Global ESG Investment

Quarter 1 2018 - Report of activities

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Foreword

Euan Stirling

Head of Stewardship & ESG Investment
Aberdeen Standard Investments

Welcome to the first quarterly report of the combined Aberdeen Standard Investments team. The first quarter of 2018 has proven to be as productive and interesting for us as previous quarters were. We developed our investment insights and used our knowledge to learn from and influence stakeholders at various events. These included a mining conference in Cape Town, a meeting of the OECD in Paris on the UN's Sustainable Development Goals, and the 13th Annual Rights and Responsibilities Conference in Amsterdam. During the period, we also had a particular focus on the proposed changes to the UK Corporate Governance Code, labour relations, and tax changes in the US. Further details of these issues can be found within this report.

Meanwhile, the integration of Aberdeen Asset Management (AAM) and Standard Life Investments (SLI) under the Aberdeen Standard Investments brand that started in August 2017 continued across the business in Q1. Why is this process still ongoing? Well, our primary concern is to fulfil the asset-stewardship promises that we have made to our clients. To do so, we must ensure that our business functions and our teams are structured and positioned in an optimum way. As an organisation that thinks strategically, we have chosen to take our time and proceed thoughtfully rather than to rush the process. And I'm glad to say that, as a business, we are progressing well in this important task, especially within the ESG Investment team.

For example, our equity colleagues recently took a significant step forward in their own integration process. Previously, due to IT platform differences, the historic AAM and SLI equity teams had to keep their investment decision-making processes separate. However, we have built a new electronic bridge, allowing full integration of the teams. As a result, our investment specialists are now able to focus on sharing best ideas and practices – to the ultimate benefit of our clients and their portfolios. Similar progress has already been achieved by our colleagues in our fixed-income division.

Fundamental analysis, with integrated ESG considerations, is part of our shared history. It also forms the bedrock of our future and will be key to generating the right outcomes for our clients.

In early March, I presented evidence to the joint select committees of the Department for Work and Pensions and the Department for Business Energy and Industrial Strategy for their enquiry into the collapse of Carillion. I am pleased to say that, although we had been significant owners in the construction group, we had minimal exposure when it failed. The overall experience had a lasting impression on me and confirmed my view that stewardship of our clients' investments should be active, intrusive and downright 'nosey' rather than a simple box-ticking exercise. Detailed enquiries yield much more value than high-level reviews.

The proposed takeover of UK-based multinational engineer GKN by Melrose drew much comment during Q1, with concerns raised over strategy, the defence of the UK, job security, workers' rights and the characterisation of differing management approaches. Melrose was ultimately successful in its approach, but only by a small margin, and only after giving specific assurances to interested parties. Our own approach to the bid was driven by our clients' long-term interests, which we believed were better-served by the proposed Melrose strategy. The GKN team had incumbency in its favour, but its ultimate plan was to deconstruct the group faster than Melrose had proposed. This raised concerns about the risks inherent in its plan.

As I write this foreword, we are beginning to see a significant rise in voting activity. Indeed, the memory of attending the AGM of major UK housebuilder Persimmon – at which we held the board to account over high pay to its executives – is still fresh in my mind. This is AGM season! Across the globe we will be applying our harmonised voting policy to the resolutions presented by boards and fellow shareholders. As ever, we will attempt to do so in a thoughtful and constructive way, designed to create the conditions for long-term value generation. I look forward to summarising those experiences in your next quarterly report.

Collaborative engagements and events

Mining Indaba conference

We were invited to attend one of the largest mining conferences in the world, the African Mining Indaba in Cape Town, South Africa, and share with the mining community our approach and experience in incorporating ESG analysis into investment considerations. This was also an opportunity to meet directly with mining companies and service operators in the sector to evaluate the actions (or in some cases lack of action) that is being taken to address their environmental and social practices.

The importance of driving enhanced appreciation of these issues in the industry was demonstrated by the numerous panel sessions and workshops that were fielded throughout the conference and the dedication of a whole day to sustainability issues. The conference also coincided with several key political and environmental events, which provided an undercurrent of lively debate throughout.

Not only was the final page on Jacob Zuma's tempestuous and controversial presidential career swiftly being closed, but Cape Town was in the midst of dealing with a worsening water crisis. Slightly further afield, but having an impact upon a number of the companies present at the Indaba, was the announcement by the head of the state mining in the Democratic Republic of Congo (DRC) that all contracts with international miners would be renegotiated to ensure a greater share of revenue stays in the country. In addition, the DRC parliament had passed a new mining code that proposed a rise in royalties and taxes paid by miners to the government. Since the announcement - which was vigorously contested by those companies operating in the country, renowned for its significant share of the global cobalt supply - the president has signed the code into law. This represents a profound challenge to address.

More generally, in the mining industry, significant progress has certainly been made over the last decade when it comes to the management and execution of environmental and labour practices. However, there remains a large gap in practice when it comes to managing the substantial ESG risks that go hand-in-hand with operating in the remote and politically sensitive locations that are increasingly those from which crucial commodities are extracted. The International Council on Mining & Metals (ICMM) has played an important role in setting robust standards for best practice in the industry and the larger players with deeper pockets have largely made progress in the adoption of these.

That said, challenges remain for smaller mining companies to aspire to and achieve best practice in managing water use, health & safety, community relations and the other numerous environmental and social risks to which mining companies are heavily exposed. The risks of cobalt mining in the DRC continue to hit the headlines, given the commodity's scarcity and importance as a battery component, but risks remain high across the globe regardless of the commodity or location of extraction. We continue to engage with our companies on a case-by-case basis to better understand these nuances in practice. We also seek to encourage and, where necessary, put pressure on companies to continually improve, to strive for better targets and to report their performance through clearer transparency.

The Rights and Responsibilities of Institutional Investors

The thirteenth Annual Rights and Responsibilities conference was held over two days in Amsterdam at the end of the first quarter of 2018. At the event, attendees considered the ways that CEOs, investment professionals, legal and compliance officers are paving the way to meet long-term ESG goals. The event was attended by senior representatives from both the private and public sector. The major themes addressed ranged from the investment opportunities presented by artificial intelligence to how investors should manage their relationships with investee companies' boards.

Euan Stirling, Head of ESG and stewardship, presented and took part in a panel session on how to preserve shareholder value in the face of global disrupters. Euan offered his views on passive investing, and the extreme positive and negative market reactions that information sourced from various information channels can now have. He highlighted the issues presented by companies such as Sports Direct, Volkswagen and Carillion, detailing the common thread of poor governance practices which led to failures at the companies. Euan explained that these issues require all investors to influence businesses though active engagement and that the best interests of our customers must be reflected in the policies and processes that we apply.

At Aberdeen Standard Investments, we believe that, as active managers and as responsible owners of the companies in which we invest, we also have a responsibility to encourage other members of the investment community and active stakeholders to exert their influence. This will ensure that financial markets are both efficient and suited to the long-term investment needs of our customers.

Do Investors Care about Sustainability?

Corporate Citizenship hosted an event with over 140 attendees in partnership with the Long-term Value Project, the Investor Relations Society and the ICAEW (Institute of Chartered Accountants in England and Wales). The event, Investor Relations (IR) meets Corporate Responsibility (CR): Do Investors Care about Sustainability?, sought to question how companies can better engage with investors on ESG issues and what areas of ESG investors are most interested in. A survey of over 100 investor relations and sustainability professionals carried out by Corporate Citizenship found that 77% of companies surveyed believed there was a need for greater ESG disclosure. The figures in table 1 offer further detail on the survey's results:

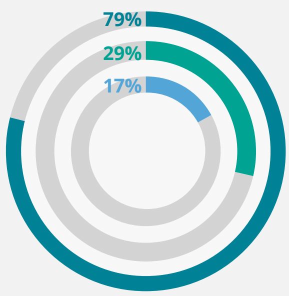
Andrew Mason, Responsible Investment Analyst, presented Aberdeen Standard Investments' approach to engagement with investee companies, the information sources relied up on for the investment process and what companies should focus on. He highlighted that the market has shifted over the past 10 years from limited availability of ESG information to the broad range of information sources currently available. Andrew raised concerns about the number of indices and surveys that companies were now subject to. He also stated that direct engagement and independently assured information providing by investee companies was still the analyst's most significant information source.

Esther Toth, director at Corporate Citizenship, said "We launched our Long-Term Value Project in 2016 to identify the disconnects that exist between companies and investors, especially when it comes to integrating sustainability into business strategy. We have published articles, papers and held webinars to help IR and CR teams get on the same page about managing ESG risks and opportunities. We were thrilled to welcome over 140 attendees at our recent 'IR meets CR' event".

Aberdeen Standard Investments is supportive of this event and believes that similar events which allow investee companies and investors to discuss ESG issues would be supportive of better ESG practices and help to bring clarity to what can be a varied set of requests from investors and indexes of companies.

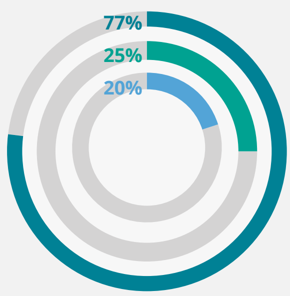
From Corporate Citizenship's 2017 survey

Understanding Investor views on ESG issues



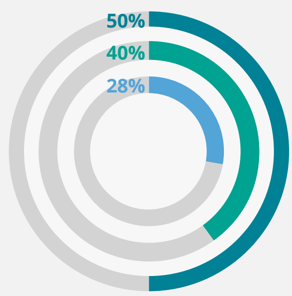
- 79% of companies believe they understand which ESG issues are material to investors
- 29% of companies have incorporated investors' views into their materiality process
- 17% of companies disclose material ESG issues on their investor-facing website or webpages

Barriers to engaging investors on long term value creation



- 77% of companies see a need for improving ESG disclosures
- 25% say a lack of management interest in ESG is a barrier
- 20% say a lack of investor interest in ESG is a barrier

When and why do IR and CR teams work together?



- 50% responding to ESG related investor queries
- 40% responding to ESG ratings, rankings & research providers
- 28% collaborating to proactively engage investor audiences on financial and ESG performance

OECD-DAC Roundtable: Bridging international and domestic agendas to achieve the SDGs

Aberdeen Standard Investments Elizabeth Meyer, Responsible Investment Analyst spoke at a roundtable discussion hosted by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), the Brookings Institute, and the Slovak Republic. The roundtable aimed to put in place a holistic approach to achieving the UN Sustainable Development Goals (SDGs) by drawing together development agencies and key stakeholders in the public and private sector. Speakers were invited to frame discussions around mobilising cross-sector collaboration, a whole-of-government approach, and linking domestic and international agendas.

Many of the attendees stressed that urgency and accountability are required to advance progress on the SDGs. Strong governance that puts sustainability at the core of business – for corporates, policymakers and governments alike – was highlighted as a key tenet for promoting these requirements. Without these elements, the UN's 2030 Sustainability Agenda may become purely rhetorical rather than real and actionable. Effective ways to measure progress were consistently noted as a particular challenge to ensuring accountability, given that the end aim is focused on social and environmental outcomes rather than purely provisions and outputs. Investing time, energy and money will also play a critical role in success.

Observing the discussion, the current disconnect between the ways in which key stakeholders set priorities and operate was noticeable. This is likely to persist to a certain extent given the differing roles of each organisation, but the SDGs have strong potential to align the goals of all parties. The roundtable was called in recognition of this, and the DAC reaffirmed its commitment to play a leading role in advancing a coherent approach. This is the first in a series of DAC-hosted seminars focused on driving meaningful change and progress on the SDGs.

How business can tackle modern slavery and forced labour

Elizabeth Meyer, Responsible Investment Analyst attended the Innovation Forum's Modern Slavery Conference in London, which was hosted by UK-based multinational law firm Freshfields Bruckhaus Deringer. The conference aimed to stimulate positive changes to the ways in which companies take action to identify, respond to and, ultimately, eradicate modern slavery and forced labour in their operations and supply chains. Section 54 of the UK Modern Slavery Act, which requires an annual statement from companies on how they are addressing slavery in their supply chain, has played a significant role in raising awareness. Multiple other geographies, including Australia and Hong Kong, are now looking to implement similar requirements. However, the first round of UK statements in 2017 varied significantly in terms of quality, and many companies subject to the legislation failed to make a statement at all. Given that the second round of statements will be due from the end of June 2018, the conference was a timely discussion of how to make improvements to companies' approach.

The conference lasted two days and covered the issue from multiple angles, with attendees from non-government organisations, companies, consultants and other stakeholder organisations. The general consensus was that, while Section 54 raised awareness of the problem and the nature of risks, little practical advice on how to address it was available. Company statements claiming absolutely no risk of modern slavery in their supply chain were heavily criticised, as the prevalence of the issue implies that these companies are not looking closely enough. The importance of moving beyond site visits and auditing to engaging directly with the workforce of suppliers, in an environment where the workers feel comfortable to raise issues, was seen as a critical element. Companies were challenged to map their supply chain past tier one and to think more creatively in terms of contracts to ensure that consistently high standards are pushed all the way down the supply chain.

Effective working with procurement colleagues and collaboration along the supply chain were also recurring themes of the conference. In some areas or industries, modern slavery is systemic due to government or cultural differences. Companies working in isolation often struggle to have a positive impact in these circumstances; however, refusing to do business with these suppliers is not necessarily helpful for these workers either. Working with procurement to ensure that all parties understand the company's standards, expectations and ultimate goals can help to change the situation over time. In addition, industry collaboration can increase the rate of change; for example, by identifying factories or suppliers used by the majority of companies in the sector and working together to influence positive action. Many speakers recommended approaching the issue of modern slavery in a similar fashion to quality control policies and procedures.

The idea behind Section 54 was not only to hold companies to account for addressing modern slavery in their supply chains, but also to advocate peer learning. Conferences like this one are a strong proponent of latter, and it was encouraging to see high attendance from companies eager to learn from each other and share best practices. Ideally this will lead to improved statements for 2018 but – more importantly – significant steps forward in eradicating modern slavery.

Thematic commentary

Cindy Rose

Head of ESG Clients and Products

Supply chains in the emerging (and global) markets

As significant investors in emerging markets, we are often asked about the transparency of supply chains used by companies in these markets. Transparency depends on a number of factors, such as the individual company being considered; where its supply chains are located; the degree of oversight the company has (or takes responsibility for) in terms of its suppliers; and, to some degree, the amount of pressure the group has historically received from investors and/or regulators on the issue. Arguably, it also depends on who is on the board of directors of the company in question and what their experience is with regard to managing suppliers.

Two decades ago, there was little information from emerging market companies on their procurement agreements. Investors considered this little more than a cost and certainly one which should be minimised by using the suppliers with the smallest margins. Of course, the occasional newspaper headline revealing the use of child, forced, or indentured labourers or highlighting the mistreatment of workers (and not just in emerging markets) might cause short-lived angst and censure of those employers. However, rarely was a reputational cloud cast over the companies that condoned or ignored such supplier practices. These days, though, the situation is quite different. We still have a way to go to ensure suppliers are upholding basic International Labour Organisation's standards and guiding principles, and that our natural resources are sustainably developed. Nevertheless, investors have come a long way in terms of how they think about supply chains. This has been helped by the speed at which reputational damage can impact share prices when the management of resource is found wanting – even at third parties. It has therefore helped push the discussion of such risks higher up the agenda. Meanwhile, embedding supply chain practices into performance objectives should keep them on the agenda for good.

Before looking at specific supply chain issues, it is worth highlighting two, hopefully obvious, things. First, emerging market supply chains do not only service emerging market companies. They are suppliers to some of the biggest, most lucrative companies in the world, headquartered in the wealthiest of developed markets. Second, the secular growth dynamics of the same emerging nations are responsible for driving much of the growth in earnings for such firms. These two factors essentially redefine supply chains 'in the emerging markets' as supply chains 'in the global market.' This international, integrated, and much more competitive network means that investors, in turn, have higher expectations regarding supply chain reach and efficiency. Companies are now (generally) more forthcoming on how they oversee and manage supply chains than they were even 10 years ago. Today's investor is better informed and values a more holistic picture of an investment than she/he used to.

A good illustration of how poor management in food supply chains can affect a company with operations in the emerging markets is YUM! Brands, a US fast-food conglomerate with operations in Asia. In 2014, it had a food scare when improper handling of meat by one of the group's Chinese suppliers negatively affected sales at the group's Pizza Hut and KFC restaurants in Asia. We engaged YUM! many times before and after the event, escalating our request that the group improve oversight of its international suppliers operating in regions where food safety standards might not be very high. In the years following, the group has embraced calls for improving its measures, setting up whistle-blower procedures and establishing an unannounced auditing programme of its suppliers. However, supply chain issues are never a quick fix. In early 2018, YUM! experienced another problem when it changed its delivery service provider, resulting in chicken shortages and the closure of hundreds of KFC restaurants across the UK, reflecting the constant due diligence that is needed in supplier management.

Done well, supply chain management lowers costs, diversifies risk, and may enhance the brand. Done poorly, and the financial and non-financial repercussions can be material. Greater transparency is now more widely available (although not perfect) as to how companies are safeguarding their businesses by reporting on supplier vetting and auditing, giving a board member responsibility for supplier oversight, and linking targets for supply chain management to executive pay and group strategy. All of this points to the fact that today's investors are engaging with a more holistic set of risks and, importantly, learning to price in those risks and value the safeguards intended to mitigate them when valuing companies. For investors focussing on holding quality companies over the long-term, this should mean better share price differentiation across peer groups and more fertile ground for ongoing shareholder engagement.

Mike Everett

ESG Investment Director

Amendments to the UK Corporate Governance Code

In December 2017, the Financial Reporting Council (FRC) issued its proposed changes to the UK Corporate Governance Code for consultation. The changes are designed to implement findings relating to the FRC's work on corporate culture, the results of the UK governments green paper consultation on corporate governance improvements and the Hampton-Alexander and Parker reviews of diversity in UK companies.

The Code was first introduced in 1992 and has since undergone various updates. The current changes proposed are fundamental and do not remove or alter the core concepts. This includes the use of a 'comply or explain' methodology through which companies can demonstrate adherence to aspects of the Code. The Code continues to contain 'principles' which set out high-level requirements that companies must apply in line with the 'listing rules'. This includes reporting in a manner that shareholders understand. The more detailed provisions in the Code must generally be applied on a 'comply or explain' basis.

The revised Code has been shortened and sharpened in order to make it more clear and concise. The current supporting principles have been removed and, in some cases, included in the new 'principles and provisions'. Others, meanwhile, have been included in the 'guidance on board effectiveness'. The new Code is made up of five sections: leadership and purpose; division of responsibilities; composition, succession and evaluation; audit, risk and internal control; and remuneration. The majority of the changes have been made in the current sections relating to leadership and effectiveness. The most significant proposed changes are as follows.

Section 1 - leadership and purpose
This section has been updated to include the board's responsibility for considering the views of a wider range of stakeholders including employees and suppliers. This introduces concepts highlighted in the FRC's culture report, the government's green paper on corporate governance and the report on corporate governance by the Business, Energy and Industrial Strategy Select Committee.

A requirement for increased transparency by companies where more than 20% of votes are cast against a resolution is also introduced. Companies will be expected, when announcing voting results, to announce what actions it intends to take to consult with shareholders and to address their concerns in such situations. The revised code will also highlight the Investment Association's public register of companies that receive votes against a resolution of more than 20%.

Section 2 - division of responsibilities
This section introduces amended assessments to the analysis of independence on the board. The provision in the revised code states that a majority of the board, including the chair, should be independent, with any director whose tenure is greater than nine years being deemed to be non-independent. Companies may use the 'comply or explain' methodology in relation to these provisions.

Section 3 - composition, succession and evaluation
The Code now contains additional focus on diversity on the board, management structures and more broadly in the company. The requirements increase disclosure standards and broaden the assessment of diversity beyond gender by introducing a number of the findings in the Hampton-Alexander and Parker reviews.

Section 4 - audit, risk and internal control
There has been relatively little change to the requirements contained in this section.

Section 5 - remuneration
The amendments in this section include a requirement for remuneration committee chairs to have been the member of any remuneration committee for at least 12 months before taking up the role, the need for committees to use discretion responsibly to override remuneration outcomes and requiring committees to have consideration for the views of employees and have oversight of remuneration arrangements across the company.

Aberdeen Standard Investments' view

We believe that the UK codes have successfully raised standards in the country. However, as envisaged when they were put in place, they are now in need of review and update in order to further raise standards and address issues relating to governance and stewardship that have become apparent. Although change is needed, we believe that the core concepts of the codes should remain. These include:

- the Corporate Governance Code should be a high level statement of principles with guidance rather than deeply prescriptive and we endorse
  the shortening and sharpening of the Code to create a more clear and concise document.
- the Code should continue to use 'comply or explain' as a methodology to demonstrate how the defined principles are achieved. However, we would encourage companies to provide more intelligent explanations of their achievement of the principles rather than blind compliance.
- the Corporate Governance and Stewardship Codes should work in tandem and their successrelies on corporate boards and institutional investors being accountable for the roles that they play.

We are generally supportive of the proposed changes and will encourage companies to take steps to introduce relevant changes as soon as it practicable.

Katharina Lindmeier

Responsible Investment Analyst

Amanda Young

Head of Global ESG Research

Labour relations: Why do labour relations matter to investors?

Aberdeen Standard Investments believes it is important to understand how companies treat their employees. The ESG Investment team works on understanding the key employment matters for companies, based on their business models, locations of operation and nature of work.

Good employee relations and sound human capital management practices are critical to corporate success. Regulators and consumers are focusing more intently on labour issues. Companies need to be aware of their exposure to existing labour risks and also anticipate and plan for change.

Research shows that firms with strong labour relations and a high degree of commitment to staff outperform both operationally and financially over the longer term. Conversely, the consequences of poor labour standards can be catastrophic. A thorough assessment of a firm's labour risks should form a critical part of the investment process. Globalisation and new methods of working facilitated by technology advances make it ever-harder for companies and investors to assess labour risk across the whole supply chain. While international labour regulations and standards have been established, the degree to which these are adopted and enforced varies across the globe. This places much of the onus on firms themselves to enforce standards throughout their supply chain, with consideration given to such issues as working conditions, discrimination, child labour and slavery.

Industry sector and geography can give a broad indication of the types of labour risk a company might face. However, we believe fundamental analysis of individual companies yields a more accurate profile of a company's labour risks. We identify the main ones as regulatory risk, operational risk and reputational risk.

Despite different patterns of labour management between companies, sectors and geographies, there are basic requirements that investors should expect all companies to fulfil.

In January, we published our latest version of our Labour White Paper 'Labour relations: why do labour relations matter for investors'. This paper forms part of a series of articles focusing on the four pillars of the UN Global Compact, which include the environment, human rights and business ethics and anti-corruption. Further detail of our approach can be found on the Aberdeen Standard Investments website.

James McCann

Senior Global Economist

Alison Kennedy

ESG Investment director

US tax changes and the impact on remuneration outcomes

The Tax Cuts and Jobs Act

The Bill, widely referred to as the Tax Cuts and Jobs Act, and signed into law in the US at the end of 2017, represents a significant change to the tax code. The legislation creates a host of relative winners and losers across the US economy, and is large enough to shift the dial on growth, inflation and monetary policy.

Corporates will be the biggest long-term beneficiaries of the package via a reduction in the federal headline tax rate by 14 percentage points to 21%. The Bill broadens the tax base by eliminating or reducing a number of deductions, and levies a modest repatriation holiday on profits from overseas subsidiaries held offshore. These changes will lower the average effective corporate tax rate and reduce the dispersion in rates across sectors and firms. They may also reduce the benefits of tax inversions created by the previous combination of high statutory rates and the global tax system, although incentives to shift profits offshore remain. The benefits of corporate tax cuts, as well as the repatriation holiday, are likely to largely accrue to shareholders and other owners of capital, rather than average workers.

Hence, we believe that the Act represents a missed opportunity to more thoroughly reform the US tax code. The tax cuts do not adequately broaden the tax base, they reduce the progressivity of the tax system and there are still too many legal opportunities for firms and higher income tax payers to avoid paying their fair share of tax.

Remuneration implications

However, there are further implications that have not yet received much attention. These relate to the impact on companies' financial results and on remuneration outcomes. As well as a reduction in the future tax charge, the recent results season has seen many companies report a significant one-off impact on earnings and on the balance sheet for 2017. For example, many banks and oil & gas companies have seen a negative adjustment due to the revaluation of deferred tax assets. These assets primarily related to previous losses that could be carried forward to offset against future tax. Hence, a reduction in the future tax rate reduces the value of these assets. Such adjustments are not just a feature in the US nor are they necessarily all negative. Bodycote, a UK-listed company with global operations in the heat-treatment market, reported a one-off positive impact which added approximately five pence to the 2017 earnings per share figure.

In their reporting, our analysis suggests that most companies view this change as an 'exceptional' or 'non-underlying' event and so are removing the impact from the 'underlying' numbers that they focus on when talking to shareholders and analysts. This adjustment seems wholly appropriate for what was a very significant and one-off change to the tax system, which could not really have been foreseen.

This leads on to consideration of how boards and, more specifically, their remuneration committees should take account of these adjustments when deciding on remuneration outcomes. Companies use a wide variety of performance metrics for variable remuneration, but using earnings per share is one of the most common metrics. Crucially, the earnings per share targets on which bonuses and long-term incentive payments are based have been set against the background of the previous tax regime. In most instances, the earnings per share figure is based on underlying earnings so, assuming the company has removed the one-off impact of the tax changes from its reported figures, the remuneration committee will be comparing 'like with like' and there will be no unexpected benefit or disadvantage from the tax changes – but this may not always be the case.

Hence, where a company has not treated the one-off impact of the tax changes as 'exceptional', we would expect the board to explain why it has taken this approach. We would also expect the remuneration committee to explain if this has had any effect on the achievement of the performance targets and what approach they have taken to ensure the outcome is appropriate and fair. It is important that remuneration committees are transparent about the approach adopted. There may, in some cases, be an argument for an element of discretion on the part of the remuneration committee but, again, we would expect this to be explained. How remuneration committees respond to this challenge will be considered as we reach our voting decisions this year.

Going forward, we should also expect companies to consider if any changes to future targets are required e.g. from a lower ongoing tax charge. Again, the principle is to ensure that the targets are no harder or easier to achieve and that they continue to provide a suitable level of incentive.

Voting and engagement snapshot

Company	Topics discussed
ABM Industries	Review of labour practices and how the group is managing this material issue
AT&T	Collective bargaining and net neutrality
Banco Bradesco	Working to get an independent member elected to the group's fiscal council
Costco	Cyber security – a collaboration with the UN Principles for Responsible Investment to encourage transparency on cyber risks
Denso	An opportunity to provide feedback on ESG risk management and to encourage enhanced disclosure
DS Smith	Update on US acquisition strategy
Nabtesco	An update on how the Japanese manufacturer is managing its ESG risks and opportunities, with a focus on product quality
Persimmon	£110 million bonus deemed 'grossly excessive' and 'preposterous'
RPC	Plastic packaging and recycling
XP Power	Engagement leads to governance improvements

ESG voting and engagement summary

Key	
Engagement driver	
Internal mandate	
Client mandate	
Performance-based engagement	
Engagement outcome	
Influential in achieving change	
On track to meet objectives	
Escalation candidate	

ABM Industries

Internal mandate

On track to meet objectives

ABM Industries is a small-cap building maintenance and facility services contractor, based in New York. The company provides air conditioning, engineering, janitorial, lighting, parking, security and other outsourced facility services to commercial, industrial and institutional customers in cities across North America and internationally. The group, which was founded in 1909, currently employs over 100,000 people.

We spoke with ABM during the period to discuss its labour practices. ABM has had issues in the past – beginning in the early 2000s – with instances of harassment or violence towards its cleaning and/or nightshift staff. The group has experienced this problem on more than one occasion, with the most recent instances taking place in the past few years. During engagement with ABM, we highlighted our concerns not only for the employees themselves, but also for the negative impact on the reputation of the company as a whole. We asked ABM what steps it is currently taking or has implemented over the past year to ensure that violence is not taking place within its workforce. We indicated to the group that our expectations are that ABM not only abide by labour laws in the US that protect workers, but that it also have security in place in situations where its workers are most vulnerable. We would expect oversight for this risk to lie with a board member and for ABM to adopt better transparency on the issue, so that investors and stakeholders are aware of how the group is mitigating this particular risk.

ABM agreed that this is a key, material issue. During our engagement, the group reported that it previously had a lack of oversight and control procedures in place. Areas of key weakness with regard to violence and harassment of workers included poor vetting of supervisors/people of responsibility during the recruitment process, lack of ongoing auditing of supervisors, and weak monitoring of the residential status of janitorial staff. ABM also attributed some of the problem to whistleblowing procedures and a lack of accountability in this area.

During our engagement, ABM demonstrated that it has taken several steps over the past few years to mitigate this risk and help protect its workers. Since the initial allegations surfaced, ABM has both overhauled and strengthened its human resources programme. In 2016, the group appointed a chief human resources officer. It has also made its whistleblowing process more robust and enhanced its employee vetting process by using automated systems to ensure that applicants cannot omit questions around criminal records. ABM has made a real effort to improve its corporate culture by placing additional emphasis on its code of conduct and providing better training and visibility on its whistleblowing procedures. It has also communicated its zero tolerance on violence and harassment from the top down. While the mitigation of key material issues is an ongoing process, it was helpful to engage ABM and find out what steps it is taking to ensure this issue is being managed correctly. Following our meeting with the group, we were satisfied that the company is taking stringent steps to address these problems and that there appears to be a material shift in culture.

We will continue to monitor the company closely in order to assess the effectiveness of ABM's management of this and other material ESG concerns. We will also continue to encourage the company to provide further transparency on the management of labour issues.

Key	
Engagement driver	
Internal mandate	
Client mandate	
Performance-based engagement	
Engagement outcome	
Influential in achieving change	
On track to meet objectives	
Escalation candidate	

AT&T

Client mandate

On track to meet objectives

AT&T Inc. is a communications holding company. Through its subsidiaries and affiliates, it provides local and long distance phone service, wireless and data communications, internet access and messaging, IP-based and satellite television, security services, telecommunications equipment, and directory advertising and publishing.

This was our first engagement with the company. We had some concerns around how AT&T manages its workforce, given a high number of strike days and industrial action over contract negotiations in 2017, which affected around 20% of the total workforce. We were encouraged to hear that these negotiations have now concluded, although the company highlighted that contract ratifications are ongoing. AT&T has a very high proportion of unionisation, at around 50% of the workforce, and it has a reasonably good relationship with the main union, the Communications Workers of America. The acquisition of DirecTV also seems to have been managed well from a labour relations point of view; however, AT&T suggested that advances in virtualisation would likely lead to headcount reductions in its technology department.

We also discussed net neutrality. At the end of 2017, the Federal Communication Commission (FCC) voted to overturn regulation on net neutrality, called the Open Internet or Title II, which banned activities like throttling and blocking content, and paid prioritisation. Telecommunications companies like AT&T had openly criticised this regulation and welcomed the change. In early 2018, AT&T published a position paper on net neutrality, stating that it was in favour of an Internet Bill of Rights and supportive of net neutrality. AT&T also maintains that it does not use blocking or throttling, and is in favour of an open internet. Nevertheless, its position drew a lot of criticism from the media and consumer advocacy groups, accusing the company of hypocrisy given its previous position on Title II. When we questioned AT&T about this, the response was that its position had been misconstrued, and that it is in favour of Congress writing a bill that clearly outlines rules for internet service providers. However, unlike many proponents of net neutrality, AT&T is in favour of prioritisation, although the company told us this should only apply to key services, like fire and police, autonomous driving and remote surgery. When asked about who decides what is a key service, the company responded that Congress should write rules into the legislation. AT&T was confident that net neutrality will be addressed by Congress, despite media speculation that it was quite far down the to-do list.

Key

Engagement driver

- Internal mandate
- Client mandate
- Performance-based engagement

Engagement outcome

- Influential in achieving change
- On track to meet objectives
- Escalation candidate

Banco Bradesco

Internal mandate

On track to meet objectives

Banco Bradesco is the third largest bank in Brazil in terms of total assets. The group offers an array of financial services, including banking and internet banking services, insurance products, credit card services, personal and commercial lending, leasing services, and savings bonds. Bradesco has an extensive branch network, with thousands of branches and smaller units in Brazil. The group also has a number of subsidiaries across Latin America, Europe, the UK, and Asia.

As investors in Bradesco for a number of years, we have engaged the group heavily on various material risks and opportunities for the business. These include the efforts that the group is making to digitalise its business, integrate ESG considerations into its loan and insurance portfolios, and hire and retain talent (half of the group's workforce is currently under 30-years-old). The group has made some positive progress in these areas over the years, mainly by undertaking more staff engagement, mapping more ESG risks into loan due diligence, and attracting top talent in fintech to help modernise the business. Bradesco still has some way to go, however, in terms of transparency on these issues. As such, we will continue our dialogue with the group to promote its reporting on specific, material risks as well as on the group's holistic approach to risk and opportunity management.

A main focus of our engagement over the past quarter has been on the improvement of Bradesco's corporate governance structure. Particularly, we have been instrumental in the appointment and election of an independent member to the group's fiscal council. This council is composed of five members (and five substitutes) and functions basically as a check-and-balance system for management. It is the council's job to question and challenge management's decisions, thereby ensuring high standards in terms of finance and code of business practice. Historically, the group's board has consisted mostly of ex-employees who are heavily involved with running the bank. Our engagement has focused on including more outside representation on the board for the benefit of the group as a whole. The appointment of an independent member is a hard-won success, and testament to the value of the ongoing work we have done with the company. It is an important step in terms of achieving openness and, ultimately, promoting Bradesco's ability to compete with other financial institutions on a global scale. We have also engaged heavily with the group on improving the voting process for ADRs (American Depository Receipts) – a topic that had not previously been raised by investors.

Going forward, we will continue to engage Bradesco on its board structure. We will encourage the group to improve its transparency generally, with specific attention on remuneration disclosure. In addition, we will continue to encourage the group to take on an increasing number of outside directors. We will also push for more clarity on how the group is embracing the integration of ESG risks and opportunities into both its insurance and loan products. This includes asking for more information on how the group's material ESG-related issues impact both its executive remuneration and longer-term group strategy.

Key

Engagement driver

Internal mandate

Client mandate

Performance-based engagement

Engagement outcome

Influential in achieving change

On track to meet objectives

Escalation candidate

Costco

Engagement driver:

Internal mandate

Engagement outcome:

On track to meet objectives

Costco Wholesale Corporation is a US operator of an international chain of membership warehouses. The group aims to target small- to medium-sized businesses to reduce purchasing costs for resale and everyday business use, alongside personal use. In addition, Costco Wholesale Industries manufactures special food packaging, optical laboratories, meat processing and jewellery distribution. The group also operates self-service petrol stations in the US and Canada.

The focus of our recent engagement with Costco was on cyber security. This formed part of our broader collaborative work with the UNPRI on cyber issues. As part of the working group, we are aiming to encourage further transparency from companies on how cyber security risks are managed. It was positive to note that Costco has a strong governance structure in place, with full board involvement. Key metrics, as well as cyber incidents and related mitigation strategies, are shared on a quarterly basis with the CEO and senior management. The group also has a dedicated IT team in place, which focuses on cyber security and has a defined budget for its cyber strategy. We encouraged the group to disclose further information on its governance of cyber risk in future reporting.

It is also conducting significant preventative work. This is largely in response to regulatory requirements such as HIPAA (Health Insurance Portability and Accountability Act), PCI DSS (Payment Card Industry Data Security Standard) and, most recently, GDPR (General Data Protection Regulation). Regarding GDPR, the group is required to expand its current policy to cover global policies; this task is part of its current roadmap, which it aims to have completed by April 2018. Given that the group currently only publishes US policies, we therefore will monitor the publication of global policies on cyber and data protection laws post-April 2018.

Progress in developing cyber strategy is evident through the recent board support for the implementation of a Red Team. Once established, the team will simulate breaches, without warning, to test how incident response teams react. The group also provides all employees with annual information security training, in addition to ad hoc sessions.

During the meeting we also took the opportunity to discuss other areas of ESG risk which we had identified as material for Costco. In relation to supply chain and product quality risk, for example, Costco has comprehensive recall procedures in place and requires all suppliers to sign a contract of compliance. A programme of product quality testing and inspection of facilities, particularly for food manufacturing, is also carried out, mostly by third parties. With regard to palm oil, Costco aims to have achieved 100% Roundtable on Sustainable Palm Oil (RSPO) compliance on all of its private label signature items by 2021.

We also discussed the group's environmental targets. Costco voluntarily reports to the Carbon Disclosure Project and measures its carbon footprint. Going forward, we will encourage further transparency on actual targets set and the materiality process used for identifying areas to be targeted.

Overall, Costco demonstrated how it is successfully mitigating some of its key ESG risks, such as product quality, supply chain and cyber security. Looking ahead, we will continue to encourage improved transparency, particularly in relation to how the group's ESG efforts are linked to its core business strategy.

Key

Engagement driver

- Internal mandate
- Client mandate
- Performance-based engagement

Engagement outcome

- Influential in achieving change
- On track to meet objectives
- Escalation candidate

Denso

Internal mandate

On track to meet objectives

Denso Corporation is a Japanese manufacturer of electronic parts for automobiles. The company's products include air conditioners, air bags, ignition systems, generators, power steering systems and spark plugs. Denso also produces communication equipment for mobile navigation systems.

Our recent meeting with electronics manufacturer Denso in Nagoya reinforced our positive impressions of the company. Management accepted the meeting enthusiastically and sought feedback on how to improve its ESG risk management. We drilled down into the company's risk management framework to get a sense of how it views both opportunities and risks, including whether these are integrated into its strategy.

It emerged that Denso was sophisticated in this regard. Management, including its directors, regularly look for financial and other risks, and this process is replicated across its regional offices to provide oversight at a local level.

We discussed Denso's efforts to ensure product quality – given that it deals with sensitive automotive components. We learned that the company has four categories to denote quality standards, monitored regionally by independent committees. A respective committee in each region holds weekly quality control meetings, as well an internal audit. In this way, problems can be unearthed quickly and delegated to relevant managers to resolve. We felt the company's process was thorough, although we encouraged disclosure of relevant data, which was lacking.

Equally important was Denso's reliance on rare earths and the rising cost of raw materials. Given its pricing power, China monopolises the supply of rare earths. Chinese authorities have also introduced stricter environmental policies that raise operating costs for miners of rare earths. While it remains to be seen how industry dynamics change over time, discussions with Denso helped to alleviate our concerns. It is investing in research and development on new technologies and production efficiencies to reduce reliance on rare earths. We encouraged Denso not to let up in striving to improve the sustainability of its business.

Looking ahead, we will continue to engage with the company and, in particular, will look to encourage disclosure of management indicators, further discuss supply chain risks and continue conversations on cyber security to ensure that Denso evolves with technological advancements.

Key

Engagement driver

- Internal mandate
- Client mandate
- Performance-based engagement

Engagement outcome

- Influential in achieving change
- On track to meet objectives
- Escalation candidate

DS Smith

Performance-based engagement

On track to meet objectives

DS Smith is a leading provider of corrugated packaging and a specialist in plastic packaging worldwide. It operates across 37 countries and employs around 27,000 people. In order to support its corrugated packaging operations, it has a recycling business that collects used paper and corrugated cardboard, before turning it into the paper used in corrugated packaging (hence the term 'circular economy').

We engaged with the company chairman, Gareth Davis, to discuss a wide range of governance topics, including: board composition, remuneration, strategy and risk. While the board has been proactive on gender diversity with the appointment of two female directors (25% of board), there is a lack of directors with international experience. The company has been expanding in the US through the recent acquisition of Interstate Resources, and would therefore benefit from the addition of a US-based director with relevant business experience.

The Interstate acquisition is going very well, with synergy delivery on target, despite one of the paper mills having to be evacuated during hurricane Irma. In order to minimise integration risk, all the integration planning was conducted well in advance of the completion of the deal. The chairman mentioned that health and safety is the first topic addressed at all board and executive level meetings – which people in the US business were unaccustomed to, but have now embraced.

The chairman currently has three UK board chairmanships: DS Smith, William Hill plc and Ferguson plc. We discussed his workload and questioned whether he could still devote sufficient time to each role, to which the chairman mentioned that he will be stepping down from the chairmanship at Ferguson before the 2018 AGM. We view this as a positive development and noted that he would like to serve out his full term at DS Smith, which would be another four years. After stepping down from Ferguson, this will give him additional time to spend on DS Smith, including visiting DS Smith's expanding estate.

Key	
Engagement driver	
●	Internal mandate
●	Client mandate
●	Performance-based engagement
Engagement outcome	
●	Influential in achieving change
●	On track to meet objectives
●	Escalation candidate

Nabtesco

Internal mandate

On track to meet objectives

Nabtesco is a Japanese manufacturer of aircraft and hydraulic products, precision equipment and transportation equipment. The company's products include landing-gear systems for aircrafts, railroad vehicle brake systems and precision reduction gears for industrial robots.

We have been engaging on ESG with Nabtesco since 2015 and have seen how its ESG management and reporting have progressed over this time. At our recent meeting, we sought comfort on the sustainability of its business and competitive advantage, given the proliferation of Chinese competitors. Product quality has become a crucial point of differentiation, particularly for Japanese companies known for precision products.

We made sure to put our points of view across, and asked management executives to outline what measures they have taken to ensure high standards of product quality. We were impressed with what we heard. They monitor tier one suppliers daily and conduct monthly audits on suppliers and in-house production processes. Management then submits a comprehensive quarterly report to the board. The company also employs a 'black box' model to defend its intellectual property, protecting its core technology. Among other things, the company's procurement policies place importance not only on quality, but also on human rights practices and the environment. This is used to weed out potentially weaker suppliers. The process is supplemented with local quality-control teams in each plant, including Chinese subsidiaries.

However, Nabtesco lacked data to substantiate these efforts. We encouraged the company to present indicators, including annual audit counts. This would help to improve the market's understanding of Nabtesco's ESG efforts.

As it heads towards new areas of growth, such as system integration and mechatronics, hiring and retention of talent have emerged as key topics for Nabtesco's management. The company is seeking to hire more electrical engineers to boost its capabilities in emerging segments. It is conscious of the need to explore various talent pools, ensuring it meets targets on workplace diversity. We can see its percentage of female employees is increasing. The firm's strategy to explore mergers and acquisitions to expand its capabilities is sound, although still in its infancy.

In our view, Nabtesco is moving in the right direction in trying to mitigate ESG risks. We will continue our engagement efforts with the company.

Key

Engagement driver

- Internal mandate
- Client mandate
- Performance-based engagement

Engagement outcome

- Influential in achieving change
- On track to meet objectives
- Escalation candidate

Persimmon plc

Internal mandate

Escalation candidate

Persimmon plc is a housebuilder listed in the UK and is a constituent of the FTSE 100 Index.

In December 2017, we were contacted by its senior independent director, now acting chairperson, to discuss remuneration and specifically the outcomes of the 2012 Long Term Incentive Plan. This followed the resignations of the chairpersons of both the remuneration committee and the board, who cited the lack of a cap on the plan awards as the reason behind their departure. The absence of a cap had led to excessive awards being payable to the CEO and other key executives. It was estimated that the CEO would receive a payout of £110 million – an outcome we did not think was commensurate with performance.

We have been engaging on the issue with the acting chairperson and the chairperson of the remuneration committee since then, as well as the CEO. Throughout, we have consistently stressed the duties that all directors of the board, including the CEO, owe to shareholders and other stakeholders under section 172 of the Companies Act to promote the success of the company. We emphasised our concerns about the potential for reputational harm to the company regarding the payments.

We were not satisfied with the CEO's statement of 14 February to the market, regarding his intention to use a substantial proportion of the total to support charities of his choosing. We believed this raised more questions than it answered. We continued to engage with the company to reiterate our concerns.

On 22 February 2018, we publicised our misgivings, noting that the apparent impasse between executives and non-executives over the Plan awards was a "huge concern" and that "to suggest that £110 million is the correct level of reward for successfully running a housebuilder in the UK is preposterous." We stressed again that all board members, including the CEO, should demonstrate their duties as directors, and the CEO's "insistence in extracting such a high proportion of the value that has been created is damaging to the company, both financially and on a reputational basis".

On 23 February, the company announced that there would be a reduction in the Long Term Incentive Plan awards. We are continuing to engage with board members to ensure that the optimal outcome is achieved for all shareholders, including our clients.

On 15 March, Persimmon confirmed that it had appointed a new chairperson, who would take up his post on 1 June 2018.

Key

Engagement driver

- Internal mandate
- Client mandate
- Performance-based engagement

Engagement outcome

- Influential in achieving change
- On track to meet objectives
- Escalation candidate

RPC Group

Internal mandate

On track to meet objectives

RPC Group is a UK-based plastic products design and engineering company. It offers product design capabilities across different conversion technologies, and provides a range of consumer products and technical components in plastic packaging and non-packaging markets.

In June 2017, we engaged with the company on its sustainability strategy. Since then, there has been a surge in consumer and regulator interest in plastic packaging waste. In January 2018, the Chinese government introduced restrictions on the import of scrap waste; and in the UK, Chancellor Philip Hammond introduced plans in the 2017 Autumn Budget to take action on single-use plastics. As RPC is Europe's biggest plastics business, we engaged with its group industry affairs director to discuss the regulatory landscape and potential impacts on RPC's operations.

RPC has been actively engaging with both the UK Treasury and DEFRA on potential regulatory approaches to address plastic waste. The plastics industry, including RPC, is broadly in favour of a revision to the Plastic Recovery Note (PRN) system, the UK's Producer Responsibility scheme. PRNs are taken by accredited recyclers for every tonne of recycled material taken for processing. The system spreads the burden of recycling across the value chain and has allowed the UK to meet all its recycling targets. However, there is a de minimis in place for companies that handle fewer than 50 tonnes of waste and that have less than £2 million turnover. RPC is in favour of a revision of this exemption to allow more companies to fall under the regulatory requirements. The company also suggested that the money collected should be ring-fenced to address ocean plastic pollution.

China's restrictions on importing waste have thus far actually had a positive impact on RPC by lowering the domestic cost of polyethylene films, of which RPC currently uses 70,000 tonnes per year to convert into recycled products.

We also discussed how RPC's customers are responding to consumer and regulatory pressure to reduce plastic packaging. Despite public debate about plastic-free aisles in supermarkets, RPC told us that its customers in general recognise the value of plastic packaging, including reducing food waste. Nevertheless, there is pressure on big brands to address plastic packaging and recycling and, as a result, most are working on increasing the recycled content of plastic packaging. This is a slow process, hampered by the fact that there are currently no incentives to use recycled plastic over virgin fibre.

RPC has developed a 'circular economy' rating tool that forms part of the design process. The company rates products according to RecyClass criteria on properties such as light-weighting, recycled content and end-of-life use. While improving the circular-economy rating is not usually very costly, it does impact on the design specifications requested by customers. As such, it requires engagement with brands' marketing teams to balance the design aspects with sustainability. We encouraged the company to work on this further, particularly in its efforts to translate circular-economy ratings into potential cost-savings for customers.

Key

Engagement driver

- Internal mandate
- Client mandate
- Performance-based engagement

Engagement outcome

- Influential in achieving change
- On track to meet objectives
- Escalation candidate

XP Power

Internal mandate

Influential in achieving change

XP Power is a leading provider of essential power control solutions. The company designs and manufactures power converters. These are components that convert power into the correct form, so that a customer's electronic equipment can function. Manufacturing is primarily undertaken in China and Vietnam, although XP Power sells its products globally, particularly into the industrial, technology and healthcare markets.

We have been investors in fast-growing, founder-led company XP Power for many years and have engaged with it in the past on the need for improved governance standards. Board composition was the key governance issue at that time, as there was only one independent non-executive director on the board. When we previously met, the chairman was close to appointing a further independent non-executive director. However, we encouraged the appointment of at least one more. The company did not have a formal nominations process and we suggested that involving a search firm might be helpful in identifying suitable candidates.

At that time, the company's remuneration policy was undefined and disclosure was poor. Its reliance on total shareholder return (TSR) as the sole performance metric was also a concern, as was the chairman of the remuneration committee's lack of independence.

Since that meeting, engagement around the time of the AGM has allowed an opportunity to continue expressing our views on board composition and remuneration. We have also provided positive feedback on a number of improvements in reporting, including an upgraded Audit Committee Report.

More recently, we arranged a meeting with the current chairman. We had noted a number of improvements in the governance framework in recent years and this meeting provided an opportunity to discuss these. Board composition is much-improved, with three independent directors appointed. The company is also now using search consultants to help identify suitable candidates.

A new internal audit function has been established and risk processes strengthened. Remuneration policy has been formalised and disclosure improved. The company is now using earnings per share (EPS) as the performance metric for remuneration. While we are more supportive of EPS than TSR, we feel that the 5-10% target range that the company is using is too low in light of current market expectations, and we have suggested that the company increases this.

Going forward, the next significant governance event is likely to be an audit tender, which must be concluded by 2019 at the latest. As this process gets underway, we suggested we meet the audit committee chairperson. Longer term, succession planning for the chief executive will be important. The chairman gave a good account of their plans to progress these key issues.

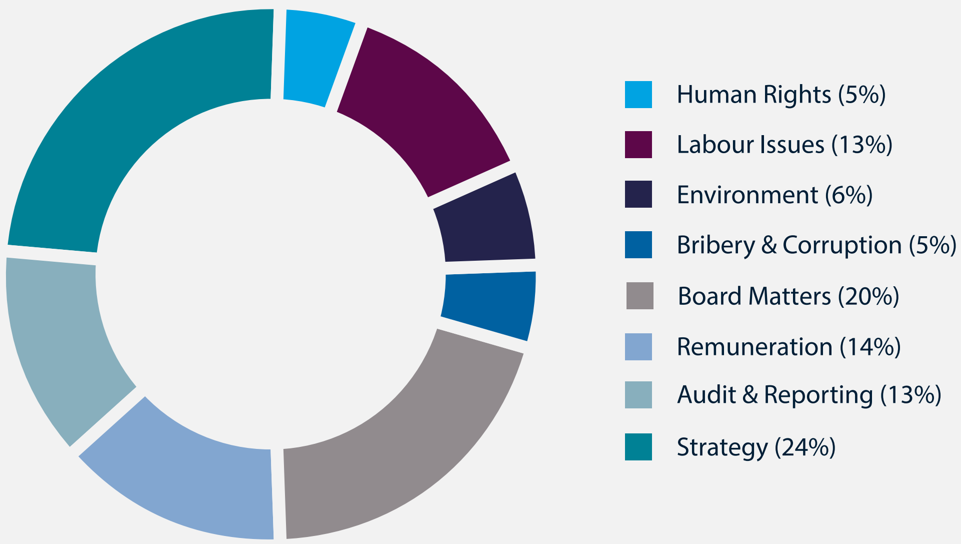
ESG voting and engagement

Voting summary Q1 2018

	Value	% (Objective vs the total number of meetings voted for the date range the report is run)
Total number of meetings where at least one resolution has been Voted Against Management	223	46
Total number of meetings where at least one resolution has been Voted Against ISS Policy	215	45
Total number of meetings where at least one resolution has been Voted Against ASI Policy	3	1
Number of meetings where the vote submitted by ASI and the ISS recommendations are in line with the Management recommendation for the ENTIRE agenda	223	46
Number of meetings where the vote submitted by ASI and the ASI Custom Policy recommendations are in line with the Management recommendation for the ENTIRE agenda	8	2

During the quarter Aberdeen Standard Investments met with and discussed ESG issues with over one hundred companies. The chart below offers examples of companies that have been engaged with and the specific ESG topics discussed.

Engagement summary Q1 2018



Source: Standard Life Investments

Engagement summary Q1 2018

During the quarter, Aberdeen Standard Investments met with and discussed ESG issues with over 100 companies. The table below offers examples of companies that have been engaged with and the specific ESG topics discussed.

Company	Human Rights	Labour Issues	Environment	Bribery & Corruption	Board Matters	Remuneration	Audit & Reporting	Strategy
Acuity Brands					•	•		•
Adidas	•	•	•					•
Alexandria Real Estate Equities					•			
AT&T		•		•				•
Babcock International Group					•	•	•	•
Bellway		•	•					•
Bodycote					•	•	•	•
BMW			•	•				•
BP					•		•	
Clinigen	•	•						•
Close Brothers Group					•	•	•	•
Connect Group					•		•	•
CSX		•						
Ei Group					•	•	•	•
First Data					•			•
Inditex		•	•					
Johnson Matthey					•	•	•	•
Lloyds		•						•
Mastercard								•
Mitchells & Butlers		•			•	•		
Mitie Group		•						
NMC Health					•	•		
Nostrum			•	•				
Petrofac					•	•	•	•
Recruit Holdings		•	•		•			•
Rolls-Royce Holdings					•	•		•
Royal Bank of Scotland		•						•
RPC Group		•						
Ryanair	•				•	•	•	•
Sanofi	•			•				
Suntrust Banks	•							
Thomas Cook Group					•	•	•	•
Thyssenkrupp				•				
Volkswagen					•		•	•
XP Power					•	•	•	•
Total	**5**	**12**	**6**	**5**	**19**	**13**	**12**	**23**

Our voting is disclosed on our website each month
http://www.standardlifeinvestments.com/governance_and_stewardship/what_is_corporate_governance/our_voting_records.html

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金融商品取引業者　関東財務局長（金商）第 320 号

加入協会：一般社団法人投資信託協会　　一般社団法人日本投資顧問業協会　会員番号：010-00218

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