

## Principles of Internal Governance and Asset Stewardship

### 1. Organisational & Investment Approach

#### 1. J.P. Morgan Asset Management Competencies

J.P. Morgan Asset Management (JPMAM) has a long and distinguished history. Our firm has been built on a steadfast commitment to the principle of always putting our clients' interests first - a commitment that continues today. This is the foundation of our business.

In Australia, we have dedicated asset management teams in Sydney and Melbourne working on behalf of both retail and institutional investors. Our exceptional breadth and depth of investment expertise, our commitment to providing a local service and tailoring solutions to meet the needs of our clients sets us apart.

JPMAM is committed to ensuring that each client achieves first-class investment results by providing the following competitive advantages:

#### Capital markets knowledge

With our global resources and understanding of retail and institutional investments, we connect the markets with client and fund portfolios across varying economic cycles and regions. Our capital markets knowledge enables us to share a wealth of insights, including original research, commentary and analyses of future financial and economic environments and their impact on client portfolios. By collaborating across our lines of business, we provide access to J.P. Morgan's entire global organization, including business thought leaders, subject matter experts, solutions and strategies that enable clients to optimize their investment decision-making.

#### Rigorous risk control

Our strong fiduciary culture supports clients by giving them integrated portfolio, analytics and risk management processes to help protect their investments. All investment decisions are made by teams of skilled, experienced professionals using stringent buy/sell disciplines and clearly defined models. Our risk control also extends beyond investments to include operational risk control, contingency planning and disaster recovery.

#### Global investment expertise

We believe we have the global resources and capabilities few investment firms can match to provide insights into today's

complex market and offer expertise and solutions to help solve client's investment challenges. More than 1,100 highly experienced analysts, traders and investment professionals bring our best ideas, solutions and services to our clients. Located on the ground in nearly 20 countries, our experts are highly knowledgeable about the local markets, regulations and trends. Their deep, regional insights help uncover opportunities with the objective of generating alpha.

#### Proprietary research

Our global network of highly respected, career research analysts conduct extensive macroeconomic and fundamental analysis, incorporating our assessment of asset classes, regulatory events and the political climate. Analysts have the ability to communicate with and leverage the insights of their regional counterparts, gaining a truly global and unified perspective. Relying primarily on our own proprietary, long-term view research, we take controlled, considered positions that seek to enhance performance, while seeking to control risk.

#### Range of investment services

We place our powerful resources at our clients' disposal through our diverse range of products and services that include pension fund management, charitable management, institutional cash management, reserves management, third-party distribution and pooled fund management. We offer more than 400 different investment solutions, including fixed income, equity and multi-asset strategies. These strategies span both global and local markets to generate the best risk-adjusted outcomes to satisfy clients' specific investment needs.

#### Proactive Partnerships

- **Market strategists:** JPMAM's Global Market Insights Strategy Team provides valuable insights and perspectives on the economy and markets. Comprised of experienced strategists and economists, the team seeks to bring clarity and help financial professionals keep their clients informed of essential market and investment information.
- **Information:** Timely communications from our renowned market strategists offered through a variety of different media, including our Insights series, comprised of Market Insights, Investment Insights, Retirement Insights and Manager Insights, Guide to the Markets, Weekly Market Recap, conference calls, webcasts and podcasts.

## 2. Purpose and Values for Clients

“Our mission: To be your most important asset management firm by delivering exceptional risk-adjusted performance, a diverse variety of investment solutions and the highest quality service.” - Mary Erdoes, CEO, J.P. Morgan Asset & Wealth Management

With a heritage of more than two centuries, a broad range of core and alternative strategies, and investment professionals operating in every major world market, we offer investment experience and insight that few other firms can match.

Throughout its long and distinguished history, Asset Management has been steadfastly committed to putting its clients' interests first. This fiduciary responsibility defines our relationship with clients and informs the basis of every decision we make on their behalf. This core principle is the foundation of our business as we work to understand our clients' needs, offer informed advice and execute strategies to generate excess returns and provide world-class client solutions.

## 3. Ownership

J.P. Morgan Chase (JPMC) is the ultimate parent company of the investment management businesses operating under the brand of JPMAM.

JPMC is a publicly quoted company on the New York and London Stock Exchanges, in which directors and employees of JPMAM own shares.

The table below shows the top 10 shareholders of JPMC as at 30 June 2018.

Institution Name	% of Ownership
The Vanguard Group, Inc.	7.62%
BlackRock Inc.	6.63%
State Street Corp.	4.72%
Capital Group Cos Inc.	3.22%
FMR LLC	2.71%
T Rowe Price Group Inc.	1.87%
Wellington Management Company, LLP	1.72%
Bank of America Corp.	1.61%
Northern Trust Corp.	1.40%
Sun Life Financial, Inc.	1.24%

Source: Nasdaq.

The total percentage of JPMC shares and underlying stock awards held by JPMC employees was 3.4% of the shares outstanding as at 30 June 2018. This excludes outstanding stock options.

J.P. Morgan Asset Management Australia Ltd (JPMAMAL) operates as a subsidiary of J.P. Morgan Asset Management (Asia) Inc.

## Management & Governance

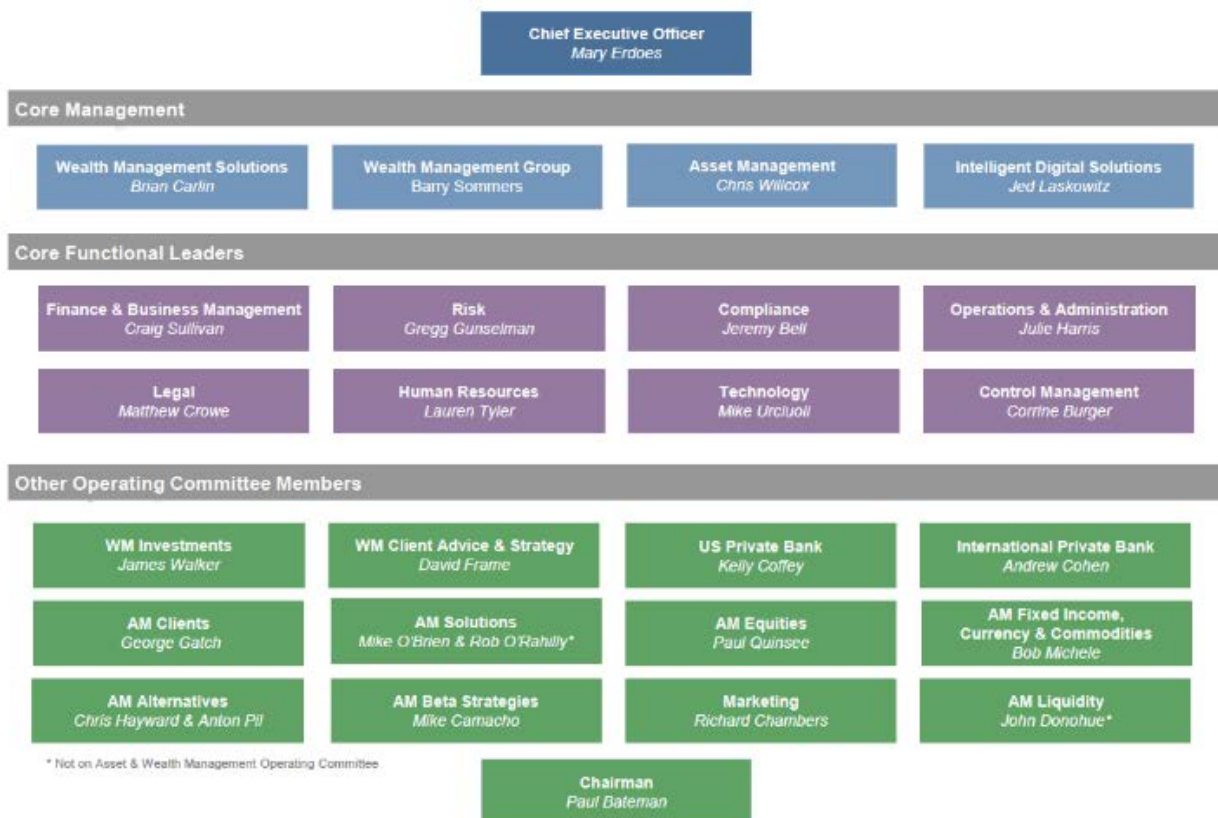
The overall execution of JPMAM falls under the purview of the governing committees summarised below:

- Asset & Wealth Management Operating Committee
- Asset & Wealth Management Investment Committee
- Asset Management Operating Committee
- Asset Management Clients Operating Committee

#### 4. Key Management & Investment Personnel

The diagram below summarises the key senior business and investment management personnel for JPMAM as at 30 September 2018:

### Asset & Wealth Management



## 2. Internal Governance

### 1. Ethical conduct and professional practice;

We make every effort to maintain our long established reputation as one of the world's most highly regarded financial providers. Compliance and ethics are business issues, and responsibility for compliance with regulations and policies rests with every employee. All employees are required by JPMC's policies to adhere to the highest standards of integrity and fair dealing, and to act in full compliance with the spirit as well as the letter of the law. The violations of any laws that relate to the operation of our business or our Code of Conduct or failure to cooperate with an internal investigation may result in corrective action, up to and including immediate dismissal. The Firm will take all necessary actions to enforce the Code.

Compliance with the Code of Conduct forms one of the terms of employment for JPMC employees, who are required to reaffirm their compliance on an annual basis.

Breaches of the Code are investigated by a team consisting of Audit, Compliance, and Security Services. JPMAM view breaches as very serious and may lead to the dismissal of the employee involved.

### 2. Personal trading;

The JPMAM Personal Investment Policy applies to all permanent and temporary employees and consultants (referred to collectively as 'employees') and their associates and sets out requirements for personal investing. All investments except money market funds are subject to the minimum investment holding period of 60 calendar days so that employee transactions are oriented towards long-term investment. Investment Personnel and Access Persons are required to follow additional reporting requirements outlined in the Policy.

A summary of the core requirements for personal trading is as follows:

- With limited exceptions, all personal account transactions of employees and their associates must be pre-cleared by the employee's line of business manager and the Compliance department prior to dealing.
- Potential client trading conflicts are reviewed by Compliance prior to approving or declining an employee request to trade. Compliance also performs post trade monitoring of employee trades.

- Employees are responsible for ensuring that copy contract notes or trade confirmations are forwarded to Compliance within two weeks of the trade being executed.
- Employees are always required to place the interests of clients before their own personal interests and to avoid any conflict of interest or appearance of conflict with the activities of JPMAM. Pre-clearance procedures are in place to monitor for these conflicts of interest.

Compliance also performs post trade monitoring of employee trades on an ongoing basis to identify any client conflicts of interest following approved employee trade requests.

### 3. Management of conflicts of interest to ensure client interests take priority (including gifts and entertainment);

JPMAM is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest. We have in place policies and procedures in order to safeguard our clients' interests.

JPMAM is part of the JPMC Group which is a multi-service banking group, providing to its clients all forms of banking and investment services. As a result, like any financial services group, we have or may have conflicts of interest in relation to various activities. However, the protection of our clients' interests is our first concern and so our conflicts policy sets out how:

- JPMAM identify circumstances which may give rise to conflicts of interest including a material risk of damage to our clients' interests; and
- JPMAM have established and will maintain appropriate mechanisms and systems to manage those conflicts.

Giving and receiving of gifts and entertainment to or from those doing business, or intending to do business, with JPMAM can give rise to a real or apparent conflict of interest and therefore, is prohibited, subject to certain limited exceptions.

### 4. Risk management and compliance;

Risk is an inherent part of JPMC's business activities. The Firm's overall objective is to manage its businesses, and the associated risks, in a manner that balances serving the interests of its clients, customers and investors and protects the safety and soundness of the Firm.

Firmwide Risk Management is overseen and managed on an enterprise-wide basis. The Firm's approach to risk management covers a broad spectrum of risk areas, such as credit, market, liquidity, model, structural interest rate, principal, country, operational, and reputation risk with controls and governance established for each area, as appropriate.

The Firm believes that effective risk management requires:

- Acceptance of responsibility, including identification and escalation of risk issues, by all individuals within the Firm;
- Ownership of risk management within each line of business and corporate functions; and
- Firmwide structures for risk governance.

The Firm's Operating Committee, which consists of the Firm's Chief Executive Officer ("CEO"), Chief Risk Officer ("CRO") and other senior executives, is responsible for developing and executing the Firm's risk management framework.

The Firm strives for continual improvement through ongoing employee training and development, as well as talent retention. The impact of risk and control issues are carefully considered in the Firm's employee performance evaluation and incentive compensation processes.

#### **5. Error correction policy;**

JPMAM Operational Risk Event Escalation Procedure defines an error as an Operational Risk event where 'an incidence or occurrence, regardless of financial impact, that is a symptom of a failed internal process or control or that prevents successful completion of an internal process, causing its actual outcome to differ from original expectations'. All employees are responsible for minimising the potential of these events and ensuring that those identified are escalated, reported as appropriate and corrected promptly.

Our comprehensive error tool records all errors identified, including investment errors detected by our automated guideline monitoring systems. The responsible department is required to input an error report, which includes specific details of the error event, corrective action taken, a calculation of any compensation payable, and subsequent preventative changes to controls and procedures. For material errors, compensation calculations are reviewed by risk management. The level of management to which error reports need to be escalated for approval is determined by the actual or potential monetary impact.

The Oversight & Controls team advises the business to ensure that the errors reporting process is adequately followed, and payment of compensation is contingent upon completion of these reporting and approval processes.

#### **6. Brokerage and commissions;**

The use of equity trading commissions to purchase goods and services in addition to the execution service provided by the executing broker is referred to in some jurisdictions as 'soft dollar arrangements'. For accounts considered in scope of the MiFID II Directive from 1st January 2018, our Equities, Fixed Income and Multi-Asset Solutions platforms transitioned the costs associated with the purchase of external research from being paid for by trading commissions to being paid for directly by JPMAM (ie they will not use soft dollars). For non-MiFID II accounts the cost of external research will continue to be paid via bundled trading commissions.

#### **7. Equitable asset valuation and pricing;**

Unit pricing is performed using market quotations supplied by commercial pricing services and, to a lesser extent, by exchanges and dealers. Policies and procedures for fair valuation pricing have been established and may be invoked when such sources are not available or supply prices which are unreliable, that is prices which could not reasonably be expected to be achieved in actual market transactions.

Fair Valuation Pricing Committees, which include representatives of the pricing team, risk management, compliance and investment directors, devise and apply appropriate alternative pricing procedures. These take into account factors such as general market proxies, recently dealt prices of specific instruments, dealt prices of securities of comparable quality and type, indicative bids from brokers and estimates of sector specific analysts. The performance of the process is monitored by back testing, in which fair value prices are compared with subsequent reliable market prices or prices subsequently achieved in sales. The fair valuation process is subject to periodic reviews by external auditors.

#### **8. Best execution and trade allocation;**

JPMAM has policies and procedures in place to ensure that it is able to achieve best execution in accordance with applicable laws and regulations for its clients. This is achieved in a number of ways but begins with a centralised trading team that is segregated by systems from portfolio managers as well as operations.



The facilities available in today's marketplace allow JPMAM to use a variety of methods to execute client transactions, which include the following: engaging full service brokers; transacting directly with dealers and market makers; and making use of electronic communication networks (ECNs). An execution venue may include a broker, dealer, exchange, ECN, dark pool, crossing network, alternative trading system, multifaceted trading facility (MTF), over the counter market maker/dealer, or any other such recognized place/method of transacting.

In addition the way in which JPMAM executes transactions on behalf of clients may depend on the asset class. For example, execution venues for an equity trade will likely be different than those for fixed income transactions, which are typically executed directly with dealers. The selection of any particular method to execute a client trade must be consistent with JPMAM's fiduciary obligation to obtain the best result for its clients.

When executing orders in financial instruments on behalf of clients, JPMAM will take all reasonable steps to achieve best execution. JPMAM has in place processes which are designed to obtain the best possible execution result on a consistent basis taking into consideration relevant following factors:

- The execution venues available for such instruments
- Price, costs and commission rates charged (Note: Commission rates apply to the Equity business, not to the Fixed Income business. In Swap Execution Facilities or SEFs, a fee is charged but is typically not passed to the client. Any fee passed to a client is evaluated as part of the best execution review.)
- Speed of execution or priority placed upon an order by the portfolio manager or client
- Likelihood of execution and settlement
- Relative size of the order
- Confidentiality provided by a counterparty
- Consistent quality of overall service from the counterparty
- The nature of, or any consideration relevant to, the order

When assessing the relative importance of these factors, JPMAM will also consider the characteristics of the client; the client order; the financial instruments that are the subject of the order; and the execution venues to which the order can be directed. JPMAM seeks to manage portfolios in the best interest of clients and to obtain the best relative value given a client's account objectives.

Ordinarily, price and costs together will merit high relative importance in achieving best execution, but other factors may take precedence, where for example speed of execution may be more important due to the nature of the order, or client cash flow requirements, or the trade is large compared to the liquidity of the relevant instrument.

Achieving best execution is critical to fulfilling our clients' performance expectations. In seeking best execution, we not only strive to minimize transaction costs (bid / offer spreads), we also consider the full range and quality of a broker-dealer's services in selecting counterparties, including: the broker's execution capabilities; the broker's reliability for prompt, accurate confirmations and on-time delivery of securities; the broker-dealer firm's financial condition; the broker's ability to provide access to new issues; as well as the quality of research services and sales coverage provided.

JPMAM's experience, size and presence in the marketplace are competitive advantages that enable us to minimize transaction costs and achieve best execution.

## 9. Remuneration policy

### Pay Mix

Our compensation program is comprised of a competitive base salary and incentives generally in the form of cash and long-term awards. Long-term awards are generally in the form of JPMC Restricted Stock Units ("RSUs"), and additionally, for select AM employees, awards under a Mandatory Investor Plan ("MIP"). Long-term awards as a percentage of an individual's total incentive compensation ranges from 0% to 60%, depending on pay level. RSU & MIP awards vest and are delivered over a 3 year period and, as such, are intended to motivate and reward future performance and reinforce the long-term value that can be attained if the Firm continues to meet its objectives. Vesting of both awards is subject to continued employment terms. Comprehensive recovery provisions enable us to cancel or reduce unvested awards, or require repayment of cash or equity compensation already paid.

### Provisions Specific to Investment Professionals in Asset Management

MIP awards for the Investor population (Portfolio Managers and Research Analysts) provide for a rate of return equal to that of the funds that the Investors manage. The goal of MIP is to align the Investors' pay with that of their client's experience and provide a direct link between how the Investors perform to how they are paid.

100% of the Investor's long term incentive compensation is eligible for MIP and depending on the level of compensation, 20% or 50% needs to be aligned with specific fund they manage as determined by their respective Investment Committee member. The remaining portion of the overall amount is electable and may be treated as if invested in any of the other funds available in the plan or can take the form of RSUs.

Performance is the most critical factor in determining the amount, if any, of total incentive compensation that will be awarded to an Investor. Each Investor's performance is evaluated annually, including, but not limited to:

- blended investment performance relative to competitive indices, generally weighted more to the long-term
- individual contribution relative to the client's risk / return objectives
- adherence with the firm's compliance, risk and regulatory procedures

An individual performance assessment using the above in addition to overall performance of the business unit and investment team is integrated into the final assessment of pay for an Investor.

#### 10. Whistle-blower protection policy;

JPMAM's Whistleblowing Policy is based upon the UK whistle-blowing legislation embodied in the Public Interest Disclosure Act 1998 (PIDA) and in guidance provided by the Financial Services Authority ('FSA') and now the Financial Conduct Authority ('FCA').

Whilst the company makes and continues to make every effort to conduct its business strictly in accordance with its statutory obligations and good business practice, occasions may arise when employees may have a legitimate concern that JPMAM or its employees have failed to adhere to their obligations in some way. In such situations, employees are urged to raise concerns by following the Whistle-Blowing procedures.

Issues that employees should report include any of those relating to JPMAM or its employees that they honestly believe could be fraudulent, illegal, against public interest generally or a violation of JPMAM's statutory obligations, the Code of Conduct and procedures or good business practice and any attempt to conceal these activities.

#### 11. Training and development; and

Professional training is an integral part of the culture at JPMAM. As such, we offer a range of opportunities to support firmwide and individual needs and interests. We finance education ranging from undergraduate courses to MBA programs and encourage our professionals to gain the CFA (Chartered Financial Analyst) status. Continual training in investment theory and portfolio management techniques is available through seminars to investment teams. Additionally, outside consultants provide their expertise in specialty areas. We strive to maintain an environment that encourages our professionals to chart new courses for their own development.

**Portfolio managers** - JPMAM is dedicated to maintaining experienced portfolio management teams with talented and well-seasoned professionals from around the globe who have proven track records of unique investment insights. Once on board, these individuals work directly with experienced team members and, in so doing, quickly develop a broad yet focused understanding of the firm's investment philosophy and decision-making process. As their product expertise increases, these individuals are afforded a deeper impact on our investment process.

**Traders** - Traders' initial training is spent placing deposits and trading in foreign exchange markets. Their responsibility increases with experience as they are introduced to new markets by senior traders. Each trader is assigned by asset category.

**Research analysts** - Research is regarded as a career path for our analysts, not a "stepping stone" to becoming a portfolio manager. New analysts typically have three to five years of experience with other firms before joining JPMAM. For these individuals, training consists largely of acquainting them with JPMAM's valuation method, modeling systems, and research time frame. Occasionally individuals with less experience, holding an MBA degree but with as little as a year in research, are hired. These professionals are first assigned a smaller sector or subset of a larger sector, but are charged with research responsibility from the start. Typically, a less experienced analyst will perform studies on his or her sector or subsector, and then use that information as a framework for performing micro-analysis on the securities within that sector. The analyst works closely with more seasoned analysts who are responsible for other portions of that sector. Our goal is to provide all new analysts with excellent on-the-job training, acquainting them with JPMAM's fundamental approach while holding them accountable for research decisions from the very beginning.

To ensure that JPMAMAL meets its requirements as an Australian Financial Services Licence (AFSL) holder providing financial services, JPMAMAL's representatives are required to have the appropriate knowledge and skills to competently perform their roles of providing financial services, as required under s912A(1)(f) of the Corporations Act. Representatives are employees or contractors of JPMAMAL that provide financial services on behalf of JPMAMAL. JPMAMAL has implemented the Training of Representatives - Australia Policy, which sets out how the requirements are met.

The Policy outlines:

- The requirement that employees complete a minimum of 20 hours of training per annum of which 8 must be compliance related;
- The requisite knowledge and skill required to be competent and adequately trained to provide financial services;
- The maintenance of training records and supporting evidence; and
- The degree of structure required in order for training to qualify toward the training requirement.

## 12. Complaints and dispute resolution.

JPMAMAL regards all customer complaints seriously and reviews them independently and objectively with consideration given to JPMAMAL's fiduciary obligations owed to its clients. A complaint is defined as any expression of dissatisfaction whether orally or written, and whether justified or not about the provision of, or failure to provide financial services activity such as any investment sales practice or administration related communication by, or on behalf of, a client. When a communication that might be considered a complaint is received, it must be handled in a courteous and professional manner with due care and sensitivity.

The JPMC Client Complaint Policy - Asset Management, along with the Complaint Handling Procedure - Australia, address the JPMAMAL client complaints process including complaint;

- receipt;
- investigation;
- resolution;
- response;
- recording - keeping; and
- reporting.

As JPMAMAL provides financial services to retail clients, it is required to have a dispute resolution system and be a member of an external dispute resolution body. This is required under the Corporations Act (s912A(1)(g)).



### 3. Asset Stewardship

#### 1. Monitoring of company performance

Effective monitoring of company performance is an essential element of our investment approach. JPMAM has over 1,100 investment professionals, including over 200 career analysts, tasked with analyzing investments across the full spectrum of opportunity. As active institutional investors, we invest considerable resources in our research capabilities, and our analysts and portfolio managers are expected to enter into a regular dialogue with investee companies, to ensure we understand all aspects of their businesses.

As part of our engagement we seek to:

- Keep up to date with the main drivers of each company's operating performance;
- Question senior management on strategic priorities, to gain assurance that projects can be managed and financed without giving rise to undue risks;
- Remain fully briefed on the internal and external risk factors which may impact a company's outlook and market valuation; and
- Ensure that the leadership of each investee company, and its corporate governance structures, adhere to best practice.

Our analysts and portfolio managers are supported by teams of corporate governance specialists in each region, located in the 'front office' in order to better interact with investors regarding governance and stewardship issues. Within equities, this currently comprises three professionals in London, two in New York, and three in Asia. We have also nominated Environmental, Social and Governance ("ESG") coordinators and points of contact within other asset classes, including our fixed income and global real assets divisions. We undertake several thousand company visits and one-to-one meetings each year, as well as meetings specifically to discuss ESG issues.

In terms of our ESG engagement we use a mixture of proprietary ESG models and specialist third-party data, which evolve over time as we engage with companies and understand issues. A record of all our engagement is maintained on a proprietary database, allowing all information to be communicated to all investment professionals throughout the firm. The corporate governance team has full access to this database, and publishes notes and company profiles where appropriate on key topics of interest.

Our dialogue with investee companies only seeks to make use of information which has been publicly disclosed. However, it is possible that as a result of our engagement, we gain access to information that has not previously been disclosed. JPMAM has well defined procedures to ensure that any such information that is received is protected until it has been brought into the public domain. Where we come into receipt of material, non-public information (MNPI), either advertently (where we choose to become insiders to facilitate a specific corporate action), or inadvertently (as a result of an error or lapse in communications policy), the relevant security is placed on a Banned List and all dealings are suspended firmwide until the information has been publicly disclosed. Given the limitations this places on our ability to transact in such names, we only seek to gain access to MNPI in specific circumstances, where we believe this to be in the best interests of our clients.

#### 2. Issue escalation to company management and/or the Board

JPMAM undertakes several thousand company visits and one-to-one meetings each year. JPMAM has established clear guidelines on how we should escalate our engagement activities in order to protect clients' interests. We meet routinely with the senior executives of our investee companies as part of our monitoring and engagement. In the event that concerns are raised, which have not been adequately dealt with, we may seek further meetings with the chairman or other independent director(s), or express our concerns through the company's advisers.

Where appropriate, we will hold joint engagement meetings with other investors who share our concerns. We may also use our proxy votes to encourage a positive response from management. In extremis, we will consider submitting a shareholder resolution, or requisitioning an EGM in order to bring about management change. We also reserve the right to sell out of a stock completely if the company is unresponsive, if we feel that is in the best interests of our clients.

Decisions to escalate will always be made on a case-by-case basis, in conjunction with our analysts and portfolio managers, taking into account the materiality of risk in our view, combined with the direction of travel on the issue as a result of our engagement.

Catalysts for further engagement can include escalating concerns over management failure in relation to strategy, or a lack of responsiveness in relation to succession planning or board composition, typically where we feel boards are not sufficiently independent, or do not have the right diversity of skills, background and experience.

Material concerns over executive compensation can also be a trigger for escalation, especially where issues persist over more than a year, or where we have been involved in a pay consultation, and our concerns have been ignored. Other triggering events can include a company being added to an alert list by one of our specialist third-party providers, for example where a company is subject to legal fines or censure, or allegations of bribery and corruption, or where a pollution event, or other environmental issue arises.

### 3. Environmental, Social and Governance factors

JPMAM believes that companies should act in a socially responsible manner. They should conduct their business in a way which recognises their responsibilities to employees and other stakeholders as well as their obligations to society and the environment.

We have adopted a positive engagement approach to social, environmental and corporate governance (ESG) issues. Thus, specific assets or types of assets are not excluded from portfolios explicitly on social, environmental or ethical criteria (unless specifically requested by clients, or required by local legislation). Rather, analysts and portfolio managers take such issues into account as part of their analysis and due diligence.

Although JPMAM's priority at all times is the best economic interests of its clients, we recognise that, increasingly, non-financial issues such as ESG factors have the potential to impact the valuation, as well as the reputation of companies. Specialists within the ESG Team are tasked with assessing how companies deal with and report on environmental, social and governance risks and issues specific to their sectors and/or industry. This analysis is then used to identify outliers within our investee companies which require further engagement. Engagement will either take place at scheduled company one-to-one meetings, or at dedicated meetings with non-executive directors, or Corporate Social Responsibility ('CSR') specialists (where they exist), or via the company's broker.

### 4. Proxy voting ;

We manage the voting rights of the shares entrusted to us as we would manage any other asset. We vote shares held in the best interest of our clients, based on our reasonable judgement of what will best serve the financial interests of our clients. Annually, we vote at more than 8,000 shareholder meetings across 72 countries worldwide.

We have set out four main principles providing the framework for our corporate governance and proxy voting activity in our equity investment processes, which we believe have global applicability. These general principles are based on the OECD Principles of Corporate Governance, which we consider to be a common basis for the development of good governance practices worldwide.

Regardless of their location and jurisdiction, companies should address the following:

- Responsibilities of the Board
- Equitable treatment of shareholders
- Rights of shareholders
- Role of stakeholders

Responsibility for the formulation of voting policy in each region rests with the regional proxy committees (or their local equivalent), whose role is to review corporate governance policy and practice with respect to investee companies in each region and to provide a focal point for corporate governance issues. Each committee is typically composed of senior analysts, portfolio managers, corporate governance specialists and members of legal and compliance. Each regional proxy committee reports in turn to a global proxy committee chaired by the Global Head of Equity, who has overall responsibility for our approach to governance issues worldwide. To learn more, read our Global Proxy Voting Guidelines, available at [www.jpmorgan.com/esg](http://www.jpmorgan.com/esg).

Where a potential material conflict of interest has been identified, JPMAM will call upon an independent third-party to make the voting decision, or it will contact individual clients to approve any voting decision, or may elect not to vote for master feeder funds.

Stock which is lent cannot normally be voted, as the right to vote is effectively lent with the shares. For routine voting, JPMAM views the revenue from lending activities to be of more value to the client than the ability to vote. However, we reserve the right to recall stock on loan in exceptional circumstances, in order to protect our clients' interests in the event of a particularly important or close vote.

#### **5. Involvement with other investors including industry groups and associations;**

Subject to applicable laws and regulations in the relevant jurisdictions, JPMAM will work with other investors in collective engagement actions.

This may take the form of direct engagement with specific shareholders or groups of shareholders. Or it may take the form of indirect engagement through industry bodies. Circumstances where such collective engagement takes place include board succession planning, remuneration and AGM-related issues, as well as broader strategy issues.

#### **6. Policy advocacy including participation with industry groups and associations; and**

We aim to maximize our impact by driving thought leadership and innovation via policy advocacy and participation in a wide range of industry groups and trade associations. Our Sustainable Investment Leadership Team (SILT) recently undertook an audit of all our current memberships of industry groups and associations. Current memberships include:

- Institutional Investors Group on Climate Change (IIGCC)
- International Corporate Governance Network (ICGN)
- Principles of Responsible Investment (PRI)
- Responsible Investment Advisory Board (BVCA)
- Responsible Investment Roundtable (EVCA)
- United Nations Environment Programme Finance Initiative (UNEP FI)

#### **7. Client engagement, education and communication regarding asset stewardship.**

The Sustainable Investment Leadership Team has developed a quarterly newsletter on ESG for our clients to foster education and communication regarding asset stewardship. In addition we publicly disclose elements of our proxy voting and engagement activities through various quarterly corporate governance reports.

We have hosted a number of client events focusing on ESG issues as they apply to different asset classes, in order to promote better understanding among our client constituency in relation to industry themes, updates on key investment strategies, and technical training on new products. We have also developed educational podcasts on asset stewardship topics which are available via our J.P. Morgan Asset Management Centre for Investment Excellence.

Date of approval

**Publish Date:** 29 November 2018.

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