

Annex IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product Name: Global Smaller Companies Fund

Legal Entity Identifier: 2138009F7X5MEWACXF49

Sustainable

investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☒ ☒ ☐ Yes

☒ ☐ ☒ No

☐ It made **sustainable investments with an environmental objective: ____%**

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It made **sustainable investments with a social objective: ____%**

☒ It promoted **Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 40 % of sustainable investments

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☒ with a social objective

☐ It promoted E/S characteristics, but **will not make any sustainable investments**



Sustainability indicators

measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

To promote the environmental and social characteristics, the Fund applied ESG assessment criteria, ESG screening criteria and promoted good governance including social factors.

We used our proprietary research framework to analyse the foundations of each business to ensure proper context for our investments. This included examining the durability of its business model, the attractiveness of its industry, the strength of its financials and the sustainability of its economic moat.

We also considered the quality of its management team and analysed the environmental, social and governance (ESG) opportunities and risks impacting the business and appraise how well these are managed. We assigned a proprietary score to articulate the quality attributes of each company, one of which is the ESG Quality rating. This enables the portfolio managers to exclude companies with material ESG risks and positively skew the portfolio towards opportunities and to build well-diversified, risk adjusted portfolios.

Additionally, our proprietary ESG House Score, developed by our central ESG investment team in collaboration with the Quantitative investment team, was used to identify companies with potentially high or poorly managed ESG risks. The score is calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector. This allowed us to see how companies ranked in a global context.

To complement this, we also utilise our active stewardship and engagement activities.

How did the sustainability indicators perform?

As described in more detail within our prospectus, the sustainability indicators applied by the Fund are:

ESG Assessment Criteria

Understanding environmental, social and governance (ESG) factors can complement broader understanding of a business' competitive positioning and help build out an investment case. We believe that integrating ESG analysis helps give us a competitive edge.

We believe that looking at ESG information, including the way we collect ESG information, gives us an information edge. By considering ESG factors when others do not we have an informational advantage over competitors. The way we systematically integrate ESG factors into the investment process contributes to our analytical edge. Incorporating ESG factors into company analysis and using these factors to understand quality, the drivers of value and risks to that value, we gain an analytical edge over the market where peers do not consider ESG factors. Finally, by better understanding the quality of companies, and with ESG being a component of quality, we can act on more informed and more rational basis during periods of volatility, giving us a behavioural edge. Better understanding the inherent drivers of quality means that we can use volatility to our advantage, and to not get swept up in sentiment.

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 and opportunities that the companies may face, leveraging the wider ESG resource within abrdn. These insights are captured in the company research notes and form a key part of the process to identify companies which qualify for the Sustainable Leaders strategies.

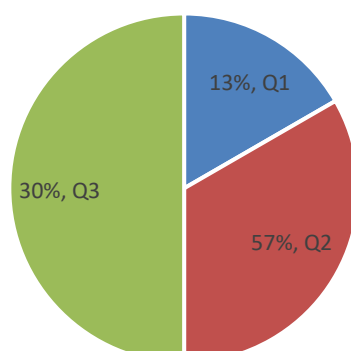
As part of their stock assessments, our equity analysts assign a proprietary score (1 indicates best in class and 5 indicates laggards) to articulate five Quality attributes of each company (Industry, Business Model, Management, Financial Strength, and ESG) which are used to inform the overall Quality score.

5 key components of Quality assessed by abrdn's Analysts for all companies under coverage					
	Industry	Business Model	ESG	Management	Financial Strength
Analyst ESG rating	1	2	3	4	5
	Best in class	Above Average	Average	Below Average	Laggard
Key Considerations	Exceptional ESG risk management Business is taking advantage of ESG opportunities and enhancing its competitive advantage Strong oversight and governance with robust control mechanisms	Strong ESG risk management and/or are utilising ESG factors to improve competitive advantage. But execution not as progressed as best in class peers. Strong oversight and governance with robust control mechanisms	Business has identified material ESG factors. There may be instances of policy or processes failure in recent history but these have been addressed Opportunities to enhance competitive advantage identified, but still nascent. Governance and oversight more limited or lacks strong check and challenge.	Material ESG risks are under managed and opportunities under-developed. Lack of robust processes in place and there is serious potential for something to go wrong and severely impact the investment case.	Business has likely had significant issues arise due to lack of processes and oversight. Failure to properly manage most material ESG factors and no evidence of effort to address. Significant risk to the investment case from poor management of ESG risks and failure to capture revenue opportunities

In carrying out their assessments of ESG Quality, our equity analysts incorporate internal data sources (ASI ESG House Score), external sources (e.g. MSCI reports), thematic expertise from our central ESG team and regional expertise from our on-desk ESG analysts. In many cases we know our companies better than the external ESG ratings providers which are widely used in the market, and we are able to take a forward-looking view of a company's progress (rather than relying on backward-looking point-in-time metrics). Furthermore, our engagements with companies often produce a more in-depth understanding of a company's management of ESG

risks and opportunities than the published KPIs (which are affected by wide variation in extent of disclosure by companies) which are relied upon by quantitative scoring mechanisms.

SGSE ESG Q Scores 31 Dec 2022



ESG screening criteria

We confirm that during the reporting period, binary exclusions are applied to exclude the particular areas of investment related to UN Global Compact, Controversial Weapons, Tobacco Manufacturing and Thermal Coal. These screening criteria apply in a binding manner and there are **no** holdings in the fund that fail the agreed criteria.

We confirm that during the reporting period the Fund excluded companies with the highest ESG risks, as identified by the ESG House Score. This is implemented by excluding the bottom 5% of issuers with an ESG House Score that are in the benchmark. Our proprietary ESG House Score, developed by our Sustainability Group in collaboration with the Quantitative investment team, was used to identify companies with potentially high or poorly managed ESG risks. The score was calculated by combining a variety of data inputs within a proprietary framework in which different ESG factors are weighted according to how material they are for each sector.

Carbon intensity lower than the benchmark:

We use internal climate tools to monitor the carbon footprint of the portfolio and confirm that during the reporting period the Fund weighted average carbon intensity was below the benchmark.

Weighted Average Carbon Intensity (WACI) in tonnes of CO₂e / million USD revenue

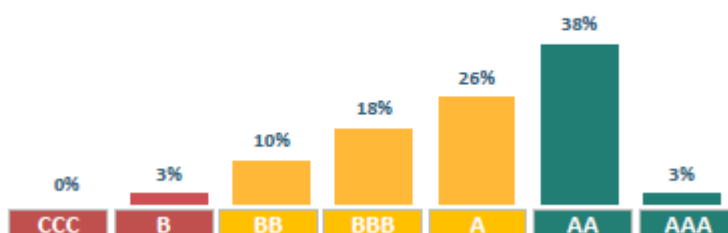
	Scope 1 & 2	Scope 1	Scope 2	Scope 3 Upstream	Scope 3 Downstream
Portfolio	47.55	24.08	23.47	177.29	218.06
Benchmark	238.85	195.33	43.52	155.68	1166.57
Relative carbon intensity %	19.91	12.33	53.94	113.88	18.69

ESG fund rating

MSCI ESG Rating



ESG Rating Distribution



Benchmark ESG Rating:

MSCI ESG Rating



Promotes good governance including social factors

We confirm that during the reporting period the Fund focused engagement and analysis on governance and that using the abrdn ESG House Score as above, we avoided those companies with the worst governance practices.

...and compared to previous periods?

N/A

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The fund has not set a sustainable objective, however is voluntarily disclosing the Sustainable Investments held within the portfolio, following the sustainable investment methodology outlined below. Please note that in future reporting periods, the proportion of sustainable investments could be higher, lower, or 0%.

Sustainable Investment Methodology

The objective of the sustainable investment is to make a contribution to solving an environmental or social challenge, in addition to not causing significant harm, and being well governed. Each sustainable investment may make a contribution to Environmental or Social issues. In fact, many companies will make a positive contribution to both. abrdn use the six environmental objectives of the Taxonomy to inform Environmental contributions, including: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. In addition, abrdn use the 17 Sustainable Development Goals and their sub-goals to supplement the EU Taxonomy topics and provide a framework for considering Social objectives

An economic activity must have a positive economic contribution to qualify as a Sustainable investment, this includes consideration of Environmental or Socially aligned revenues, Capex, Opex or sustainable operations. abrdn seek to establish or estimate the share of the investee company's economic activities/contribution towards a sustainable objective and it is this element that is weighted and counted towards the Sub-fund's total aggregated proportion of Sustainable Investments.

abrdn uses a combination of the following approaches: i. a quantitative methodology based on a combination of publicly available data sources; and ii. using abrdn's own insight and engagement outcomes abrdn overlay the quantitative methodology with a qualitative assessment to calculate an overall percentage of economic contribution towards a sustainable objective for each holding in a Fund.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

As required by the SFDR Delegated Regulation, the investment does not cause Significant Harm ("Do No Significant Harm"/ "DNSH") to any of the sustainable investment objectives. abrdn have created a 3-step process to ensure consideration of DNSH:

i. Sector Exclusions

abrdn have identified a number of sectors which automatically do not qualify for inclusion as a Sustainable Investment as they are considered to be causing significant harm. These include but are not limited to: (1) Defence, (2) Coal, (3) Oil & Gas Exploration, Production and associated activities, (4) tobacco, (5) gambling and (6) alcohol.

ii. DNSH Binary Test

The DNSH test, is a binary pass/fail test which signals if the company passes or fails criteria for the SFDR Article 2 (17) "do no significant harm". Pass indicates under abrdn's methodology the company has no ties to controversial weapons, less than 1% of revenue from thermal coal, less than 5% of revenue from tobacco related activities, is not a tobacco producer, and has no red/severe ESG Controversies. If the company fails this test, it cannot be considered a Sustainable Investment. Abdrn's

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters.

approach is aligned with the SFDR PAIs included within tables 1, 2 & 3 of the SFDR Delegated Regulation and is based on external data sources and abrdn internal insights.

iii. **DNSH Materiality Flag**

Using a number of additional screens and flags, abrdn consider the additional SFDR PAI's indicators as defined by the SFDR Delegated Regulation to identify areas for improvement or potential future concern. These indicators are not considered to cause significant harm and therefore a company with active DNSH materiality flags may still be considered to be a Sustainable Investment. abrdn aim to enhance the engagement activities to focus on these areas and seek to deliver better outcomes by resolving the issue.

How were the indicators for adverse impacts on sustainability factors taken into account?

The fund considers Principle Adverse Impact Indicators defined by the SFDR Delegated Regulation.

Pre investment, the following PAI indicators are considered:
abrdn applies a number of norms and activity based screens

- Exposure to fossil fuel sector thermal coal extraction (more than 5% of revenue is excluded), thermal coal power generation (more than 20% revenue excluded, unless identified as a Transition Focused Company) and companies investing directly in new thermal coal generation capacity in their own operations are excluded
- The Fund uses norms-based screens and controversy filters to exclude companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights, as well as state owned entities in countries which violate norms.
- Exposure to Controversial weapon and Conventional weapons systems, components, and support systems and services.
- Exposure to Gambling (more than 5% of revenue excluded).
- Exposure to Tobacco production (more than 5% of revenue excluded), and wholesale trading (more than 5% of revenue excluded).

abrdn considers the following PAI indicators via our ESG integration process, pre-investment due diligence policies and procedures:

- Consideration of portfolio carbon intensity and GHG emissions via our Climate tools and risk analysis
- Biodiversity, waste, water and diversity indicators via our Proprietary House Score.
- Governance indicators via our proprietary governance scores and risk framework, including consideration of sound management structures, employee relations, remuneration of staff and tax compliance.

Post-investment the following PAI indicators are considered:

- abrdn monitors all mandatory and additional PAI indicators via our ESG integration investment process using a combination of our proprietary house score and 3rd party data feeds. PAI indicators that either fail a specific binary test or are considered above typical are flagged for review and may be selected for company engagement.
- Consideration of portfolio carbon intensity and GHG emissions via our Climate tools and risk analysis
- Governance indicators via our proprietary governance scores and risk framework, including consideration of sound management structures, employee relations, remuneration of staff and tax compliance
- On an on-going basis the investment universe is scanned for companies that may be in breach of international norms described in the OECD guidelines for multinational enterprises and the UN guiding principles on business and human rights, as well as state owned entities in countries which violate norms.

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Yes, all sustainable investments are aligned with OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human rights. Breaches and violations of these international norms are flagged by an event-driven controversy and are captured in the investment process, and in turn excluded from consideration as a sustainable investment.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities.

The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



How did this financial product consider principal adverse impacts on sustainability factors?

The following indicators were committed to be considered within the investment process:

Principle Adverse Impact Considered for Investments:		Explanation:
GHG Emissions Scope 1 & 2 and carbon footprint		This is undertaken via monitoring of the carbon benchmark and we confirm that during the reporting period that the portfolio performed better than the benchmark and in line with our overall commitment.
Fossil Fuel Sector Exposure	Share of investments in companies active in the fossil fuel sector	2.96% This figure represents companies that derive any revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels. It is not indicative of how active a company is in the fossil fuel sector in terms of percentage revenue, for which this fund deploys maximum revenue threshold criteria to actively minimise exposure to fossil fuels.
Exclusions: UN Global compact, defence, coal, oil exploration, nuclear weapons, production and associated activities and tobacco		We confirm that screening in line with our approach documents has been undertaken during the reporting period

As described above, a number of PAIs are actively screened from the investment universe prior to investment, including norms-based screens and controversy filters. Please see below example engagements which demonstrate where action has been taken

Interpump (Climate Change and Environment): We engaged with Interpump following the publication of the ESG strategy. The company has made some significant steps ahead but we believe time will prove the quality of the ESG strategy and the feasibility of the targets. The company is formalising the CEO succession plan which is a positive development and once they do we will close the outstanding milestone. It is too early to anticipate any change in the dual role of Chair/CEO. There will be an ESG committee at board level created and there is a review and adaptation taking place of the ethics code. A lot of progress but we will wait to see the first tangible progress in order to gain comfort and close some of the outstanding milestones.

Teleperformance (social/employment): On going engagement with Teleperformance regarding the management of their workforce. The company has made notable progress on employee rights in recent years, committing to pay all employees a living wage, adopting ILO principles and improving employee access to vaccination during Covid. However, there are areas where we would like to see further progress, in particular disclosure of key labour metrics and for Teleperformance to find a resolution with labour unions in some of their subsidiaries.

Fabrinet (E,S,G): We engaged with Fabrinet due to the low house score rating of the company. It is at our lowest range thus we wanted to gain comfort that they are taking the rights steps to manage relevant ESG risks. The company has an auditor in place for 22 years and we expressed our discomfort, in addition the company lacks in tangible targets for ESG. They aim to progress every year but would be worth having clear targets. The supply chain oversight seems to be adequate, they don't disclose employee turnover data but seem to have a good split between genders and they focus on society and the families of their employees a lot. One milestone set and this concerns the auditor tenure. We will track progress.



What were the top investments of this financial product?

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is:

Date as at 31st December 2022 (first quarter fund holdings)

Largest investments	Sector	Country	% Assets (exc. Cash)
Keywords Studios PLC	Information Technology	IRL	3.68%
Axon Enterprise Inc	Industrials	USA	3.60%
Lattice Semiconductor Corp	Information Technology	USA	3.56%
FinecoBank Banca Fineco SpA	Financials	ITA	3.46%
CTS Eventim AG & Co KGaA	Communication Services	DEU	3.30%
Insulet Corp	Health Care	USA	3.29%
Paylocity Holding Corp	Information Technology	USA	3.26%
Steadfast Group Ltd	Financials	AUS	3.19%
Fabrinet	Information Technology	THA	3.10%
BJ's Wholesale Club Holdings Inc	Consumer Staples	USA	2.98%
Asics Corp	Consumer Discretionary	JPN	2.85%
Pool Corp	Consumer Discretionary	USA	2.85%
Gaztransport Et Technigaz SA	Energy	FRA	2.73%
Darling Ingredients Inc	Consumer Staples	USA	2.67%
SiteOne Landscape Supply Inc	Industrials	USA	2.59%

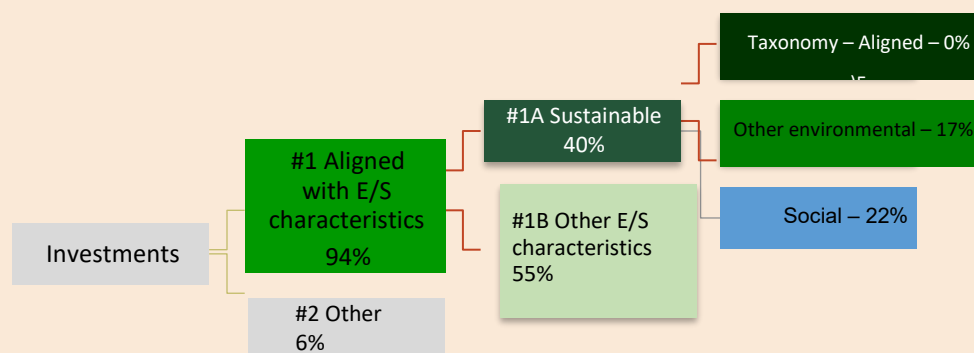


What was the proportion of sustainability-related investments?

Asset allocation

describes the share of investments in specific assets.

What was the asset allocation?



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

In which economic sectors were the investments made?

Agricultural Products	Hypermarkets & Super Centers	Electrical Components & Equipment
Application Software	Industrial Machinery	Electronic Components
Asset Management & Custody	IT Consulting & Other Services	Food Retail
Banks	Oil & Gas Storage & Transportation	Health Care Equipment
Auto Parts & Equipment	Research & Consulting Services	Health Care Technology
Building Products	Semiconductors	Diversified Banks
Construction & Engineering	Specialty Chemicals	Trading Companies & Distributors
Construction Machinery & Heavy Trucks		



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

● Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?



Yes:



In fossil gas

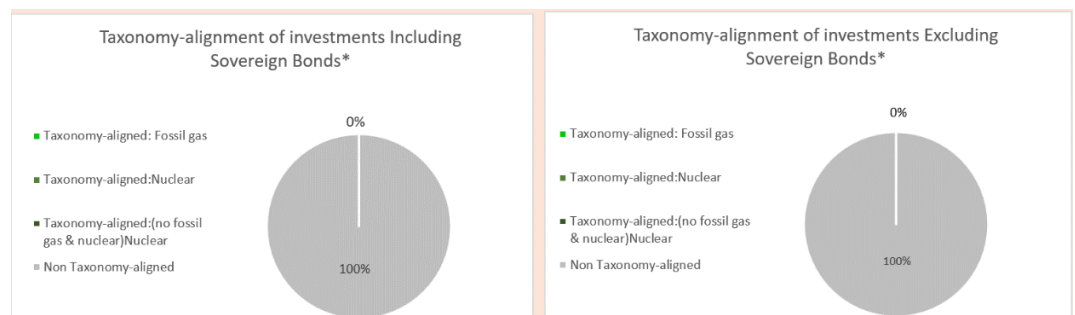


In nuclear energy



No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

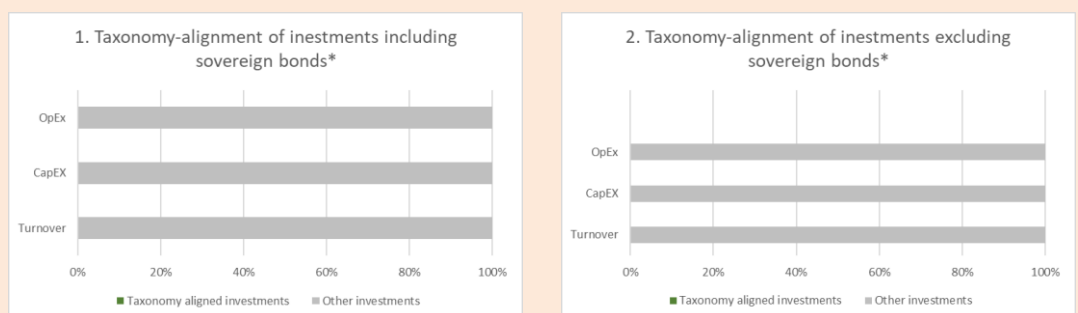


The fund holds 0% sustainable investments with an environmental objective aligned with the EU Taxonomy. This assessment has not been subject to an external review.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What was the share of investments made in transitional and enabling activities?

The fund holds 0% investments made in transitional and enabling activities.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

N/A



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

The share of sustainable investments with an environmental objective not aligned with the EU Taxonomy is 17%



What was the share of socially sustainable investments?

The share of sustainable investments with a social objective is 23%



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The Fund invested 6% of assets in the “Other” category. The investments included under “other” are cash, money market instruments, and derivatives. The purpose of these assets are to meet liquidity, target return or manage risk and may not contribute to the environmental or social aspects of the Fund.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Fund invests in high quality companies with the ability to deliver stable and superior growth over the medium to long term. In order to achieve this objective, we believe companies must have sound ESG policies in place.

Our integrated approach to ESG assessment is detailed in the Fund prospectus and evidence of this is reflected in the Fund’s ‘AA’ MSCI rating and lower carbon intensity relative to the benchmark.

8 ‘Priority Engagement’ meetings were carried out during the period and ESG topics were discussed in over 40 company meetings.

The team reviewed and discussed many new ideas, some of which were rejected as they did not meet the required ESG criteria.

One example of a stock that we have invested in during the reference period is Asics, the Japanese sport shoe manufacturer. The company has an ‘AA’ MSCI ESG rating thanks to its strong supply chain management, notably with regard to leather and cotton sourcing, its chemical control policies and robust corporate governance. As well as having effective internal measures in place, Asics is developing market leading products using environmentally friendly inputs (such as sugar cane) to minimise CO2 emissions. We believe Asics’ innovation, supported by solid ESG practises, allows the company to mitigate risks at the same time as taking advantage of opportunities, and thereby deliver returns for shareholders over the medium to long term.

How did this financial product perform compared to the reference benchmark?



How does the reference benchmark differ from a broad market index?

N/A

How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

N/A

How does this financial product perform compared with the reference benchmark?

N/A

How did this financial product perform compared with the broad market index?

N/A

Reference benchmarks
are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.