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Our approach to business ethics and governance

Aberdeen Standard Investments believes that businesses operating to the highest principles and practices in governance and risk management will be better able to deliver sustainable long-term investment performance. Therefore, we take efforts to ensure that our investments demonstrate high standards of corporate governance, adopt strong risk frameworks to support ethical business practices and adhere to regulations in various jurisdictions.

The issue

Accountability and trust in corporations is constantly subject to question. Ethics is a broad topic and subjective in nature. However, when integrating environmental, social and governance (ESG) considerations into our investment approach, we assess areas including but not limited to the following: behaviour and culture; bribery and corruption; sustainability; diversity and inclusion; exploitation, and donations and political contributions.

Business ethics and governance issues are easy to identify. Media headlines are filled with ethical concerns. As a large leading asset manager, we believe we have a responsibility not just to our clients but also to society as a whole. We believe that good governance and business ethics protect the long-term prospects of our clients. Aberdeen Standard Investments has the opportunity to work towards changing wider market standards, policies and regulations to make the financial system more sustainable.

Good corporate governance fosters a culture of integrity and leads to positive performance. It signals that the interests of management are aligned with those of stakeholders. Therefore, it can provide businesses with a competitive advantage. From a financial perspective, business ethics are equally important in catalysing the success of an investment.

- The leadership of an organisation holds the key to its long-term success and is accountable for the implementation of ethical behaviour.
- A robust code of ethics and professional-conduct approach allow companies to operate more efficiently and effectively, particularly in relation to ethical principles that govern decisions.
- Regulators and businesses must collaborate to be transparent to outsiders.

Not only does unethical behaviour by individuals have serious personal consequences, but unethical conduct from market participants, investment professionals and those who service investors can damage investor trust and thereby impair the sustainability of the global capital markets as a whole.¹

Our expectations for investments

At Aberdeen Standard Investments, we draw upon a number of international, legal and voluntary agreements for guidance on business ethics and governance. Our primary source is the OECD Guidelines for Multinational Enterprises,² which reflects the expectation of governments as to how responsible businesses should act.

Ethical principles, like laws and regulations, prescribe appropriate constraints on our natural tendency to pursue self-interest that could harm the interests of others. Laws and regulations often attempt to guide people toward ethical behaviour, but they do not cover all unethical behaviour. Ethical behaviour is often distinguished from legal conduct by describing legal behaviour as what is required and ethical behaviour as conduct that is morally correct. Ethical principles go beyond that which is legally sufficient and encompass what is the right thing to do.

We expect all businesses in which we invest to have policies in place to support the following:³

- 1. Corporate governance**
A supportive environment starts at the top, with ethics at the heart of an organisation's governance.
- 2. Prevention of bribery and corruption**
Organisations should be committed to doing business in an ethical manner by having a zero-tolerance policy towards bribery and corruption.
- 3. Pay**
How people are rewarded drives behaviour.
- 4. Respect for human rights**
Every human has the right to be treated with dignity whatever their religion, language, nationality, place of residence, sex, skin colour and other status.
- 5. Tax transparency**
Tax avoidance is an ethical issue. While tax avoidance remains legal, where a business draws its ethical line regarding tax laws is a matter of discretion.
- 6. Treatment of employees**
Ethical training brings ethical values to life and provides guidance to their staff on how to tackle ethical dilemmas.

¹ CFA Institute: <https://www.cfainstitute.org/en/ethics-standards/codes/standards-of-practice-guidance/ethics-and-investment-industry>

² <http://www.oecd.org/about/>

³ Institute of Business Ethics: What is doing ethical business?

Our approach for investments

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 achieved by identifying and understanding the specific risks associated with an individual investment. 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 values, business practices and accountability.

Engagement

For our actively managed investments, we engage with our portfolio companies to do the following:

- a) Gain a better understanding of how they manage business ethics and governance;
- b) Ensure compliance with regulations; and
- c) Encourage improvement in business-ethics practices and governance.

Voting

We vote in line with our principles and, where appropriate, will support shareholder resolutions that require investee companies to improve business ethics and governance standards, and implement better policies and practices. This is done in the belief that strong business ethics and governance will generate positive outcomes for our investments and their stakeholders.

Responsible investing at Aberdeen Standard Investments

As a leading global asset manager, we believe that investing responsibly can help generate long-term value for our clients. We offer an extensive and growing range of investment solutions, as well as the very highest levels of service and support.

When investing our clients' capital, ESG considerations are an integral part of our decision-making. By understanding how ESG factors affect our investments, we believe we can generate better outcomes for our clients, society and the wider world.

To help us achieve this, our dedicated, 20-strong ESG Investment team works closely with colleagues across all asset classes to support this work. A further 30 dedicated ESG asset-class analysts provide an additional layer of expertise.

For more detail, please visit our [website](#).

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*(entities as at 25 May 2020)

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