



Aberdeen Standard Investments Australia Limited ("ASIAuL")

FSC Standard 23 -Principles of Internal Governance and Asset Stewardship

September 2019

1. About Aberdeen Standard Investments Australia Limited

Aberdeen Standard Investments Australia Limited "ASIAuL" is the Australian subsidiary of Standard Life Aberdeen plc group, formed following a merger between Aberdeen Asset Management PLC and Standard Life plc in August 2017. The investment arm of the combined group operates as Aberdeen Standard Investments "ASI" and manages A\$997 billion¹.

Aberdeen Standard Investments is primarily a high-conviction, long-term active manager. We also have the scale and expertise to deliver investment solutions across different types of strategies. We believe that teamwork and collaboration between investment managers and across asset classes is the key to delivering repeatable, superior investment performance.

With over 1,000 investment professionals and a presence in 50 locations, we are close to clients and the markets in which we invest. We have built strategic relationships around the world with major banks, insurers and other investment firms to support the needs of institutional, wholesale, pension and retail investors. Our business is well diversified by asset class, client and geography.

The Australian business began operations in December 2000, growing organically and through acquisition since that time. We manage assets for global and domestic clients, including managed investment schemes and segregated mandates. Some of the assets of our funds may be managed by other entities within the Aberdeen Standard Investments group.

*As at 31 December 2018

2. Our Investment Approach

An active approach

Aberdeen Standard Investments (ASI) embraces an active management approach. Our focus is placed on undertaking primary, internal research and consideration of the fundamentals underlying any prospective investment. This emphasis is supported by close collaboration between different asset classes. As a result, investment professionals make better informed decisions, leveraging the full spectrum of insight across ASI.

Micro and macro research

Across many asset classes, the ability to analyse and evaluate both micro and macro factors is invaluable. Understanding the top-down dynamics within global markets and economies provides context. Combining macro analysis with bottom-up research allows a fuller picture to be formed of the risks and opportunities presented by any given investment. Macro research comes from a fully resourced team of economists and market strategists who feed into the decision making process, particularly within multi-asset investing and fixed income.

Long-term investors

ASI are high-conviction, long-term investors. Investments are made across asset classes with the understanding that the full return potential will often be realised over time. Performance is not reliant on short-term tactical trading. This long term perspective benefits our clients directly as the unnecessary costs of excessive trading can be avoided. When unjustified, high levels of portfolio turnover is likely to negatively impact portfolio performance.

Team-based ethos

Within individual investment teams, managers work in a collaborative manner with colleagues, pooling their collective insights and expertise. Rigorous peer review of investment proposals within a team is central. Our ethos is collaborative, but decision making is not reliant on a consensus. While drawing upon the pooled experience within teams, managers assume individual responsibility for the investment decisions they make.

Embedded ESG

An Environmental, Social and Governance (ESG) framework is firmly embedded within our investment approach. Awareness of ESG factors highlights financial and reputational risks related to the companies in which we invest. For this reason, ESG engagement is not a cost, but an approach that can enhance investment performance.

Our belief is that we should act as responsible stewards of our clients' assets, seeking to ensure that our investment decisions will generate a positive social impact as well as financial performance.

Shared insights

Expertise is leveraged across different investment capabilities. This occurs across asset classes and geographies. For example, fixed income managers will engage with equity colleagues to share their perspectives on a particular company. With over 1,000 investment professionals located across more than 20 offices around the world, the ability to share these insights widely is a key competitive advantage.

3. Our customers and clients

Fair treatment of our customers and clients is at the heart of our culture and we are committed to building valuable long-term relationships with them that help them to protect and grow their assets.

We aim for high standards in everything, with propositions that are well designed and delivered, paying due regard to the interests and needs of our existing and potential new customers and clients.

4. Internal Governance

Our Code of Conduct describes the following ethical behaviours and standards.

- act with integrity;
- act with due skill, care and diligence;
- be open and cooperative with the regulators;
- pay due regard to the interests of customers and treat them fairly;
- observe proper standards of market conduct.

While laws, regulations, policies and procedures may vary by country or region, our ethical principles remain the same.

We are all entrusted to make decisions that impact our reputation and relationships with each other, our customers, our business partners and the public. Our Global Code of Conduct is the guide for our actions and behaviour both within the company and externally.

5. Governance Structure – Aberdeen Standard Investments Australia Limited



Board of Directors

The broad remit of the Aberdeen Standard Investments Australia Limited Board is the development of the company's strategy and long term business plan, oversight and adoption of business plans and budgets, management of the company's affairs pursuant to the provisions of the Corporations Act and oversight of the risks to the business, and the controls intended to mitigate those risks. The Board is chaired by the Managing Director, Australia. It meets quarterly and as required. Minutes are taken, attendance is recorded and matters arising are documented.

Management Committee

The primary role of the Australian Management Committee is to assist in the implementation of local and Group strategy and the successful operational management of the Australian business. This group is chaired by the Australian Managing Director and is comprised of other representatives as appointed by the Australian Board. The group is responsible to the Australian board and meets regularly to discuss matters concerning the entire Australian business.

Compliance Committee

The Compliance Committee is constituted and convened in accordance with the requirements of the Corporations Act and ASI's scheme Compliance Plans. The Committee comprises the Managing Director Australia, plus two independent members, as required by the Funds' constitutions. The Committee meets quarterly, and also as required. Minutes are taken, attendance is recorded and matters arising are documented.

Investor Protection Committee

The remit of the Investor Protection Committee is to ensure investors are not materially disadvantaged by activities of investors trading in and out of the registered managed investment schemes. Chaired by the Managing Director, Australia, the Committee is established under the authority of the ASIAuL Board. The Committee meets formally on a quarterly basis.

6. Ethical Standards

ASI employees are guided by compliance standards that are in line with international best practice. Codes of conduct are clearly set out in staff compliance policies that address obligations in respect of insider dealing, personal account dealing, hospitality and ethical standards.

Personal trading

ASI's rules relating to personal account dealing are designed to prevent potential conflicts of interest, as well as the appearance of such. Client interests always come first, as a matter of fiduciary duty, and any suggestion that an employee may have benefited from a deal carried out in breach of the procedures, may result in that person's dismissal.

ASI requires all employees to obtain prior approval for, and to disclose details of, applicable personal investment dealings and those of connected parties to the Compliance department in order that their dealing activities are monitored. This ensures that all staff operate their personal investments in an honest manner and do not use any inside information, or their positions within ASI, to their advantage. Violations are taken seriously and are considered as possible grounds for verbal disciplinary action, formal disciplinary action or dismissal, as appropriate. The Compliance department carries out monitoring of all personal dealing and reports findings to the Conduct & Conflicts Committee

Conflicts of Interest

All employees are required to report to the Compliance department any actual or potential conflicts of interest; as they arise, to ensure that client and company interests are protected. This includes directorships of public or private corporations or other interests which may cause potential conflicts with our obligations to customers.

The Conflicts of Interest policy requires that potential and actual conflicts of interests within the organisation are identified, tracked and managed appropriately. It is recognised that effective handling of potential conflicts of interest is a key priority for asset managers and in particular is essential for building long-term customer trust and confidence. Handling of conflicts of interest is overseen by the Compliance departments and conflicts may be escalated to the Conduct & Conflicts Committee, which may take decisions in respect of specific conflicts arising.

Gifts and Entertainment

Standard Life Aberdeen has a zero tolerance towards bribes, offered or accepted; it is therefore incumbent on us all to exercise care when offering or accepting gifts or entertainment. These may be perceived as a conflict of interest, an inappropriate inducement or even a bribe, and may risk bringing Standard Life Aberdeen into disrepute. Before offering or accepting a gift or hospitality, we have a duty to assess whether it's appropriate, taking into account who is involved, the nature of the relationship and the value of the gift or hospitality. Local authorisation procedures and limits on the type and value of gifts and entertainment are in place and must be followed. We must all record these kinds of benefits (whether offered or received) on the appropriate register in line with local procedures.

Risk Management

Our approach to effective risk management is predicated on strong risk awareness and risk accountability across all lines of defence in our business. We believe this approach will deliver long-term value for our clients, customers and shareholders, and protect their interests.

Error correction policy

ASIAuL observes FSC standards and industry best practice guidelines for the threshold of materiality applied to unit pricing errors and in turn assess whether any compensation is required. The materiality threshold used for such assessment will be no greater than 0.30% of the price of a unit. For exited unitholders ASIAuL applies a fixed dollar minimum and compensation is paid when the amount is \$20 or more.

Brokerage and commissions

ASI announced a change to the payment for research model, such that ASI will absorb all research costs directly which coincides with the new MiFID II legislation (EU). As a result, ASI has been "execution only" since the start of 2017, paying for research for equities out of its assets.

Equitable asset valuation and pricing

ASI in accordance with local law, uses fair, appropriate, and transparent valuation methodologies in valuing assets held on behalf of all its clients, both in segregated portfolios and in Collective Funds. ASI applies consistent methodologies, accounting policies, and rules, for each valuation point as defined by the local Regulator.

All managed investments schemes under the management of Aberdeen Standard Investments Limited are subject to the ASIAuL Unit Pricing Policy. This policy is available on our website. Subject to the relevant scheme's constitution, investments within each scheme are valued at their market value consistent with Financial Services Council (FSC) Standards. The assets of the scheme include all investments assets, capital, income, property and rights of the scheme. Security prices are obtained, where possible, from independent security pricing services, and are based on market price where the security is traded on a regulated market. Subject to the relevant scheme's constitution, ASIAuL will exercise its discretion to value assets and liabilities other than at market value (i.e. other than in accordance with Australian Accounting Standards), if:

- It considered that to value assets in accordance with applicable Australian Accounting Standards would mean that the value of the assets or liabilities is materially understated or overstated; or
- It is not practical to value the assets or liabilities at market value.

Reasonable estimates: Reasonable estimates may be used to value a specific asset or type of asset if the price is unavailable provided there is a verifiable methodology to support the estimate. Where reasonable estimates are used, they are independently reviewed for accuracy and the estimates are compared to actual prices periodically to ensure significant variances do not exist.

Best execution and trade allocation

Refer to order execution policy on our website

Whistle-blower protection policy

Standard Life Aberdeen does not tolerate the harassment or victimisation of anyone raising a genuine concern and considers it a disciplinary matter to victimise anyone who has raised a genuine concern. No one will be at risk of losing their job or suffering any form of reprisal as a result of raising a genuine concern. An independent and confidential Speak Up service is available 24 hours a day, 7 days a week, in multiple languages, to all people working for Standard Life Aberdeen to raise concerns of wrongdoing. The service is independently managed by Safecall who are recognised as a leading global authority on all aspects of whistleblowing.

Training and development

ASI ensures that all staff must attain and maintain the competency required to perform effectively in their roles. All staff also takes responsibility for their own personal development. To support this, Standard Life Aberdeen provides a number of mandatory training courses that must be completed on joining the company and then periodically in line with the requirements of the role. ASI also provides opportunities for training that is relevant to specific roles.

Complaints and dispute resolution

We aim to provide quality products and services to our clients. Internal complaint handling procedure has been established by ASI. Complaints can be made to our Client Service team. We will acknowledge any complaint in writing and use reasonable endeavours to deal with or resolve your complaint within 45 days. ASI is a member of the Australian Financial Complaints Authority ('AFCA'). This is a new external dispute resolution scheme to deal with complaints from consumers in the financial system.

7. Asset Stewardship

ASIAuL adheres to FSC Standard 23 – Principles of Internal Governance and Asset Stewardship.

Monitoring of company performance on financial and non-financial matters;

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.

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.

Engagement with company management and the board (as appropriate) and escalation of issues in instances where initial engagements have not been adequately responded to;

We will always use reasonable endeavours to enhance and improve shareholder value through constructive engagement with the companies in which we invest.

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.

Approach to considering Environmental, Social and Governance factors (risks and opportunities) and whether these considerations influence investment decision-making and company engagement;

At ASI, 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; and
- voting.

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

Proxy voting (see FSC Standard 13)

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 Institutional Shareholder Services (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.

Proxy voting policy and results are available on our website.

Collaborative engagement with other investors including involvement with industry groups and associations

We are willing to act collectively with other 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.

The approach to client engagement, education and communication regarding asset stewardship

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. We also 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.

