

Evolution and growth in ESG Investment

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This communication is intended for investment professionals only and must not be relied on by anyone else.

ESG investment capability

Well established and resourced ESG investment capability

- Foundations of team established over 25 years ago in h-SLI and 18 years h-AAM
- 20 person strong central ESG Investment resource, with additional dedicated analysts on investment desks
- Active ESG industry involvement (PRI, ICGN, ACGA, Eurosif, UKSIF, VBDO, UN Global Compact, CDP; EITI; TCFD, 30% Club Investors Group)

Successful track record of integrated ESG investment

- Over £12.4bn* AuM in dedicated client driven, values-based investment screened funds and products
- ESG Investment supports integration of ESG through research, company analysis and engagement
- Seamless dialogue and collaboration with Equity, Credit and Real Estate teams

Capability and track record of active and positive company engagement

- Rigorous approach to research, voting and engagement, combining risk analysis with investment materiality
- Full global universe rating capability
- Analysis and engagement led by both ESG Investment Team and on-desk ESG investment professionals

* An exchange rate of £1:€1.12654 as at 31 December 2017 has been used. Source: Aberdeen Standard Investments, March 2018

ESG Investment Team has oversight of integration and client driven values-based products

Megatrends driving the investment industry

1

Demographics

Demographic trends will not only magnify the need for effective investment management, but over time, they will radically change the nature of the challenge and an investment manager's potential client base.



3

Technology

Technological developments continue to act as major drivers of social, economic and environmental change, creating new opportunities and disrupting existing business models.



2

Environment

Resource insecurities are changing the nature of investment opportunities and demand for risk protection, as well as increasing the importance of socially responsible corporate behaviours and investment strategies.



4

Social values, behaviour and ethics

Technology and the internet have combined to revolutionise how a large proportion of the world's population interacts, communicates and behaves



Source: KPMG, 'Investing in the future: How megatrends are reshaping the future of the investment industry'

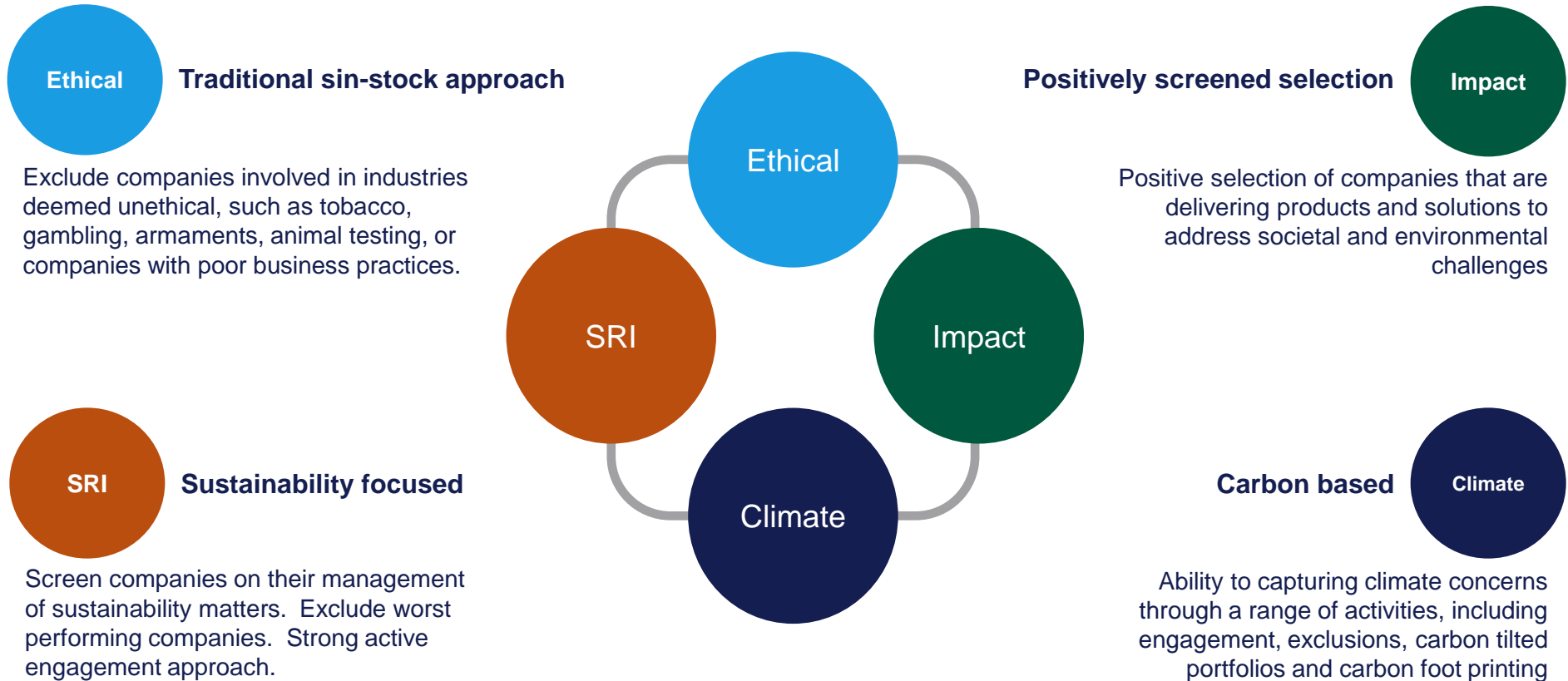
ESG integration and values-based products

	Active involvement by ASI		New propositions	No involvement	
Traditional investment with no consideration of ESG factors	ESG Integration	Screened funds	Impact	Impact first	Impact only
	Focus on financial materiality	Negative exclusions	Positive opportunities	Positive opportunities	
	No screening	Values based screening	Values based inclusions	Impact driven inclusions	Impact driven inclusions
	ESG risk management				
	ESG opportunity set				
				Societal Solutions	
	Dedicated engagement activity				
	Focus on understanding the business risks and opportunities associated with ESG factors, looking at bottom-up stock specific issues, sectoral challenges and changes in ESG industry themes and trends	Funds focused on screening out companies on a range of environmental and social factors, including sustainability management, unsustainable business practices and avoiding companies involved in industries deemed unethical	Seeking securities that meet high investment conviction and high impact conviction. These securities have the intention to provide solutions to societal challenges, like poverty, water, food. Attempts to quantify impact are essential	Primarily seeking investments that provide society solutions, with a willing to take a financial trade off to ensure the solution investments are met.	Philanthropy focused. Making investments (such as micro finance) into small social enterprises and solutions providers with no expectation of income or return.

Aberdeen Standard Investments

A range of values-based screens and approaches

Ability to build and tailor investment solutions



The problems



Poverty



Hunger & Malnutrition



Poor Health & Mortality



Access to Clean Water

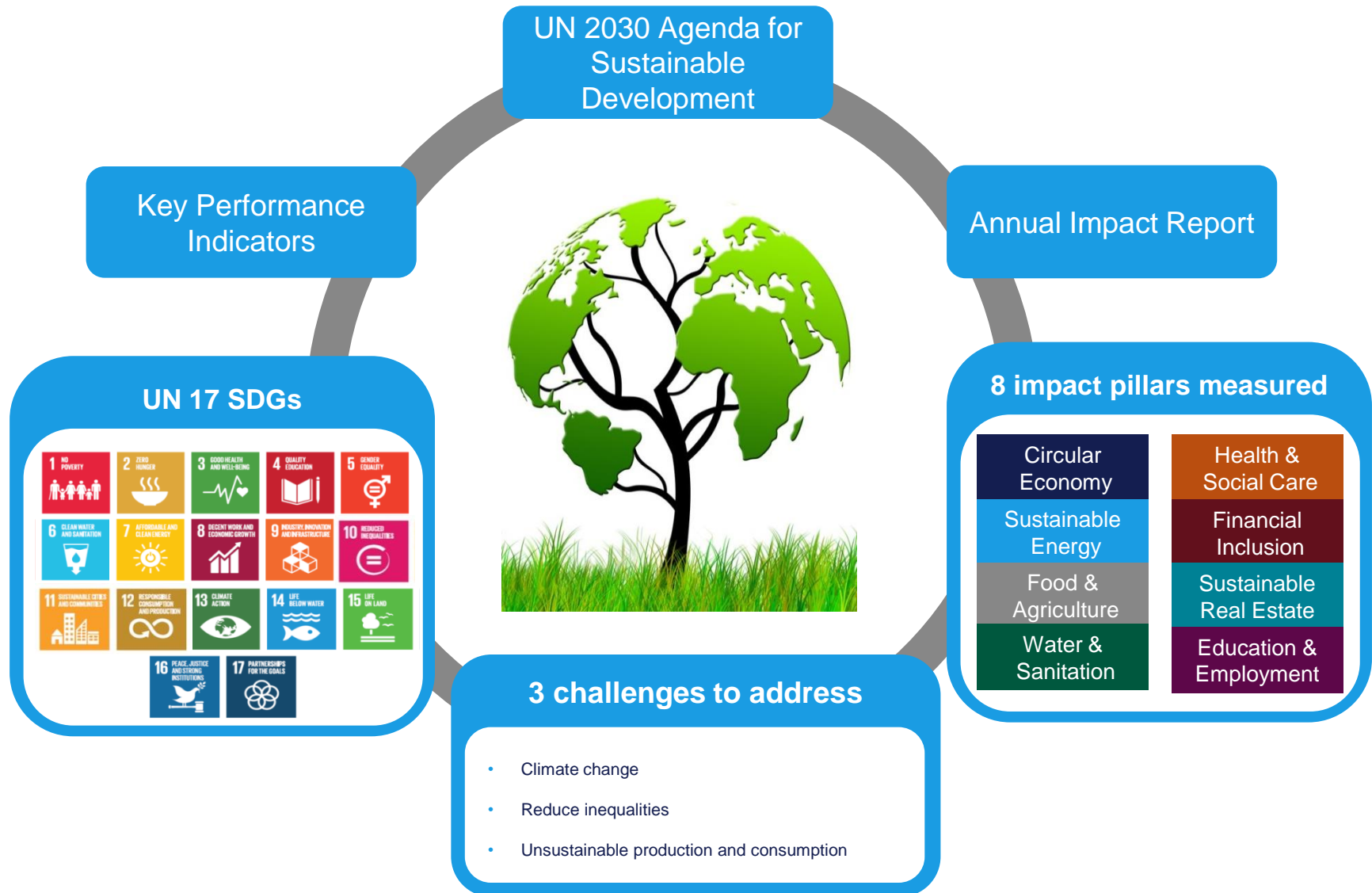


Inequality



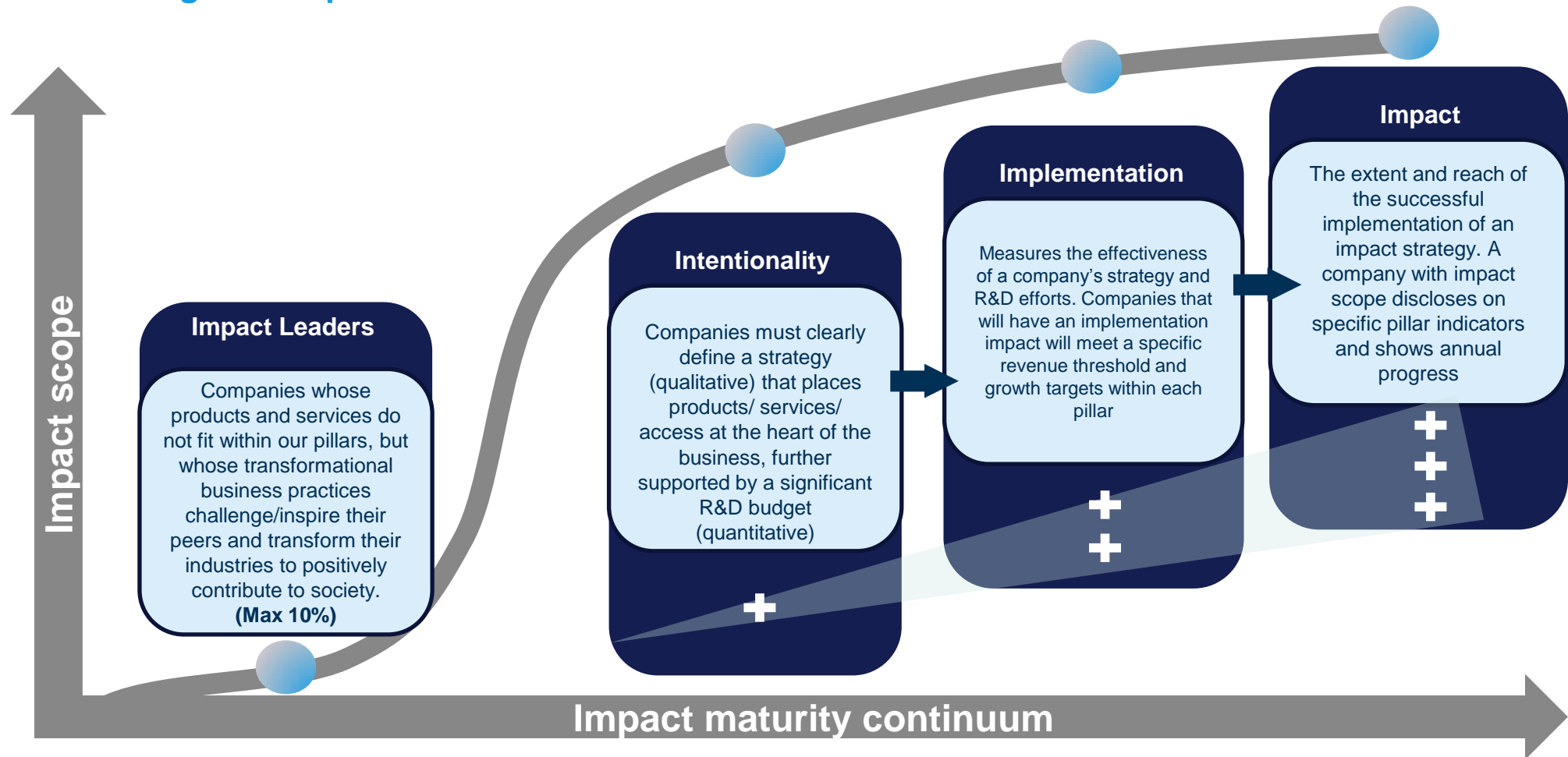
Climate Change

Impact Investing framework



Impact maturity stages

Three stages of impact are considered:



Measuring impact by pillar

Circular Economy

Main industries: Packaging, Water, Recycling

Impact qualification

Measures

Intentionality

>1/3rd R&D directed toward Circular Economy
 Strategy: to promote circular economy as a core tenant of business practice

Implementation

Revenue from circular economy: 30% and double digit growth, or
 At least 50% of revenue

Impact

Tonnes of material saved
 Tonnes of waste recovered
 Tonnes of waste diverted
 Number of products reused



Source: Standard Life Investments, June 2017

Measuring impact by stock

Circular Economy

Umicore: *Belgian materials technology company*



Impact qualification

Measures

Intentionality

The main areas of product R&D spending are in recycling and clean tech for the auto industry

Implementation

Recycling (primarily of batteries) accounts for 30% of revenues, with a further 60% from clean tech

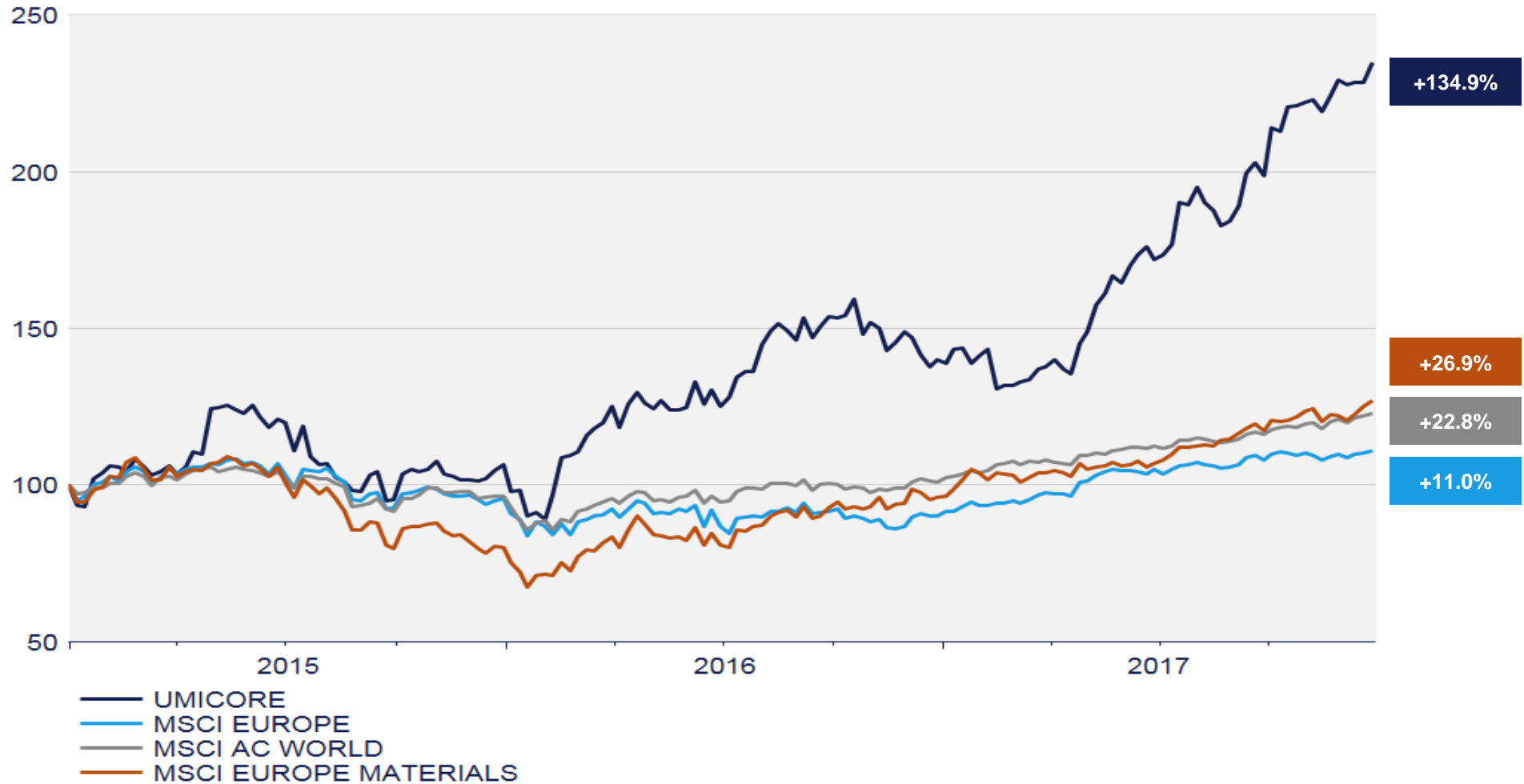
Impact

Umicore recycled c.350,000 tonnes of waste in 2015
Improving operations of its recycling division meant further reductions of CO₂ and of metal emissions



Source: Standard Life Investments, June 2017

Umicore performance



Source: Standard Life Investments, Thomson Reuters DataStream, 31 December 2017

Pillar level reporting: Financial Inclusion

Holdings: Axis Bank, Bradesco, Garanti, Mastercard, Safaricom, Unifin



Underserved customers

31.9 million underserved customers open a bank account: **more people than the entire population of Peru**



New finance

\$10.9 billion made available to underserved customers, including rural, retail agriculture and SMEs.



Access points

3,016 new branches in rural and underserved areas including **India, Turkey and Mexico**



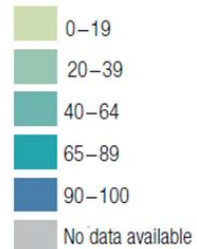
Mobile money

66 million mobile wallet users: the equivalent **population of France**

Impact foot printing: Account penetration

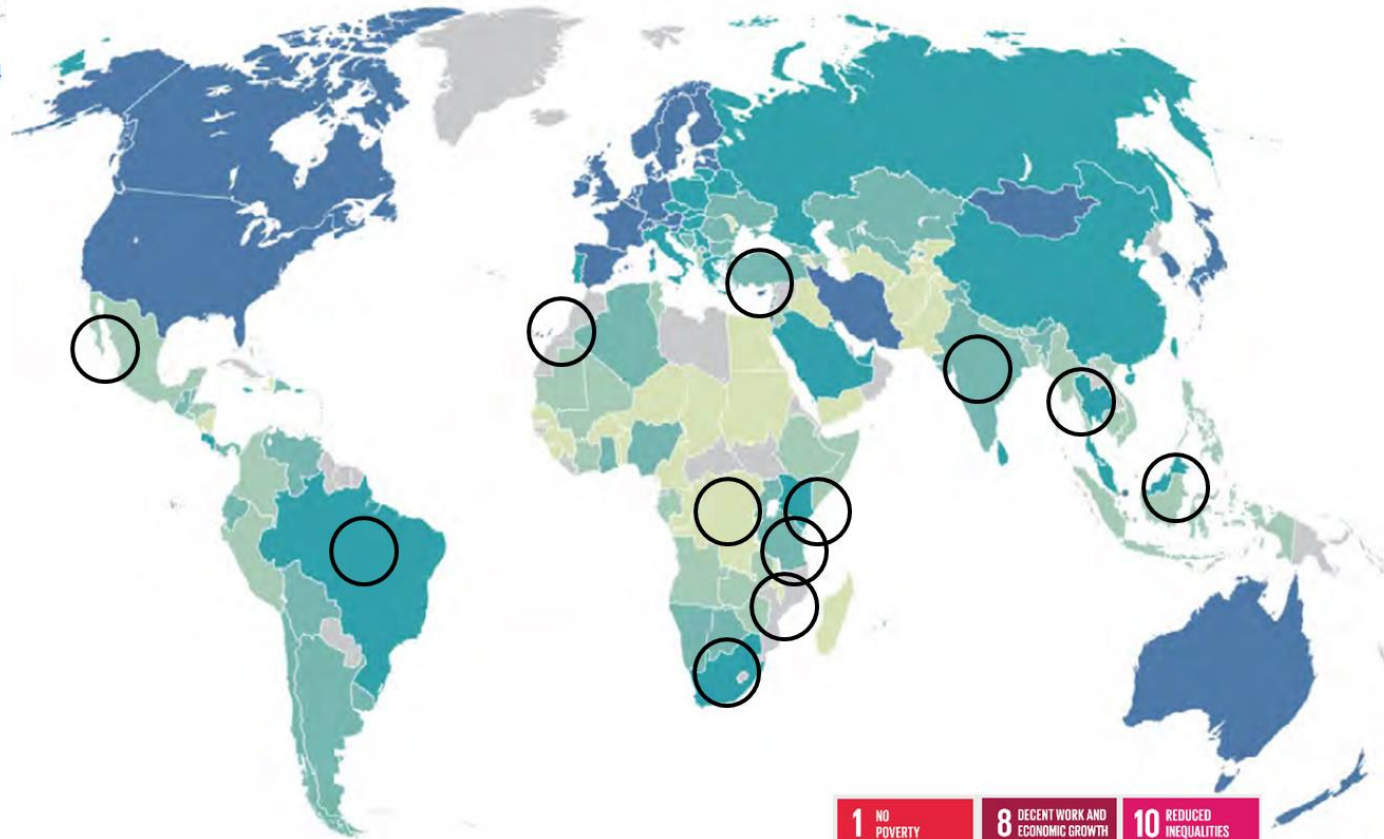
Account penetration around the world

Adults with an account (%), 2014



Source: Global Findex database.

IEFD 41559 | APRIL 2015



Account penetration directly provided by companies held:

- Mexico: 0.215%
- Morocco: 1.24%
- Brazil: 6.6%
- India: 1.75%
- Turkey: 27.8%
- Kenya: 32%
- South Africa: 8.4%
- DRC: 34%
- Tanzania: 49%
- Sub Saharan Africa: 2%
- Asia: 0.35%



Source: Standard Life Investments, December 2016

Annual Impact Report



Our Impact Mission

Welcome to the first impact report for our Global Equity Impact portfolio.

The ways in which companies operate and the services and products they provide have a significant impact on their employees, their customers, the environment, society and the economy. With this influence comes a responsibility to do the right things, to create a positive impact on the world, and to address the challenges of our time. Our Global Equity Impact portfolio is focused on identifying and investing in companies that are making a positive impact on the world, and that are also financially sound. We believe that these companies are the ones that will drive the world's economic growth in the years ahead.

Climate Change

Climate change is a pressing problem for business, with significant consequences for our planet and our economy. Companies are being asked to do more to reduce their carbon footprint, and to invest in renewable energy and other sustainable technologies. Our Global Equity Impact portfolio is focused on identifying and investing in companies that are making a positive impact on the world, and that are also financially sound.

Living Inequality

Inequality is a global challenge, with significant consequences for our planet and our economy. Companies are being asked to do more to reduce their carbon footprint, and to invest in renewable energy and other sustainable technologies. Our Global Equity Impact portfolio is focused on identifying and investing in companies that are making a positive impact on the world, and that are also financially sound.

Sustainable Production and Consumption

The world has a finite supply of resources, and our consumption of these resources is increasing rapidly. Companies are being asked to do more to reduce their carbon footprint, and to invest in renewable energy and other sustainable technologies. Our Global Equity Impact portfolio is focused on identifying and investing in companies that are making a positive impact on the world, and that are also financially sound.

Financial Inclusion Pillar

Enabling the underserved to participate in the economy

Today pillar, we focus on services aimed at those in the informal economy who are often excluded from the formal financial system.

500 million people in emerging markets lack access to financial services

700 million people live in extreme poverty

How companies contribute to solutions

Case study - Safaricom

Safaricom is a mobile and financial services company in Kenya. The company's strategy centres on improving the quality of life for people in Kenya, which is to assist in achieving M-PEVA.

With 26 million registered customers across a network of 100,000 agents, Safaricom's M-PESA mobile money service has become a financial lifeline for millions of people in Kenya. The service allows users to send and receive money, pay bills, and access other financial services. This has helped to improve the financial inclusion of millions of people in Kenya, and has also helped to support the growth of the country's economy.

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The company also makes an active effort to improve health in partnership with UNICEF, using the 'One Step' technology. This involves providing mobile-based health services to people in rural areas, which has helped to improve the health of millions of people in Kenya.

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Portfolio contribution highlights

Circular Economy Pillar

Over 30% of revenue from resource efficiency solutions in countries exceeding the best practice per capita

Sustainable Energy Pillar

Installed renewable capacity would meet 20% of demand in the US

Food & Agriculture Pillar

Over 10,000 enhanced nutrition products to be available, reducing salt, sugar, sodium and trans fat intake

Water & Sanitation Pillar

Maintained 99% of improved water sources in Armenia

Education & Employment Pillar

6,903 new jobs created at two companies

Sustainable Real Estate & Infrastructure Pillar

282.6 billion MWh of renewable energy used

Health & Social Care Pillar

Equitable pricing available in more than half of World Health Organisation (WHO) priority countries

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