At Aberdeen Standard Investments, our vision is to make a difference for our clients, society and the wider world. It’s about aiming to achieve our clients’ long-term financial goals whilst doing the right thing.

We centre our approach to responsible investing on the following principles.

1. **Our investment process**: we integrate and appraise environmental, social and governance factors in our investment process, with the aim of generating the best long-term outcomes for our clients.

2. **Our investment activity**: we actively take steps as active owners to deliver long-term, sustainable value consistent with our clients’ objectives.

3. **Our client journey**: we clearly define how we act in our clients’ interests in delivering our stewardship and ESG (environmental, social and governance) principles. We transparently report on our actions to meet those interests.

4. **Our corporate influence**: we actively advance policy, regulation and industry standards as we seek to deliver a better future for our clients, the environment and society.

We have a strong track record of active ownership aligned with stewardship best practice. This is built on our belief that it’s mutually beneficial for long-term investors and the investments that they make to have a relationship based on accountability, engagement and trust. Such a relationship helps ensure each party has a good understanding of the other’s views and expectations. It also allows us to exercise constructive influence as and when appropriate. In so doing, we seek to enhance the long-term value of our clients’ investments and to protect their interests when necessary.

It is vital that we’re accountable to our clients for the stewardship of their assets and we seek to have a transparent and open dialogue with them about all of our stewardship activities. Client feedback helps to shape our views and approach.
Our investment process: integrate and appraise environmental, social and governance factors in our investment process with the aim of generating the best long-term outcomes for our clients.

At Aberdeen Standard Investments, ESG considerations are central to the way we invest. We believe ESG factors are financially material and can meaningfully affect an asset’s performance. An asset’s ability to sustainably generate returns for investors depends on the management of its impact on the environment, its consideration of the interests of society and stakeholders, and on the way in which it is governed.

We believe that a thorough understanding of ESG factors allows us to make better investment decisions, leading to better outcomes for our clients. This begins with rigorous research. We undertake thorough due diligence before we invest, considering material ESG risks and opportunities alongside other financial metrics. We seek to understand whether such risks are being adequately managed, and whether the market has understood and priced them accordingly.

We also believe it’s our duty to be active and engaged owners of the assets in which we invest. As part of our regular interactions with the companies in which we invest on behalf of our clients, we seek to constructively challenge management and boards. Our aim is to both preserve and enhance the value of our clients’ investments. Through these discussions, we seek to improve the financial resilience and performance of investments, sharing insights from our ownership experiences across geographies and asset classes. Where we believe we need to catalyse change we will endeavour to do so through our strong stewardship capabilities.

To achieve this, we have ESG expertise embedded within many of our investment teams. We complement this through collaboration across asset classes, sharing research, experiences and understanding. In addition to our embedded ESG specialists, regional investment teams are further supported by our ESG investment team who provide detailed global thematic research and insight on stewardship and ESG issues across all asset classes.

Monitoring our investments
We maintain close contact with the companies and assets in which we invest, whether through listed equity, corporate bonds or private markets.

For listed assets and direct investments we generally meet representatives of investee companies at least once a year. We recognise the importance of effective communication and the value of focused dialogue with directors and senior executives. Issues raised include 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 process, our investment analysts undertake a significant number of company meetings each year in the UK and overseas. These meetings are 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 specialist ESG Investment team. Our activities include a regular engagement programme to discuss various relevant ESG issues. These include, but are not limited to, areas like board composition, remuneration, audit, climate change, labour issues, human rights, bribery and corruption. Although it is not practical for us to attend the General Meetings of all companies in which we have a holding, we will attend and speak at Annual General Meetings (AGMs) and other shareholder meetings when we feel it’s in our clients’ best interests to do so. Also, we commit to making public statements whenever we deem such statements consistent with our responsibilities and where we believe they may encourage the change we seek.

When we identify issues that we believe are inconsistent with our views and the best interests of our clients, we engage with the board of the investee company to explain our views. In this regard, we carefully consider explanations given by companies for departures from expected best practice.
Our investment activity: actively take steps as stewards and owners to deliver long-term sustainable value, consistent with our clients’ objectives.

The process of active ownership is a natural part of our investment approach. We integrate active ownership and ESG factors into our investment process across all asset classes. In particular, we seek to identify and understand the specific active ownership and ESG risks associated with each individual investment. We have strong resource in this area, with a specialist ESG investment team, asset-class ESG analysts and a number of fund managers with specific ESG responsibilities. Although our ownership efforts are more focused on our active portfolios, we adopt a similar approach for passive and quantitative investment.

Our Board has approved the principles defined in this document, and our Investment Management Committee scrutinises all active ownership activities. Among these are the guidelines we provide for listed companies. The guidelines are a flexible but robust framework to help our investment teams fulfil our stewardship responsibilities. For instance, they set out our position on topics including:

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

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

In public markets when we decide to engage with companies on ESG issues, 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 achieve:

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

In this way, we can monitor a company’s progress and prospects. In addition to regular meetings with the management of companies in which we invest, we engage systematically with board members – generally the chair or other non-executive directors. Such meetings enhance our understanding of how the board is fulfilling its responsibilities. They also give us the opportunity to communicate views constructively, as and when appropriate.

We vote our clients’ shares globally, with our voting policy determined by reference to our listed company guidelines. We use Institutional Shareholder Services (ISS) but also conduct our own analysis of resolutions being considered at AGMs and other shareholder meetings. When we vote against a resolution, we use best endeavours to explain to the company our reasons for the decision. In exceptional circumstances, we attend and speak at shareholder meetings to reinforce our message to a company’s board.

Periodically, we may encounter significant disagreements with our investee companies on matters relating to stewardship and ESG factors. The cause of 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 will make our views known publicly.

Managing conflicts of interests

We occasionally 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 identifying and managing conflicts of interest.

The process is designed to:

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

We disclose stewardship-specific conflicts, as well as associated systems and 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 activities carried out by us.
We will vote at meetings where there is 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 that may be relevant from time to time.

A specific conflict relates to investment in the shares of our parent company and investment in shares of In-House Managed Funds. In order to manage this conflict, as a matter of policy we do not vote any holdings in our parent company shares or shares of In-House Managed Funds.

We also have in place certain systems and controls to help us manage conflicts of interest, including the following.

- The ESG Investment team has access to senior executives and non-executives who are independent of both our fund management and global client servicing teams.
- Our 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.
- Executive directors or officers of our company notify the company secretariat about outside appointments.
- Investment employees record their outside appointments on the internal compliance system.

Our client journey: clearly define how we act in our clients’ interests in delivering our stewardship and ESG principles; transparently report on our actions to meet those interests.

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 that include details of our voting activity for the companies in their portfolio. These reports will also include details of our engagement with companies that we invest in on their behalf. On occasion, our engagement with investee companies may relate to confidential matters, where disclosure may be counterproductive or harm our clients’ best interests. In such exceptional circumstances, confidentiality is paramount to achieving the stewardship objective. 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. We also publish a quarterly review of our governance and stewardship activities, which provides an account of how we have fulfilled our stewardship responsibilities. Additionally, we produce white papers on topical ESG issues, which include examples of research and engagement. These reports are all available on our website.

The key controls in our stewardship processes are shown in our ISAE 3402 Internal Controls Report. This includes external assessment of the operation of these controls, thus providing assurance over the stewardship activities we undertake on behalf of our clients.
Our corporate influence: actively advance policy, regulation and industry standards to deliver a better future for our clients, the environment and society.

We are willing to act collectively with other investors in seeking 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, such as:

- 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 these are aligned with our clients’ interests. We work with a number of organisations in order to participate in collective engagement, including:

- The Asian Corporate Governance Association
- The Investment Association
- The Council of Institutional Investors
- The Investor Forum
- The Principles for Responsible Investing
- The Institutional Investor Group on Climate Change
- Climate Action 100+
- The 30% Club Investor Group

Policy, regulations and industry standards play a key role in creating a positive, transparent and successful economy and society. As trusted partners for our clients, we believe we have an important role to play in assisting the development of policy, regulation and quality standards that are aligned with our clients’ interests. At the same time, we support the creation of sustainable businesses that deliver returns to investors while operating in a responsible manner.

Aberdeen Standard Investments therefore plays an active role in a number of associations and influencing groups. We look to provide our voice, experience and resource to assist in the continued raising of ESG standards. As well as the associations listed above, there are many more. We are selective in deciding which groups to support. We ensure they are seeking change consistent with our views and that we are able to dedicate the resource necessary to fully support their activities. The full list of the groups with which we work closely is publicly available on our website.
Important Information

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

The information contained in this document is of a general nature on the activities carried out by the entities listed below. This information is therefore only indicative and does not constitute any form of contractual agreement, nor is it to be considered as an offer or solicitation to deal in any financial instruments or engage in any investment service or activity. No warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the reader, any person or group of persons acting on any information, opinion or estimate contained in this document. Please note that some of the investments referenced in this publication are not authorised for distribution in all of those jurisdictions in which we operate. For further information, please speak to your usual contact or visit our website www.aberdeenstandard.com

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Equities: Foreign securities may be more volatile, harder to price and less liquid than domestic securities. They are subject to different accounting and regulatory standards, and political and economic risks. These risks may be enhanced in emerging markets countries. Diversification does not necessarily ensure a return or protect against a loss.

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Asia-Pacific

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