



Sustainable Investment Report

abr dn Asia Focus PLC

30 June 2023

Prepared by: abr dn

[abr dn.com](https://www.abr dn.com)

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Portfolio Overview

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FUND SIZE	As at 30 June 2023, the fund size was £ 502.33m
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Sustainable Investment Approach

- abrdrn 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	02 Active Ownership	03 Risk & Monitoring	04 Our People
<p>High quality fundamental and first hand research</p> <p>Assessment of ESG for all stocks under coverage</p>	<p>Engage and vote with aim of improving financial resilience and investment performance</p> <p>Raise standards in companies and industries we invest in, and help drive industry best practice</p>	<p>Combine in-house and external scoring to inform view</p> <p>Active tracking of fund holdings against ESG objectives</p>	<p>Over 150 equity professionals and circa 40 dedicated central & on-desk ESG specialists across the world</p>

The benchmark for the fund is **MSCI AC Asia Pacific ex Japan Small Cap**

Key Data and Portfolio Ratings

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

abrdrn

c.60

Dedicated ESG experts across our business



5-star

Rating across 9 categories in the latest Principles for Responsible Investment (PRI) assessment



1020

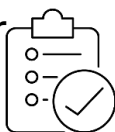
Company engagements covering ESG topics



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

79.3%

Lower

carbon intensity relative to the Benchmark



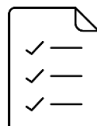
81

Number of meetings where we voted



27.2%

of meetings with at least one vote against management



1/5

Globes – Morningstar Sustainability rating



These 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.

Engagement: time period referenced is preceding 6 months.

Voting: time period referenced is preceding 12 months.

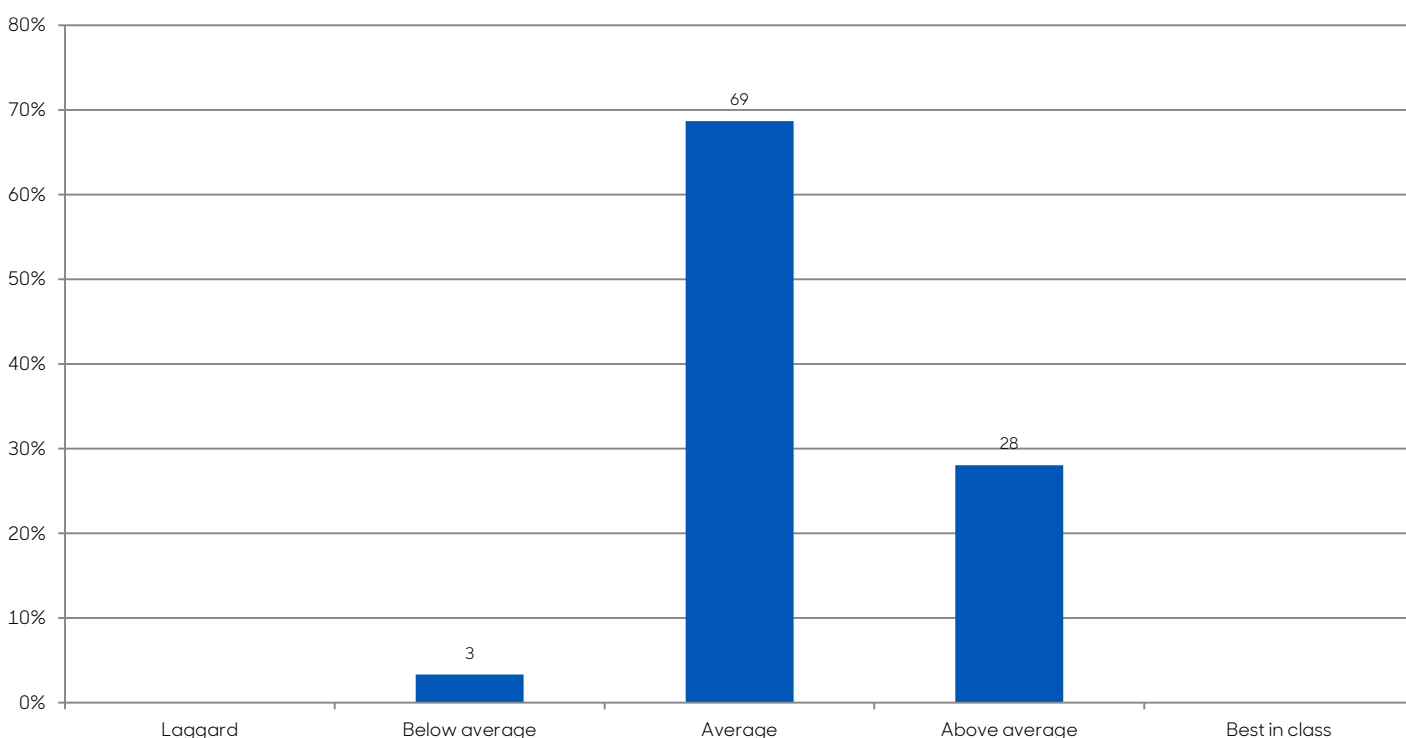
abrdn ESG Analysis

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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).

28% of the companies in the portfolio are rated as Above Average, and 69% of the companies are rated as Average, reflecting of the portfolio's focus on quality. 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. 3% 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 controversies Severe governance concerns Poor treatment of shareholders 	<ul style="list-style-type: none"> Evidence of some financially material controversies Poor governance or limited oversight of key ESG issues Some 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 requirements Governance is generally good but some minor concerns 	<ul style="list-style-type: none"> ESG risks are considered as part of principal business Disclosure is good but not best in class Governance is very good 	<ul style="list-style-type: none"> ESG considerations are material part of the company's strategy Excellent disclosure Makes opportunities from strong ESG risk management

Carbon Analysis

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Carbon footprinting is a starting point for understanding exposure to climate risks and the impact of a company or a portfolio on the energy transition. It can help identify relatively high carbon-intensive companies and drive corporate engagement. In our analysis we consider Scope 1, 2 and 3 emissions at company and sector level. For portfolio carbon footprinting we limit emissions to Scope 1 and 2 to avoid double counting and data inconsistencies.

Please note that Carbon footprinting has its limitations as it is a backward-looking measure. Our analysts overlay this with their own forward looking assessment of the company.

The fund's carbon footprint is 79.3% lower than the benchmark, as detailed below. The main contributors towards the carbon footprint are Pacific Basin Shipping Ltd, UIE PLC and United Plantations BHD. Whilst Pacific Basin operates in the relatively high impact shipping industry, the company has signed the Call to Action for Shipping Decarbonisation, and has set a target that the company's fleet will comprise only zero emission vessels by 2050. The company continues to progress towards this target, and this remains an ongoing engagement for us.

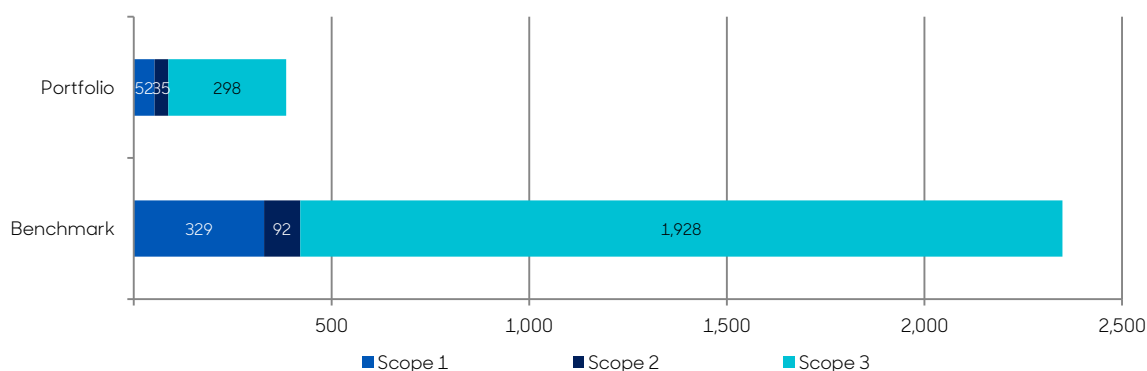
Carbon Data Disclosure: Scope 1 and 2

Data Disclosure	Portfolio	Benchmark
Number of Companies with Data	47	1675
Trucost Data Coverage (%)	83.9	92.8

Source: Trucost

Fund Carbon Footprint

Weighted Average Carbon Intensity (tCO₂e/USDm)



Source: Trucost

Portfolio Carbon Intensity versus Benchmark

How carbon intensive are the companies in my portfolio compared to benchmark?

(In tonnes of CO ₂ e/million USD revenue)	Weighted Average Carbon Intensity Scope 1+2	Scope 1	Scope 2	Scope 3
Portfolio	87	52	35	298
Benchmark	421	329	92	1,928
Relative Carbon Intensity (%)	20.7	15.8	38.3	15.5

Source: Trucost

A portfolio with less than 100% relative carbon intensity has lower carbon emissions per dollar of revenue than the comparative benchmark. For example a portfolio with 90% relative carbon intensity has 10% lower carbon intensity than the benchmark.

Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream and Downstream (where available) Value Chain emissions. Trucost data is partly based on estimated figures. Coverage % based on number of holdings.

Carbon Analysis

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Total Portfolio Emissions versus Benchmark

What emissions are "owned" by the portfolio based on company ownership?

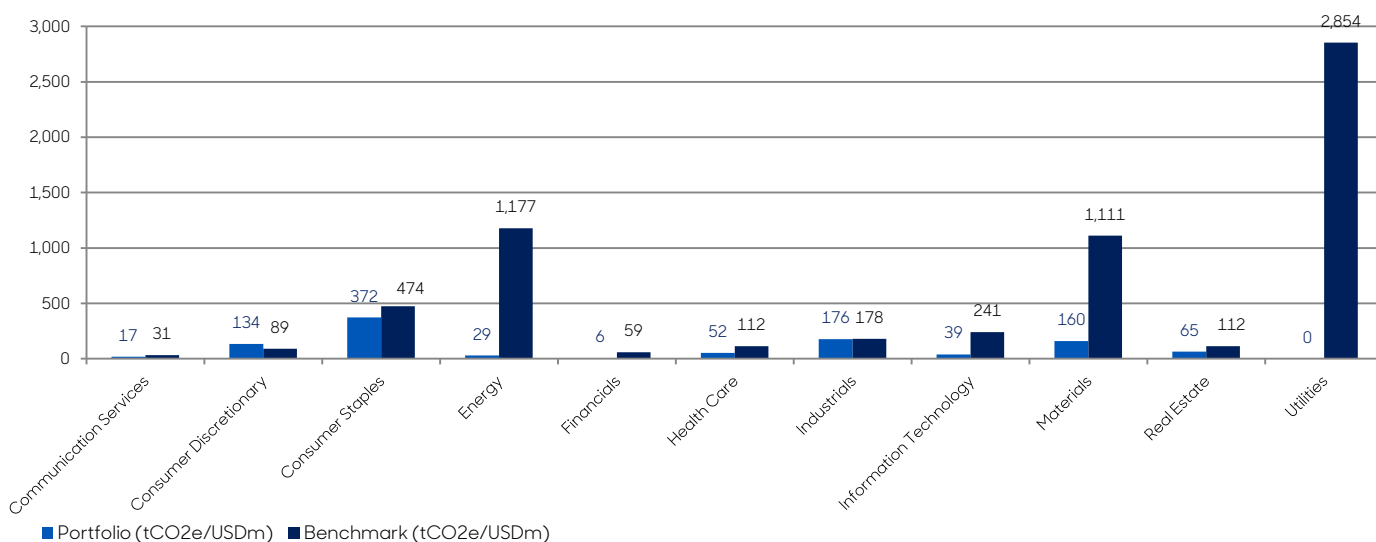
(In tonnes of CO2e)	Emissions Scope 1+2	Scope 1	Scope 2	Scope 3
Portfolio	82,318	36,140	46,178	1,12,673
Benchmark	236,329	195,832	40,498	487,594
Relative to benchmark (%)	34.8	18.5	114.0	228.2
Avoided Emissions	154,011	159,692	-5,681	-625,078

Source: Trucost

Total emissions owned increase with the size of the portfolio and are therefore not comparable across funds.

Carbon Footprint Sector Contribution

Scope 1 & Scope 2 Carbon Emissions (tCO2e/USDm)



Source: Trucost

Top Carbon Footprint Stock Contribution

A negative carbon footprint contribution increases the portfolio's carbon footprint

Scope 1 and Scope 2 Carbon Emissions (tCO2e/USDm)

Top Contributors to Carbon Footprint	Portfolio (%)	Benchmark (%)	Fund Carbon Footprint Contribution (%)	Benchmark Carbon Footprint Contribution (%)
Pacific Basin Shipping Ltd	12	0.1	-17.2	-0.3
UIE PLC	2.5	0	-14.6	0
United Plantations BHD	13	0	-7.3	0
Shangri-La Hotels Malaysia Bhd	0.9	0	-5.4	0
Sinoma Science & Technology Co Ltd	2.8	0	-3.0	0
John Keells Holdings PLC	3.3	0	-1.3	0
Cebu Holdings Inc	2.1	0	-0.9	0
Medikaloka Hermina Tbk PT	2.7	0	-0.7	0
Convenience Retail Asia Ltd	0.9	0	-0.4	0
Nanofilm Technologies International Ltd	1	0	-0.4	0

Source: Trucost

Scope (1-3) emissions definitions - 1: Direct emissions 2: Indirect emissions 3: Upstream and Downstream (where available) Value Chain emissions.

Trucost data is partly based on estimated figures.

Coverage % based on number of holdings.

Benchmarking: MSCI ESG Ratings

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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.

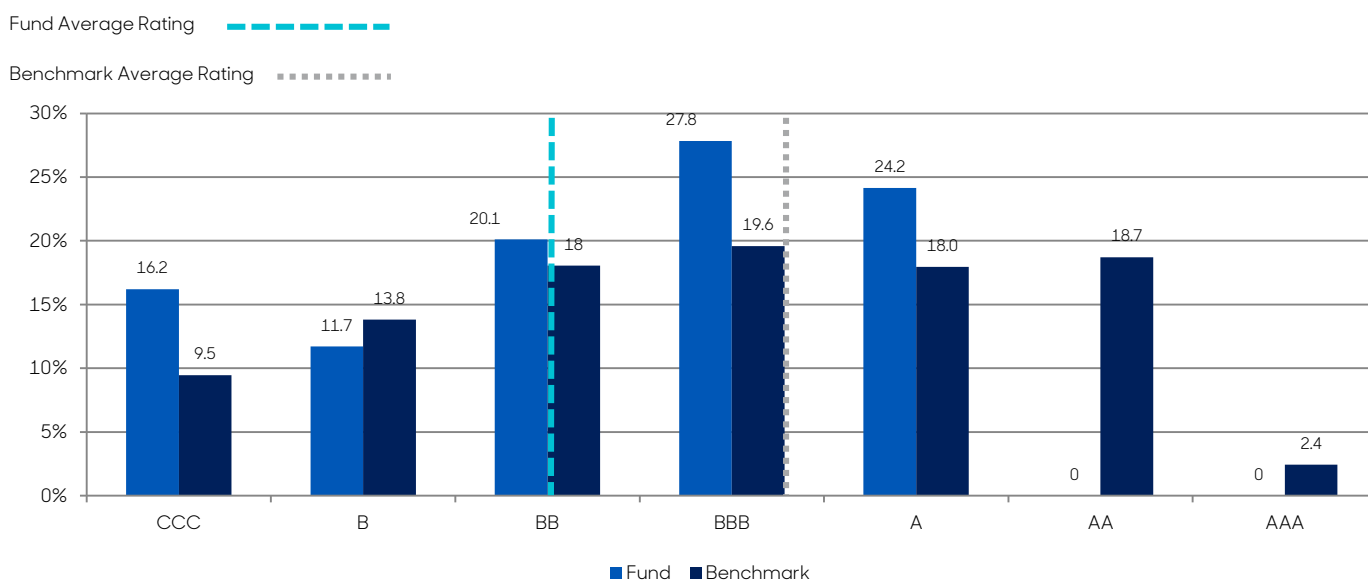
The Fund MSCI ESG Quality Score assesses the resilience of a fund's aggregate holdings to long term ESG risks and is provided on a 0-10 scale, with 10 being the highest possible fund score. The Fund MSCI ESG Rating measures the resiliency of portfolios to long term risks and opportunities arising from 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 (+10)	Benchmark Average
Fund	3.9	4.9
Environmental	4.3	4.7
Social	3.9	4.4
Governance	4.7	5.3

Source: abrdrn derived average based on underlying MSCI company scores

MSCI ESG Rating Distribution Fund and Benchmark



Source: abrdrn derived averages based on underlying MSCI company ratings

	Fund	Benchmark
MSCI data coverage (by market value)	50.2%	68.1%

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

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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 abr dn 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

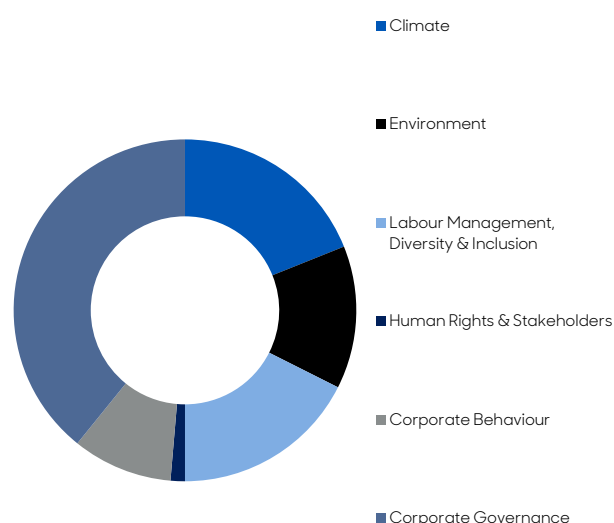
We draw on the resources in our ESG Investment Team and stock analysts to vote consistently on behalf of all client assets in line with the abr dn voting policy. Time period referenced is preceding 12 months.



There were 59 holdings in the portfolio as of the 30 June 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 15 portfolio companies on ESG topics and had 32 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?	82
How many meetings did you vote at?	81
How many resolutions were you eligible to vote on?	598
What % of resolutions did you vote on for which you were eligible?	98.5%
Of the resolutions on which you voted, what % did you vote with management?	92%
Of the resolutions on which you voted, what % did you vote against management?	6.6%
Of the resolutions on which you voted, what % did you abstain from voting?	1.4%
In what % of meetings, for which you did vote, did you vote at least once against management?	27.2%

During an ESG engagement meeting / call with a portfolio company multiple themes and issues might be discussed. At abr dn 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

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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
AKR Corporindo Tbk PT Climate Change, Corporate Gov. & Disclosure, Environment	Execute	The company was very keen to thank us for our support in helping them improve disclosure and issue a Sustainability Report, and are keen to enhance emissions disclosure going forward. A very good case study of productively and constructively engaging with a company to improve disclosure.	None
Chacha Food Co Ltd Corporate Gov. & Disclosure, Labour Management	Identify, Execute	We engaged with Chacha to gain visibility on their risk management policies in key ESG topics and to encourage them to release their inaugural ESG report. We came away with positive impression. Whilst the company is only relatively recently thinking about ESG, Chacha positively surprises us with some comprehensive and best-in-class ESG practices in daily operations, whilst the company is working to improve disclosure and business integration. The call enhanced our view on Chacha's ESG quality, and strengthens our confidence that they would be rated higher by MSCI following improved disclosure.	Enhances
FPT Corp Corporate Gov. & Disclosure, Labour Management	Identify, Execute, Close	We queried the nature of the material intercompany cashflows we had observed. The company explained its approach to centralised management, having decided to concentrate cash management at head office. This seemed reasonable, and we were comforted by the conversation.	Reinforces
Joinn Laboratories China Co Ltd Climate Change, Corporate Gov. & Disclosure, Labour Management	Execute	We discussed carbon emission and human capital management with the company. In terms of carbon emissions, IR acknowledged this issue though noted that Joinn Lab is not a carbon-intensive company. In terms of human capital management, IR has acknowledged our suggestions around disclosure, and the company would continue to improve its disclosure in this space. Overall, a reassuring approach to better EG disclosure. We will continue to monitor.	None
Medikaloka Hermina Tbk PT Corporate Behaviour, Corporate Gov. & Disclosure, Labour Management	Execute	At our meeting we got further colour on the incentivisation of doctors to treat BJPS patients, training of up to 10 specialists in foreign hospitals, reimbursement rates and regulatory support for Hermina's strategy of increasing case intensity/complexity to retain would-be Indonesian health tourists. Overall, this reinforces Hermina's already compelling health inclusion story.	Reinforces
momo.com Inc Corporate Behaviour, Environment, Human Rights & Stakeholders	Execute	We engaged on labour practices and data security and were reassured by the company's disclosures on their internal policies. As for product quality and customer welfare, the company's response was more focused on environmental factors. We will continue our discussion to understand how Momo also considers the social factors	None
Pacific Basin Shipping Ltd Climate Change, Corporate Gov. & Disclosure, Environment	Execute	We discussed low carbon fleet renewal with the company. Orders for methanol vessels could start next year, albeit delivery will take longer so until then the fleet structure should be unchanged.	Reinforces
Prestige Estates Projects Ltd Corporate Gov. & Disclosure	Execute	We discussed corporate governance with the company. It was encouraging to hear there is an intention to improve the board composition and the gap in skillsets we think they need to address.	None

Source: abrdn

Active Ownership: Case Studies Continued

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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
Tisco Financial Group PCL Corporate Gov. & Disclosure	Execute	We discussed ESG with the company. TISCO's vision with regards to ESG is to improve the society by encouraging financial literacy, financial protection, reducing vehicle accidentence, and improving the household debt.	None
Vijaya Diagnostic Centre Corporate Behaviour, Corporate Gov. & Disclosure	Execute	We engaged with Vijaya following our recent meeting, and provided a detailed summary of disclosures we would like the company to publish in its forthcoming sustainability report. This included a range of granular disclosures, and the company's alignment with the UN Sustainable Development Goals (SDGs), in particular UN SDG 3 - ensure healthy lives and promote well-being for all at all ages.	None
Yoma Strategic Holdings Ltd Corporate Gov. & Disclosure	Identify, Execute, Close	We discussed the recent sale of property and land to Yoma Bank, given the related party transaction nature of the deal. The conversation was helpful, and we believe that appropriate procedures were followed and that the transaction was conducted fairly.	None

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 Emissions - Scope 1	Greenhouse gas emissions generated from burning fossil fuels and production processes which are owned or controlled by the company.
Carbon Emissions - Scope 2	Greenhouse gas emissions generated from the consumption of purchased electricity, heat or steam by the company.
Carbon Emissions - Scope 3	Other upstream and downstream indirect greenhouse gas emissions such as the extraction and production of purchased materials and fuels, transport-related activities in vehicles not owned or controlled by the reporting entity, electricity related activities (e.g. T&D losses) not covered in Scope 2.
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.
Morningstar Sustainability Rating	The Morningstar Sustainability Rating for funds helps investors measure portfolio-level risk from environmental, social, and governance factors.
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.
Trucost	Trucost is a leading provider of carbon data, the data obtained is used to assess exposure relating to climate change and broader environmental, social and governance factors in order to progress to a more sustainable world.
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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