We are a strong supporter of the principles of good stewardship that are set out in the UK Stewardship Code. This was published by the Financial Reporting Council in July 2010, and updated in September 2012. We believe that it is mutually beneficial for companies and long-term investors to have a relationship based on accountability, engagement and trust. Such a relationship helps to ensure that each has a good understanding of the other's views and expectations. It also enables us to exercise constructive influence as and when appropriate. We believe this serves to enhance the long-term value of our clients' investments and to protect their interests when necessary.

Likewise, it is very important that we are accountable to our clients for our stewardship of their assets. Accordingly, we seek to have a transparent and open dialogue with them about how we engage with the companies in their portfolios. Their feedback helps to shape our views and approach.

We are signatories to the UK Stewardship Code. We comply fully with all the Code's principles in respect of our UK equity investments. We shall use our best endeavours to apply the spirit of the Code's principles in respect of our other investments on a case-by-case basis.

On 31st May 2019 the FCA issued their Policy Statement 19/13 (PS19/13). This made changes to their handbook to implement the requirements of the amended Shareholder Rights Directive that was put in place by the European Union. The changes to the handbook come into force on 10th June 2019 and introduce requirements for asset managers to publish details of their engagement policy. We believe that the contents of this document describing how all of the entities within the Aberdeen Standard Investments group address the principles of the UK Stewardship Code meets all of the new requirements described in PS19/13, however, as highlighted by the FCA in their policy statement there continues to be significant developments under consideration in relation to stewardship and relevant transparent disclosure. We will continue to take a close interest in the developments expected over the relatively near future and will assess and adjust our disclosures in the context of these developments to ensure that all requirements are met or exceeded.

Examples of our stewardship activities can be found on our website.

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**Principle 1**

**How we discharge our stewardship responsibilities**

At Aberdeen Standard Investments, the process of stewardship is a natural part of our investment approach. We integrate stewardship and environmental, social & governance (ESG) factors into our investment process across all asset classes. In particular, this is done by identifying and understanding the specific stewardship and ESG risks associated with an individual investment. We are strongly resourced in this area, with a central stewardship & ESG function, on-desk ESG analysts and a number of fund managers with specific ESG responsibilities. Although our stewardship efforts are more focused on our active portfolios, a similar approach is adopted for passive and quantitative investments.

Our ESG Investment Guidelines are reviewed regularly by the Stewardship & ESG Investment team and noted by our board when any significant change has occurred. These guidelines provide us with a flexible but robust framework to guide our investment teams in fulfilling our stewardship responsibilities. The Guidelines include our views on such matters as:

- company constitution, board composition,
- values, business practices, accountability,
- remuneration,
- audit,
- voting.

At the heart of the Guidelines is a commitment to act always in the best interests of our clients.

When we decide to engage with companies from an ESG perspective, we consider the 10 principles of the United Nations Global Compact. We expect investee companies to meet fundamental responsibilities in the areas of human rights, labour, the environment and anti-corruption.

Our investment teams use best endeavours to have:

- an influential and supportive relationship with investee companies
- regular dialogue with senior management of investee companies.

This enables us to monitor the company's progress and prospects.
In addition, we engage systematically with the boards – generally the chairman or other non-executive directors as appropriate – and company secretaries of investee companies. This enables us to improve our understanding of how the board is fulfilling its responsibilities. It also allows us to communicate views constructively, as and when appropriate. In doing so, we take care to give due consideration to explanations made by companies in relation to the UK Corporate Governance Code. See Principle 3 for more information.

We vote our clients’ shares globally. Voting policy is determined by reference to our Guidelines. We utilise the services of Institutional Shareholder Services (ISS). However, we also conduct our own analysis of resolutions being considered at AGMs and other shareholder meetings. When we vote against a resolution at a UK company meeting, we use best endeavours to explain to the company our reasons for this decision. In exceptional circumstances, we attend and speak at shareholder meetings to reinforce our views to the company’s board. See Principle 6 for more information.

From time to time, we have significant disagreements with our investee companies on matters relating to stewardship and ESG factors. The basis for such disagreements, and our strategy for resolving them, is the subject of discussion and agreement by our Stewardship & ESG Investment and portfolio management teams. The strategy is determined on a case-by-case basis. If we decide to intervene, we generally do so through private engagement with the company and, if appropriate, its advisers. However, if circumstances dictate, we make our views known publicly. See Principle 4 for more information.

As a UK-headquartered asset manager, we are signatories to the UK Stewardship Code. However, we use best endeavours to apply similar standards to our global investments. In addition, we are signatories to the Principles for Responsible Investment (PRI) and we apply those principles to our global investments.

Principle 2
Our policy for managing conflicts of interests

From time to time, we face conflicts of interest in relation to our stewardship work. However, our simple approach is that we will always seek to act in our clients’ best interests.

More formally, global regulation requires the boards of directors at asset management firms to establish effective frameworks to identify control and regularly review conflicts of interest. As required by regulators, including the Financial Conduct Authority in the UK and the Securities and Exchange Commission in the US, we have in place a documented process for the identification and management of conflicts of interest. The process is designed to:

- ensure that conflicts between the interests of the firm and its clients, or between clients of different types, are managed appropriately
- ensure that conflicts resulting from the personal activities of our people outside of the firm (e.g. business ventures, outside appointments, involvement in public affairs, personal political donations) are managed appropriately.

We disclose stewardship-specific conflicts, and associated systems & controls, to clients. We also keep a current record of circumstances in which a potential conflict may arise, or has arisen, as a result of the activities carried out by us.

Potential conflicts of interest
The firm votes on securities where we have a potential conflict of interest, including:

- an investee company that is also a significant client
- an investee company where an executive director or officer of our company is also a director of that company
- an investee company where an employee is a director of that company
- an investee company with which we have a strategic relationship
- a significant distributor of our products
- a significant supplier
- any other companies which may be relevant from time to time.

One specific conflict relates to investment in the shares of our parent company. In order to manage this conflict, the firm does not, as a matter of policy, vote any holdings in our parent company shares.

Systems and controls

- The Stewardship & ESG Investment team have access to senior executives and non-executives who are independent of both our fund management and global client servicing teams
- Rationale for voting in a particular direction is recorded
- Sensitive investee companies are highlighted and proxy voting records outline where possible conflicts have been considered
- The firm reports on voting for these stocks to Risk and Compliance (USA)
- Executive directors or officers of the firm notify the company secretariat about outside appointments
- Investment employees record their outside appointments on the internal compliance system.

The firm’s process for the management of conflicts includes the definition of a Conflicts of Interest Policy and the maintenance of a Conflicts of Interest register. The policy and register are reviewed annually.

If you would like more information, please see the policy on our website.

Principle 3
How we monitor our investee companies

We maintain close contact with the companies in which we invest, generally meeting representatives of investee companies at least once a year. We recognise the importance of effective communication and value having a focused dialogue with directors and senior executives about issues such as corporate strategy and performance, risk management, corporate governance and relations with stakeholders. We also routinely engage on voting issues.

More specifically, as part of our monitoring, our investment analysts undertake a significant number of company meetings each year in the UK and overseas. These give them ideal opportunities to monitor the performance of companies and their management. Our analysts are supported by specific on-desk stewardship and ESG resource, as well as a strong central Stewardship & ESG Investment team.
Our activities include a regular engagement programme to discuss a range of relevant ESG issues, such as:

- board balance and composition
- remuneration policies
- audit and risk issues
- environmental and social issues.

Under exceptional circumstance, and when we believe it is consistent with being a responsible investor and it is otherwise in the best long-term interests of our clients, we are willing to be made insiders for a limited period of time. However, we do expect company representatives or advisers to check that we are happy to be brought inside before they do so. This must be done in a way to ensure that no inside information is passed to us prior to our agreement. If held by phone, such discussion will normally be conducted using business lines, which will be recorded.

Although it is not practical for us to attend the General Meetings of all companies in which we have a major holding, we will attend and speak at AGMs and other shareholder meetings when we feel it is in our clients’ best interests. Also, we shall make public statements at appropriate times when we deem such statements as consistent with our responsibilities. See Principle 6 for more information about our voting policy and disclosure.

When we identify issues that we believe are not consistent with the best interests of our clients, we shall engage with the board of the investee company to explain our views. In this regard, we shall carefully consider explanations given by UK companies for departures from the UK Corporate Governance Code.

**Principle 4**

**Our guidelines for escalating engagement**

We will always use reasonable endeavours to enhance and improve shareholder value through constructive engagement with the companies in which we invest. Our engagement process is described in more detail in Principle 3.

The method of engagement depends on the nature of the issue. Where the matter concerns operational issues, financial control and the execution of strategy, meetings will generally be conducted with senior members of the executive team. Issues of stewardship relating to the factors below are taken up with the most appropriate member(s) of a company’s board or relevant teams:

- long-term sustainability, board oversight and governance
- corporate culture, risk appetite, environmental care, social responsibility and relations with other stakeholders.

In certain cases, we shall consider escalating our engagement on a particular issue. The tactical aspects of escalation are determined on a case-by-case basis. Consideration is likely to be given to engaging with the chairman, the senior independent director, the independent directors, the company’s advisers, and, if appropriate, the company’s regulators. At all stages of engagement escalation we seek to ensure our views are represented by those who have appropriate seniority and experience. Where we feel it is appropriate to do so, we will also make our views known through public statements, which may be at a company’s AGM. We monitor the impact of our engagement over time, recognising that it may take months, or even years, to address some of the issues raised.

We recognise and welcome the benefits that can accrue from collective engagement with other investors. Such collective engagement often forms part of engagement escalation. Our approach to collective engagement is described in Principle 5.

Where the issue is related to a matter upon which shareholders are entitled to vote, we shall vote in accordance with the best interests of our clients. In those instances where we vote against management or abstain on the resolution, we will endeavour to engage with the company to explain the reasons for this decision. See Principle 6 for more information.

In exceptional circumstances where we are unable to resolve the issue, we may table a motion at Special or General Meetings convened by the board or call for a General Meeting.

**Principle 5**

**Our willingness to act collectively with other investors**

We are willing to act collectively with other UK and overseas investors in order to protect and enhance shareholder value or to otherwise address issues that are relevant to our clients’ best interests. Common topics for collective engagement include succession, board composition and nominations process, remuneration, audit and audit tenders, strategy and performance, risk appetite and risk management, human rights, labour concerns, and the environment.

In deciding whether or not to act collectively with other investors, we take into account a range of factors. In particular, these include:

- whether or not collective engagement is likely to be more effective than unilateral engagement
- the degree to which the objectives of the other investors are aligned to our own
- the need for confidentiality
- the context of the investee company and, exceptionally, the wider economy.

To help us effectively participate in collective engagement, we maintain good working relationships with other institutional investors. We also support collaborative engagements organised by representative bodies and others, when they are aligned with our clients’ interests. We work with a number of organisations in order to participate in collective engagement, including:

- Asian Corporate Governance Association
- The Investment Association
- Council of Institutional Investors
- The Investor Forum
- The Principles for Responsible Investing
- The 30% Club Investor Group
Principle 6
Our policy on voting and voting disclosure

We vote all shares globally for which we have voting authority. The exceptions are when we are otherwise instructed by the beneficial owner or where, for practical reasons such as share-blocking, this is not appropriate. We make use of the services of ISS, which is a reputable provider of proxy voting research and voting recommendations. Although ISS has its own voting guidelines, we provide our own house guidelines to establish a custom policy, which ISS is required to follow when making voting recommendations. We also undertake our own analysis of resolutions being considered at AGMs and other shareholder meetings.

We implement considered policies based on our ESG Investment Guidelines when voting the shares we manage. We seek to vote our clients’ shares in a manner consistent with their best interests. We generally support a board’s voting recommendation. However, we do vote our clients’ shares against resolutions which are not consistent with their best interests as shareholders and/or conflict with the spirit of the Investment Association (IA) or other institutional guidance. When making voting decisions for UK companies, we also make use of the IA’s Institutional Voting Information Service.

In the event that we vote our clients’ shares against a resolution at a UK shareholder meeting, we use best endeavours to discuss this with the company beforehand and explain our reasons. We use reasonable endeavours to do so in respect of abstentions. In exceptional circumstances, we attend and speak at UK shareholder meetings to reinforce our views to the company’s board.

Where we lend stock on behalf of clients, and subject to the terms of client agreements, we regularly consider recalling shares from stock-lending programmes where it is in clients’ interests to maintain full voting weight on a particular meeting or resolution. We also look to recall shares on a precautionary basis where there is a controversial issue or a dissident shareholder.

Our global voting records can be found on our website.

Principle 7
How we report on stewardship to our clients

We recognise the importance of being accountable to our clients and their advisers on stewardship and voting activities. We aim to provide transparency on our stewardship activities through our regular client reports and other information reported publicly online.

Our segregated pension fund clients receive quarterly reports detailing how we have voted their shares. We also provide our clients with customised reports on our engagement activities upon request. On occasion, our engagement with investee companies may relate to matters that are confidential and disclosure may be counterproductive or harm our clients’ best interests. In such exceptional circumstances, confidentiality is paramount to achieving the stewardship objective and, therefore, the engagement is not reported to our clients until it is appropriate to do so.

In addition to the reports described above, we provide full transparency of our voting activity on our publicly available website. We also publish a quarterly review of our governance and stewardship activities, which provides an account of how we have fulfilled our stewardship responsibilities. This is available on our website. We also produce white papers on topical ESG issues. These include examples of research and engagement and are available on our website.

Under the UK Stewardship Code asset managers are encouraged, but not required, to have their stewardship statements independently verified. For a number of years both Aberdeen Asset Management and Standard Life Investments successfully obtained appropriate independent assurance over the policies and procedures which underpin each asset manager’s stewardship policy statements. Our intention to seek an assurance report during 2019 has been deferred due to the ongoing fundamental review of the Stewardship Code. This review commenced in January. Publication of the revised Code was originally expected in July but is now due in October. We will continue to provide an externally assured ISAE 3402 Internal Controls Report which includes assessment of controls relating to our stewardship activity.
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