

## **Corporate Social Responsibility Policy for AAM & Group Companies**

The Aberdeen Group seeks to be a good corporate citizen in all aspects of its operations and activities. To this end we have brought together a series of operating principles under the broad heading of Corporate Social Responsibility (CSR) to serve as a guide to employees in all aspects of their work for the company. The principles cover all areas of the Group's operations and have been developed with reference to the relevant codes of corporate governance and best practice, including the revised Combined Code and international statements and guidelines such as the UN Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises. Taken together, these principles form our CSR policy. The policy can be divided into six main areas:

1. Ethical Business Conduct
2. Policies Specific to Employees
3. Policies Specific to the Group
4. Fair Employment Practices
5. Workplace Health and Safety, and
6. Environmental Policy

## 1. Ethical Business Conduct

### A. Our Principles

We value the principles of accountability, honesty and integrity in all aspects of our business. Our policy is to conduct our business in a manner which ensures:

- fair treatment of all employees and clients
- transparency of our business policies and practices
- high standards in all matters relating to health, safety and the environment
- ethical business practices throughout our operations

We recognise that the involvement of our employees is key to the future success of the business and we have for many years adopted a policy of keeping employees fully informed on all matters affecting them. We have consistently operated a remuneration strategy that recognises both corporate and individual performance. We are also committed to best practice in employment matters, recognising the role this plays in attracting and retaining staff.

To succeed in delivering the best possible service to our clients, every employee is expected to adhere to the group's core values and to uphold them in the workplace. Employees are expected at all times, to exercise the highest ethical judgement and comply with laws applicable to their duties. These principles cover all employees globally and are set out on the company's intranet.

## **2. Policies Specific to Employees**

### **A. Compliance with Codes and Regulations**

In addition to the Group's internal operating principles employees shall adhere to all national laws and regulations. As investors in more than one investment jurisdiction, investment managers will be required to familiarise themselves with the codes of practice in the domains for which they are responsible as well as those codes and regulations in force in the UK. These will include the rules of the FSA and other financial services regulators, regulations specific to UCITs and OEICs, the ERISA rules and the recent stipulations of Sarbanes-Oxley.

#### **Whistle Blowing**

In the event that an employee discovers a breach of company policy there is a facility for him/her to report that breach in confidence either via his line manager or via an anonymous email address sent directly to the Head of Internal Audit. The Head of Internal Audit has a duty to investigate fully the detail behind such a report and as part of the investigation will not normally make reference to the anonymous report. Maliciously motivated reports for which there is no real basis for making a report are not welcomed and may result in disciplinary action being taken against the employee making the accusation.

### **B. Outside Interests**

The Group requires that employees avoid at all times any situation which may involve a conflict of interest between the employee and the company. Employees are expressly prohibited from accepting other paid employment, including directorships in other companies, without the consent of the Executive. In general, this does not apply to charitable work or relationships with non-profit organisations unless this has the potential to impact on the employee's normal duties.

### **C. Dealing with Customers, Stakeholder and External Parties**

The Group is committed to the provision of accurate information and fairness in all its dealings with customers, stakeholders, officials and any other external party having direct business with the group.

### **D. Confidentiality**

Every employee shall respect any information which is confidential to the Group including, but not limited to, trade secrets, confidential knowledge or any information concerning the process or invention used by the Group. Breaches of confidentiality may be cause for disciplinary action.

#### **Data Protection**

We are committed to complying with the data protection principles established by the 1995 EU Directive on Data Protection. This commitment applies throughout the group and in all countries in which it operates. If the group conducts business in a jurisdiction where stricter rules apply, then it will comply with those rules as a matter of course. All

employees and agents of the Group are responsible for ensuring compliance with the policy. Information collected may be accessible throughout the Group but will not be disclosed to any third party in a form which identifies the individual concerned. It will not be used for marketing purposes without the individual's consent and will not be sold to third parties. Upon request, an individual will be informed of the existence, use and disclosure of his or her personal data and will be given access to that data to confirm its accuracy or amend it as appropriate.

#### **E. Fair Dealings**

Dealing for clients will be undertaken in an order and manner which is unquestionably fair for the client. The buying and selling of equities, for example, will not prejudice any party and should be administered within the compliance regulations governing trading operations.

#### **F. Malpractice**

The Group actively works to deter malpractice in its workplace, with specific attention to activities involving bribery and corruption, fraud, money laundering and insider trading. The Group has detailed procedures for staff to follow in order to ensure observance of these principles. The Compliance Database contains guidance on the value of gifts which may be given (or accepted) by staff to (or from) counterparts in the industry, the frequency with which those gifts may be made (or accepted) and how they should be recorded.

There are also detailed procedures in place to help staff to identify instances of money laundering and a member of the Compliance Team is designated as the Money Laundering Reporting Officer (MLRO). Staff are required to report any unusual patterns of trading activity, which could be interpreted as money laundering, to the MLRO. The MLRO is responsible for investigating any suspicious transaction reports, making a decision as to whether it does constitute money laundering and if so, notifying the National Criminal Investigation Service. Relevant staff receive training, tailored to their specific roles in the company, to assist them identify activities of money laundering.

The Group also has procedures in place to prevent insider trading by employees. All personal dealing, except for trading in unit trusts or OEICs, by fund management and administration staff who might have access to privileged information, requires prior approval by two senior members of staff. If the Group is dealing in a stock in which the employee wishes to trade, the employee can only do so once the transaction on behalf of the corporate client has been completed. All employee investments must be declared on an annual basis and transactions must be declared at the end of each calendar quarter.

Employees should avoid any financial situation that conflicts with the Group's interests or potential interests.

#### **G. Use of Company Information / Assets**

Employees shall use the company's computer systems, internet and intranet, and email systems for business use. Any employee found to have disclosed confidential information, been abusive or malicious in using these facilities, or misusing the systems in any way may

face disciplinary action. The Group strictly prohibits the use of its intranet, internet or email systems for acquiring, producing or disseminating pornography or similar material, including the use of abusive language or offensive images.

**H. How the Code of Practice is Monitored**

As indicated above, there are specific requirements to be observed by investment managers who deal for their own account. In addition to a series of mandatory checks and authorisations prior to placing an order, investment managers and all staff who may have knowledge of the Group's investment activity on behalf of clients, complete a quarterly return on personal dealing. The record of investments held by employees and any relationships with brokers must be updated annually.

**I. Disciplinary Procedure**

The Company has a detailed formal disciplinary procedure, full details of which are contained on the Company's intranet.

### **3. Policies Specific to the Group**

#### **A. Political Contributions**

It is the Group's policy not to make contributions for political purposes. However, employees are not hindered from being politically active in their own time using their own resources.

#### **B. Corporate Governance**

##### **1. Background**

The Group manages assets for both institutional and retail clients. It aims to deliver superior and consistent fund performance across a diverse range of assets, including stocks, bonds and property. Our ultimate goal is to maximise the wealth of our clients through sound business practices.

Since its beginning in 1983, the Group has been committed to its core business values of integrity, transparency, honesty and accountability. These values form the basis of optimum corporate governance. The group is committed to complying with good corporate governance policies and to listening to and acting in accordance with the wishes of its shareholders.

##### **2. Organisation**

The Board of Directors currently comprises the Chairman, six Non Executive Directors and three Executive Directors. The roles of the Chairman and the Chief Executive are separate, clearly defined and approved by the Board. The Board considers five of the Non-Executive Directors to be independent. The board members, along with their status and the committees on which they serve, are as follows:

Chairman: Charles Irby (Independent Director)  
Chief Executive: Martin Gilbert  
Chief Operating Officer: Andrew Laing  
Finance Director: Bill Rattray

Non-Executive Directors:

Roger Cornick (Independent Director)  
Anita Frew (Independent Director)  
The Rt. Hon. Sir Malcolm Rifkind (Independent Director)  
Donald Waters (Senior Independent Director)  
Giles Weaver (Independent Director)  
John Wybrew

Details of other directorships held by members of the board are reported in the Annual Report and Accounts. Directors appointed during the year are required to seek re-election at the first Annual General Meeting following their appointment. All

Directors must submit themselves for re-election at intervals of no more than three years.

The roles of the independent directors are pivotal, representing an array of business backgrounds, each director brings a valued contribution to the table when making strategic decisions for the Group.

### **3. Meetings of the Board of Directors**

The Board of Directors is scheduled to meet eight times each year to review financial performance and strategy and has a formal schedule of matters reserved for its decision, which includes the setting of company goals, objectives, budgets and other plans. In particular, the Board regularly receives reports on the Group's corporate social responsibilities and they have identified the relevant risks to the Group's short and long term values, more on which is contained later in this document.

### **4. Board Committees**

The Board has set up the following committees to assist in the execution of its duties. All of these committees operate on written terms of reference, which are available on the Company's website, and the chairman of each committee reports to the Board.

#### **Audit Committee**

Donald Waters (Chairman)  
Anita Frew  
Giles Weaver

#### **Nominations Committee**

Charles Irby (Chairman)  
Donald Waters  
Sir Malcolm Rifkind

#### **Remuneration Committee**

Sir Malcolm Rifkind (Chairman)  
Roger Cornick  
Giles Weaver

### **6. Shareholder Relations**

The Group places a great deal of importance on communication with its shareholders and aims to keep shareholders informed by means of regular communication with institutional shareholders, analysts and the financial press throughout the year. Annual and Interim reports are widely distributed to other parties who may have an interest in the Group's performance and these documents are also made available on the Company's website. The Chief Executive and Finance Director make regular reports to the Board on investor relations and on specific discussions with major shareholders and the Board receive copies of all research published on the Company. Shareholders are encouraged to attend the Annual

General Meeting at which an opportunity is provided to ask questions of the Chairman and the Board.

## **7. Internal Controls**

Rod McRae, Head of Compliance and Internal Audit, has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The internal controls are designed to cover all risks to achieving the Group's objectives including all business, operational, financial and compliance risks. The internal controls are designed to manage, rather than eliminate, risk of failure to meet business objectives and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system of internal control is embedded within the day to day operations of the Group and a strong control culture is combined with clear management responsibility and accountabilities for individual controls.

At least once a year the Executive presents a formal risk control report to the Board. This includes a summary of significant risks, key internal controls, the work of the monitoring functions and findings arising during the period. In addition, the Board regularly receives reports on the Group's social, ethical and environmental (SEE) issues which are further detailed later in this document. In this context, the board has identified staff retention and corporate reputation as the significant risks to the company's short and long term value. Directors are keenly aware of the importance of these issues and are committed to ensuring that any risks are assessed and minimised.

## **C. Community Investment**

Aberdeen's Community Investment Programme comes under the overall direction of Andrew Laing and is managed by Douglas Connon, Head of Corporate Affairs for the Aberdeen Group. Both Andrew and Douglas report to the Board periodically and keep staff informed of developments in the area.

The Community Investment Programme has two main components, charitable giving and support for a wide variety of local and national organisations. The Group is an active sponsor of several sportsmen and sportswomen, and a supporter of business groups and chambers of commerce in several of the cities where the company operates. The Group also has a policy encouraging staff to donate their time to local causes and will accommodate reasonable requests for time away from the office to engage in community activities.

### **Charitable Donations**

At the commencement of each fiscal year the Board will agree an amount which should be allocated to donations to charity and support for good causes. The Group will aim to grow this core amount over time and, depending on the profitability of the Company, may make specific one-off donations.

The amount allocated is administered by a committee headed by Douglas Connon. The committee will consider proposals for the use of the funds. The proposals may come from the Board, from employees, and from individuals and groups out with the company. Each proposal will be considered on its merits.

In dispersing the funds, the Committee will follow the broad guidelines of supporting one Scottish charity, one UK charity and one overseas charity. A proportion of the funds will be allocated to each of the major offices, Aberdeen, Edinburgh, Glasgow, London, Singapore and Fort Lauderdale to disperse to local charities in support of CSR.

Our active involvement in charitable work creates a channel for feedback on the Group's activities which helps to shape policy in this area.

### **Pay Roll Giving**

The company has a pay roll giving system in place whereby individuals can allocate part of their income directly to a charity or group of charities. This encourages and facilitates regular donations by employees.

### **Activities in the Community**

Since the Group was founded in 1983 the number of offices in the UK and abroad has increased as the company has grown and diversified its asset base. With much of the focus on the UK, for some time now we have been engaged as a group with the city fathers, the business community through the chambers of commerce and parliament, at the Westminster and Scottish levels. We have also been involved with national and local charities, schools and educational authorities, in most of the locations where we have offices. We are members of the Scottish Council for Development and Industry, Scottish Enterprise Grampian, Scottish Financial Enterprise, the Policy Unit and we have links to various universities.

In addition, we sponsor a wide range of activities in the community. These range from sponsorship of individual men and women, to sponsorship of events – sporting, the arts, music, and educational. Information on these activities will be reported periodically on the Group's website

We encourage employees to be active in the community in their own right and to this end operate a flexible working policy which permits staff to use a certain amount of working time each year to devote to charitable activities. Members of staff act as school governors, or are members of parent/teacher associations; others work as carers or with the Samaritans.

### **Benefits of Community Involvement**

As the Group becomes more involved in the community the company may be invited to propose or participate in new projects. Staff will be updated on these activities on a regular basis and will be given the opportunity to propose new ventures.

#### **4. Fair Employment Practices**

In formulating employment policy the Group has been guided by the relevant legislation in the United Kingdom and also the framework established by the OECD in its Guidelines for Multinational Enterprises. The Guidelines encourage companies to foster openness, sustainability, and respect for employees' rights. The development of Group policies in this area is the responsibility of Kerry Christie, Head of Human Resources for the Aberdeen Group. The policies cover all employees in the UK and staff in locations in Europe, Asia and the United States. The policies are periodically reviewed and updated, when appropriate.

##### **A. Equal Opportunities Employer**

The Group is committed to providing equal opportunities to all workers and job applicants. It aims to ensure that no job applicant shall receive less favourable treatment on the grounds of sex, marital status, sexual orientation, race, colour, religion or belief, nationality or ethnic or national origin. The company will not treat an employee or job applicant less than favourably for a reason relating to their disability or part time or fixed term status unless this can be justified. The Group will also take all reasonably practical steps to ensure that disabled applicants or workers are able to participate in its business activities on an equal basis with people who are not disabled.

All employees are responsible for complying with this policy and for ensuring that the standards of behaviour required by the company are observed by:

- Treating others on their merits and disassociating themselves from any form of direct or indirect discrimination, victimisation or harassment.
- Bringing to the attention of their Departmental Manager any suspected working practise in breach of this policy. And
- Working together to promote a harmonious working environment free from discrimination, harassment and bullying.

The Company regards direct or indirect discrimination, victimisation and harassment as a serious matter. Employees who fail to comply with this policy will be subject to the Company's disciplinary procedure. All breaches of this policy will be regarded as serious disciplinary matters and will, if there has been victimisation, intentional discrimination or deliberate harassment be regarded as potential gross misconduct leading to summary dismissal.

The Company recognises that misunderstandings can arise where people of a different sex, interests and cultures work together. Any employee who believes that he or she is being treated in a way that is contrary to this policy should raise the issue with their Departmental Manager. If an employee feels that it is inappropriate to approach their Departmental Manager he or she may contact the Human Resources Department.

The Human Resources Department, headed by Kerry Christie, carries out a periodic review of the group's equal opportunity policy and monitors the effects and the application of this policy across the group.

**B. Human Rights**

AAM supports the Universal Declaration of Human Rights in all of its spheres of influence. It upholds the freedom of association and recognises the right to collective bargaining.

**C. Forced / Child Labour**

The Group does not utilise or promote forced or child labour of any kind. We adhere strictly to country laws governing labour standards.

**D. Discrimination, Sexual Harassment and Other Forms of Harassment and/or Bullying**

All staff are entitled to work in an environment which respects their personal dignity and which is free from harassment, bullying or any other type of intimidation. Harassment, whether on the grounds of sex, race, colour, nationality or ethnic origin, religion or belief, or age, disability, sexual orientation, being in an inferior position in terms of power or hierarchy (leading to bullying), willingness to challenge harassment (leading to victimisation) or otherwise will not be tolerated by the Company.

**E. Employee Benefits**

The Group recognises the value of its employees and has identified and assessed their long term retention as key to the short and long term value of the Group. To this end, the Group aims to attract and retain skilled employees and enhance the life/work balance of each individual. The group offers its full time staff a range of benefits, including a pension scheme, life insurance, private health care, maternity and paternity leave and generous holiday allotment. Also available to employees are personal development and training programmes designed to enhance the employee's skill base. All such programmes shall relate directly to the specific role of the individual within the Group and are linked closely with his/her annual performance review.

**F. Grievances**

The Group has adopted a grievance procedure to provide employees who consider that they have a problem or complaint about their work with a mechanism for resolving the issue fairly and speedily. The grievance procedure encompasses the statutory grievance procedure.

## **5. Workplace Health & Safety**

### **A. Health & Safety Policy**

The Group aims to provide each employee with a safe place to work. All group locations are required to abide by local health and safety regulations and each must submit on a regular basis to health and safety testing for accreditation. Relevant information on occupational health and safety is provided in the Staff Handbook. Further information on health and safety topics can be discussed with the Group's Human Resource department.

### **B. H&S Records**

The group records all accidents and/or near misses and investigates these to determine if preventative action is required to prevent further accidents.

## **6. Environmental Policy**

### **A. Background**

The Group understands that its activities affect the environment and the communities in which we operate. We believe that we have a responsibility to identify and manage these impacts as effectively as possible. We are committed to continually improving our environmental performance and moving towards best practices in corporate sustainability.

### **B. Environmental Management Team**

Andrew Laing has been nominated by the Board to be accountable for the implementation and communication of this policy. Reporting regularly to the main board, he will also be responsible for establishing and monitoring performance against appropriate industry benchmarks. Andrew is assisted by the Environmental Committee which includes representatives of each of the principal Group offices in the UK, David Watt in Edinburgh, Margaret Cottam in Aberdeen, Phil Prior in London and Scott Miller in Glasgow. Douglas Connon, Head of Corporate Affairs for the Aberdeen Group, will chair the committee. Over the coming year we intend to appoint additional members to the committee who will be responsible for the Environmental Management System in the Group's offices in Singapore, Australia and the USA. The smaller Group offices will be given guidance and assistance to help them adopt Group environmental policies.

The Environmental Committee will be assisted by Lorna Findlay in Aberdeen who will collate the financial data for the project and analyse results against industry benchmarks. Committee members will be responsible for the day to day control of the environmental programme and for reporting on its progress. They will meet at least once a quarter and will report to the Board on a semi-annual basis. The Committee may seek advice from external specialists as and when required.

### **C. Communicating the Policy**

All employees are informed of the policy and are encouraged to contribute to the achievement of its objectives. The Policy is published internally on our Intranet as well as on the company web site. A general overview is also included in the staff induction programme and employees are encouraged to provide feedback and suggestions.

Progress towards environmental objectives will be communicated in an Environmental Report via the Group website and in the Annual Report.

### **D. Environmental Policy**

The Group aims to:

- minimise the environmental impacts of our existing operations and ensure that the environmental impacts of new operations are fully assessed and minimised prior to their introduction;
- reduce consumption of materials in all operations, where practicable, to re-use rather than dispose of materials where possible, and promote recycling and use of recycled materials;

- seek to improve the energy efficiency of buildings and to manage energy wisely in all operations;
- reduce, wherever practicable, the level of harmful emissions from our office premises;
- introduce programmes that aim to minimise waste;
- dispose of waste and effluents in a responsible manner;
- promote the ownership and control of environmental issues at business level.
- provide the necessary training and support in order to ensure that staff fulfil their requirements;
- work with our suppliers to minimise the impact of their operations on the environment through a quality purchasing policy;
- support through our community programme the promotion of environmental protection by relevant external groups and organisations;
- monitor progress and publish an environmental performance report on an annual basis

## **E. Environmental Risks**

As a company working in the financial services sector, there are no major environmental risks associated with the Group. However, important issues for the Group are the use of paper, the constant demand for energy and CO<sub>2</sub> emissions resulting from the company's operations. Substantial quantities of paper are used in reports, including newsletters, to corporate and individual clients, the preparation of research materials and in the record-keeping process. Energy used for heating, lighting and cooling of offices and for office equipment is another critical element of the process while CO<sub>2</sub> emissions from energy and from travel by employees is also important. The Environmental Policy seeks to mitigate these risks and the Environmental Management System explains further how we seek to achieve this aim.

## **F. Environmental Management System**

The Group's Environmental Management System (EMS) has the following components and objectives. As additional areas for monitoring are identified, they will be integrated into the EMS.

### **Energy**

The group aims to reduce the consumption of energy and will also strive to ensure that their office premises use energy in as efficient a manner as possible. Energy is used for office lighting, heating and cooling systems and for the operation of office equipment and kitchen appliances.

#### **a) Lighting**

AAM will encourage the use of low energy lighting and where practicable, the use of segmented areas which will allow lights to be switched off when not required. Likewise we will encourage the use of manual and passive infra-red switches where practicable.

**b) Heating**

To make more efficient use of heating systems we will ensure that the temperature is set for a comfortable working environment and not more than 22°C. Where heating is provided as part of a leased or rented building system, we will aim to ensure that thermostats are available for use by Aberdeen employees.

**c) Air conditioning**

Air conditioning units are available in most of our office locations. These will only be used when required and will be switched off when the office is not in use.

**d) Kitchen appliances**

We will aim to ensure that our kitchen appliances are energy efficient and that they release the minimum amount of waste product.

**Water**

We seek to reduce the amount of water used. In shared buildings we will investigate the possibility of the installation of separate meters to monitor use and cost.

**Paper**

We seek to reduce the amount of paper used and to increase the amount of paper that is recycled. AAM will strive to reduce the amount of paper purchased and will encourage staff to re-use or recycle paper. Where possible, client reports will be printed on recyclable and chlorine free paper. In addition, staff are encouraged to make use of electronic communications in the form of email and the scanning of documents into electronic records for storage.

**Waste**

General office waste is collected and removed each day by cleaners and taken to a compactor for removal by a waste contractor, or is collected weekly by the local authorities.

Toner cartridges are collected after use for donation to charity.

Redundant computers and IT equipment is covered by the policy entitled "Disposal of Redundant Computer Equipment", dated 5 July 2004.

Redundant equipment, which is not sold or given to a charity, will be collected by an approved third party company who will dispose/ recycle the hardware in a manner that is environmentally friendly and adheres to EU regulations.

### **Hazardous materials**

We will accept responsibility for monitoring hazardous materials found in the office, including, for example asbestos, polychlorinated biphenyls ("PCB's") and refrigerants to ensure that they do not pose a risk to our employees.

We will ensure that annual service and maintenance programmes for our air conditioning plants are carried out, as required under current guidelines.

### **Transport**

Transport is a major source of CO2 emissions. To reduce these emissions the group encourages employees to use public transport wherever possible through the provision of interest free loans for seasonal / annual public transport tickets. Aberdeen does not operate a company car scheme for employees. Car sharing is promoted and staff are encouraged to make use of public transport for regular journeys.

Conference calls and video-conference calls are used where possible to reduce the need for regular travel.

### **Supply Chain Management**

We wish to encourage sustainability and environmentally sound sourcing and production methods in our suppliers' manufacturing and delivery processes. To this end we will inform our suppliers of our Environmental Policy and we will inform them that we will look to favour companies with established environmental policies and practices in the allocation of future contracts. We will also aim to use local suppliers and local goods and services, where practicable.

### **Involvement in the Community**

AAM has been fostering good relations with the communities in which the Group operates. Through its local offices, AAM will identify any specific community areas of concern on which AAM's business has an impact. If so, AAM is willing to work towards integrating these concerns into its EMS procedures and will work to resolve them.