



Sustainable Investment Report

abr dn UK Smaller Companies Growth Trust plc

31 December 2023

Prepared by: abr dn

abr dn.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	7
Disclosure	8

Portfolio Overview

abrdn UK Smaller Companies Growth Trust plc

FUND SIZE

As at 31 December 2023, the fund size was £ 416.08m

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

The benchmark for the fund is **Numis Smaller Companies Plus AIM ex Investment Companies**

Key Data and Ratings

abrdn UK Smaller Companies Growth 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

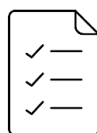
63

Number of meetings where we voted



9.5%

of meetings with at least one vote against management



3rd

Quartile

Peer Group MSCI Quartile Rating



AA

Fund MSCI ESG Rating



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

Engagement: time period referenced is preceding 6 months.

Voting: time period referenced is preceding 12 months.

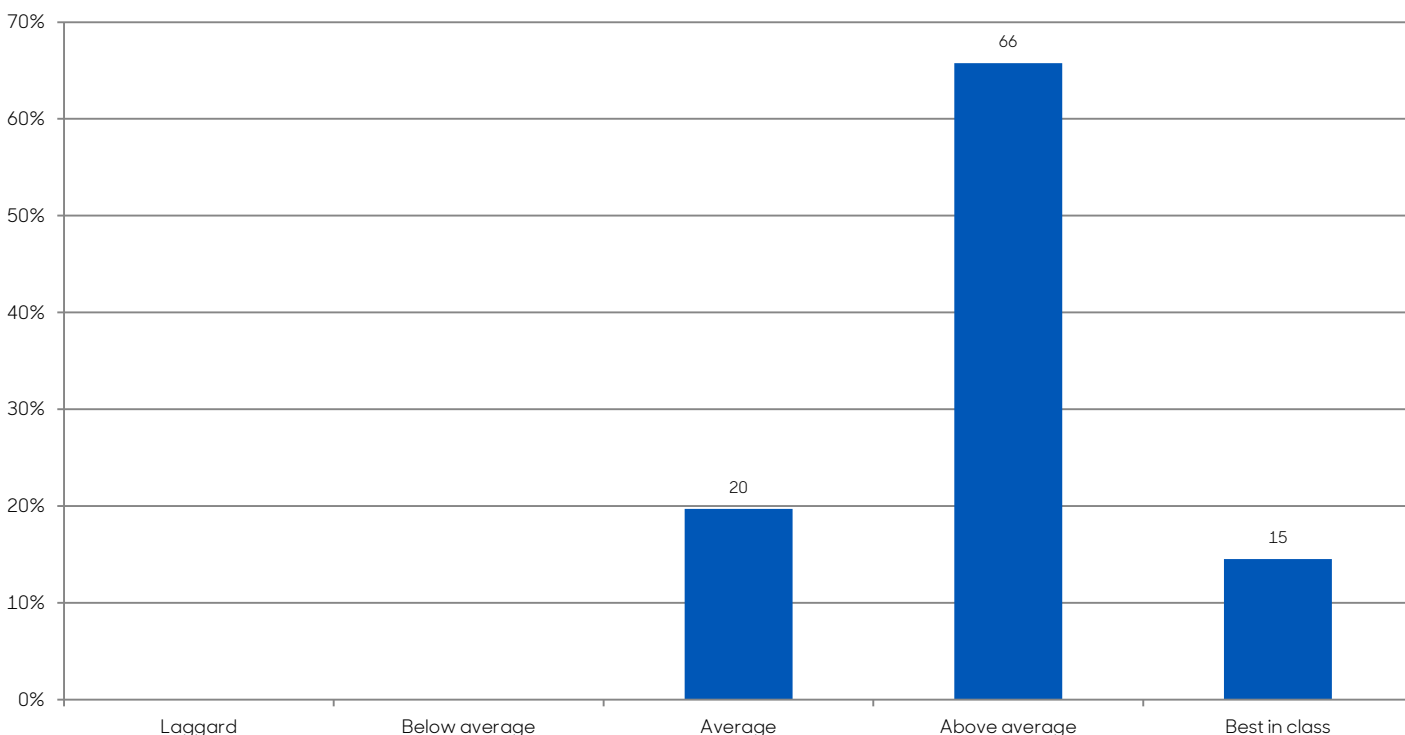
abrdn ESG Analysis

abrdn UK Smaller Companies Growth 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).

Given the consistency of our investment process and its' natural correlation with lower risk and better quality names, the vast majority of the fund holdings consists of a combination of leading ESG quality companies, best in class and average. In more detail, 15% of holdings are falling the "best in class" categorisation, 66% are "above average", 20% are "average". The quality score data coverage stands at 100% and thus the numbers are fully representative showing the high ESG quality of the fund. An observed common reason for lower scores continues to be due to lack of transparency and a formalized sustainability plan / target setting. We continue to engage with lower scoring securities to encourage and monitor improvements.



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

Benchmarking: MSCI ESG Ratings

abrdrn UK Smaller Companies Growth 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.

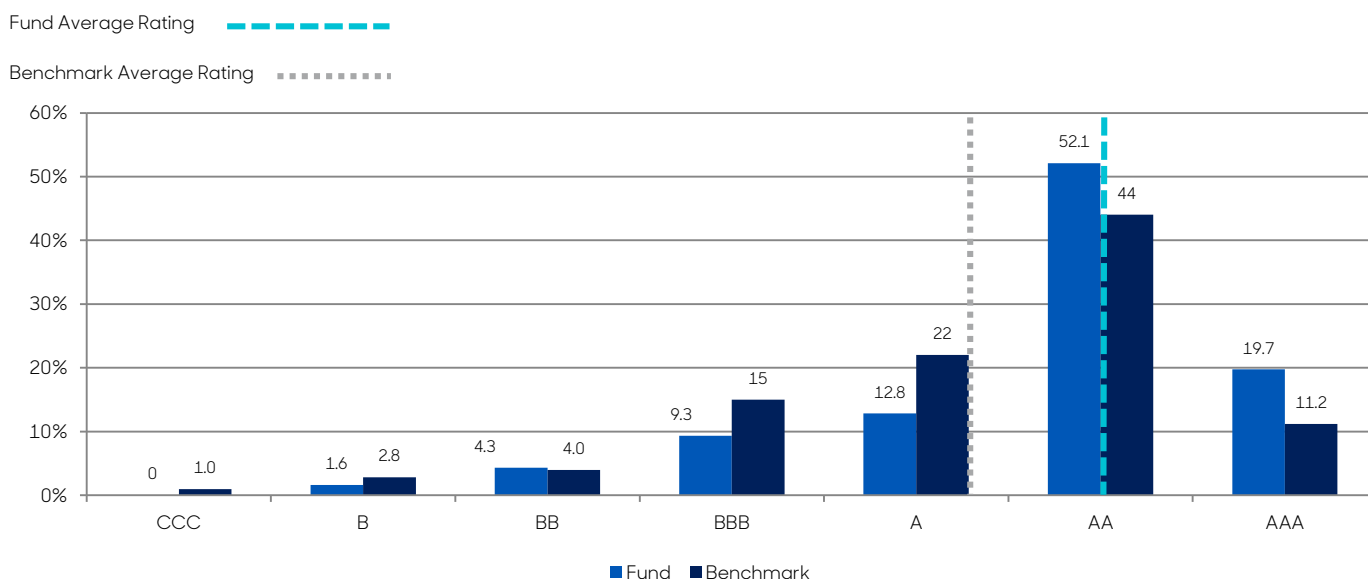


MSCI Fund ESG Quality Scores

	Overall Score (1-10)	Benchmark Average
Fund	7.6	7.1
Environmental	6.1	5.9
Social	5.0	4.6
Governance	7.7	7.3

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)	92.6%	79%

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

abrdn UK Smaller Companies Growth 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

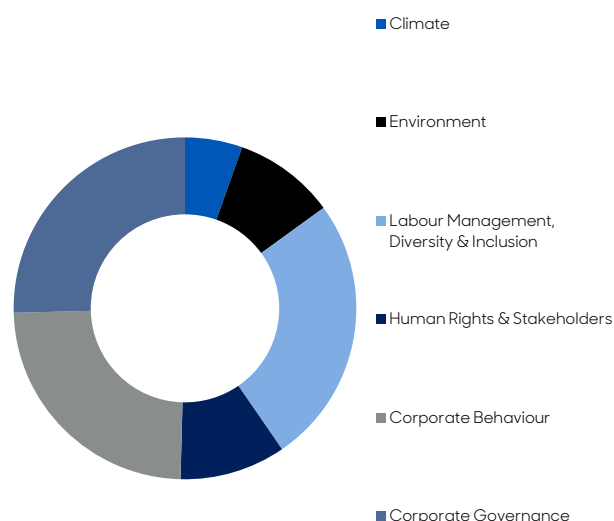
We draw on the resources in our ESG Investment Team and stock analysts to vote consistently on behalf of all client assets in line with the abrdn voting policy. Time period referenced is preceding 12 months.



There were 51 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 39 portfolio companies on ESG topics and had 90 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?	63
How many meetings did you vote at?	63
How many resolutions were you eligible to vote on?	926
What % of resolutions did you vote on for which you were eligible?	100%
Of the resolutions on which you voted, what % did you vote with management?	99.4%
Of the resolutions on which you voted, what % did you vote against management?	0.7%
Of the resolutions on which you voted, what % did you abstain from voting?	0%
In what % of meetings, for which you did vote, did you vote at least once against management?	9.5%

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

Active Ownership: Case Studies

abrdn UK Smaller Companies Growth 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
Cranswick PLC Climate Change, Environment, Labour Management, Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure	Plan, Identify, Acknowledge, Plan	Cranswick sustainability agenda is very impressive and a leader in the industry, supported by strong ratings and rankings via independent agencies. They have strong 2040 carbon emission targets for scope 1 and 2, but also have good influence and increasingly control over Scope 3, thanks to the vertically integrated supply chain through farming and feed mills. The company has shown strong outcomes in recent years on dealing with food contamination issues, and labour challenges brought by Brexit. Key risk aspects for the business include food contamination, animal disease, employee health and safety and they seem to handle these well.	Enhances
Diploma (Non-Priority Meeting) Executive Remuneration	Review	The company wrote to consult us on proposed changes to executive remuneration. We spoke to the Chairman to discuss the rationale for the proposed changes and to provide feedback. A key reservation for us was that the consultation follows a revised Remuneration Policy which was approved in January 2023. We sought comments on the actions taken around workforce remuneration and asked for more detail on the benchmark comparison carried out.	
Serica Energy PLC Climate Change, Environment, Labour Management, Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure	Plan	Positive engagement with Serica. There are many positive steps being taken to reduce emissions- such as flaring reduction, plans to right size compressors, power usage during maintenance periods, active waste reduction. We're encouraged by the active ESG focus including the offshore workers, and the structure to generate ESG focused ideas. ESG targets are part of everyone's bonus. Confident on 50% carbon reduction by 2030 plans. People management is key given expansion in headcount, gender diversity in offshore environments, and D&I. Milestones set concern the progress on CO2 reduction by 2030 (-50%), as well as the influence over the Scope 3 emissions from assets they don't operate.	Reinforces
Treatt PLC Climate Change, Environment, Labour Management, Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure	Acknowledge	We engaged for an overview discussion of the Treatt ESG characteristics and strategy. By nature they are more focused on inputs to healthier beverage solutions, which plays well to the populations trying to live healthier lifestyles. The main challenge we see for the business is managing their supply chain, and therefore their indirect environment exposures here. One follow on with the management will be to discuss further around the auditing process and influence Treatt can have more widely. They have their own carbon reduction plans, and said we should see more in the upcoming report.	Reinforces
Volex PLC Climate Change, Environment, Labour Management, Human Rights & Stakeholders, Corporate Behaviour, Corporate Gov & Disclosure	Plan, Acknowledge, Identify, Acknowledge	Intro ESG meeting with Volex. As a light manufacturer, their emissions profile is not overly challenging but there are opportunities to improve- they have set already a Net zero target. Once the company is comfortable with the data quality, they will look to formalise a plan. Sustainability is very important to their customers and helps drive growth opportunities, thus a big focus. Volex can directly audit and engage with Tier 1 suppliers, approximately 500. We discussed board composition, auditor tenure, and Rothschild ownership and controls.	Enhances

Glossary

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

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

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

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