Building
stronger
portfolios

Sustainable Equity Funds - Best In Class Approach

ANNUAL SUSTAINABILITY REPORT

30 June 2020 - 30 June 2021

J.P.Morgan
Asset Management

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Introduction

Sustainability with a best-in-class approach

It is a pleasure to introduce our first Annual Sustainability Report covering our sustainable equity funds that follow a best-in-class approach* (our "best-in-class sustainable equity funds"). As a business, we have been working hard for several years to build our internal teams and create the tools we believe are needed to develop our sustainable investing capabilities. Our sustainable equity funds have been both drivers and beneficiaries of that effort.

Comprehensive, integrated research

Our global research analysts are at the heart of our understanding of the businesses in which we invest their insights, industry expertise and corporate relationships are a key component of how we integrate sustainability risks and opportunities into portfolios. The portfolio managers of the funds work closely to help shape the research agenda, and in some cases directly investigate companies to ensure the broadest possible sustainable investing universe.

The most widely adopted research tool is our 40-question environmental, social and governance (ESG) checklist, which sets a baseline fundamental assessment for over 3,000 companies globally. On top of this, we are enhancing our toolkit with a proprietary ESG materiality framework, which is being rolled out across many of our global equity teams.

Our fundamental research tools are complemented by quantitative ESG data, which comes from external sources and is aggregated using an internal weighting methodology. This quantitative assessment provides extensive coverage and additional insights to assess corporate sustainability credentials. As the quality and availability of ESG data continues to improve, so will our internal ESG scoring mechanism.

Partnership between investment teams and stewardship professionals

The growth of our Investment Stewardship team and its deepening partnership with our investment teams has helped to drive the integration of ESG factors across our investment processes.

At a Firmwide level, the Investment Stewardship team is responsible for leading on engagement, understanding regulatory developments and educating colleagues on best practice and industry evolutions in this area. Engagement is a collaboration between portfolio managers, research analysts and the Investment Stewardship team.

Sustainable investing fund range

Our best-in-class sustainable equity funds use the full range of available internal tools to identify what we believe to be sustainable leaders, exclude sustainable laggards, and engage to encourage best practice and drive positive change through corporate engagement.

We will continue to grow our sustainable investing suite and aim to ensure our approach to sustainability evolves with the needs of our clients. We look forward to updating you on future progress.

Paul Quinsee
Global Head of Equities

Jennifer Wu
Global Head of Sustainable Investing

Mark Ferguson
Global Head of Equity Research

* "Best-in-class" is an investment style that focuses on companies/issuers that lead their peer group in respect of sustainability performance.

Our Best in class Sustainable Equity Funds

J.P. Morgan Asset Management offers best-in-class sustainable equity strategies across geographies. Each strategy is driven by dedicated portfolio managers, all leveraging a common research platform and sharing a common goal - to deliver long-term capital growth for our clients by seeking to identify sustainable leaders.

All the funds addressed in this report take a best-in-class approach to sustainable investing, which means they aim to invest in companies that lead their peer group in ESG performance and also exclude, or reduce exposure to, certain companies based on ESG criteria.

Selected characteristics of the Luxembourg-domiciled sustainable equity funds covered in this report are detailed in the table:

	JPMORGAN FUNDS - EUROPE SUSTAINABLE EQUITY FUND	JPMORGAN FUNDS - EUROPE SUSTAINABLE SMALL CAP EQUITY FUND	JPMORGAN FUNDS - GLOBAL SUSTAINABLE EQUITY FUND	JPMORGAN FUNDS - EMERGING MARKETS SUSTAINABLE EQUITY	JPMORGAN INVESTMENT FUNDS - JAPAN SUSTAINABLE EQUITY FUND	JPMORGAN FUNDS – US SUSTAINABLE EQUITY FUND
Sustainability approach	Best-in-Class	Best-in-Class	Best-in-Class	Best-in-Class	Best-in-class	Best-in-class
Benchmark	MSCI Europe	MSCI Europe Small Cap	MSCI World	MSCI Emerging Markets	TOPIX	S&P 500
Portfolio managers	Joanna Crompton, Richard Webb, Alex Sentuc	Francesco Conte, Jack Featherby, Katen Patel	Joanna Crompton, Richard Webb, Sandeep Bhargava	Amit Mehta, John Citron	Shoichi Mizusawa, Naohiro Ozawa, Michiko Sakai	Danielle Hines, David Small
SFDR Classification	Article 8	Article 8	Article 8	Article 8	Article 8	Article 8
Fund inception date	December 2016	December 2019	October 2018	November 2019	November 2020	July 2021*
Fund AUM	USD 663 million	USD 412 million	USD 64 million	USD 963 million	USD 51 million	N/A*

Data as of 30 June 2021. SFDR stands for the European Union's Sustainable Funds Disclosure Regulation and article 8 refers to funds which promote, among other characteristics, environmental, governance or social characteristics in the companies in which the investments are made. AUM = assets under management. *Our US Sustainble Equity Strategy launched in March 2021, prior to the launch of our Luxembourg-domiciled pooled fund, and as of 30 June 2021 had assets of USD 339 million.

Our approach to best-in-class sustainable equity investing

What does best-in-class sustainable investing mean?

Our best-in-class sustainable equity strategies aim to have a strong tilt towards sustainable leaders and to exclude sustainable laggards, which means we seek to identify stocks that have effective governance and superior management of environmental and social issues (sustainable characteristics).

When researching sustainable companies, we consider both financial returns and sustainability factors. When assessing sustainability factors, our approach to best-in-class investing follows three principles:

1. Focus only on sustainable companies

We target companies that lead their peer groups in respect of sustainability performance. A company's sustainability profile is established through our research and active engagement.

A key strength of our investment process is our in-house research capabilities, on both a fundamental and a quantitative basis. Please refer below for the insights leveraged to build our sustainable equity portfolios.

2. Engage with companies on ESG issues

We engage with companies to encourage best practice and drive positive change, which we believe creates long-term shareholder value. We aim to assist corporate management and market participants to adopt a longer-term outlook, embedding a corporate culture that focuses on addressing the risks and opportunities presented by sustainability issues.

Please refer to the next section for our approach to engagement and case studies from the last year. All of our company engagements are shared on our common technology platform, Spectrum™, to ensure that information is available to all investors, where appropriate.

3. Exclusions

We seek to reduce exposure to or even exclude where possible companies and/or sectors whose operations cause irreversible or unacceptable environmental and/or social damage. We also recognise universal principles on human rights and the environment, and as a result, we apply norms-based screening to our portfolio based on the United Nations (UN) Global Compact, which addresses the areas of human rights, labour, the environment and anti-corruption.

Across our best-in-class sustainable equity funds, we seek to reduce exposure to, or exclude where possible, the following industries:

- Electricity generation – coal, oil & gas, nuclear
- Thermal coal extraction
- Conventional weapons
- Gambling
- Adult entertainment
- Tobacco
- Controversial weapons
- Nuclear weapons
- Oil & gas extraction

Some of these industries will be fully excluded, while others will have revenue-based thresholds.

The funds also exclude companies that are in severe breach of the UN Global Compact (norms-based breaches), as determined by the investment manager.

For more detail please visit the fund explorer tab at www.am.jpmorgan.com and select the ESG Information tab for the relevant fund, or contact your local J.P. Morgan Asset Management representative.

ESG insights from our research platform

Our portfolio managers leverage the strength of our research platform, both fundamental and quantitative, when assessing the credentials of current and potential investments. These insights are systematically stored on our common technology platform, Spectrum™, to ensure full transparency and access for all investors.

To gain a clear and comparable view of each company's ESG risks and opportunities, portfolio managers can combine the research elements detailed below with their own insights and company interactions.

A FUNDAMENTAL SCORE

A fundamental score is calculated, based on a proprietary 40-point ESG checklist, which applies the same detailed questions to more than 3,000 companies under coverage globally.

The ESG checklist asks 12 questions specifically addressing environmental considerations, 12 on social and 16 on governance. The questions are worded so that "yes" is negative, creating a red flag that alerts the portfolio manager to a potential risk.

The checklist is not a "pass/fail" exercise but rather a tool to inform discussions between portfolio managers and fundamental analysts, and our engagements with the companies we cover.

We continue to enhance our ESG checklist to ensure it best captures our fundamental insights. For example, we are currently introducing some positive questions to highlight companies with ESG strengths or opportunities, and introducing some new questions in areas such as workforce diversity. We will also ask analysts to assess the severity of issues (on a 1-3 scale) in the case of "yes" answers.

Questions on our checklist include:

ENVIRONMENTAL	• Is the business vulnerable to regulation aimed at limiting greenhouse gas emissions? • Does the company have issues with toxic emissions, waste management or other environmental damage? • Is the company failing to manage its use of water resources responsibly?
SOCIAL	• Does the company have issues with labour relations? • Has the company had issues with privacy or data security? • Does the company engage in anti-competitive behaviour and / or treat its customers unfairly?
GOVERNANCE	• Are the company's managers arrogant, dismissive of possible risks to the value of the business, or do they fail to admit mistakes? • Has the company changed key accounting policies? • Does the owner have a history of poor governance, or of abusing minority shareholders?

A STRATEGIC CLASSIFICATION FRAMEWORK

A strategic classification framework is applied for the 3,000-plus stocks that we cover, which provides a rating for each stock, based on our judgement of the quality of the business; ESG is an explicit part of the rating process.

Our research analysts and portfolio managers seek to understand the dynamics of each business, its growth prospects and the sustainability of its competitive position, looking at them from three different, though inter-dependent, perspectives: economics, duration, and governance. Following the analysis of these variables, an analyst assigns one of four strategic classifications to a company: Premium, Quality, Trading and Structurally Challenged. The 40-point ESG checklist that forms a significant part of our ESG analysis is integral to our strategic classification framework, and within this, Premium and Quality companies would have a stronger ESG profile.

A PROPRIETARY MATERIALITY FRAMEWORK

A proprietary materiality framework. which is designed to enhance our ESG analysis, is being rolled out across many of our global equity teams and has already been in use in our Emerging Markets and Asia Pacific business for more than a year.

The basis of "materiality" is to identify the ESG issues that are most likely to have a material negative financial impact on a company were it to be mismanaged, or potentially a material positive impact if it were to be managed well.

Across each of 57 different sub industries, material issues are identified by research analysts within our 100+ strong global network, who come together to share perspectives from their coverage with their sector group peers. Every company receives a score from 1 (best) to 5 (worst) on each of the material issues that have been identified.

The implementation of this research framework has deepened our understanding of what best practice looks like for sustainability and we use this template to engage with companies.

A QUANTITATIVE SCORE

A quantitative score is based on key ESG factors across sub-industries, which leverages third-party ESG data to complement and challenge our fundamental research. We apply proprietary weightings to 30+ individual ESG issues at the sub-industry level.

We are currently developing our own firm-wide, proprietary quantitative ESG score that assesses the extent to which companies face and manage financially material ESG risks and opportunities. This score draws on "raw" data as opposed to relying on aggregate third-party ratings and makes full use of the significant increase in ESG disclosures and data available over recent years. We are also leveraging our data science capabilities, such as machine learning algorithms and natural language processing that can generate meaningful sentiment signals to enrich our understanding of ESG factors beyond corporate disclosures, at scale.

Case studies[1]

BEST-IN-CLASS ENVIRONMENTAL CASE STUDY

COMPANY: SIGNIFY

Dutch company Signify, as a leader in connected LED lighting systems, software and services, is helping to reduce the carbon footprint of buildings, which are responsible for 18%[2] of global greenhouse gas emissions.

- **Sustainable business model:** Energy efficiency is at the heart of Signify's business model. By retrofitting inefficient conventional lighting with Signify's LEDs, energy consumption can be reduced by over 50%, while connected lighting can lead to energy savings of up to 80%. For the European Union alone, Signify estimates that upgrading professional lighting (offices, industry, roads, shops and hotels) to its LEDs could save 42 million tonnes of CO2 emissions a year. Percentage of women and men at management level.

- **Operational leadership:** Signify has been a carbon-neutral company since September 2020, and has set an ambitious emissions reduction target over its entire value chain. By 2030, and from a 2015 base-year, the company has committed to reduce its scope 3[3] greenhouse gas emissions from use of sold products by 30%.

- **Beyond energy efficiency:** Signify's lighting has other sustainable end uses, including increasing food production, reducing crime, and disinfecting air, surfaces and water.

BEST-IN-CLASS SOCIAL CASE STUDY

COMPANY: AFFIRM

US company Affirm is a newer entrant in the financial services landscape, offering installment loans to consumers during the online checkout process at participating merchants. The company's more inclusive approach to lending makes it stand out to us as a sustainable leader from a social perspective. We think about the company's approach to sustainability in three main ways:

- **Fair treatment of customers:** Affirm's business model differs from the traditional credit card model in that consumers have absolute clarity on what they will pay and when payments are due, while no late payment fees are imposed. Where Affirm is able to offer substantial value to merchants and earn merchant fees, it passes these fees on to consumers in the form of lower or zero finance costs.

- **Stakeholder alignment:** Affirm only makes money when the consumer is able to complete their installment payments. Unlike credit card companies, Affirm does not charge late fees for a missed consumer payment.

- **Supporting communities:** Many financial services companies tend to underserve those in lower socio-economic brackets. Affirm offers an easier way for consumers to budget their spending by breaking large purchases into payment increments that they can afford, while protecting them from hidden or excessive fees and traps, such as deferred interest.

[1] These companies are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

[2] Climate Watch, Our World in Data, World Resource Institute, J.P. Morgan Asset Management. Greenhouse gas emissions include CO2, methane, nitrous oxide and fluorinated greenhouse gases. CO2 equivalent tonnes standardised emissions to allow for comparison between gases. One equivalent tonne has the same warming effect as one tonne of CO2 over 100 years. *Guide to the Markets - Europe*. Data as of 31 March 2021.

[3] Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy. Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.

BEST-IN-CLASS GOVERNANCE CASE STUDY

COMPANY: CLICKS

Clicks is the largest pharmacy chain in South Africa and another business that we consider to be a sustainable leader. The company's governance sets it apart from its peers in the emerging markets in three distinct areas:

- **Board diversity**: Clicks' board is evenly split between male and female directors and a majority are non-white. From January 2022, the company will be led by a female CEO. Our strong belief is that more diverse boards make better decisions and there is now a clear body of academic work on cognitive diversity supporting this conclusion.
- **Compliance and relationships with regulators**: Pharmacy retailing is typically a highly regulated industry so another aspect of governance we focus on is compliance with legislation and relationships with regulators. Clicks scores positively in this area, having worked with the government on many impactful public health initiatives, including HIV awareness campaigns and more recently playing a prominent role in the rollout of South Africa's Covid-19 vaccination programme.
- **Capital allocation**: The company has a clear dividend policy that has resulted in a decade of continuous dividend increases. In addition, it has retired over a third of outstanding shares through buybacks. While share repurchases are common practice in developed markets, Clicks stands out as a leader in emerging markets.

Our approach to engagement

Across J.P. Morgan Asset Management's equity business, corporate engagement is a collaboration between the portfolio managers and analysts in our equity teams and the investment stewardship specialists within our global Sustainable Investing team. Each brings a different perspective to our interactions with companies across our Five Investment Stewardship Priorities and our Research Framework:

- Our **Five Investment Stewardship Priorities** are the highest-level statement of universal priorities that we have. Set by our Sustainable Investing team, these are the corporate engagement principles that we believe will have universal applicability and stand the test of time.
- Our bottom-up **Research Framework** captures the ESG insights of our investors through the research elements detailed in the previous section.

Governance	Strategy alignment with the long term	Human capital management	Stakeholder engagement	Climate risk

Our approach to active ownership and engagement for our best-in-class sustainable equity funds reflects three goals:

1. To harness the scale of J.P. Morgan Asset Management as a leading, global asset manager to **drive positive change i**n corporate practices and safeguard the economic interests of our clients.
2. To assist corporate management and market participants to **adopt a longer-term outlook,** embedding a corporate culture that focuses on addressing the risks and opportunities presented by sustainability issues. We aim to be trusted partners of our investee companies for the long term.
3. To **inform our investment decision making** via a deep understanding of companies' ESG profiles.

We believe that open, honest conversation is the most effective basis for engagement as an active owner, enabling two-way dialogue that allows us to assess company exposures, gauge the effectiveness of company strategies and identify areas for improvement. This dialogue helps establish a partnership that can align the interests of asset owners and management, and support efforts to improve sustainability.

Methods of engagement typically include regular meetings, video conferences or email exchanges with senior executives and non-executive management. Proxy voting is also a valuable means of communication, and our best-in-class sustainable equity funds can vote separately to express our views on sustainability matters (see "Proxy Voting" section for more details). Where our concerns are not adequately addressed by our initial engagement, we will consider an escalation of our approach using the various means at our disposal. Decisions to escalate will always be made on a case-by-case basis. More formal approaches include private meetings with the chairman or other board members, formal letters to the chairman and board or collaborative action where we believe that working together across the industry and unifying our voice has a better chance of delivering real life outcomes (where permissible under local laws and regulations). Examples of this collaboration include Climate Action 100+ and the 30% Club.

Engagement – a year in review

Fundamental research is one of J.P. Morgan Asset Management's key strengths. Engagement with the companies in which we invest is an essential component of our research process. In the 12 months to 30 June 2021, our equity analysts, equity portfolio managers and Investment Stewardship team partnered to conduct a total of 906 corporate engagements.

Through this engagement we encourage best practice and drive positive change with a view to delivering long-term capital growth for our clients. We aim to assist corporate management and market participants to adopt a longer-term outlook, embedding a corporate culture that focuses on addressing the risks and opportunities presented by sustainability issues.

The number of engagements we undertook with companies that are held in our best-in-class sustainable equity portfolios is detailed in the table. These engagements covered a broad spread of topics across environmental, social governance issues.

ESG engagements undertaken on companies held in our sustainable best-in-class equity funds 30 June 2020 to 30 June 2021

	JPMORGAN FUNDS - EUROPE SUSTAINABLE EQUITY FUND	JPMORGAN FUNDS - EUROPE SUSTAINABLE SMALL CAP EQUITY FUND	JPMORGAN FUNDS - GLOBAL SUSTAINABLE EQUITY FUND	JPMORGAN FUNDS - EMERGING MARKETS SUSTAINABLE EQUITY	JPMORGAN INVESTMENT FUNDS - JAPAN SUSTAINABLE EQUITY FUND
Number of engagements	66	71	62	119	53
% of meetings focused on E	41	34	37	26	16
% of meetings focused on S	27	31	34	27	32
% of meetings focused on G	32	35	29	47	52

Source: J.P. Morgan Asset Management.

All of our company engagements are written up and shared internally on our common technology platform, Spectrum™, to ensure that information is available to all investment teams, where appropriate. A selection of these engagements across E, S, and G issues during the reporting period are outlined in the following sections.

ENGAGING ON ENVIRONMENTAL ISSUES

Environmental considerations have remained at the heart of our engagement efforts over the past year. The transition required to meet internationally agreed climate targets cannot be achieved without a significant effort from the corporate sector and we are determined to use our influence as shareholders to encourage that shift, helping companies capture the opportunities and mitigate the risks related to climate change in order to create long-term shareholder value for clients. Our commitment is reflected by our membership of Climate Action 100+.

Although our sustainable equity funds for the most part exclude investments in high emissions sectors, every industry has the potential to reduce emissions. As well as a company's direct emissions, we invest in many businesses providing tools to help others reduce their footprints or that encourage changes to consumer behaviour. There is also a huge opportunity for the best businesses in which we invest to benefit from the rapid changes taking place as the transition to a low carbon global economy occurs. In our engagement with companies, we also seek to push them to think about the opportunities available to combine positive environmental impacts with long-term strategic goals.

Case studies[4]

LINDE – US

We engaged with Linde, a leading industrial gas company, to address its commitment to the low carbon economy.

Linde laid out its plans to invest more than $1 billion, and a third of its annual research and development budget, in decarbonisation initiatives from 2018 to 2028[5]. This investment includes developing carbon capture technologies and a goal to triple the amount of clean hydrogen production. We raised the point that the $1 billion targeted over 10 years is light relative to the company's annual capex spend of $3 billion - $4 billion. Linde explained that it had taken a conservative approach, and that this figure is being reassessed.

In addition, Linde has been reporting on the carbon savings achieved for its customers or end-users, estimated at 100 million tonnes in 2019. Yet when we asked about the comparability of these metrics across the industry, we were told that no common standards have been developed. While Linde considers itself to be transparent on its methodology, we noted that more disclosure and comparability in the industry would be beneficial to investors. This is a topic we will continue to raise in our engagements with Linde and the broader capital goods sector.

Five Investment Stewardship Priorities mapping. Climate risk

[4] These companies are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.
[5] Source: Linde Sustainable Development Report 2019, page 13 "Sustainable Development Targets 2018-2028".

SHIN-ETSU CHEMICAL – JAPAN

Shin-Etsu Chemical is a Japanese chemical producer that is a leader in two industries that are benefiting from consolidation and specialisation: semiconductor silicon wafers and poly vinyl chloride (PVC). As a diversified chemical company, Shin-Etsu Chemical is highly exposed to risks related to climate change and also has significant opportunities to drive innovation towards a low carbon economy. We have been engaging with Shin-Etsu Chemical with the objective of getting more detailed disclosure of the impact of climate change on its businesses and its plans to reduce its carbon emissions.

We believe the company has made good progress under the leadership of the CEO, who sits as chair of the company's sustainability committee, which includes all business heads. Climate change has been one of the most critical issues identified as material, and was discussed at the committee and at the climate change subcommittee eight times in 2019. Based on this recognition, in 2019 the CEO decided to join the Japan Task Force on Climate-Related Financial Disclosures (TCFD) Consortium to advance its measures related to climate change. Shin-Etsu Chemical published climate-related disclosures based on a TCFD recommendation in its 2020 sustainability report for the first time in June 2020.

When we met with the company we acknowledged these efforts but also urged management to make more progress in several areas. Our main suggestion was that the company strengthen its carbon targets in three areas: first, to focus on absolute reductions, not just reduced intensity; second, to consider aligning itself to the 2 degree scenario; and third, to cover long-term as well as medium-term time horizons. A second area we expressed concern on was Shintec, Shin-Etsu's US subsidiary, which has the top market share globally for carbon intensive PVC production, and where the company has continued to expand capacity.

Shin-Etsu agreed that it needed to set more aggressive targets, but equally cautioned that the board did not want to set targets that were not realistically achievable. We understand that achieving more stretched targets would potentially require changes to the business's portfolio of assets and that this is a complex strategic direction for the company to consider. Nonetheless, as always with engagement, a process of having regular conversations and delivering consistent messages is the way for us to make progress in achieving our engagement aims as shareholders over the long term.

Five Investment Stewardship Priorities mapping. Climate risk

ASML – NETHERLANDS

We engaged with ASML, the Dutch supplier to the semiconductor industry, in April 2021. ASML, by virtue of manufacturing some of the most advanced chip-making equipment in the world, is a clear enabler of sustainability.

Putting this consideration aside, our engagement with the company focused on better understanding its internal environmental policies. We encouraged ASML to improve its carbon footprint, which is still a relatively new undertaking for the company. For years, ASML's priority has been to develop extreme ultraviolet (EUV) lithography for high-volume manufacturing; the technology has only been proven recently, with the first commercial use in 2018. Today, ASML is focusing on improving the energy efficiency of its equipment, and has set measurable targets to do so. However, we told ASML that its aim to reduce scope 3 carbon emissions with no measurable target is disappointing, and we advised that we would like to see measurable targets. The company explained that measurement of scope 3 emissions is still in its infancy and a more refined objective will be set. ASML stands out on circularity, where it has been re-using parts with strict quality controls in place, and its water use is lower relative to other semiconductor manufacturers (it uses a closed-loop system for cooling).

Five Investment Stewardship Priorities mapping. Climate risk

ENGAGING ON SOCIAL ISSUES

Covid-19 remains the most powerful force shaping the near-term social agenda, and for companies the breadth of issues raised by the pandemic is significant. Internal topics, such as employee welfare and cybersecurity in a decentralised workspace, have taken on a new importance. Externally, regulators and governments expect the corporate sector to play a role in helping societies return to normal. The pandemic has thus provided a unique test of companies' commitment to social issues and we have paid close attention to see who has risen to the challenge, as well as engaging with those where we perceive shortcomings.

We are determined that our longer-term priorities as investors do not get lost amid a short-term focus on Covid-19. Top among these priorities is the issue of diversity. We have long championed female diversity on boards as a member of the 30% Club and in recent years have expanded our engagement priorities to cover all under-represented communities at any level of the organisation.

As with other aspects of ESG investing, we also see a tremendous opportunity for companies to incorporate social issues into their longer-term strategic plans, whether through designing products for underserved groups or using community projects to improve their connection with customers and brand. Exploring these opportunities is another key part of our engagement and also our investment analysis.

Case studies[6]

NOVO NORDISK – DENMARK

Even sustainable leaders have room for improvement, and Novo Nordisk is a case in point. The company is a leader in tackling diabetes, providing half of the world's insulin, and focuses on accessibility – as demonstrated by the lowering of the price of insulin vials from $4 to $3 in low and middle-income countries, where 80% of people with diabetes live.[7]

Yet Novo Nordisk is falling behind on internal gender diversity credentials. In our view, diversity within the workforce is not sufficient. As a sign of inclusion, we expect similar levels of diversity in senior roles or targets to bridge the gap. In the case of Novo Nordisk, we identified a significant mismatch between women in the workforce and women in management. This was confirmed by the company, which quoted 49% of women in the workforce compared to 24% at senior management level. Novo Nordisk acknowledged the problem, and cited unconscious bias and low employee turnover as causes of the discrepancy. We outlined our expectations for goals to reach parity, and the company explained that it aims for a 50/50 gender split across senior management by 2025. Novo Nordisk plans to achieve this target through talent programmes and succession planning, and the agenda is supported in short- and long-term incentive plans. Our engagement with Novo Nordisk is ongoing.

Five Investment Stewardship Priorities mapping. Human capital management

PROLOGIS – US

Prologis is an industrial real estate investment trust, which owns and develops storage services, and provides logistics facilities. The evolution of Prologis's sustainability efforts is a stand-out example of a company that has gradually engrained social responsibility within the organisation over the period of several decades. The company's first efforts began in the 1990s when

[6] These companies are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.
[7] Source: Novo Nordisk, "Our Position on Access to Diabetes Care", 2021.

advancements in governance were a key focus and it introduced a staggered board. A key shift occurred when the company went international in the 2000s and they found customers in some global regions, such as the UK, were starting to ask for specific environmental requirements. In recent years, Prologis has truly become a leader in the ESG space, particularly with respect to its social initiatives to encourage education and job creation in local communities. Prologis's top three priorities today are to reduce carbon emissions, solve labour challenges for customers and enhance experiences for employees.

In our latest engagement with the company we spoke about its emphasis on training future logistics employees and up-training those currently working in customer facilities. Prologis is aiming to train 25,000 people from local communities through this programme. These training efforts have the additional benefit of showing the municipalities that the company is serious about investing in its communities. From a social perspective, the company also recently hired a diversity and inclusion (D&I) officer. Prologis believes it is doing well with diversity in corporate jobs, but that it has more work to do in its warehouses. There is now a D&I measure in the annual bonus scorecard. We encouraged the company to provide more granular human capital-related data. We would like to see information regarding workforce representation by level, such as the company's EEO-1 report, which provides demographic workforce data for US private sector employers.

The company has a clear focus on ensuring that sustainability is fully interwoven in the organisation, and we will continue to engage with management to ensure that this commitment is maintained in the future.

Five Investment Stewardship Priorities mapping. Human capital management Stakeholder engagement

ADVANTECH – Taiwan

We met with the ESG manager at Advantech, a Taiwanese industrial computer manufacturer, to discuss a number of social issues, including cyber security. In November 2020, the company was subject to a Conti ransomware attack affecting 267 servers (53 in Taiwan; 90 in Kunshan, China; and the rest in the US and European countries). The company was unwilling to provide too much detail about the root cause (for example, whether the attack is related to human error, such as clicking on a phishing email, or whether it is related to outdated software). However, it was able to give good detail on its response in the shape of an enhanced cyber-security plan for the 2020-2023 financial years, which was presented to us. Areas in which the company is looking to improve include data backup, end-point solutions, zero trust architecture, and cyber security management and awareness. To give some more detailed examples, Advantech will introduce multi-factor authentication for remote virtual private network (VPN) access, and is planning to expand the scope of ISO 27001 (the international standard on data security) beyond two factories in China and Taiwan to servers and network infrastructure. One issue we picked up on was that there was not a standalone officer with responsibility for cyber security, which we suggested would represent best practice. The company responded that it has established a new cyber security office this year and has started hiring people with the relevant expertise.

The other issue we touched upon was the company's global human capital management strategy. Three main issues were covered. First, we learnt that the company plans to conduct its first firmwide survey on employee engagement but is still working on the survey design with an external consultant. Second, we discussed the employee incentive scheme and were pleased to learn that in addition to basic financial metrics, vesting criteria for stock options include broader aspects, such as contribution to innovative products. The company is also considering emimisions reduction as a future criteria. Finally, we had some discussion on gender diversity and stated our long-term expectation of at least 30% female representation on the board.

The next step of our engagement will be to arrange subsequent meetings to follow up on some of the above issues and track how the company's responses evolve.

Five Investment Stewardship Priorities mapping. Human capital management

ENGAGING ON GOVERNANCE ISSUES

We take the view that strong corporate governance is needed to gear companies to long-term value creation, and board and pay dynamics are good indicators of that strength. Boards act on shareholders' behalf and are responsible for management oversight, which we feel cannot be effective without independence and diversity. We believe independent boards minimise conflicts of interest to ensure that management pursues shareholders' best interests, while diverse boards encourage constructive dialogue thanks to the variety of skills and backgrounds they bring. Pay should directly support the board's objectives: it needs to ensure that management is aligned with shareholders' and the company's long-term objectives. Incentivising management appropriately is key, and payouts should be reasonable and reflect the shareholder experience. We expect companies to be fair and transparent towards shareholders through appropriate accounting methods and disclosures, and to protect minority shareholders from abusive actions by, or in the interests of, controlling shareholders.

Sustainability is integral to a company's operations, and its importance should be recognised through governance, management and strategy. We look for signs that sustainability is discussed at board level, for instance with the presence of a dedicated committee or the appointment of directors with relevant skills. At the management level, the appointment of one or more sustainability executives also signals commitment, and can be a significant driver of change when the company's culture has been slow to adapt. Sustainability should not be solely reserved for Corporate Social Responsibility (CSR) activities; instead, it should be embedded in the company's strategy. Although we appreciate sustainability reports, we especially value their integration into annual reports, such that sustainability is addressed as a long-term business concern.

Case studies[8]

MONDELEZ – US

In the fourth quarter of 2020, we engaged with American multinational confectionary, food and beverage company Mondelez. Its executive compensation programme is a risk that we had flagged for Mondelez in our ESG framework. The Mondelez board took feedback from both J.P. Morgan Asset Management and other shareholders on the matter. As a result of the discussions, the board increased the weightings towards objective measures of annual performance. It also added volume growth as an annual metric and gross profit margins were replaced by gross profit dollars to emphasise the company's goal to grow cash flow. Additionally, the board introduced an overlay of market share to the annual incentive, consistent with its objectives.

We view these measures as very important and necessary changes to the company's annual executive incentive plan, creating a programme that demonstrates accountability and transparency at the top of the company. The changes have been received well within the company because management understands the linkage to company strategy and its role and responsibility to manage them. The plan also aligns incentives with aims to create long-term shareholder value by incorporating strategic elements of growth and execution, as well as culture.

In addition to linking executive compensation with elements of business strategy, Mondelez has implemented several features that improve the plan. For example, by prospectively disclosing target levels against performance metrics, the company offers greater transparency than many. The board has also built in further alignment by subjecting all vested awards to an additional year of withholding. Options make up a small proportion of long-term awards and the company is also judicious in its valuation of options. Furthermore, the board retained key performance indicators related to sustainability initiatives in its annual incentive plan, which should drive better long-term outcomes.

We believe these compensation changes have more properly aligned management incentives with shareholder outcomes and we have since removed the risk that we have flagged for Mondelez in respect of this issue in our ESG framework.

Five Investment Stewardship Priorities mapping. Strategy alignment with the long term

HYPOPORT – Germany

We engaged with Hypoport, the small-cap German technology-based financial services provider, around board size and management pay.

The company has grown rapidly in recent years, with the number of employees increasing by four times over a four-year period. Following this growth, we felt that Hypoport's board, consisting of four members, was undersized relative to the size of the company. Throughout the course of our engagement we learnt that the company not only plans to expand the size of its board, but also to add diversity (the board is entirely white and male). We will of course monitor progress closely but saw these plans as a positive sign that the company was aware, and acknowledged, the issue.

We also engaged with the company on management pay. External data providers punish Hypoport due to its complex management pay structure, with lack of explicit linkage to sustainability factors. We questioned the company on this issue, and Hypoport explained that management is long-tenured and has benefited hugely from share price performance as the company has grown. Absolute executive pay is relatively low since the large part of the CEO's remuneration is, in reality, linked to his large shareholding and how that performs (the CEO/founder owns 34% of the shares), rather than the official variable remuneration he is paid (which has for the last two years been less than 25% of his base pay). Management has therefore participated handsomely as the company's share price has risen and remain motivated to run the company in shareholders' interests. The company intends to simplify the calculation of management pay and added some sustainability factors, while also intending to expand its ESG reporting. Although management's pay structure is opaque, shareholders benefit in two ways: first, pay is relatively low and likely well under market rates; and second, management is highly aligned with minority shareholders, as most senior managers are also significant shareholders in the company.

Five Investment Stewardship Priorities mapping. Strategy alignment with the long term

NETEASE – CHINA

We wrote a letter to the founder of Netease, a Chinese video games developer to follow up on a meeting we had with the company's CFO related to a number of governance issues.

NetEase has five independent directors, who have been in their roles for over 14 years, and three of whom have multiple other directorships. We also noted a concentration of directors with a finance and accounting background, rather than video games expertise, and the fact there is only one female director. In the letter, we shared our view that we like companies to conduct regular board evaluations to ensure directors are truly independent and are together able to meet the changing demands of customers, investors and other stakeholders. We also asked that the company aim to reach 30% of women on the board, in accordance with our principles as a member of the 30% Club.

As always in cases like this, we tried to share examples of best practice that we see elsewhere. In this instance we shared the case of three other companies: Microsoft, CLP and Link REIT. Microsoft now conducts annual evaluations of board skills via a third-party facilitator and has publically commented on the "increased board effectiveness" that has resulted from this evaluation. CLP, a Hong Kong-listed company, uploads its external board evaluation findings on its website. Link REIT, another Hong Kong-listed company, uploads its corporate governance policy on its website and mandates that independent directors cannot serve beyond nine years, as well as stipulating other guidelines related to director independence.

All this said, we have been a long-term shareholder of Netease and appreciate many aspects of its approaches to governance. For example, it stands out for capital allocation thanks to its regular dividend policy, which is significantly more shareholder friendly than most of its internet and gaming peer group. Thus, it is a good case where even strong companies from a governance perspective have room to improve and this is the spirit that drives our engagement efforts.

Five Investment Stewardship Priorities mapping. Governance

[8] These companies are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Proxy voting

Voting activity in our sustainable best

Proxy voting is a fundamental shareholder right that we utilise to convey our views to boards and management of our investee companies. Voting is also an important part of our fiduciary duty. Our best-in-class sustainable equity funds can vote separately to express our views on sustainability matters. At the heart of our approach lies a close collaboration between our portfolio managers and Investment Stewardship specialists to engage with the companies we invest in It's worth noting that, as our best-in-class approach is tilted towards ESG leaders, we find ourselves voting with management more than may be typical in other funds.

So far as is practicable, we will vote at all of the meetings called by companies in which we are invested. The table provides a summary of key voting statistics and activity for 30 June 2020 to 30 June 2021 in our best-in-class sustainable equity funds.

ESG engagements undertaken on companies held in our sustainable best-in-class equity funds, 12 months to 30 June 2021.

VOTING ACTIVITY IN OUR SUSTAINABLE EQUITY FUNDS - BEST IN CLASS APPROACH	EUROPE SUSTAINABLE EQUITY FUND	EUROPE SUSTAINABLE SMALL CAP FUND	GLOBAL SUSTAINABLE EQUITY FUND	EMERGING MARKETS SUSTAINABLE EQUITY FUND	JAPAN SUSTAINABLE EQUITY FUND
Meetings voted	115	145	150	69	58
%	94	88	97	99	100
Votes with management	1,829	2,304	1,817	715	525
%	96	93	100	95	88
Votes against management	76	183	9	28	75
%	4	7	1	4	13
Abstentions	2	2	0	13	N/A
%	0	0	0	2	N/A

Source: J.P. Morgan Asset Management; data from 30 June 2020 - 30 June 2021.

Spotlight on climate change voting

In the past five years, climate change has become an increasingly important and publicly visible topic in proxy voting, attracting great interest from a wide range of stakeholders. The focus has largely fallen on shareholder proposals to companies in carbon-intensive industries, such as hydrocarbon, electric utilities and mining, but it is now spreading to other demand-side sectors, including transportation, manufacturing, real estate and finance.

We expect there to be renewed efforts in 2021, resulting in a notable number of shareholder resolutions, alongside management proposed resolutions on what is being dubbed "say-on-climate". In 2020, we voted in favour of approximately 40% of climate-related shareholder resolutions. We generally support resolutions on:

STRATEGY AND GOVERNANCE	Companies having senior-level oversight of climate risks and opportunities; or establishing a stated position on climate change; or being transparent on relevant capital allocation and corporate expenditures; or a business strategy in line with a low carbon economy.
CLIMATE RISK DISCLOSURE	Companies regularly reporting on climate risks, such as following recommendations from the Task Force for Climate-Related Financial Disclosures.
LOBBYING	We expect companies to lobby in a manner that is consistent with their publicly stated position, given the potential reputational risk.

Alongside our proxy voting, we actively engage with companies to understand their approach to managing the risks of climate change and greenhouse gas emissions. By mitigating climate change risks, we believe companies will be better able to achieve sustainable growth and create long-term value for investors and other stakeholders.

For our full report can be found on our website.

https://am.jpmorgan.com/tw/en/asset-management/institutional/investment-strategies/sustainable-investing/climate-change/climate-voting/

Partnering with our Investment Stewardship team

A collaboration between top-down and bottom-up perspectives

Our investment teams and Investment Stewardship specialists work hand in hand to identify issues and engage with the companies in which we invest. The bottom-up analysis of our analysts and portfolio managers is complemented by the top-down perspective of our regionally-specialised Investment Stewardship team.

As described earlier in this report (see “Our Approach to Engagement”), at the start of 2020 our Sustainable Investing team identified our Five Investment Stewardship Priorities, which we believe have universal applicability and will stand the test of time. These priorities are governance, strategy alignment with the long term, human capital management, stakeholder engagement, and climate risk.

Within each priority area, we identified related themes that we are seeking to address over a shorter time frame. These themes will evolve as we engage with companies to understand issues and promote best practice.

This combination of long-term priorities and evolving, shorter-term themes provides us with a structured and targeted framework to guide our investors and investment stewardship specialists globally as we engage with investee companies around the world.

	PRIORITY	THEME(S)
	Governance	Board and management diversity Capital allocation
	Strategy Alignment with the Long Term	Executive remuneration
	Human Capital Management	Diversity in the workplace
	Stakeholder Engagement	Cybersecurity
	Climate Risk	Climate risk disclosure

Having set our stewardship priorities, our Investment Stewardship team then identified a set of “focus” companies, aligned with the priorities, which we proactively target for engagement. These companies are selected because we have an issue of concern, typically in reference to our five priorities, that is sufficiently material in the view of our investors to warrant more focused engagement, and where the stock is held in sufficient size to make our voice effective. The list of companies will be validated as part of ongoing dialogue between the Investment Stewardship team and our portfolio managers and research analysts.

Each year we will report on our engagement activity under each of these five priorities in our Annual Investment Stewardship Report, which can be found on our website.

https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/investment-stewardship/annual-investment-stewardship-report-emea.pdf

Introducing our Investment Stewardship team

Investment stewardship is one of the three pillars of our Sustainable Investing team, headed by Jennifer Wu, our Global Head of Sustainable Investing. It sits alongside the other two pillars, which are client solutions and research & data. In combination, these pillars drive our coordinated strategy for sustainable investing globally.

We asked our four regional heads of investment stewardship to discuss their roles and the current trends they see. We hope their responses give some insight into how the investment teams work in partnership with our specialist stewardship resources.

The participants were Shizuko Ohmi (SO), Felix Lam (FL), Yo Takatsuki (YT) and Nishesh Kumar (NK) who lead investment stewardship in Japan, Asia ex-Japan, EMEA and North America respectively.

Felix Lam
Asia ex-Japan Head of Investment Stewardship

Shizuko Ohmi
Japan Head of Investment Stewardship

Yo Takatsuki
EMEA Head of Investment Stewardship

Nishesh Kumar
NAMR Head of Investment Stewardship

1. **You are all relatively new joiners to J.P. Morgan Asset Management. Can you give some background on yourself as well as some early impressions of what ESG, engagement and stewardship looks like here? Nishesh, you have been with the firm for longer, can you elaborate on your background and current role?**

SO: Before joining J.P. Morgan Asset Management in July 2020, I worked at Amundi Japan for 17 years. I was Head of the Japan ESG team, which was set up back in 2015, and prior to that had spent 20 years as an equity analyst. I made the move to J.P. Morgan Asset Management as it is a deeply resourced active house, and as I believe the active heritage is indispensable in ensuring constructive engagements with companies. I found I am in the right place, being able to collaborate with our investors and leverage their knowledge and insights to influence companies together.

FL: I agree with those early impressions. Although US-based asset managers are often perceived as slower on sustainable investing, I have been positively surprised by the level of ESG integration in J.P. Morgan Asset Management, as well as interest and knowledge levels in the investment teams.

In terms of background, I was Head of Power, Energy and Materials Research for CCB International Securities before joining J.P. Morgan Asset Management in January this year. Seeing the importance of ESG, I wanted to study best practice, and am now a certified ESG analyst by the European Federation of Financial Analysts Societies (EFFAS), a holder of the Sustainability Accounting Standards Board (SASB) Fundamentals of Sustainable Accounting (FSA) Credential, and a member of the CPA Australia Centre of Excellence[9].

YT: It's not been long since I have been here at J.P. Morgan Asset Management, but I like what I see. I have been impressed with the wide range of activities on ESG – especially the quality of engagement dialogue. Being a large investor, J.P. Morgan Asset Management has excellent corporate access and engagement happens with the most senior members of our investee companies, namely the board and senior executives.

As for my background, I joined in early February from AXA IM. Previously, I was a business journalist for 10 years at the BBC and Bloomberg covering many stories that, at heart, were about corporate ESG issues.

NK: I have been with J.P. Morgan Asset Management for almost 23 years now, and the better part of the first two decades was as an analyst covering the autos and transportation, consumer discretionary, leisure and oil & gas sectors. I transitioned into my current role a little more than three years ago.

[9] CPA = Certified Public Accountant

Given my background, it shouldn't surprise anyone that I view active fundamental research as central to everything we do, including stewardship. It is therefore gratifying to see that my new colleagues share that assessment. However, from a historical context, I would like to point out the strides we have made in the recent past. While principles of ESG and stewardship have always been deemed integral to asset management, in the recent past we have made tremendous progress in further formalising these processes, from ESG integration to ESG research and stewardship engagement.

2. Can you explain how you view the role of the Investment Stewardship team within J.P. Morgan Asset Management? How does the team interact with the investors?

YT: The role of the Investment Stewardship team is clear – we are here to lead the engagement and voting that we do on behalf of our clients. It is important that across markets, sectors, size or asset class there is consistency with how stewardship is conducted. We support the investment analysts and portfolio managers in the framing and shaping of key engagement themes, such as climate change and diversity. We also participate in industry collaborative groups and are responsible for ensuring that the way we do stewardship remains up-to-date and relevant to the main challenges of the day. We have constant interactions with our investment teams. This type of work cannot be done in silos - exchanging views and challenging each other is core to our Stewardship DNA.

FL: In terms of the tools we have to collaborate, it is maybe worth adding that we utilise focus lists in order to prioritise the companies that we target for engagement. The focus list is built in conjunction with investors and aims to include names where we have sizeable holdings and where the material issues reflect some of our five firm-wide stewardship priorities.

Apart from company engagement, we also meet with regulators and industry associations, and communicate our findings on the ESG best practices, risks and opportunities to investors. In addition to formal engagements, our views are expressed through our votes, regular stewardship reports and white papers.

SO: Within J.P. Morgan Asset Management, the key role of the Investment Stewardship team is to coordinate the whole firm's stewardship efforts. We are responsible for identifying the most important issues, and can then leverage the investment teams to help solve these issues by engaging constructively with our investee companies to push them towards adopting best practices.

NK: Our Investment Stewardship team is operationally and structurally very close to the investment teams. Operationally, as needed, we share meetings with the investment teams and the investors participate in stewardship engagements.

We are structurally integrated as well, as members of various committees and forums responsible for stewardship and proxy voting, and both ultimately report into the Global Head of Equities.

3. Within the region that you cover, what are the main priority areas and issues in the market?

YT: I cover Europe, the Middle East and Africa, as well as Latin America. It's an extremely diverse area, so no day is ever the same! Nevertheless, there is one overarching issue that affects all of these regions – climate change. Mitigating global warming and achieving the goals of the Paris Agreement is proving to be one of the defining challenges of our time. The global economy that we have developed since the Second World War has brought incredible prosperity but with a major environmental footprint – unpicking all of that, reducing our reliance on fossil fuels and transitioning to a net-zero economy is a huge risk and opportunity for investors. Climate change is also finding its way into other areas of ESG investing. Issues such as executive compensation and board expertise and oversight are all being shaped rapidly by the climate agenda.

SO: In Japan, "governance" in particular is recognised as the most problematic in corporate value creation. Issues here include poor capital allocation, cross shareholdings and low returns to shareholders. These issues are the result of ineffective boards that are often neither independent nor diversified enough to provide appropriate oversight to the management.
Also, gender diversity on boards and women's empowerment is particularly slow in Japan, and we have recently joined the 30% Club Japan to address this issue through collaboration with other investors.

That said, we also see an increased focus on climate change, especially since the Japanese government committed the country to carbon neutrality. We engage a lot on issues such as climate disclosure and strategies to achieve carbon neutrality, which are now getting more focus.

FL: Asia ex-Japan is a diverse region with each country having quite specific issues. Governance is one such area, with many of the issues Ohmi-san mentioned in Japan sounding familiar. I would also agree that climate change is an increasingly important topic that companies are willing to engage on. We already see signs that Asia is catching up with Europe on climate policy and, in the longer term, could run ahead of the US in terms of the progress it makes on this issue.

NK: In the US, climate change has emerged as one of the most important topics. This emerging focus on climate is amplified by the large role the US plays as an emitter of greenhouse gases, as well as the pivotal role the US plays as a large oil & gas supplier, brought about by the shale revolution. Climate change is also an area where US investors are expecting increased regulatory action, as well as Securities and Exchange Commission (SEC) disclosure requirements.

Another priority area in the US is human capital management. The management of a company's workforce and talent is becoming increasingly important in a tight labour market. Diversity & Inclusion issues are also at the forefront, given rising racial and gender inequity in a market where the customer and labour base is so diverse.

4. How does J.P. Morgan Asset Management find the right balance of internal tools and external data sets when evaluating stewardship issues?

SO: For me, external data is useful for undertaking broad-based comparisons across the whole investment universe, as well as checking that we are not missing any important controversies.

However, to fully integrate ESG factors, one needs subjective judgement, which includes insights on corporate culture, the capability of the management, employee engagement, and the relationship and trust that the company has built with its clients, communities and suppliers. These factors can only be analysed by our internal tools that incorporate the industry expertise of our research teams as well as our stewardship specialists.

YT: I agree. External research providers have played an important role in the growth and adoption of responsible investment by mainstream investors. However, external input is, ultimately, just that. It's an input and no more. We would never outsource investment analysis or engagement and voting – we believe it is important that we do our own research and we pride ourselves on it.

It's in the same way that no self-respecting investment manager would outsource equity research to sell-side brokers, nor credit research to S&P and Moody's. Also, there are significant differences in the research methodologies of external ESG research providers in how they assess and rate companies. That means these are opinions at best rather than any sort of truths.

FL: I would split it between external and internal data.

External raw data or primary data sets can be useful as long as the methodology behind them is well understood. If that is the case, the best use cases are benchmarking quantifiable metrics, such as carbon emissions or board composition. I also agree that it can be useful in ensuring we don't miss any controversies.

When it comes to internal data, the qualitative assessments of our analysts and portfolio managers are the key. We rely on their experience and insight when measuring the quality of a company and, more importantly, the quality of its board and management, which determines its sustainability outlook.

NK: In addition, I would like to highlight a relatively recent phenomena. While the principles of ESG investing have been around for a while, the attempt to quantify ESG scores is relatively new, driven by the lack of reported data and the need to fill white spaces. This investor need, combined with advancements in information technology, is leading to an explosion of data, both good and bad.

While something is better than nothing is a common saying, it may not hold in the world of finance and investing. Bad ESG data could potentially create all kinds of issues, ranging from misguided stewardship engagement, complacence, capital misallocation and even bad public policy. We are therefore trying to be very mindful of these pitfalls.

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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