

# Singapore Stewardship Principles for Responsible Investors

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## Introduction

As a major asset manager, J.P. Morgan Asset Management (JPMAM) has a responsibility to its clients to ensure that all entrusted assets benefit from the highest standards of governance. To this end, we endorse the [Singapore Stewardship Principles for Responsible Investors \(Singapore Stewardship Principles\)](#), which encourage investors to be active and responsible shareholders. While it is clear that the primary responsibility for a company's strategy and operations lies with its managers and directors, investors play an important role in holding the latter to account in meeting their obligations. For investors, exercising proxies at shareholder meetings is the primary means of achieving this. But JPMAM also believes that we should engage actively with our investee companies, to demonstrate to our clients that our stewardship responsibilities are being appropriately discharged. Regular meetings with company representatives are central to our investment processes, as we seek to understand the strategies investee companies are pursuing on our behalf. By engaging with companies over issues such as corporate strategy, operating performance, risk management and capital allocation, we should be better able to understand how returns are generated, and whether these returns are sustainable over the long term.

The efficiency of any market economy is driven by the capital allocation decisions of investors who seek to allocate their capital to generate a specific risk-return trade-off. In order to do this, they need the information necessary to make informed investment decisions, and to be able to monitor the progress of their investments once those decisions have been made. The [Singapore Stewardship Principles](#) encourage investors to seek this information, thereby contributing to more effective decision-making within an economy as a whole.

The [Singapore Stewardship Principles](#) sets out the following principles. Investors should:

- **Take a stand on stewardship.** Responsible investors should establish and articulate their policies on stewardship responsibilities.
- **Know your investment.** Responsible investors should communicate regularly and effectively with their investee companies.
- **Stay active and informed.** Responsible investors should actively monitor their investee companies.
- **Uphold transparency in managing conflicts of interest.** Responsible investors should disclose their approach to managing conflicts of interest.
- **Vote responsibly.** Responsible investors should establish clear policies on voting, and exercise their voting rights in a responsible fashion.
- **Set a good example.** Responsible investors should document and provide regular updates on their stewardship activities.
- **Work together.** Responsible investors should be willing to engage responsibly with one another where appropriate.

**Our approach to these Principles, and how we apply them, are set out below:**

**1. Responsible investors should establish and articulate their policies on stewardship responsibilities.**

JPMAM is a global leader in asset management, acting on behalf of both institutional and individual clients. As fiduciaries, we are obliged to act solely in clients' interests and our fiduciary mind set underpins every decision we make on clients' behalf. Although we manage portfolios using a number of different investment processes, we are predominantly a long term, active investor. As long term investors we are committed to delivering the strongest possible risk-adjusted returns that align with our clients' objectives.

We believe that all owners of capital should assume responsibility for their investments, and as a fiduciary, that responsibility is entrusted to us. This responsibility includes the active monitoring of investee companies in terms of strategy, operations, risk management and governance; informed investor-led voting; and an assessment of the environmental, social and governance (ESG) policy framework in place for determining a company's suitability for investment. These activities are integral to our stewardship responsibilities and are not outsourced to third party providers. By exercising our stewardship responsibilities, and actively engaging with investee companies, we believe this will lead to improved value creation and superior investment performance over the long term.

To codify our governance responsibilities we have set down the main principles in our [Corporate Governance Principles and Proxy Voting Guidelines](#), which can be downloaded from our website. Our governance principles include:

- **Fiduciary Priority.** Our clients appoint us to manage their assets in order to achieve their investment objectives within their specified parameters for risk. Every investment decision taken will be consistent with meeting these objectives.
- **Stewardship and Engagement.** Regular contact with the companies in which we invest is central to our investment processes. Our clients expect us to monitor the progress of our investee companies on their behalf and to encourage the adoption of the highest governance standards.
- **Proxy Voting.** Companies are held accountable to shareholders through the exercise of proxy votes. We are obliged to cast proxies in a prudent and diligent manner, in the best interests of our clients.
- **Sustainability.** Environmental, social and governance (ESG) factors can have a significant economic impact on the performance of investments. We expect all companies in which we invest, should behave in a socially responsible manner consistent with their wider, societal obligations.
- **Ongoing Commitment.** We are committed to reviewing our governance policies regularly to ensure they reflect best practice.

We also produce a [Corporate Governance Report](#) each quarter, which details our proxy voting activities and provides a summary of some of the engagement we have had with our investee companies. A copy of this report can be downloaded from our website.

## **2. Responsible investors should communicate regularly and effectively with their investee companies.**

JPMAM employs over 1,200 investment professionals around the world, tasked with analyzing securities, and investing client portfolios. To operate effectively, our analysts and portfolio managers enter into a regular dialogue with our investee companies to ensure that we understand all aspects of their businesses. By communicating regularly with investee companies, we believe this should help both sides achieve common objectives in generating sustainable growth and long term value creation.

At the same time, our dialogue with companies only seeks to make use of information which has been publicly disclosed. It is possible that, as a result of our engagement activities, we gain access to information that has not been brought into the public domain. JPMAM has well documented procedures to ensure, that any such information that is received in this way, is ring-fenced until measures have taken place to disseminate this through official communication channels. 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 event), or inadvertently (as a result of an error or lapse in communications policy), we are obliged to report this to our Compliance Department. The relevant security is then placed on a firm-wide “Banned List”, and all dealings are suspended globally throughout the firm until the information has been publicly disclosed. Given the limitations this places on our ability to transact, we only seek to gain access to MNPI in circumstances, where we believe this to be in the best interests of our clients.

## **3. Responsible investors should actively monitor their investee companies.**

Active monitoring of company performance and corporate strategy is an essential component of our stewardship. JPMAM participates in several thousand meetings each year- via telephone calls, attendance at conferences, or on-site visits - to keep abreast of company developments. We invest considerable resources in our research capabilities and our analysts and portfolio managers are required to maintain in-depth knowledge of our investee companies’ activities so that we can fulfil our stewardship responsibilities.

We define monitoring to mean:

- The assessment of commentary and data from market news sources and company announcements;
- The use of information from third party research providers, including sell-side brokers, specialist industry and ESG groups, and proxy advisers;
- Routine meetings with company managements, either on a one-on-one basis, at investment conferences or on shareholder communication calls.

We define engagement to mean a purposeful dialogue on issues which may, inter alia, include discussions on corporate strategy, operating performance, risk management, executive remuneration, leadership and corporate governance. We believe engagement should have clear, precise objectives and be undertaken to protect and enhance the economic interests of clients.

As part of these activities we generally seek to:

- Keep up-to-date with the main drivers of each company's operating performance to the extent that this information is publicly available;
- Question senior management on each company's strategic priorities, to gain assurance that future projects can be managed and financed without giving rise to undue risks;
- Remain fully briefed on the risks - both internal and external - which may impact a company's outlook and market valuation; and
- Ensure that ESG issues are being addressed and that relevant policies are in place, to both mitigate risks and demonstrate adherence to best practice.

Any information that we derive from these activities is used to make forward looking projections or valuation assessments, which are integral to our investment processes. A record of our engagement activities is maintained on a proprietary database, allowing all such information to be communicated to our investment professionals throughout the firm. As part of this process, ESG factors are assessed for their impact on each company's performance and / or reputation. Any issues that do arise are noted, so that any material concerns may be communicated and addressed.

In the event that concerns are raised, which are not adequately dealt with at our meetings, we may engage further with Board representatives, to ensure that these issues receive the appropriate level of attention. Our Corporate Governance specialists will usually be present at these meetings. In most circumstances we hope that such issues can be resolved confidentially, but in a small number of instances we may need to become more visible in our actions by escalating our process of engagement. JPMAM have procedures in place on how we should approach this, to best protect clients' interests.

A summary of some of our engagement activities is given in our quarterly [Corporate Governance Report](#).

#### **4. Responsible investors should make known their approach to managing conflicts of interest.**

JPMAM is part of the JP Morgan Chase Group (JPMC Group), which is a multi-service financial services group, providing a range of banking and investment services. At the same time, JPMAM is functionally and operationally independent from, and maintains arm's length commercial relationships with, other JPMC group entities.

Conflicts of interest will arise, from time to time, within various JPMC Group affiliates, in the normal course of business. As part of our broader Safeguard Policy, JPMAM has established formal barriers - both physical and electronic - to restrict the flow of information between JPMC Group entities. This includes information flow between JPMC's custody, securities broking and investment banking activities to JPMAM's investment professionals. In order to meet our fiduciary obligations, we need to ensure that all investment decisions are independent of any wider JPMC group interest, and that we act solely in the interests of our clients.

Typical conflicts may include instances where a JPMC affiliate or group member may be involved in a transaction, or have a material interest in, or relationship with, an investee company; where JPMC personnel may be a member of an investee company's board; or where we may be casting proxies in respect of holdings in JPMAM managed pooled funds. In the event that we identify such situations, we will seek guidance from our Compliance Department, or call upon an independent third party to make the voting decision on our behalf.

To ensure conflicts of interest can be managed appropriately, policies and procedures have been established and a [Conflicts of Interest Disclosure for Corporate Governance](#) policy document has been drawn up to codify our responsibilities and obligations in this area. This policy document is available for download from our website.

## **5. Responsible investors should establish clear policies on voting, and exercise their voting rights in a responsible fashion.**

JPMAM votes at over 8,000 shareholder meetings each year in more than 70 jurisdictions. We endeavor to vote at all meetings wherever possible. As a matter of policy we vote proxies in a diligent and prudent manner, based on our reasonable judgment of what is in the best interests of our clients. Voting is an important part of our stewardship role in that it enables us to voice our opinion on a wide range of issues, and is a way of encouraging boards to listen to, and address, shareholder concerns. Votes are investor-led and made on a case by case basis.

JPMAM retains the services of Institutional Shareholder Services Inc. (ISS), a proxy voting services advisor, to assist us with this function. As part of this service, ISS makes recommendations on each board resolution requiring a shareholder vote, according to its governance process. We have agreed with ISS some voting guidelines which helps determine its recommendations to us, but we have the discretion to take a differing view, based on the results of our engagement activities, or our own research insights. Full records of our voting activities are maintained by our Corporate Actions' group, and any deviation from our stated policies is documented to ensure all proxies are exercised appropriately.

Our [Corporate Governance Principles and Proxy Voting Guidelines](#) set out in detail the principles that underpin our proxy voting policies. These are consistent with the corporate governance rules and practices of the various jurisdictions in which we operate. Responsibility for the formulation of these guidelines rests with the Asia ex-Japan Proxy Committee, whose role it is to review JPMAM's governance practices in respect of investee companies in the Asia Pacific region, and to provide an escalation point for voting and corporate governance issues. The Committee is composed of senior investors, governance specialists and members of our Legal and Compliance departments as appropriate.

A copy of our [Corporate Governance and Voting Policy Guidelines](#) is available for download from our website. In addition we disclose details of our proxy voting and engagement activities in our quarterly [Corporate Governance Report](#).

**6. Responsible investors should document and provide regular updates on their stewardship activities.**

JPMAM aims to provide transparency on our stewardship activities through regular reporting to our clients and via reports posted in our website. We maintain a clear record of our proxy voting and a summary of our engagement activities through our quarterly [Corporate Governance Report](#). We also produce, upon request, specific reports to clients on the voting and engagement activities that we have undertaken on their behalf. These reports provide qualitative as well as quantitative information on how we have discharged our stewardship activities.

**7. Responsible investors should be willing to engage responsibly with one another where appropriate.**

Subject to applicable laws and regulations in relevant jurisdictions, JPMAM is willing to work with other investors in collective engagement activities, where we feel this is to be in the best interests of clients. This may take the form of direct collaboration and engagement with specific shareholders, or groups of shareholders, if we consider this appropriate; or it may take the form of indirect engagement activity through industry bodies, such as the Asian Corporate Governance Association (ACGA), of which we are a member.

Collective engagement with other parties is only undertaken when concerns previously communicated to investee companies have not been dealt with appropriately, or resolved satisfactorily. Where we engage with other shareholders, all collective engagement actions are documented to ensure they are compliant in the relevant jurisdiction.

This statement has been issued to provide an overview of our commitments under the [Singapore Stewardship Principles](#). The Asia ex-Japan Proxy Voting Committee, which oversees JPMAM's corporate governance policies and practices within the Asia ex-Japan region, will review this approach periodically, and make updates as appropriate.

**J.P. Morgan Asset Management**

**Asia ex-Japan Proxy Committee**