improve. 29% of the companies in the portfolio are rated as Leaders, and 66% of the companies are rated as Average. Smaller companies are an area of focus for engagement for us as we generally find that, whilst practices are often in place, and that the companies we own have a strong commitment to ESG, disclosure is in many cases less evolved as compared to large cap peers. Encouragingly, we have found companies in the portfolio to be responsive, and our engagement has focussed on benchmarking and constructive guidance for improvement. 4% of the portfolio is rated as Below Average, and we continue to hold these positions as we see scope for improvement, again particularly with regards to disclosure. The portfolio does not hold any companies rated as a Laggard.



Source: abrdn

Analyst ESG rating	5	4	3	2	1
	Laggard	Below average	Average	Above average	Best in class
Examples of inputs	<ul style="list-style-type: none">Many financial controversiesSevere governance concernsPoor treatment of shareholders	<ul style="list-style-type: none">Evidence of some financially material controversiesPoor governance or limited oversight of key ESG issuesSome issues in treating minority shareholders poorly	<ul style="list-style-type: none">ESG risks are starting to be considered in company strategy.Disclosure in line with regulatory requirementsGovernance is generally good but some minor concerns	<ul style="list-style-type: none">ESG risks are considered as part of principal businessDisclosure is good but not best in classGovernance is very good	<ul style="list-style-type: none">ESG considerations are material part of the company's strategyExcellent disclosureMakes opportunities from strong ESG risk management

Benchmarking: MSCI ESG Ratings

abrdn Asia Focus PLC

MSCI company ratings are provided to enable comparisons with investments held elsewhere in a standardised format. We conduct our own proprietary research which may lead us to have a view different to that expressed by the MSCI score.

MSCI rates companies on a AAA–CCC scale according to their exposure to ESG risks and how well they manage those risks relative to peers.

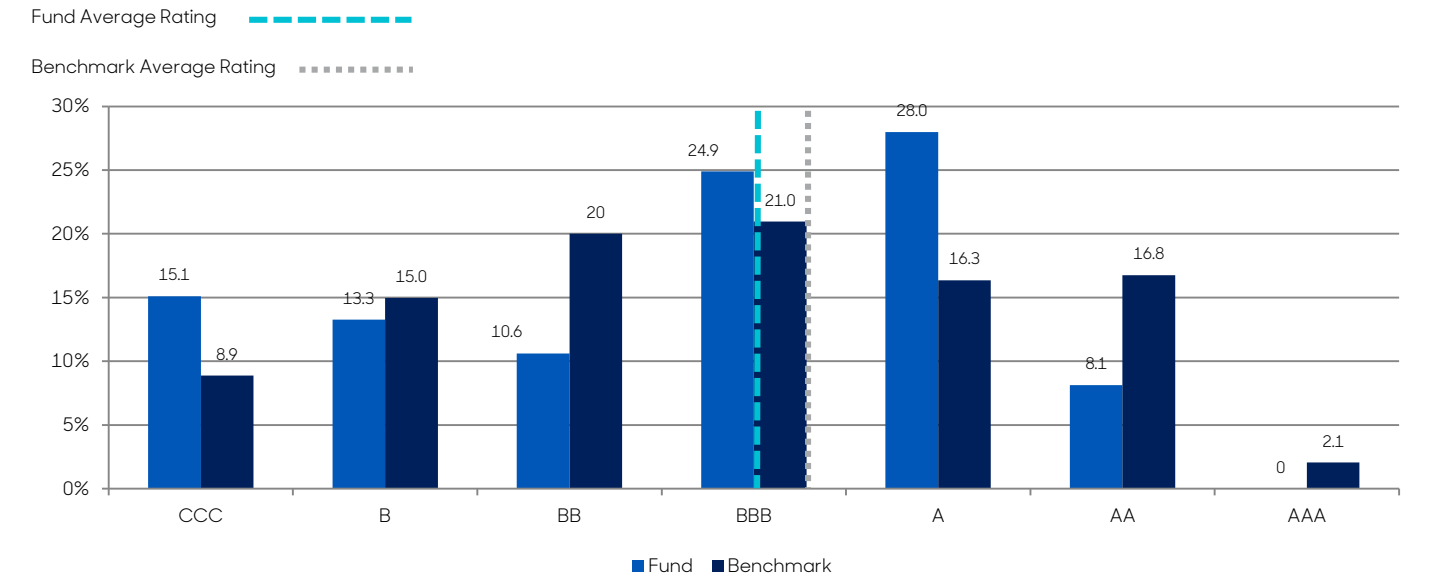
The Fund MSCI ESG Quality Score assesses the resilience of a fund's aggregate holdings to long term ESG risks and is provided on a 0–10 scale, with 10 being the highest possible fund score. The Fund MSCI ESG Rating measures the resiliency of portfolios to long term risks and opportunities arising from environmental, social, and governance factors. The Fund ESG Rating is calculated as a direct mapping of "Fund MSCI ESG Quality Score" to letter rating categories.

MSCI Fund ESG Quality Scores

	Overall Score (1-10)	Benchmark Average
Fund	4.4	4.7
Environmental	4.5	4.5
Social	4.1	4.3
Governance	4.7	5.4

Source: abrdn derived average based on underlying MSCI company scores

MSCI ESG Rating Distribution Fund and Benchmark



Source: abrdn derived averages based on underlying MSCI company ratings

	Fund	Benchmark
MSCI data coverage (by market value)	49.4%	75%

MSCI company ratings are provided to enable comparisons with investments held elsewhere in a standardised format. We conduct our own proprietary research which may lead us to have a view different to that expressed by the MSCI score.

MSCI ESG Rating Distribution: The fund and benchmark averages are calculated based on the individual security level MSCI scores. Portfolio and Benchmark positions are reweighted on a pro rata basis to reflect holdings where MSCI data is available.

Active Ownership

abrdn Asia Focus PLC

Engagement Activity

We actively undertake informed constructive engagement to generate better performance from our investments. This helps enhance the value of our clients' assets. We engage, manage and vote for either insight or influence. Engagement activity may be undertaken by any of our investment teams with a holding in the company, or by our dedicated stewardship team. Time period referenced is preceding 6 months.

Please note this page references abrdn ESG engagements conducted with the investment desk and does not cover all company meetings by the investment desk where ESG issues were discussed. The case studies section in this report details a sample of further engagements relevant to the fund.

Voting

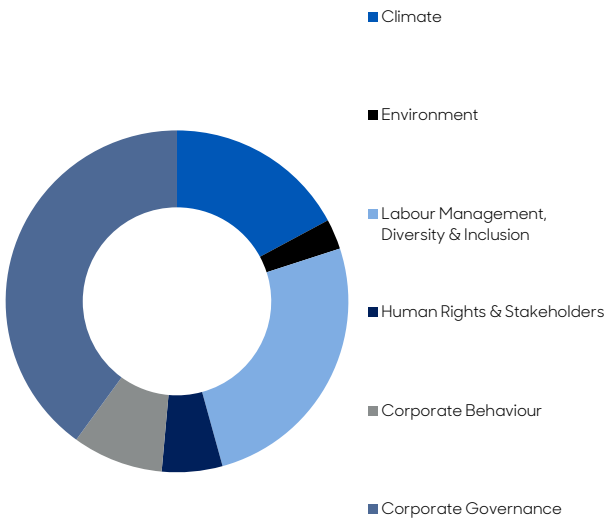
We draw on the resources in our ESG Investment Team and stock analysts to vote consistently on behalf of all client assets in line with the abrdn voting policy. Time period referenced is preceding 12 months.



There were 56 holdings in the portfolio as of the 31 December 2023

Our Engagement Activity

We regularly engage with companies we invest in. The below shows the engagements that have included ESG topics. Over the period we met with 11 portfolio companies on ESG topics and had 17 engagements with them. This does not include positions we have moved out of or are considering. Below are the themes engaged on :



Our Voting Activity

Voting Summary	Total
How many meetings were you eligible to vote at?	81
How many meetings did you vote at?	81
How many resolutions were you eligible to vote on?	558
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	94.6%
Of the resolutions on which you voted, what % did you vote against management?	5.4%
Of the resolutions on which you voted, what % did you abstain from voting?	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	22.2%

During an ESG engagement meeting / call with a portfolio company multiple themes and issues might be discussed. At abrdn we endeavour to vote at all meetings for which our clients have delegated us voting authority. Where we do not have voting authority, no voting data will be included in this report. We have disclosed the number of meetings and resolutions for which the fund was eligible to vote and the remaining statistics reflect data for the votes which have been successfully processed. The number of meetings voted compared to eligible meetings may differ due to the impact of market specific obstacles which could impact liquidity, for example shareblocking, and rejected votes due to local Power of Attorney requirements. Full details of our voting activity is disclosed on our website.

Active Ownership: Case Studies

abrdn Asia Focus PLC

We include a selection of case studies to demonstrate engagement style and investment management approach. These are not an indication of future performance or investment recommendation on the companies themselves.

Company Topic	Lifecycle Status	Engagement Summary	Investment View Change
Andes Technology Corp	Execute	The IR estimates Andes' yearly attrition rate to be between 8- 10%, which is likely to improve as: (1) a major competitor recently cut 20% of its headcount; and (2) weak macro in China (i.e. employees are more likely to stay, easier to hire people from China if needed). Andes has met its hiring target and will pause hiring temporarily, except for engineers from the US for HPC-related development (HPC: high-performance compute).	None
Labour Management			
CE Info Systems Ltd	Execute, Acknowledge	We discussed talent management with the company at our recent meeting. The company closed the year with 1170 employees, of which 850 are technical employees. Attrition has been in the range of 16-17% for the last three years, albeit management noted that attrition falls with seniority (i.e. lower attrition for more senior individuals). Reassuring, but a topic we'll continue to engage on.	None
Labour Management			
Chacha Food Co Ltd	Execute, Acknowledge	During a one-on-one meeting with the Chairman - our first - we discussed a range of management topics, including succession planning, bench strength, talent retention, co-ordination, and training. We also discussed supply chain management, and the company's efforts on sustainability. A very encouraging conversation.	None
Labour Management, Corporate Gov & Disclosure			
Credit Bureau Asia Ltd	Execute, Acknowledge	At a recent meeting we discussed staff turnover with management, given this seems to have increased, particularly for their D&B sales team and finance. Management explained that they operate in a competitive market, and that management has thus far resisted wage pressure. Attrition is higher for the newcomers but those who stay value job stability. Incentives offered include bonuses based on profit above a threshold, upon meeting their annual profit targets.	None
Labour Management, Corporate Behaviour			
Kerry Logistics Network Ltd	Execute, Acknowledge	We discussed succession planning with the company, and came away reassured around the CEO transition process, with the forthcoming CEO having been with the company for a number of years.	None
Corporate Gov & Disclosure			
Park Systems Corp	Plan, Execute, Acknowledge	At our meeting we stressed the need to disclose more ESG-related information in English to improve their MSCI ESG scoring, which is impacted given a lack of English disclosure. More positive, the company has recently set up a remuneration committee, and is also aiming to disclose ESG and sustainability information on the website. Part of the rationale for relocating the corporate HQ is to improve energy efficiency - something that is not currently shared on the website or annual report. We have recommended they try to engage directly with MSCI to try and improve their ESG rating through improved communications and disclosures.	Enhances
Labour Management, Corporate Gov & Disclosure			
Sinbon Electronics Co Ltd	Execute	As part of our engagement on alignment with the UN SDGs, we engaged with the company to confirm the company's focus on green products, and associated level of investment and exposure. The company confirmed that green revenues (i.e. EV-related products and green energy) remain a strategic priority and that they are investing 36% of their overall R&D budget into these initiatives. The business has low-carbon products, though lags reporting the outputs from these businesses which should remain a priority for future engagement. Revenue from these products reached 46% of total group revenue in 2022 so we would expect to see advancements in reporting given the size within the total group.	Reinforces
Climate Change, Corporate Gov & Disclosure			
Zhejiang Shuanghuan Driveline Co Ltd	Execute	We discussed a range of ESG issues at our recent meeting. Reassuringly, staff attrition levels are low, and the company uses ESOPs to retain talent.	Reinforces
Climate Change, Labour Management, Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure			

Source: abrdn

Active Ownership: Case Studies Continued

abrdn Asia Focus PLC

We include a selection of case studies to demonstrate engagement style and investment management approach. These are not an indication of future performance or investment recommendation on the companies themselves.

Company	Lifecycle Status	Engagement Summary	Investment View Change
Topic			
Zhejiang Shuanghuan Driveline Co Ltd	Plan, Execute, Acknowledge	We recently had our first onsite meeting with the company. The independent directors appear professional and diligent, with views and inputs on peer comparison and M&As for instance. The company has done two rounds of stock ownership and employee stock option schemes in 2020 and 2022, increasing the pool of eligible employees in the process as well. The chairman has not sold any shares since he took on the post and his income comprises mainly salary and dividends. Finally, the corporate culture seems strong with employees less likely to leave if they have worked in the company beyond one year. We thought the discussion enhanced our conviction in the company.	Enhances
Corporate Gov & Disclosure			

Source: abrdn

Glossary

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Data Point	Definition
Avoided Emissions	Greenhouse gas emissions avoided by being invested in the portfolio in lieu of the benchmark.
Carbon Emissions	Carbon emissions is used as a generic term for the main greenhouse gas (GHG) emissions (carbon dioxide, methane, nitrous oxide, F-gases) in our reporting.
Carbon Footprint	The total set of greenhouse gas emissions caused directly and indirectly by an [individual, event, organisation, product] expressed as CO ₂ e.
Carbon Intensity	Carbon emissions relative to a specific activity. For company carbon footprinting, the carbon intensity reflects the CO ₂ e emissions divided by revenue in million US\$. For countries, the standard intensity metric is the ratio of greenhouse gas emissions produced to gross domestic product (GDP).
CO ₂ e	The term CO ₂ e stands for CO ₂ equivalent and relates to the CO ₂ equivalent warming potential of the main greenhouse gases listed above.
ESG Integration	The inclusion of ESG considerations as part of investment analysis and decision making. It involves assessing both the risks and opportunities of a range of ESG-related factors that may affect the performance of our investments.
Exclusions	Companies and sectors that will not be invested in by the portfolio due to business activities that are deemed unsuitable for the portfolio outcome or underlying investor. For example the makers of controversial weapons like cluster bombs.
MSCI Fund ESG Quality Score	The Fund ESG Quality Score (10-0) assesses the resilience of a fund's aggregate holdings to long term industry specific ESG risks. Highly rated funds tend to consist of issuers with leading or improving management of key ESG risks according to MSCI's methodology.
MSCI Fund ESG Rating	The Fund ESG Rating (AAA-CCC) assesses the resilience of a fund's aggregate holdings to long term industry specific ESG risks. Highly rated funds tend to consist of issuers with leading or improving management of key ESG risks according to MSCI's methodology.
Peer Group MSCI Percentile Rating	The Fund ESG Score - Peer Percentile is a percentile rank (1-100) that measures how the Fund ESG Score ranks relative to other funds in the same peer group.
Pillars	Using the SDGs for guidance on where the world should allocate capital, we identified eight pillars of impact that address three key issues: climate change, social inequalities and unsustainable consumption patterns.
PRI Rating	The Principles for Responsible Investment (PRI) is a global initiative founded by the United Nations. The PRI scorecard rating aims to measure the success of implementation of responsible investment practices across the investment process.
UN Global Compact	A global corporate sustainability initiative, calling on companies, investors and other participants to align their strategies and operations with universal principles on human rights, labour, environment and anti-corruption.
UN Sustainable Development Goals	The Sustainable Development Goals or Global Goals are a collection of 17 interlinked global goals designed to be a "blueprint to achieve a better and more sustainable future for all". The SDGs were set in 2015 by the United Nations General Assembly and are intended to be achieved by the year 2030.
Weighted Average Carbon Intensity	Average carbon intensity of the portfolio weighted by the weight of the company in the portfolio. This measure is recommended by TCFD.

Past performance is not a guide to future results. The value of investments, and the income from them, can go down as well as up and clients may get back less than the amount invested.

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* abrdn means the relevant member of abrdn group, being abrdn plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

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