

## **Aberdeen Latin American Income Fund Limited (the “Company”)**

### **Stewardship Code Disclosure**

#### **Policy**

The Company is a supporter of the UK’s Stewardship Code, and plays its role in delivering good stewardship of the companies in which it invests. We see stewardship as a natural adjunct of our part-ownership of companies and an integral part of the investment activity which is carried out for us by our fund manager, Aberdeen Fund Managers Limited, a subsidiary of Aberdeen Asset Management Group PLC (“Aberdeen”). Our role is to set the tone for the effective delivery of stewardship by Aberdeen on our behalf: we are clear that we retain responsibility for this being done properly and fully in the interests of our own shareholders.

The Stewardship Code has seven principles and the following explains how we, and Aberdeen on our behalf, apply these principles;

#### **How we discharge our stewardship responsibilities**

As stewardship is a core part of Aberdeen’s investment activity we do not carry out stewardship activities directly but hold our fund manager accountable for delivery of this activity on our behalf. Aberdeen as a fund manager has an integrated approach. Its fund management teams are responsible for holding to account the management and boards of companies in which they invest. Aberdeen’s statement with regard to the UK Stewardship Code (and indeed to global stewardship codes) is robust, and can be found at <http://www.aberdeen-asset.com/doc.nsf/Lit/LegalDocumentationGroupOtherStewardshipCodes>.

We receive regular reporting from Aberdeen including their stewardship activities and interaction with each of the companies in which we invest. As part of our investment management oversight, we regularly engage with Aberdeen’s fund management team on their stewardship activity, raising questions about the reports and, as appropriate, other relevant matters. We seek consistently to ensure that these stewardship activities are carried out actively and effectively in the furtherance of good long-term investment returns consistent with our investment policy and the returns expectations of our shareholders.

#### **Managing conflicts of interest**

The Company is a listed Jersey registered investment company whose business is investment in Latin American securities, none of which is a significant investor in our company and the Company’s Board comprises non-executive independent directors. We do not believe that there are any potential conflicts which might affect our duty to act in the interests of our shareholders.

However, we also require that Aberdeen effectively manages any conflicts that it faces in respect of stewardship matters, and report to us regarding any conflict that specifically affects the Company such that we can ensure it is managed effectively and appropriately. There is a clear discussion of the issue of conflicts in relation to stewardship matters in Aberdeen’s statement on stewardship codes. We seek to ensure that Aberdeen delivers effectively on these undertakings.

#### **Monitoring**

We recognise that active and ongoing monitoring of companies is the foundation of good stewardship, reminding companies in which we invest that they have obligations to their shareholders to deliver returns over the appropriate long-term investment timeframe and, consistent with this, to manage any related environmental and social risks responsibly. Aberdeen has set out a clear approach to monitoring the companies in which it invests on our behalf in its Stewardship Principles (see <http://www.aberdeen-asset.com/doc.nsf/Lit/CorporateGovernanceGroupPrinciples>) which the Company has reviewed and accepted. This monitoring is a natural part of Aberdeen’s long-term investment approach under which it requires that its managers meet the management of all its active investments at least twice a year. We expect Aberdeen to maintain its current level and depth of

engagement in relation to the Company's investments, through which Aberdeen monitors the risks and overall quality of each investment. We monitor Aberdeen's activity in this area at least quarterly through the Stewardship reports to us on the outcomes from engagements with management of our holdings and through on-going dialogue with Aberdeen on these holdings.

### **Escalation**

An escalation of stewardship activities is needed where monitoring identifies some failure to address factors which may affect that company's ability to deliver returns over the long term. It is not in our shareholders' interests for the Company to engage directly in an escalation of a stewardship issue which is being pursued by Aberdeen as part of its wider investment management activity. We expect Aberdeen to escalate through dialogue with a company any issue pertaining to a material risk or financial concern that poses a threat to that company's ability to perform over the longer term. Aberdeen's statement on stewardship codes sets out its willingness to escalate engagement as necessary and the ways in which this might be done. We expect Aberdeen to do this, as it currently does, as part of its investment process, both before and after an investment is made. Our role as asset owner is to monitor Aberdeen's delivery and effectiveness, to provide independent challenge, and to press for escalation if we believe that this is needed and has not been delivered. We do this as part of our monitoring of the effectiveness of the manager and our regular review of the team's performance and delivery. We see the ability to escalate concerns and work collectively with other investors as pivotal components of Stewardship.

### **Acting collectively**

It is rarely in our shareholders' interests for the Company to act collectively with other investors in relation to stewardship of individual companies in which it invests. The most effective method of collaboration with others is through the investment manager by aggregating the Company's assets with the assets of other Aberdeen clients. As appropriate, we expect Aberdeen to participate in broader collective activities, as it currently does, whether these are formal (through a range of investor associations globally) or informal. We oversee such collective activity as part of our monitoring of the effectiveness of the manager and regular review of its performance and delivery.

### **Voting policy and disclosure**

The Company's view is that we should always vote, and we do so except in those unusual circumstances where voting might be so costly or administratively difficult that it is not in our shareholders' interests. We believe that votes should be cast in a considered and responsible way and support the Aberdeen approach whereby fund management teams have the responsibility for taking voting decisions. In the absence of explicit instruction from us, the Company delegates to Aberdeen complete discretion in the exercise of our voting rights, and we have made clear that we expect that it will not automatically vote in support of all resolutions. Aberdeen discloses its aggregate voting activity, including that on our behalf, monthly and one quarter in arrears, here: <http://aboutus.aberdeen-asset.com/en/aboutus/expertise/equities/stewardship/delivery>.

### **Reporting**

We receive and note private quarterly reports on stewardship from Aberdeen. We receive and assess Aberdeen's annual controls assessment under AAF 01/06, which includes matters relevant to stewardship. We report to our shareholders annually on our stewardship activities in the Governance section of the Annual Report which includes reference to Aberdeen's annual public report on its stewardship activities (see <http://aboutus.aberdeen-asset.com/en/aboutus/expertise/equities/stewardship/delivery>). We do not believe that there is currently sufficient benefit for the Company to incur the costs of further reporting but keep this under review.

31 October 2016