



BUILDING
STRONGER
PORTFOLIOS

Environmental, Social and Governance report

UK and European Equities

First quarter 2020



ESG INTEGRATED FUND

J.P.Morgan
Asset Management



“

We believe effective investment stewardship
can materially contribute to helping build
stronger portfolios over the long term, for our clients.

”

George Gatch

CHIEF EXECUTIVE OFFICER
J.P. MORGAN ASSET MANAGEMENT

Proxy Voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. So far as is practicable, we will vote at all of the meetings called by companies in which we are invested. A summary of key voting statistics and activity for the period is detailed below:

Meetings voted (UK)	114	(96.6%)*
Meetings voted (EUR)	101	(91.8%)*
Votes with management	2,757	(94.3%)
Votes against management	159	(5.4%)
Abstentions	9	(0.3%)

**a further 13 meetings were not voted due to share blocking and/or conflicts of interest*

**The first quarter sees voting volumes in the UK and Europe start to increase as we head into the peak AGM season in April/May.*

J.P. Morgan Asset Management voted against the Remuneration Report, and abstained in relation to the binding Remuneration Policy at **Diploma plc**. Incoming CEO Johnny Thomson was recruited from Compass Group, after the previous candidate to replace the long-serving CEO quit after only 128 days in post. Thompson's salary is set at very competitive levels for the company's size, and he is also eligible to receive exceptional LTIP awards of up to 2.5 times salary over the next three years. We also note that the Remuneration Committee did not pro-rate his annual bonus for the year under review to reflect time served. The company has stated that a candidate with the appropriate experience and skills was not available in the FTSE250, and they needed to come up with a package sufficient to lure Thomson from a FTSE100 company. The Remuneration Policy was narrowly passed, with 44.2% of shareholders voting against. The company has committed to engage further with shareholders on the issue later in the year.

J.P. Morgan Asset Management also voted against the binding Remuneration Policy at **Greencore Group**. Pension provisions for the incumbent executives remain significantly higher than is typical in the UK, and are increasingly out of step with the market's direction of travel and accepted best practice. Despite engagement, the company has not committed to bringing down the level of pension contributions (currently at 35% for the CEO). In the event, 31.5% of shareholders voted against the Policy, and the board has committed to consult with shareholders and publish an update within six months. Greencore is one of our Focus List companies for engagement this year.

Engagement: Governance

J.P. Morgan Asset Management recognises its wider stewardship responsibilities to its clients as a major asset owner. To this end, we support the UK Stewardship Code, which sets out the responsibilities of institutional shareholders in respect of investee companies. J.P. Morgan Asset Management endorses the Stewardship Code for its UK investments and supports the Principles as best practice elsewhere. We believe that regular contact with the companies in which we invest is central to our investment process, and we recognise the importance of being an 'active' owner on behalf of our clients. Our recent activity with regard to stewardship and engagement is summarised below:

J.P. Morgan Asset Management held an inaugural meeting with **M&G plc** board chair Mike Evans, following the company's spinoff from Prudential plc in October. Discussions covered board composition, skills and diversity, compensation, cyber security and broader cultural issues, as well as the recent gating of the M&G Property Fund due to concerns over liquidity. Compensation has caused concern among shareholders, as it is based on the Prudential model (a much larger organization). There are also concerns that historic lack of investment in M&G's systems leave it exposed to heightened cyber risk during the transition to newer technology. M&G's 'old school' culture has also been the subject of recent press articles, alleging a culture of intimidation and bullying in certain departments. Evans stated that culture was a subject the board takes very seriously, and that 'at least one individual' has been terminated as a result.

As part of a collaborative engagement organized by the **30% Club** Investor Group, J.P. Morgan Asset Management wrote to three major executive search firms, as part of an initiative to better understand their internal processes regarding Executive and C-suite appointments.

J.P. Morgan Asset Management's Investment Stewardship teams met a total of 47 companies to discuss corporate governance and strategy issues, in addition to our scheduled one-to-one meetings. Companies included **Rio Tinto, Airbus, Uber, Prudential, RWE, Danone** and **Facebook**.



Source: J.P. Morgan Asset Management; data as of December 31, 2019.

BUILDING STRONGER PORTFOLIOS

At J.P. Morgan Asset Management, collaborating with our clients
in an effort to build stronger portfolios drives everything we do.

We are committed to sharing our expertise, insights and
solutions to help make better investment decisions. Whatever
you are looking to achieve, together we can solve it.



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