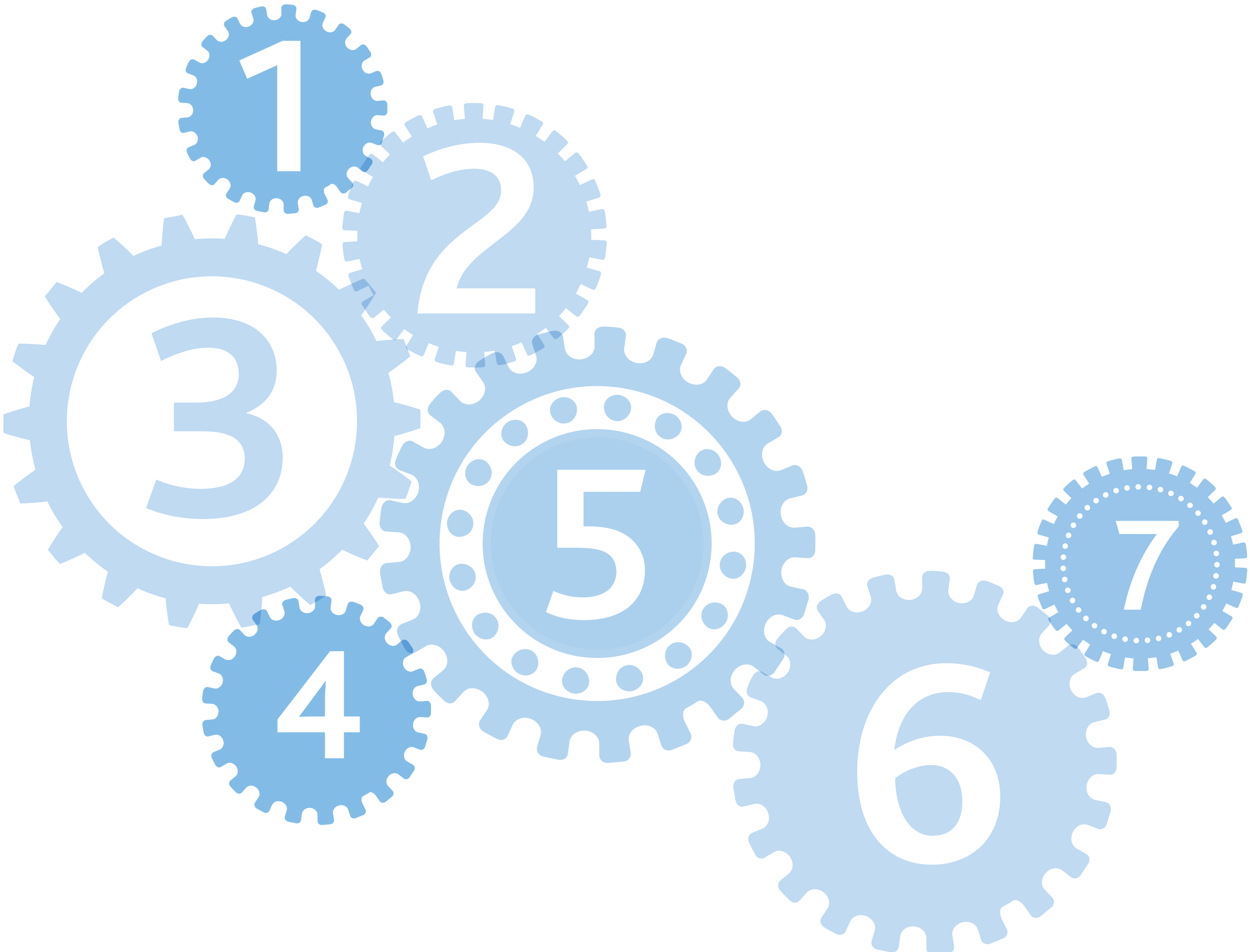
Aberdeen Asset Management

Aberdeen Stewardship Principles

Corporate governance guidelines and approach:
Our framework for investment analysis, shareholder engagement and proxy voting across companies worldwide



Aberdeen

The Aberdeen Stewardship Principles

1. Companies should be run to generate long-term business success
2. Companies should maintain and protect investor rights
3. Companies should communicate openly and clearly
4. Companies should be led and overseen by effective and genuinely independent boards
5. Companies need to manage key risks actively and effectively
6. Pay structures should be long-term and aligned with the corporate strategy
7. Companies should establish and work to maintain an effective and positive corporate culture

A Good companies deserve good owners

Introduction

Our view

In our view, good governance and stewardship are vital to safeguard the way in which a company is managed and to ensure that it operates responsibly in relation to its customers, employees, shareholders, and the wider community. We also believe that markets and companies which adopt best practices in corporate governance and risk management are more likely to deliver sustainable, long-term investment performance.

Our expectations

The Aberdeen Stewardship Principles over the following pages provide a framework for investment analysis, engagement and proxy voting for investee companies worldwide. As a global investor we are particularly aware that the structures and frameworks for governance vary across regions. Furthermore, what we expect of companies varies between different stages of business development and the underlying history and nature of the company in question. We seek to understand each company's individual circumstances and so evaluate how it can best be governed and overseen, and we strive flexibly to apply the Principles set out on these pages in response to the needs of that individual company at that particular time. Our heritage as a predominantly active fund manager helps drive this bespoke approach to understanding good governance and risk management.

We have a clear understanding of what constitutes best practice globally – and set this out over the next several pages – but we will reflect our close understanding of individual companies in our approach to applying these standards.

Our approach to stewardship

For us, stewardship is a reflection of this bespoke approach to good governance and risk management. We seek to understand each company's specific approach to governance, how value is created through business success and how investors' interests are protected. This requires us to play our part in the governance process by being active stewards of companies, dynamically involved in dialogue with management and non-executive directors, and helping to shape the future success of the business.

Aberdeen is committed to exercising responsible ownership with a conviction that companies adopting improving practices in corporate governance and risk management will be more successful in their core activities and deliver enhanced returns to shareholders. As long-term owners of companies on behalf of our clients, we regard the process of stewardship as a natural part of our investment approach. Our fund managers regularly meet with the management and non-executive directors of companies in which we actively invest, and we also seek to mirror this approach across our other investment strategies.

Aberdeen endeavours to exercise proxy votes at all shareholder meetings where authorised to do so by clients. At companies where we have an active investment, all voting decisions are led by our investment managers.

Our approach to stewardship is set out more fully in the Aberdeen Approach to Stewardship publication, our statement in respect of the globe's Stewardship Codes (find this at http://www.aberdeen-asset.com/aam.nsf/AboutUs/stewardship). We periodically report on proxy voting decisions and engagement activities, both privately to our clients and publicly at the same address.

"Good corporate governance is at the heart of Aberdeen's business. It is the first quality we look for in the countries and companies in which we invest, and we are committed to effective and transparent corporate governance in running our own business"

Martin Gilbert,
CEO, Aberdeen Asset Management

The Aberdeen Stewardship Principles – in brief

1. Companies should be run to generate long-term business success

- The management and board of a company should focus on its business model and strategy and promoting operational success. Generating returns for shareholders is a consequence of that success, and should not be an end in itself.
- Companies must be clear and transparent about the drivers of their business success and their strategy for maintaining and enhancing it. Honest and open reporting, including disclosing bad news early, engenders trust and longer-term investment.
- Strategy and operational delivery should set the context within which most corporate issues are addressed, from assessing performance to risk management.

2. Companies should maintain and protect investor rights

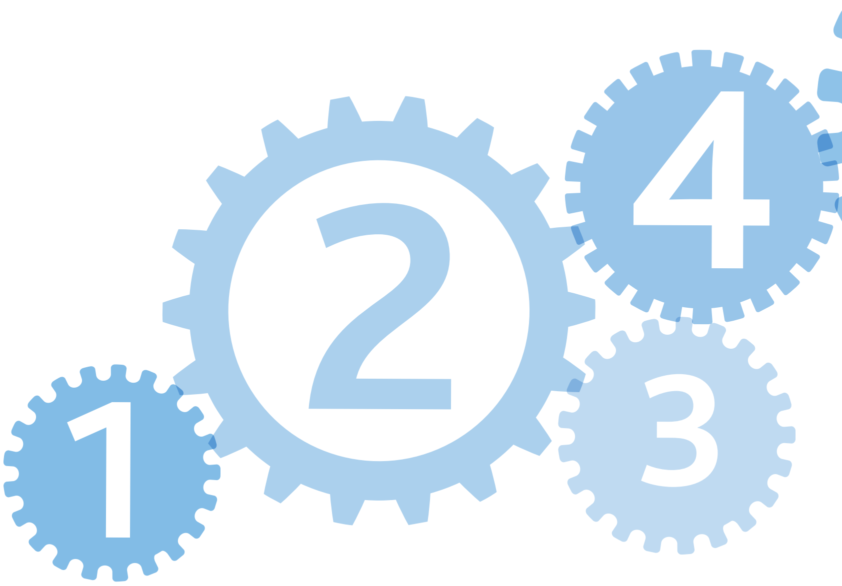
- The interests of minority shareholders must be protected.
- Companies should not undertake drastic change without being transparent to their owners and providing them a chance to express a view.
- Diversification beyond the core skills of the business needs to be justified as it is more often than not a distraction from operational performance; all major deals should be subject to shareholder approval.
- Related party transactions need to be at arm's length and transparent and, where material, subject to the approval of independent shareholders.
- Companies should maintain a level of gearing appropriate to their long-term survival.
- We strongly prefer simple capital structures with one share-one vote.
- Companies should not issue significant numbers of shares unless offering these pro rata to existing shareholders.
- Companies should not rely on anti-takeover devices nor entrenchment; the best defence from hostile takeover is strong operational delivery.

3. Companies should communicate openly and clearly

- Directors and management should make themselves appropriately available for discussions with shareholders.
- Reporting is a continuing obligation – if something changes materially it should be disclosed promptly. Such disclosure is more useful to long-term investors and builds trust much more effectively than relying on quarterly reporting.
- Companies should report under internationally accepted accounting standards.
- The accounts should be subject to independent audits, with transparent and informative auditor reports, and which are subject to regular assessment and rotation over time.
- Audited financial numbers should be published ahead of shareholder meetings.
- Companies should be consistent in their public statements, and not undermine these in private commentary to market participants or to politicians and regulators. We encourage transparency from companies about lobbying activities and political donations.

4. Companies should be led and overseen by effective and genuinely independent boards

- No one individual should have unfettered powers nor dominant influence over a company.
- Directors should be regularly accountable to shareholders, and shareholders should have the right to propose and promote individual directors to be considered for election to the board by all shareholders.
- Discussion and decision-making will be most effective with a mix of skills and backgrounds around the board table, bringing a diversity of independent perspectives to bear with sufficient time to carry out the role with diligence.
- Thoughtful and proactive succession planning must be applied to both the executives and non-executive directors.
- Boards should establish independent committees to help them deliver key oversight functions.



5. Companies need to manage key risks actively and effectively

- As part of strategic planning, boards need to understand and have oversight of the key risks that threaten the sustainability of the business model, including anticipating potential and emerging risks.
- This activity should include effective management of key long-term (including those sometimes referred to as ESG, or environmental, social and governance) risks that might threaten the long-term viability and profitability of the business.
- Boards need to have active oversight of internal controls.

6. Pay structures should be long-term and aligned with the corporate strategy

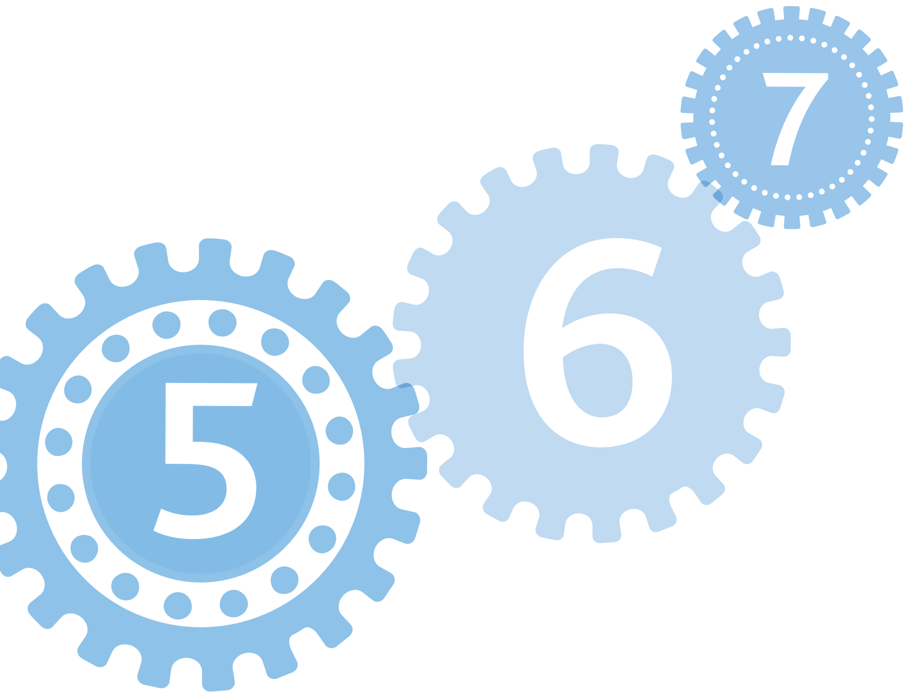
- Pay structures should be simple and transparent.
- Incentives should be triggered by underlying value creation within the business operations.
- Payment in shares that must be held for the long-term creates a helpful alignment of interests with other shareholders.
- There should be no payments for failure; some reward should be recoverable – and recovery should be sought – if payments should not have been made.
- Remuneration committee discretion is valuable, but its exercise needs to be explained appropriately and subject to shareholder approval.

7. Companies should establish and work to maintain an effective and positive corporate culture

- Management should establish, and boards should oversee, high standards of ethics and culture through the creation of codes of conduct that are effectively promoted throughout the organisation.
- Culture needs to be integrated into risk management, strategy and remuneration structures.
- Companies should establish stringent policies on bribery and corruption, and make whistle-blowing facilities available.

Good companies deserve good owners

- Investment needs to look to long-term value not short-term volatilities.
- Stewardship plays a crucial role in maintaining a chain of accountability.
- Investors should be active and involved in debating the strategy and key issues facing the company.
- Institutional investors must manage and mitigate their own conflicts of interest.
- Voting at general meetings is a natural and expected part of the shareholders' role.



Governance and our investment process

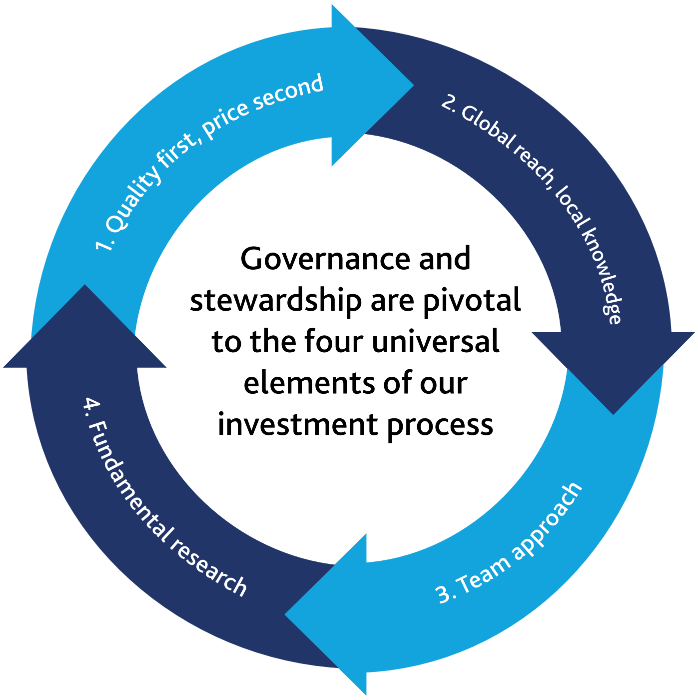
Governance and our investment process

Investing for the future: a committed long-term approach

Aberdeen aims to generate strong performance by using primary research and a comprehensive investment screening process to discover quality, long-term investments.

In our fast-paced world, the desire for instant results can overwhelm. The prospect of immediate gain may encourage attempts to 'time' a sector or a stock, or to succumb to trends long after the opportunity to profit has passed. Equally,, the urge to crystallise profits can cause quality assets to be sold well before they reach fair value. An investment approach that weathers market ups and downs over years, not just weeks, almost always proves more fruitful - as well as cheaper - in the long term.

1. Relative value is important, but valuation is only considered once an investment has passed our quality test. We will not invest in any asset where we do not believe fundamentals are strong, regardless of price.
2. Our investment teams are generally located in the markets where they invest. We have the scale to provide global coverage of financial markets, yet we are flexible enough to focus on each and every portfolio decision.
3. We strongly believe collaboration improves decision-making. At Aberdeen we do not have star fund managers; we have teams with complementary skill sets who make investment decisions and take collective responsibility.
4. We pride ourselves on our detailed, fundamental due diligence. No investments are made without a significant amount of well documented research.



The Aberdeen Stewardship Principles

1. Companies should be run to generate long-term business success

Shareholder returns are a reflection of underlying business performance, and should not be an end in themselves. It is therefore unfortunate that the management and boards of too many companies currently focus narrowly on shareholder returns rather than their business model, strategy and promoting operational success. Rather, management and boards should focus on these things, and on exploiting the opportunities for value creation within their business. Success through this approach will be reflected over the long term in positive returns for shareholders.

Companies must be clear and transparent about the drivers of their business success and their strategy for maintaining and enhancing it. Investment is a forward-looking process: we seek to understand the opportunity for a business and its scope for future value-creation over the long term. In order to do this we need clarity on past business delivery and its drivers, and on the effective track record of management; we require honest and open reporting to build confidence in that track record. We seek confidence that companies and their managements can maintain their competitive positioning and operational performance, and subsequently enhance returns for investors.

A clear strategy and clarity about the drivers of operational success provides the lens through which we will consider most corporate issues, not least assessing performance and risk management.

2. Companies should maintain and protect investor rights

The interests of minority shareholders must be protected. Any major, or majority, investor should not enjoy preferential treatment, and the nature of relations – particularly any related party transactions – with parent or related companies, or other major investor, must be disclosed transparently. The structure of ownership or control should minimise the potential for abuse of public shareholders.

Companies should not make significant changes to their structure or nature without being fully transparent to their investors. Shareholders should have an opportunity to vote on significant corporate activity such as major transactions, and on substantial non-pre-emptive share issuance. Where a transaction is with a related party, only independent shareholders should have a vote.

Even in markets where no vote is given to shareholders in these circumstances, investors need transparent disclosure of the reasons for any such major change. Companies should expect that shareholders may want to discuss and debate such proposed developments.

Diversification beyond the core skills of the business needs to be justified as it is more often than not a distraction from operational performance. All major deals need to be transparently explained and justified in the context of the pre-existing strategy, and should be subject to shareholder approval.

Related party transactions must be agreed on arm's length terms and be made fully transparent. Where they are material, they should be subject to the approval of independent shareholders.

We encourage companies to have conservative rather than efficient balance sheets, consistent with their long-term success. Capital structures should be as simple as possible: multiple share classes should be avoided and one share should carry one vote. Companies with multiple share classes seeking to raise new capital should not expect our unconditional support.

Companies should not issue significant portions of shares unless offering these pro rata to existing shareholders. Non-pre-emptive share issuance should be kept to less than 5% a year, and should not be made to related parties without a clear explanation and a vote of independent shareholders.

There should be no artificial structures put in place to entrench management and protect companies from takeover. The best defence from hostile takeover is strong operational delivery.

3. Companies should communicate openly and clearly

Directors and management should make themselves available for discussions with major shareholders. We expect to have appropriate dialogue with those individuals charged with overseeing the companies in which we invest, to share our perspectives and to gain confidence that the individuals are carrying out their roles with appropriate vigour and diligence. Directors who decline appropriate requests for meetings without a clear justification or are unavailable within an appropriate timescale cannot expect that we will unconditionally support their re-elections.

Honest and open reporting, including sharing bad news early, engenders trust and longer-term investment. Any public disclosure by a company should be fair and balanced, accurately reflecting the operational performance of the business and making clear any material developments. Updates on performance, where a development marks a material change from the expectations that a company has established with its investors, should not be delayed to the next regular reporting deadline but should be made promptly, as soon as the company itself has an understanding of the situation. Where we have confidence that this happens and will be done going forwards we will support the removal of quarterly reporting requirements. Relevant ad hoc disclosure in this way is more useful to long-term investors and builds trust much more effectively than relying on the regularity of quarterly reporting.

The introduction of global accounting standards has led to much greater investor confidence in the accounts produced by companies around the world. It has also assisted the consistency of reporting across companies, enabling fairer comparisons between different operating businesses. We therefore encourage companies seeking international investment to report under International Financial Reporting Standards (IFRS) or US GAAP. As a firm, Aberdeen is actively involved in supporting the development and improvement of IFRS over time.

An independent audit, delivered by a respected audit firm, is a required element for investor confidence in reporting by companies. Audited financial numbers should be published ahead of any relevant shareholder meetings. We strongly favour meaningful, transparent and informative auditor reports, giving us additional insights into the audit process and accounting outcomes. The audit fee needs to be sufficient to pay for an appropriately in-depth assurance process, and we will generally oppose moves to make savings in this respect because the costs, in terms of damage to audit effectiveness and confidence in the company's accounts, are much more substantial.

The independence of the auditor should be subject to regular assessment, and that assessment should be appropriately disclosed; clear measures should be in place to maintain auditor independence, and investor confidence in auditor independence. Even when the individuals carrying out the audit are refreshed, we believe that the independence of the audit firm erodes over time and we will encourage an audit tender process and change of audit firm where an engagement has lasted for an extended period. The relationship with the auditor should be mediated through independent directors, most likely in the form of the audit committee or equivalent.

Companies should be consistent in their public statements, and not undermine these in private commentary to market participants or to politicians and regulators. We welcome transparency from companies about their lobbying activities and believe that good companies have nothing to hide in this respect. Similarly we encourage transparency of any political donations that companies deem appropriate – and we expect a clear explanation of why such donations are an appropriate use of corporate funds.

4. Companies should be led and overseen by effective and genuinely independent boards

Running businesses effectively for the long-term requires collaboration and cooperation. No individual or small group should have unfettered powers, nor dominant influence over the way a business is run or over major decisions about its operations or future. This means we believe that there should be a division of roles at the top of the organisation, typically between a CEO and an independent chair. The roles of CEO and chair are different – put most simply, running the company and running the board – and the board is best able to hold the CEO accountable for business performance and the delivery of value where oversight and board leadership are independent.

We believe that having a lead independent director alongside a combined chair/CEO is a clear second-best to a genuine division of roles; it is also a second-best response to having a chair who is not independent for other reasons. We will consider the particular circumstances of the company and the scope of the lead independent director role before agreeing to support any such approach.

We recognise that there may be temporary reasons for a combination of roles, such as following an unplanned departure of the CEO, or where the company faces a short-term crisis. But in such circumstances we expect that there will be a clear timetable towards a splitting of the roles. We regard it as an extremely negative move when a company switches from a separation of roles to a combined chair/CEO unless there are such unusual circumstances. We are therefore likely to reflect this in our voting with regard to individuals who have taken such a decision.

Directors should feel that they are accountable to investors. Therefore they should regularly stand for re-election; the Aberdeen expectation is that this should be at a minimum frequency of every three years in order for that accountability to feel genuine. Lengthier board mandates – while not uncommon in some markets – risk divorcing directors from an appropriate sense of accountability, and so will not generally receive our support. For this reason of individual accountability to shareholders, we cannot support the election of directors who are not personally identified but are proposed as corporations. A further important element of director accountability to shareholders is that investors should have the right, both formal and informal, to propose and promote individual directors to be considered for election to the board by all shareholders.

Effective decision-making needs a mix of skills around the boardroom table, and debate between diverse and different-minded individuals. A range of skills, experience and perspectives should be drawn together on the board, including both industry knowledge and experience from other sectors, and relevant geographic knowledge. Independence of thought plays a crucial role in the ability of a board to generate the debate and discussion that will lead to effective decision-making, and to challenge management and help enhance business performance. Regular board appraisals will help the board ensure it has the necessary mix of skills and quality of individuals to address the developing challenges it faces. Individual directors also need sufficient time to carry out their role effectively: we seek to ensure that all directors maintain an appropriate level of overall commitments such that they will be able to apply the necessary diligence.

Regular refreshment and renewal of the non-executive portion of a board helps draw in fresh perspectives, not least in the context of changes to business and emerging opportunities and risks, and helps limit the danger of group-think. Thoughtful and proactive succession planning is therefore needed to ensure that a board continues to be populated by individuals with an appropriate mix of skills, experience and perspectives. Long-serving directors, particularly on boards that have not benefited from recent refreshment, are unlikely to enjoy our support.

Companies should also plan for the renewal and refreshment of their executive teams. It is a sign of strength and a positive culture when companies appoint internal candidates into senior positions, and the best companies constantly work on identifying, developing and stretching their key talent. Boards need to give active consideration to who might be appropriate candidates for senior roles over different time-horizons to be prepared for a range of scenarios.

All directors, executive and non-executive, should own shares in the companies on whose boards they serve. We support non-executive directors receiving shares alongside cash fees for carrying out their role, but they should not receive performance incentives of any form. Their interests should be aligned with those of all shareholders, and not with those of management.

Boards should establish committees, populated by independent-minded and appropriately skilled non-executive directors, to oversee (as a minimum) remuneration, audit and nomination processes. These committees should report openly on an annual basis about their activities and key decisions taken.

5. Companies need to manage key risks actively and effectively

As part of strategic planning, boards need a deep understanding and to have a clear oversight of the key risks that threaten the sustainability of the business model, including having a process for anticipating potential and emerging risks.

We expect boards to have a clear view of what are the material risks to the operational performance of the business and to corporate strategy. They need to understand the scope of those risks, and should develop clear plans to mitigate and manage those risks which are susceptible to being mitigated or managed. We look to companies to disclose these key issues and the main steps being taken to address them; lengthy lists of all possible risks engender no confidence among investors and tend to suggest that boards do not have appropriate and effective oversight.

The effective management of risks extends to long-term issues that are hard to measure and whose timeframe is uncertain – sometimes these issues are discussed as non-financial or ESG (environmental, social and governance) risks – where these are material to the long-term viability and profitability of the business. Boards should oversee these risks as part of the processes of risk management and strategic planning.

To fully engender confidence in the effectiveness and centrality of risk management to the company's approach, there should be a clear link between the oversight and management of material risks and remuneration structures.

Companies should invest appropriately in internal audit teams and processes. Boards should have active oversight of internal controls. Just as with the external audit, the head of internal audit should be in direct dialogue with the independent directors, most likely in the form of the audit committee or equivalent.

6. Pay structures should be long-term and aligned with the corporate strategy

Pay structures should be simple and transparent. Simpler is better, for executives and for shareholders.

Companies should pay executives no more than is necessary in the circumstances. There should be no rewards for failure. If incentive awards are regularly made at or near to maximum remuneration limits, this may reflect weak target-setting.

Incentives should be triggered by underlying value creation within the business operations, and should not reward financial engineering nor simple tenure in senior roles. Rewards should be tied to operational and strategic delivery, rather than outcomes not in the control of management. The time horizon of the metrics must be appropriate to the planning horizon of the business, and the period over which the measurement is made must also be appropriate to the metrics.

Incentive structures should encourage a clear alignment of interests between management and investors. Paying executives in shares that must be held for the genuine long term creates a powerful alignment of interests with other shareholders. Shares deliver this alignment better than options. Executives should receive some of their remuneration in shares that must be held for at least the length of their tenure. Executives should build substantial shareholdings that they hold throughout their employment.

To help ensure that there be no rewards for failure, some reward should be recoverable – and recovery should be sought – where it is later shown that payments should not have been made.

We strongly support remuneration committees having discretion and exercising intelligent judgement, and ask them to explain their reasoning such that we can have confidence in their approach. We welcome the opportunity to endorse this decision-making annually through a vote on pay.

7. Companies should establish and work to maintain an effective and positive corporate culture

Culture is an important element in long-term business success. Companies should seek to foster an appropriate and effective culture, and reinforce that culture over time.

This is an important issue for boards to consider and oversee. Boards should seek to establish high standards of ethics and culture throughout corporations through the creation of codes of conduct that are effectively promulgated and promoted across all parts of the organisation.

Considerations of culture and appropriate ethical behaviour need to be integrated into risk management, strategy and remuneration structures. Companies need to be clear that they have an effective approach to any breaches of agreed cultural and ethical behaviours, which serves to reinforce the intended mindset among staff.

The appropriate culture and ethical standards should be reinforced by a trusted and independent whistle-blowing process. The independent directors should have confidence in the impartiality and effectiveness of this whistle-blowing process.

Companies which rely on bribery and corruption or other inappropriate business practices in order to win business will not prosper in the long run. Any success they enjoy will be temporary and misleading. As long-term investors we expect every company in which we invest to have appropriate and robust structures to ensure that they are not involved in bribery and corruption, either directly or indirectly.

Good companies deserve good owners

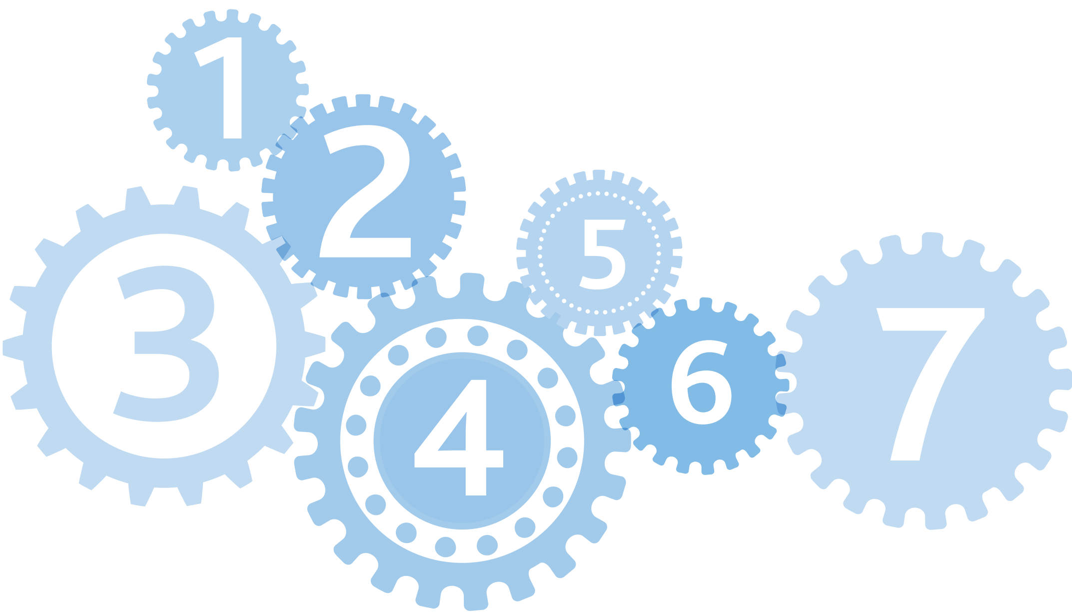
Investment needs to look to long-term value not short-term volatilities. Short-term share price volatilities are of limited importance to long-term investors and the companies to which they entrust funds. Company management should not feel accountable for market sentiment and share price oscillations, and we will support management in the face of shareholders who do focus on such volatility. We ask companies in which we invest not to be distracted by short-term factors but to continue to pursue long-term value creation within their businesses. We hold management to account for long-term value creation and will raise concerns regarding poor strategic investment decision-making and operational failings. Operational performance and strategic delivery will, over time, be reflected in share price performance.

Good companies deserve good owners. Aberdeen is ready to act as an active and engaged steward of the companies in which we invest, and looks to build long-term relationships. We believe that these long-term relationships help maintain a chain of accountability between companies, their executive management, the board directors, ourselves, and our underlying clients. Where all parties maintain an active awareness of that accountability they are more likely to perform and deliver value over the relevant long-term time horizons.

We look to play an active and involved role in debating the strategy and key issues and challenges facing the companies in which we invest. We understand that meetings with investors are too often a communication in a single direction, with investors asking questions and management responding. Companies deserve thoughtful input from their investors, and we look to deliver our part in this necessary two-way dialogue.

While we are an independent fund manager, and so not prey to all the conflicts which may affect financial conglomerates, we still face conflicts of interest. Our simple approach is that we will always seek to act fully in clients' best interests, conscious that we are stewards of their assets on their behalf. Our clients, and the companies in which we invest, deserve nothing less.

Voting at general meetings is a natural and expected part of the shareholders' role. We vote on all portfolios where clients have granted us voting authority. Other than in circumstances of blocking, or in other situations where the costs or challenges of voting make it not in client interests, we vote at every company meeting. We are proud of our considered and intelligent approach, which seeks to take account of key company-specific matters and avoids a one-size-fits-all mindset. We set out in this document what we regard as global and local best practices in terms of the issues which come to shareholder vote, but we will interpret this with intelligence in the context of individual markets and companies. Voting is only a formal part of the ongoing dialogue between ourselves and the company, it is not an outcome in itself, and it is certainly not the end of the ongoing process of active and engaged stewardship.



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