BUILDING STRONGER PORTFOLIOS

Investment Stewardship, Asia ex Japan – 2021 Q1

May 2021

LET'S SOLVE IT.

J.P.Morgan Asset Management

Contents

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J.P. Morgan Asset Management is a global investment management company. For us, sustainable investing is a priority within our business and is a core component of our forward-looking active investment approach. Central to this approach is the regular engagement we conduct with investee companies. Through engagement we are better able to understand the risks and opportunities these companies face in their Environmental, Social and Governance (ESG) practices. By investing in the best managed and best positioned companies in this area, we believe we should be able to deliver superior long-term financial returns to our clients, and also create value for other stakeholders.

As a fiduciary we recognize the important of active ownership on behalf of our clients. We have an obligation to maintain a dialogue with the companies in which we invest, to ensure our clients' interests are represented and protected. Recognizing this we have established Investment Stewardship teams around the world to undertake company engagement on ESG-specific issues. Engagement is often in collaboration with the relevant investment teams.

We have established Investment Stewardship teams in each of our four core operating regions – North America, EMEA, Asia ex Japan and Japan. In addition to company engagement, the Stewardship teams also work closely with our portfolio managers and analysts in exercising proxy votes at company meetings; the way we vote on specific issues is an effective means for us to express our opinions to, and influence the behaviour of, our investee companies.

This report is specific to the stewardship activities in Asia ex Japan region, and covers some recent engagement and voting activities that took place in Q1 2021, as well as some ESG-related highlights year-to-date. At the end of the report, we include the transcript of an interview with our Investment Stewardship Heads in both Europe and Asia Pacific, who recently joined the firm.

Market developments and trends

Regulators have been busy advancing their sustainability agendas across the Asia Pacific region. In China, green financing initiatives and the mitigation of climate related risks remain high priorities for policy makers as the country embarks on its 14th Five Year Plan (2021-2025). According to a press conference that took place on 9 February 2021, the People's Bank of China (PBOC) has been working on standardising the mandatory environmental disclosures for financial institutions and improving the supervision over climate-related risks. In particular, China is collaborating with the European Union in establishing a common taxonomy. This should help drive the cross border development of green financing initiatives and encourage better disclosure of information on climate-related risks. In April, the PRC government announced its latest list of projects eligible for green bond financing; as a welcome sign of progress, we no longer see fossil fuel projects on this list. This represents another significant step towards narrowing the gap between China's definitions of eligibility for green bond financing with those of other countries. Going forward, this should undoubtedly help smooth our engagement with Chinese companies on climate related issues.

Standardizing reporting is important

ESG disclosure: Data is critical for our investment decision making processes. For our engagement with companies, this goes beyond the data necessary to prepare financial statements – we need data covering ESG issues as well. The availability and quality of such data, however, is a major challenge for investors, particularly for those investing in emerging markets. The investment community is looking towards Regulators and Stock Exchanges for help in uplifting ESG reporting requirements. Hong Kong Exchanges is one of the more active exchanges in Asia promoting improved ESG reporting and it has introduced more stringent disclosure requirements for financial periods starting 1 July 2020. We are therefore likely to see a significant increase in the volume of ESG data later this year to empower our discussions with companies.

On the mainland, the China Securities Regulatory Commission (CSRC) is the key regulatory body for China A share listed companies. In February, the CSRC issued a draft consultation paper to help guide the Investor Relations' departments of public companies in their discussions with investors. As part of this, the CSRC is encouraging more specific communication on ESG issues. While this a welcome step from the CSRC in focusing on this area, we look forward to the introduction of more mandatory reporting requirements that will lead to more consistent and quantifiable ESG disclosures in the future.

India is another important emerging market for us. In March, the Securities and Exchange Board of India (SEBI) announced some encouraging changes around sustainability reporting requirements for listed companies. In the future, companies will be required to incorporate sustainability related information in the existing Business Responsibility Report, which will be renamed the Business Responsibility and Sustainability Report (BRSR). For the financial year 2021-2022, the reporting will be on a voluntary basis. Thereafter companies will have to meet mandatory disclosure requirements for the BRSR, including the reporting of quantifiable metrics. This will enable investors to better assess and compare ESG related performances among Indian listed companies.

Board governance on ESG topics: Improving both the quantity and quality of ESG related data has long been a major demand of investors. But increased data and improved transparency does not, on its own, drive change. People drive change. Among the people in an organization, it is the Board of Directors that should be held accountable for effecting this. Hence the importance of governance – one of the five key priorities of our stewardship engagement program – and the role of the board. To help create value for shareholders, and other stakeholders, we expect company boards to be at least 50% independent in the medium term in terms of their composition, and to encourage greater diversity of representation.

Gender is just one aspect of diversity

Board diversity and composition: In South Korea, we have noted the appointments of a rising number of female directors to boards during the first quarter of 2021. A recent revision to the Financial Investment Services and Capital Markets Act mandates that at least one female director should be represented on the board of listed companies, and we expect more female directors to be appointed before the Act becomes effective in August 2022. Current statutory requirements in Korea stipulate that the majority of directors on the board of large public companies should be independent. That said, it is common for many of these directors to come from the government sector and the universities, instead of the private corporate sector. In many respects, the ongoing ties to government calls into question the effectiveness of measures to raise independence standards. Going forward, we are looking for more progressive measures from the Korean government and companies to improve board composition.

Elsewhere, regulators globally are under pressure to ensure that boards raise their levels of diversity and independence. This pressure is acutely felt in Asia where the standards of independence and diversity on company boards lag their US and European counterparts. To bridge this gap in Hong Kong, Hong Kong Exchanges (as the listings regulator) has proposed changes to its Corporate Governance Code and listings rules in a consultation paper published in April. Although investors in general would like to see more progressive measures being implemented than currently proposed, we are supportive of the steps being taken in one of Asia's most important markets, to improve standards of independence and diversity.

Corporate engagement - actions louder than words

As George Gatch, the CEO of JP Morgan Asset Management, points out: "Effective stewardship can materially contribute to help build stronger portfolios over the long term". In this context, engaging with investee companies is one of the most effective means of influencing corporate behaviour, and driving them to initiate change. To reinforce our engagement efforts we participate in various industry associations and initiatives that share common values with us. To help improve participation in its 2021 assessment of real estate companies in Asia, Global Real Estate Sustainability Benchmark (GRESB) approached us and other investor members in February for a joint communication to reach out to the broader industry. We therefore committed to be a joint signatory of letters sent to real estate companies in the region, to encourage them to meet with GRESB and learn more about its aims and objectives.

Investor-led initiatives are an important force for effective company engagement

When we discuss sustainability, it is hard not to mention climate risk, the mitigation of which is one of our five firm-wide stewardship priorities. We urge every company, large and small, to improve their disclosure of climate-related data and to establish clear policies of how they are managing climate-related risks. Certainly, to accelerate the pathway to permanent carbon reduction, we need the cooperation of systemically important greenhouse gas (GHG) emitters. Recently we joined the Asia Investor Group on Climate Change (AIGCC), which has been formed to lead the investor dialogue with Asian energy intensive companies, such as fossil fuel producers and coal mining companies. AIGCC is part of the Global Investors Coalition on Climate Change. In concert with other investment groups, we are increasing our commitment to climate initiatives and will share our engagement results from these forums in future stewardship reports.

While climate change risk is critical, it is not the only item on our engagement agenda. We also consider our other four stewardship priorities – governance, strategy alignment with the long term, human capital management and stakeholder engagement – in our communications with companies. The following are some examples of recent engagements that we have held with investee companies around the Asia Pacific region.

Samsung Electronics (Korea)

Country: South Korea

Engagement focus: board composition, capital allocation, climate-related risk disclosure and strategy

Outcome: We were invited to discuss ESG issues with SEC's Corporate Sustainability Centre. As a result of the meeting we gained greater insight into the progress made by the company in various ESG areas (e.g. climate change and human rights). We gave our views and suggestions for further developments in these areas.

While Samsung Electronics (SEC) is Korea's largest public company, it is also an international leader in the manufacturing of semiconductor products and consumer electronic goods, with a truly global reach of customers. As such SEC should have ESG practises that lead Korea Inc. and are at least equivalent to its global peers. We welcome the initiatives undertaken to date to improve in various areas, and we look for the company to make more significant progress in the future.

In the environmental area, SEC has certainly moved forward. The company began disclosing GHG emissions information following the TCFD framework in its Sustainability Report since 2020, and it has joined the CDP supply chain program. SEC also achieved its 2020 target of using 100% renewable energy for its worksites in the United States, Europe and China. The next commitment we are looking for is the disclosure of carbon reduction targets for its operations in South Korea. More importantly, following South Korea's Net Zero pledge by 2050 made in December 2020, we would like to know SEC's longer-term climate risk mitigation strategies and targets. As the largest Korean company we urge SEC to proactively engage with the Korean government to explore solutions to mitigate climate-related risks and explore opportunities arising from climate change.

Expecting bolder measures to improve governance and to avoid management scandals in future

Governance was also actively discussed with the company. Following the bribery scandal surrounding Chairman Jay Y Lee, the company has made a number of constructive changes to the board. These include the separation of the role of Chairman and CEO, the appointment of an independent Chairman and the appointment of two female directors. That being said, the renewed effectiveness of the board has not yet been proven, in our view. The worldwide footprint of its business and shareholder base do not match well with the current composition of the board. For example, communications between board members and investors are insufficient. We suggested that SEC conduct an evaluation of the board by an external independent party and organize an event for investors to enable them to access board members directly. We are looking forward for our suggestions to be taken up by the company later this year.

POSCO

Country: South Korea

Engagement focus: board composition, ESG practices for its international operations.

Results and follow-up: We received a letter from the CFO in response to our governance suggestions with promises to enhance transparency for the nomination and appointment of directors in the future. We were invited to meet with its first female Outside Director Dr Young-suk Yoo, who is a member of the ESG committee.

In our pre-AGM engagement meeting we gave POSCO recognition for its efficient operations and competitive products, as a leader in the Asian steelmaking industry. The shareholder value created by this strong core business however is being impacted by a number of issues. In particular value is being eroded by ongoing investment in businesses outside of steelmaking; in addition capacity expansion outside of Korea and the lack of a diverse board are the primary challenges we highlighted in our discussions with the company.

More experienced independent directors from the private sector are needed

On the positive side, we welcome POSCO's appointment of its first female Outside Director, Dr Young-suk Yoo, who will be a member of the ESG Committee. We see her as a valuable addition to the company given her background in environmental protection. But the current board has many members with extensive public sector experience. While we value the contribution of these directors, we believe it is important for POSCO to balance the board composition with the addition of experienced professionals from elsewhere in the private sector. As Korea's largest, and the world's fourth largest steel producer, we believe POSCO should be able to find suitable candidates that meets investors' requirements.

The various allegations on labour rights and human rights that POSCO has encountered in its international operations was another focus in our engagement. We note the progress the company has made in resolving some of these allegations. What is more important, in our view, is for the company to learn from the past and improve its governance practices, particularly with respect to its overseas operations. Stronger measures of internal control and risk management would help avoid the reputational damage, to both the brand and to shareholder value, that the company has suffered in the past.

SEA Ltd

Country: Singapore

Engagement focus: ESG reporting, climate-related risk disclosure and management

Outcome: SEA acknowledged our suggestions on ESG reporting and the reference material we supplied by way of case examples on peers. We are looking forward to learning more details about the company's plans for reporting on sustainability issues in our follow-up meetings with the company.

Singapore-based SEA is a fast growing internet company in SE Asia with three major online businesses – gaming, shopping and payments. We recognized the success of the company in growing its underlying businesses, which have not only generated strong financial returns for shareholders, but have also helped provide the underserved population in ASEAN access to e-commerce, entertainment and finance. These are positive contributions to making the world a better place for its customers.

The company emphasizes the importance of sustainability and mentioned various measures that it has taken to support this claim. For example, SEA is providing training to employees to help protect the data privacy of its customers and enforce cybersecurity, which is one of our five stewardship priorities. We also acknowledged that SEA is working on getting more people and resources to boost its sustainability efforts.

As an investor, we need to assess the progress the company has made in this area, and how it can reinforce this in its policies and procedures. More concrete information and specific data are therefore needed to be able to measure this. We are willing to work with SEA on its ESG journey and we want this evidenced in its ESG practices in greater detail.

China Gas

Country: China

Engagement focus: Climate change

Outcome: We shared that the company's peers have signed up to providing more detailed reporting on the Methane Guiding Principles and we encouraged the company to similarly sign up to these principles.

Energy transition poses risks as well as opportunity for gas operator

As a leading gas distributor, China Gas has a significant role to play in helping China meet its carbon neutrality commitments. We therefore initiated a call with the company to discuss its climate risk mitigation strategies and its risk disclosures. We learned that the company has an active dialogue with the Chinese government about policies for promoting the country's carbon neutrality target by 2060. We also learnt that the company is exploring business opportunities in the hydrogen economy and has formed strategic partnerships with Chinese oil and gas companies to investigate this further.

On climate risk disclosure and targets, we urged the company to adopt the Task Force on Climate-related Financial Disclosures (TCFD) framework which has been endorsed by many global regulators (including the SFC). As an industry leader, we believe the company should do more in shaping the gas industry's discussions relating to target setting and reducing GHG emissions.

In addition to carbon emissions, we stressed the importance of managing methane emissions, which are the second largest source of GHG emissions and a climate pollutant 84 times more damaging than carbon dioxide, per unit of intensity. Methane emissions' control is also referenced in China's 14th Five-Year Plan and the new 2035 strategy. Given the company's business model, we highlighted the measurement of "fugitive" emissions, which are unintentional leaks from equipment or components that are most challenging to identify, as an area for development. While we acknowledged that fugitive emissions' quantification has not yet been standardized in China, we encouraged the company to actively participate in industry discussions in this area.

Proxy voting

Within Asia Pacific, Korea tends to dominate the proxy voting activities during the first calendar quarter of the year. Between January and March 2021, we voted at 70 meetings in Korea, accounting for 30% of the total meetings voted at during the period. Our engagement activities largely follow this seasonality with engagements at Korean companies predominating.

It is our policy to vote all shares held in portfolios in a prudent and diligent manner, based on our judgment of what is in the best interests of our clients. We have documented the principles, which underpin our voting policies, in our "Corporate Governance Principles and Proxy Voting Guidelines". Copies of this policy document can be accessed from our website. Our voting statistics for the quarter are summarized below:

Q1 2021 Voting Activity on Behalf of Clients in the Asia Pacific Region

Voting summary for the region and key markets

Market	Asia Pacific		Korea		HK China		ASEAN		India	
Period*	**21Q1**	20Q1	**21Q1**	20Q1	**21Q1**	20Q1	**21Q1**	20Q1	**21Q1**	20Q1
Number of meetings voted	**236**	228	**70**	77	**67**	56	**30**	24	**19**	13
Total votes cast	**8,781**	6,418	**2,366**	2,254	**3,583**	1,881	**1,195**	467	**128**	121
For	**8,001**	5,868	**2,235**	2,138	**3,393**	1,851	**963**	391	**123**	114
Against	**769**	527	**129**	109	**190**	26	**225**	76	**3**	0
Abstain	**11**	23	**2**	7	**-**	4	**7**	0	**2**	7
Did not vote	**0**	0	**0**	0	**0**	0	**0**	0	**0**	0
As % of total										
For	**91.1**	91.4	**94.5**	94.9	**94.7**	98.4	**80.6**	83.7	**96.1**	94.2
Against	**8.8**	8.2	**5.4**	4.8	**5.3**	1.4	**18.8**	16.3	**2.3**	-
Abstain	**0.1**	0.4	**0.1**	0.3	**-**	0.2	**0.6**	-	**1.6**	5.8

**21Q1 refers to 1 January to 31 March for 2021 and 20Q1 refers to 1 January to 31 March for 2020*

The commentary below provides some examples of our voting decisions during the quarter.

Korea

Board independence and effectiveness remains a key focus of this market. We generally consider "outside" directors that have material professional relationships with the companies concerned as non-independent, and we usually vote against these candidates, unless compelling reasons persuade us otherwise. In the case of **POSCO**, We voted against the appointment of an outside director candidate, given that the individual concerned was previously connected to a law firm providing the company with legal services. The longer running issue for us is that the board itself lacks diversity, with a majority of existing Independent Directors having a similar profile to this candidate. We conveyed our voting decision and our suggestions for improving future board diversity through a letter to the Chairman.

However, at **LG Household & Health Care**, we, exceptionally, supported the election of the CFO and a shareholder representative from the parent company, LG Corp, despite our concerns about board independence. We took into account the CFO's track record and direction given by the shareholder representative to the company's strategic program. At the same time, we communicated our broader concerns and suggestions for succession planning and board diversity in a follow-up meeting with the Investor Relations representatives.

Transparency for executive remuneration is important

In terms of executive remuneration, local regulators do not require the disclosure of individual directors' remuneration, but only permit a total remuneration limit for all directors to be put to a shareholder vote. During the quarter, we supported the total remuneration limits at **Leeno Industrial, Wonik Materials, Kakao Corp, Nasmedia, Big Hit Entertainment, JYP Entertainment Corp and Suheung**, after seeking justifications for the limit revisions. We continue to encourage companies to improve disclosure on pay structures and design, in line with the expectations outlined in our "Corporate Governance Principles and Proxy Voting Guidelines".

India

To attract and retain key executives, and to align their compensation to the long term success of the company, we advocate remuneration structures that are clear, transparent, and simple to understand. We voted against **Mahindra Logistics'** proposal to issue a grant of restricted stock units to a non-executive director at par, i.e. significantly below the current share price. In general we prefer that grants are made at market prices to better align interests and we would only vote in favour in special circumstances. In this instance, given that the grants were to a non-executive director rather than a member of senior operational management, we did not feel those special circumstances existed.

Hong Kong and China

Shareholder rights and protection, and directors' commitments were key governance themes of the quarter. During the quarter, we welcomed the fact that a number of Chinese companies, listed ADR form (e.g. **New Oriental Education & Technology**), amended their Articles of Association to commit to convening Annual General Meetings in the future. Given a Cayman Islands incorporation, this is not a compulsory regulatory requirement. Nevertheless it is a healthy development that companies structured in this way are putting in place governance structures to allow their shareholders a regular vote.

Responsible use and allocation of capital is part of governance

For companies seeking shareholder approval to issue new shares without pre-emptive rights, we continue to advocate a maximum issuance limit of 10% of existing capital at a maximum price discount of 10%, unless there is strong justification for more dilutive terms. During the quarter, we voted against **Ping An Insurance Group Co. of China** as its proposed issuance resolution (seeking up to 20% issuance) did not meet our requirements.

Elsewhere, we firmly believe that non-executive directors must be able to devote an appropriate amount of time to board matters to carry out their responsibilities effectively. This should not only be measured by the director's attendance, but also the number of directorships held at any one time. We would not normally expect a non-executive director to hold more than three significant directorships, (although up to six directorships in related group companies may be permissible). During the quarter we voted against the election of a new over-boarded non-executive director at **Haier Smart Home**'s special meeting, due to concerns about the named candidate's potential commitment to his new responsibilities.

Investment Stewardship – roles and trends

We reproduce below an interview featuring the three recently appointed heads of our Investment Stewardship teams in EMEA, Asia ex Japan and Japan. Featured in this interview are Shizuko Ohmi (SO), Felix Lam (FL) and Yo Takatsuki (YT), who lead our Investment Stewardship activities in Japan, Asia ex. Japan and EMEA respectively. All three report to Jennifer Wu, JPMAM's Global Head of Sustainable Investing. We include this to provide insight into how the investment teams work in partnership with the Stewardship teams, to help bring about change in the policies and behaviours of our investee companies.

1. You are all relatively new joiners to JPMAM. Can you give some background on yourself as well as some early impressions of what ESG, engagement and stewardship looks like in this firm?

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

FL: I agree. Although US-based asset managers are often perceived as being slower in embracing sustainable investing, I have been positively surprised by the level of ESG integration in JPMAM as well as the interest and knowledge level of the investment teams.

In terms of background, I was the Head of Power, Energy and Materials Research for CCB International Securities before joining JPMAM in January this year. Seeing the importance of ESG, I studied the subject extensively to understand best practice, and am now an EFFAS certified ESG analyst, a holder of the SASB FSA Credential and a member of the CPA Australia Centre of Excellence.

YT: I have only been at JPMAM for the past three months 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, JPMAM has excellent corporate access and engagement happens with the most senior members of our investee companies namely, with board members and other senior executives.

As for my background, I joined in early February from AXA IM. Prior to this I was a business journalist for ten years at the BBC and Bloomberg covering many stories which at heart were about corporate issues which categorize as ESG.

2. Can you explain how you view the role of the Investment Stewardship team within JPMAM? How does the team interact with the investors?

YT: The role of the Investment Stewardship is clear – we are here to lead the engagement and voting activities 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 themes of engagements such as climate change or 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 with 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 utilize focus lists in order to prioritize which companies we target for engagement. The list is built in conjunction with the 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 with investors our findings on the best ESG practices, risks and opportunities. In addition to formal engagements, our views are expressed through our votes, regular stewardship reports and white papers.

SO: I agree that within JPMAM, 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 the issues by engaging constructively with our investee companies, to push them towards best practices.

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

YT: I cover Europe, Middle East and Africa as well as Latin America. It's an extremely diverse area which I am responsible for, so no day is ever the same! Nevertheless, there is one overarching issue which affects all of these regions– climate change. Mitigating global warming and achieving the Paris Agreement is proving to be one of the defining challenges of our time. The globalized economy which has evolved since the Second World War has brought incredible prosperity, but has also resulted in increased environmental degradation. Unpicking this, reducing our reliance on fossil fuels and transitioning to a net-zero economy is both a huge risk, and opportunity, for investors. Climate change is also finding its ways into other areas of ESG. Issues like executive compensation and board expertise and oversight are all being shaped rapidly by the climate agenda.

SO: In Japan, "Governance" in particular is recognized as the most problematic area in corporate value creation. Issues here include poor capital allocation, cross share-holdings and low return to shareholders. These are the result of the ineffective functioning of boards, that are often neither independent nor diversified enough to provide appropriate oversight to management. Also, gender diversity and female empowerment is particularly slow in Japan. We have recently joined the 30% Club in Japan to address to this issue through collaboration with other investors.

That said, we also see an increased focus on climate risks especially since the commitment to carbon neutrality announced by the Japanese government. We engage on a lot of issues such as climate risk disclosure; strategies to achieve carbon neutrality are 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 thinking about climate related risks and, in the longer term, the region may well run ahead of the US in terms of the progress made in this area.

4. How does JPMAM find the right balance between internal tools and external data sets when evaluating stewardship issues?

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

However to be fully integrated on ESG, one also needs subjective judgement. This includes insights on corporate culture, capability of the management, employee engagement and the relationships and trust that the company has built up with its clients, community and suppliers. This can only be analysed holistically by tools that incorporate the industry expertise of our research teams as well as the views of 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 should carry out our own research and we pride ourselves on it.

I believe no self-respecting investment manager would outsource its equity research to sell-side brokers nor its 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 revealed 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, they can be used to access quantifiable metrics such as carbon emissions or board composition. I also agree that external data providers 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 the higher the quality of the board and its strategic direction, the more this should determine the company's overall path towards sustainability.

J.P. Morgan Asset Management

Asia ex-Japan Proxy Committee

May 2021

Glossary

THE ASIA INVESTOR GROUP ON CLIMATE CHANGE (AIGCC) An initiative to create awareness and encourage action among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing.

CARBON NEUTRALITY/ NET ZERO CO2 EMISSIONS Net zero carbon dioxide emissions are achieved when anthropogenic CO_2 emissions are balanced globally by anthropogenic CO_2 removals over a specified period.

CDP A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

FUGITIVE EMISSIONS Unintentional methane leaks from equipment or components that are most challenging to identify

GRESB A global standard for portfolio-level ESG reporting in the real estate sector.

CLIMATE ACTION 100+ An investor-led initiative to encourage better climate disclosures and emission reduction strategies for a group of large greenhouse gas-emitting companies.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB) A nonprofit organization with a mission to develop sustainability-related accounting standards.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) Provides a framework through which companies can improve and increase the reporting of climate-related financial information.

THE PARIS AGREEMENT An agreement within the United Nations Framework Convention on Climate Change stating a global goal to keep the increase in global temperatures relative to pre-industrial levels to well below 2° Celsius while pursuing efforts to limit the increase to 1.5° Celsius.

30% CLUB A global campaign led by Chairs and CEOs taking action to increase gender diversity at board and senior management levels to at least 30% globally.

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