



# **Sustainable Investment Report**

Asia Dragon Trust plc

31 December 2023

Prepared by: abrdn

**abrdn.com**

Portfolio Overview	1
Key Data and Ratings	2
abrdn ESG Analysis	3
Benchmarking: MSCI ESG	4
Ratings Active Ownership	5
Active Ownership: Case Studies	6
Glossary	9
Disclosure	10

# Portfolio Overview

## Asia Dragon Trust plc

FUND SIZE

As at 31 December 2023, the fund size was £ 687.28m

### 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


## Asia Dragon Trust 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

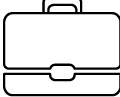
5-star/4-star

PRI Rating for Integration/Active Ownership in Listed Equities



100%


of researched companies include integration of ESG company analysis



### Fund


100

Number of meetings where we voted




25%

of meetings with at least one vote against management



A

Fund MSCI ESG Rating



As at 31 December 2023, 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 <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.

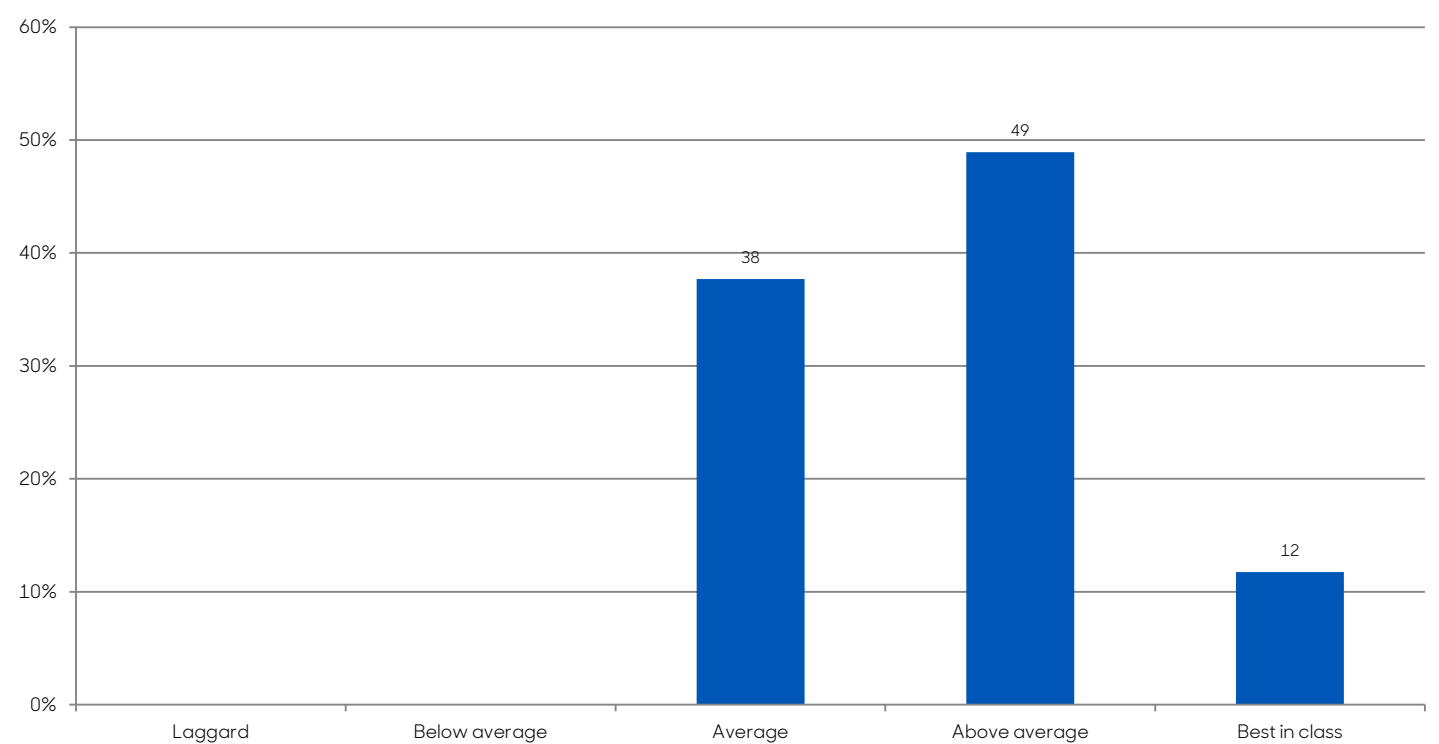
# abrdn ESG Analysis

## Asia Dragon Trust 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, with 12% of the companies in the portfolio assessed to be Best in Class, and 49% of the companies in the portfolio assessed to be Leaders, consistent with the portfolio's focus on quality. A further 38% of the companies are assessed to be Average. We continue to see generally positive momentum from companies in the portfolio in terms of ESG, in terms of both practices and disclosure, and we were encouraged that the second half of the year saw a number of upgrades to our scores, often following extensive engagement. None of the portfolio is assessed to be Below Average, and the portfolio does not hold any companies assessed to be 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"><li>Many financial controversies</li><li>Severe governance concerns</li><li>Poor treatment of shareholders</li></ul>	<ul style="list-style-type: none"><li>Evidence of some financially material controversies</li><li>Poor governance or limited oversight of key ESG issues</li><li>Some issues in treating minority shareholders poorly</li></ul>	<ul style="list-style-type: none"><li>ESG risks are starting to be considered in company strategy.</li><li>Disclosure in line with regulatory requirements</li><li>Governance is generally good but some minor concerns</li></ul>	<ul style="list-style-type: none"><li>ESG risks are considered as part of principal business</li><li>Disclosure is good but not best in class</li><li>Governance is very good</li></ul>	<ul style="list-style-type: none"><li>ESG considerations are material part of the company's strategy</li><li>Excellent disclosure</li><li>Makes opportunities from strong ESG risk management</li></ul>

# Benchmarking: MSCI ESG Ratings

## Asia Dragon Trust 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.

The fund MSCI ESG Rating is

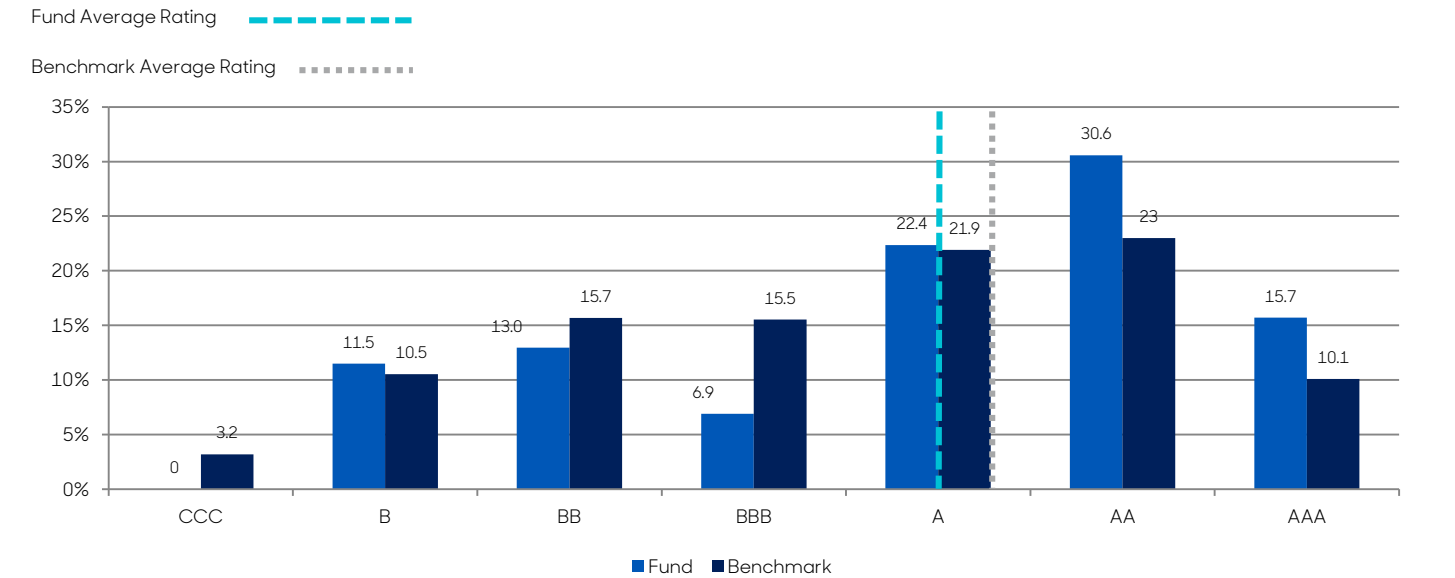
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### MSCI Fund ESG Quality Scores

	Overall Score (1-10)	Benchmark Average
Fund	6.6	5.9
Environmental	5.8	5.8
Social	5.4	5.1
Governance	5.2	4.8

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
M SCI data coverage (by market value)	100%	99.5%

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: This is sourced direct from the vendor and includes MSCI adjustments incorporating positive & negative ESG trends and ESG laggard metrics in the calculation of the rating. MSCI ESG Rating Distribution: The fund and benchmark averages are calculated based on the individual security level MSCI scores. Therefore the ratings are not directly comparable. In both calculation methodologies Portfolio and Benchmark positions are reweighted on a pro rata basis to reflect holdings where MSCI data is available.

# Active Ownership

## Asia Dragon Trust 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

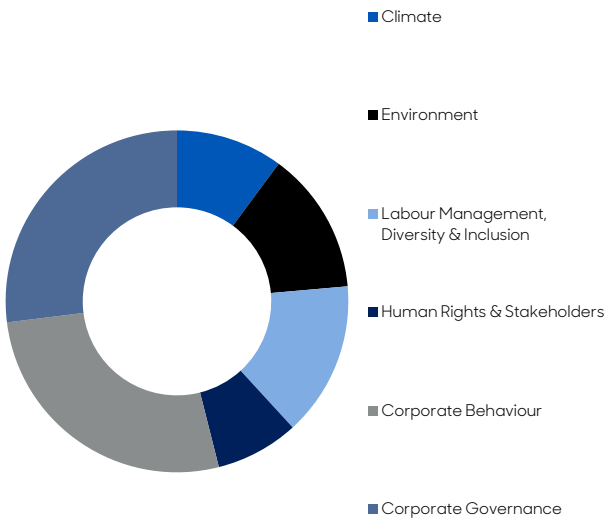
We draw on the resources in our ESG Investment Team and stock analysts to vote consistently on behalf of all client assets in line with the abrdn voting policy. Time period referenced is preceding 12 months.



There were 66 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 21 portfolio companies on ESG topics and had 42 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?	102
How many meetings did you vote at?	100
How many resolutions were you eligible to vote on?	868
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?	94.3%
Of the resolutions on which you voted, what % did you vote against management?	4.7%
Of the resolutions on which you voted, what % did you abstain from voting?	1%
In what % of meetings, for which you did vote, did you vote at least once against management?	25%

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

## Asia Dragon Trust 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
<b>AIA Group Ltd</b>	Execute	We met with AIA as part of our UN SDG and Impact work, and to probe more on alignment with our Impact Pillars. Life insurance penetration in China has grown from 1.9% to 2.8% over the last decade, but remains well below developed markets. AIA also has a 24.9% stake in China Post Life, a mass market insurer with 40k outlets across China that can reach 600mn retail customers, and has bancassurance partners in Myanmar, Indonesia and Cambodia. We've found the company's ESG team very receptive to our asks for disclosure around materiality of the various initiatives and asked for our opinion on best-in-class publicly listed insurance players that they could look to for exemplary disclosure.	None
Corporate Behaviour, Corporate Gov & Disclosure			
<b>Aier Eye Hospital Group Co Ltd</b>	Execute	We discussed ESG reporting with the company at our recent meeting. The company is continuously working to improve ESG ratings and was keen to hear feedback and advice from us. We provided some suggestions around reporting on medical quality and cross subsidies, which the company were interested to adopt. Another good engagement with the company, who were receptive to our views.	None
Labour Management, Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure			
<b>Andes Technology Corp</b>	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			
<b>ASM International NV</b>	Execute	We attended the company's investor day. The company expanded on it's sustainability strategy as part of this, noting that their vision is to develop differentiated products while maximising energy saving through product innovation.	Enhances
Environment, Corporate Gov & Disclosure			
<b>Ayala Land Inc</b>	Execute	We discussed green buildings with the company. All of the company's property assets are already net zero, having made this commitment in 2017. The new target is to get to net zero by 2030 on Scope 1 & 2. Getting to net zero on Scope 3 is a much bigger challenge given the carbon intensity of steel and cement, and the associated need for green solutions like green hydrogen to mature. Management were of the view that the incremental costs to get to zero on Scope 1 & 2 are relatively small given energy efficiency.	Reinforces
Climate Change, Corporate Behaviour, Corporate Gov & Disclosure			
<b>Bharti Airtel Ltd</b>	Execute	During our engagement with Bharti Airtel, we found satisfaction in the company's dedication to ESG factors. Bharti Airtel demonstrates a commitment to ESG with clear objectives and a robust system for measuring progress. Additionally, we noted that the management is held accountable by the Board, ensuring the fulfilment of commitments and progress in environmental, social, and governance initiatives.	None
Environment, Corporate Gov & Disclosure			
<b>Chacha Food Co Ltd</b>	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			
<b>Cochlear Ltd</b>	Execute	We talked though the company's recent Oticon acquisition, in part motivated by a desire to ensure continuity of service to Oticon's customers. An encouraging development which reflects well on the company.	Reinforces
Corporate Behaviour			

Source: abrdn



# Active Ownership: Case Studies Continued

## Asia Dragon Trust 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
<b>Contemporary Ampere Technology Co Ltd</b>	Execute	We engaged with CATL to understand its ESG practices in its European capacity expansion, and its stance towards the risks around Xinjiang and the Uyghur Forced Labor Prevention Act (UFLPA). CATL provided us with reassuring responses. Its ESG risk management framework includes a transparent materials tracing mechanism that allows it to provide a robust response to any concerns about its lithium supply. Hence, we are confident that CATL has a solid base in which to defend and address any ESG controversies that could impact its fundamentals.	Enhances
Environment, Labour Management, Human Rights & Stakeholders, Corporate Behaviour			
<b>LG Chem Ltd</b>	Execute	We discussed capital allocation with the company, and in particular management's view on using LG Energy Solution (LGES) shares to fund growth at LG Chem. Management reassured us that they were not opposed to monetising LGES shares in order to fuel LG Chem's new avenues of growth.	Reinforces
Environment, Corporate Behaviour			
<b>Maruti Suzuki India Ltd</b>	Execute	The company is the lowest emitting manufacturer in Indian in terms of weighted average sales fleet, and had an average emission of 111gCO <sub>2</sub> /km last year, and 105gCO <sub>2</sub> /km this. Corporate Average Fuel Efficiency (CAFE) regulation in India is tightening at a fast pace, with CAFE 2 introduced in 2022/3, CAFE 3 to be introduced in 2027 and CAFE 4 in 2032. We'll continue to engage on emissions.	Reinforces
Climate Change, Environment			
<b>Samsung Biologics Co Ltd</b>	Acknowledge	A project is underway with KPMG, MSCI's licensed advisor in Korea, to evaluate Samsung Bio's B- rating. The company is pleased to have found some areas for improvement, will share more information in 1Q24, and is hopeful of an improved MSCI rating in Sept '24. Management are also receptive to requests around better evidencing intentionality (i.e. SDG alignment, intentionality meeting an unmet need, and their role in improving access to medicine), be it through statements or empirical evidence. This is an area we'll continue to discuss with management.	Reinforces
Corporate Gov & Disclosure			
<b>SBI Life Insurance Co Ltd</b>	Execute	We engaged the company on the implementation and disclosure of a responsible investment framework, and were pleased to hear that the company is adopting stewardship principles and have a process to analyse, engage, and exercise voting rights for their portfolio companies. They understand the need for better disclosures, and are working with various regulators to understand the requirements for the insurance industry, and are mapping GRI G4 framework/principles to their business. We also spoke about agent retention rates, and are glad to hear that they are running 50% lower turnover rates versus the industry due to the initiatives they have made, including training and incentivisation.	Enhances
Climate Change, Environment, Labour Management, Corporate Gov & Disclosure			
<b>Shenzhen Mindray Bio-Medical Electronics Co Ltd</b>	Execute	We discussed business ethics at our recent meeting. Management reiterated the same message from prior meeting, stating that they believe Mindray to have the highest standard in distributor management. They have annual training, audit and agreed terms in contracts to prevent distributors from corrupt behaviour. We'll continue this engagement, but are encouraged by management's comments.	None
Corporate Behaviour			
<b>Shenzhen Mindray Bio-Medical Electronics Co Ltd</b>	Execute	We discussed business ethics, and the way the company manages this risk at distributors. Management were clear that they have a high standard and expectations, and provide annual training, audit and agreed terms in contracts to guard against breaches of ethical expectations.	Reinforces
Corporate Behaviour			
<b>Sungrow</b>	Execute	We engaged Sungrow on the issue of Forced Labour. The company maintains a commitment to ethical practices by ensuring no exposure to Xinjiang or forced labor in its operations. Rigorous supply chain audits are in place to uphold strict standards and verify compliance with ethical sourcing practices.	None
Human Rights & Stakeholders			

Source: abrdn

# Active Ownership: Case Studies Continued

## Asia Dragon Trust 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
<b>Telkom Indonesia Persero Tbk PT</b>	Execute	We discussed the recent IndoHome related party transaction. This was a complicated deal, but one we supported, given the synergies it created.	None
Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure			
<b>Tencent</b>	Execute	We engaged with the company due to the dynamic and uncertain government policies surrounding the internet and gaming sectors. Tencent, however, expresses confidence that government policies have become more supportive.	None
Corporate Gov & Disclosure			
<b>UltraTech Cement Ltd</b>	Execute	At our recent meeting, we were pleased to note that Ultratech has committed to producing carbon-neutral concrete by 2050. The key hurdles are around carbon capture technology and the kiln. Ultratech is running a pilot study on the electrification of the kiln, but the costs are prohibitive currently and will require policy support, and so it is engaging the government on this. On the governance front, we learnt that the audit committee is now 100% independent and that there will be material board refreshment next year with three directors retiring.	Enhances
Climate Change, Environment, Corporate Behaviour, Corporate Gov & Disclosure			
<b>Woodside Energy Group Ltd</b>	Execute	We discussed progress on environmental approvals relating to the company's Scarborough project, where they have been making progress. They are now awaiting a response from the regulator.	Reinforces
Environment			
<b>Woodside Energy Group Ltd</b>	Execute	We discussed possible strike action at the company's NWS facility, and sought an update on how discussions have been progressing with the unions. Discussions appear to be positive, with agreement on a number of points, albeit with a few points left to agree on. We also sought an update on Scarborough environmental approvals, an area with no additional clarity for now.	Reinforces
Environment, Labour Management			
<b>Wuxi Biologics Cayman Inc</b>	Execute	We spoke with an independent director of Wuxi Biologics as part of our ongoing active ownership strategy with the company. We had a very open and candid meeting, and discussed board / management interaction, board recruitment and refreshment, skill-set gaps, succession planning, and risk management. We'll look to continue this conversation, but this was a good first meeting.	Enhances
Labour Management, Corporate Gov & Disclosure			

Source: abrdn

# Glossary

## Asia Dragon Trust plc

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 <sub>2</sub> e.
Carbon Intensity	Carbon emissions relative to a specific activity. For company carbon footprinting, the carbon intensity reflects the CO <sub>2</sub> 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 <sub>2</sub> e	The term CO <sub>2</sub> e stands for CO <sub>2</sub> equivalent and relates to the CO <sub>2</sub> 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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