Investment Stewardship, Asia ex Japan – 2023 Q2

August 2023

J.P.Morgan
ASSET MANAGEMENT

At J.P. Morgan Asset Management, we are committed to delivering the highest possible risk-adjusted returns to our clients. We believe one of the key contributors to strong investment returns is a full understanding of the corporate governance principles and practices of the companies in which we invest. We expect all our companies to demonstrate the highest standards of governance in the management of their businesses, as far as is reasonably practicable.

Central to our investment approach is regular engagement with our investee companies in order to better understand their operating, strategic and governance issues. As a fiduciary, we recognize the importance of active ownership on behalf of our clients and we have an obligation to maintain a dialogue with the companies in which we invest, to ensure that our clients' interests are represented and protected. We routinely meet with the senior executives of our investee companies to exercise our ownership responsibilities. And where a governance issue is material, we will engage with the company to better understand the issue and seek to promote best practice. Our analysts and portfolio managers take these issues into account as part of their investment process.

Contents

Market developments and trends

ISSB standards launched, more work needs to be done

The International Sustainability Standards Board (ISSB) in June issued its inaugural standards[1] – the International Financial Reporting Standards (IFRS): S1, which is about general sustainability-related financial information and S2, which is on climate-disclosure. The adoption of the ISSB standards is voluntary and regulators play a critical role in driving the implementation of sustainability reporting standards. Regulators in the Asia Pacific (APAC) have in general, warmly welcomed these standards. Singapore has launched a public consultation about mandatory reporting based on the ISSB standards. Hong Kong, Australia, New Zealand and a few other markets also expressed different levels of interest to get companies to disclose their sustainability data based on the standards.

ISSB is also proposing the IFRS Sustainability Disclosure Taxonomy

To help investors analyze the sustainability footprint of their portfolios and evaluate the outcome in different aspects, it is important for investee companies to improve the breadth and depth of their environmental, social and governance (ESG) disclosure. Standardization of the reporting of material information is critical. The rolling out of the ISSB standards plays an important part in this.

Launching the standards is just an initial step. Noticeably, before the launch, the ISSB started a consultation in May on its priorities in its upcoming two-year work plan, including four new research and standard-setting projects: biodiversity, ecosystems and ecosystem services; human capital; human rights; and integration in reporting to explore how to integrate information in financial reporting beyond the requirements of S1 and S2. Comments for the consultation are due by Sept. 1, 2023.

Greenwashing is a hurdle to sustainable investing

Client Earth and the Asia Investor Group on Climate Change (AIGCC) jointly published a paper of greenwashing[2] in April. The paper serves as an introductory guide to help financial institutions, including asset managers, banks, institutional investors and regulators, better understand issues regarding greenwashing in the financial markets. By adoption of proper practices, investors can minimize the risk of greenwashing.

Greenwashing is a growing concern and has translated into regulatory actions in Australia. The government body Australian Securities and Investments Commission (ASIC) has issued a report in May 2023[3] that highlighted the greenwashing concerns and the actions it has taken against the greenwashing cases. The topic was also mentioned in the speech of ASIC Chair at the Australian Financial Review ESG Submit in June 2023.

[1] "ISSB issues inaugural global sustainability disclosure standards", The IFRS Foundation, June 26, 2023.

[2] "Greenwashing and how to avoid it: An introductory guide for Asia's finance industry", Client Earth, Asia Investor Group on Climate Change, April 2023.

[3] "ASIC's recent greenwashing interventions: Report 763", Australian Securities and Investments Commission (ASIC), May 2023

Corporate engagement

Medibank Private Limited

Asset class: Equity

Market: Australia

Stewardship priority: Social stakeholder engagement

Focus: Digital rights and cybersecurity

Digital rights and cybersecurity Data breaches are one of the key topics we engage with investee companies.

Issue

In October 2022, Australia's biggest health insurer Medibank suffered a cyberattack. A group of hackers stole the personal information of 9.7 million current and former clients (about 38% of Australia's total population of 25.4 million[4]) and released the data on the dark web. This prompted a short-term double-digit tumbling in Medibank's share price, an investigation of the Office of the Australian Information Commissioner into the company's personal information handling practices, and in June 2023, a AS$250 million capital charge imposed by the Australian Prudential Regulation Authority. As the company's long-term shareholder and steward, we see a significant need to engage with the company on this issue.

Action

This and last year, we met with the company multiple times, including the chief executive officer, the chief financial officer, its sustainability lead and the chairman of the supervisory board, to better understand the incident's financial implications and its cyber management. In May 2023, we traveled to the company's headquarters in Australia to meet with the independent board chair and risk committee chair to discuss the oversight of cyber and other ESG topics. At the meeting, two independent directors told us we are the first investor raising the issue directly with both of them.

Specifically on cyber oversight, we asked about their experience in handling the crisis last year, the role of the recently retired chief technology officer in crisis management, their view on cyber insurance, and how the unpredictable third-party risks may impact the company's outsourcing/insourcing strategy.

The external review conducted by Deloitte has been completed. The company does not share the report with the public as it contains sensitive information, but the bullet points shared in its half-year results are the high-level summary: stolen login credentials, firewall misconfiguration, third-party risk and system resilience. We said employee accountability is key to managing cyber risks and sought to understand how cyber forms part of employees' annual review. We encouraged more disclosure on how the company holds its employees and third parties accountable for cyber management in the future.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

[4] "Population: Census", Australian Bureau of Statistics, June 28, 2022.

Corporate engagement continued

In addition, we discussed the board's oversight of other evolving risks such as the use of artificial intelligence (AI). Two independent directors noted our point of the importance and evolving nature of the issue, including the potential need to publish its own AI governance or ethical principles.

Outcome/ Next stage

We will continue to monitor the issue as it is now served with at least three class-action suits [5] over the data breach. We will also continue to look for information about its internal cyber-related capacity.

Zijin Mining Group Ltd.

Asset class: Equity
Market: China
Stewardship priority: Social stakeholder management, climate
Focus: Supply chain management, labor practices human rights and community, and carbon emissions

Issue

Zijin has expanded rapidly over the years and become a diversified mining company with exposure in different parts of the world. Noticeably, the company's operations in the Democratic Republic of Congo, Serbia and Papua New Guinea have been caught in controversies related to labor practices, human rights and the community. With respect to climate change, the execution of its carbon neutral targets and its projects on hydrogen are the major topics of our discussion.

Action

We met Zijin's ESG team in-person in the second-half of 2023 in Hong Kong individually, and in a group meeting through the Asia Corporate Governance Association. We discussed about various sustainability related topics. The company's ESG office was set up in 2022 and this was the team's first visit to Hong Kong.

Zijin emphasized it has followed the Organisation for Economic Co-operation and Development (OECD)'s Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The company conducted an external ESG audit in Serbia in 2022 and plans to conduct an in-depth labor relations audit this year. We welcome companies to formally adopt the OECD Guidance and more importantly, the execution and transparency of due diligence. Based on our observation, transparency within the mining industry at certain critical stages of the due diligence process is insufficient.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

[5] "Cybercrime – shareholder class action", Medibank, June 29, 2023.

Corporate engagement continued

We suggest Zijin strengthen the disclosure of its supply chain management, including the location-specific governance and management of risks.

We also touched briefly on the topic of artisanal mining. We understand the contributions of artisanal mining to employment and the economy for certain locations. We encouraged the company to work with other miners, industry networks and states to improve the practices and conditions of artisanal mining.

We also engaged with Zijin about its strategy to mitigate climate risks. The company has targeted to reach carbon peak by 2029 and carbon neutrality by 2050. To achieve the goals in the interim, it is going to use more gas and electricity, including renewable energy. It is also studying the feasibility of some hydrogen projects. Zijin emphasized that investment in hydrogen is small and not a core focus.

Outcome and next steps

We look forward to deepening our discussions later this year with Zijin on its supply chain management, social auditing and energy transition plan.

In-person AGMs in Taiwan

Asset Class: Equity

Market: Taiwan

Stewardship priority: Governance

Focus: Board independence, board diversity, succession planning

Board effectiveness is another area we assess the governance of investee companies

Board diversity and independence are some of the core governance topics that we engage with Asian companies including Taiwan. In late 2021, the Taiwan Stock Exchange amended the Corporate Governance Best Practice Principles, setting a gender diversity expectation of at least one-third. Still, female representation on Taiwan companies' boards averaged 14-15% in 2022. Within J.P. Morgan Asset Management, we advocate for at least majority board independence as well as an ambition of at least 25% gender diverse board before 2025, and at least 30% before 2030 in the market. We still see room for improvement for many corporates in Taiwan, and we have been engaging with our investee companies on this subject, alongside wider corporate governance topics.

This year, we decided to exercise our shareholder rights and attend three annual general meetings (AGMs) in Taiwan – Chailease Holding Company Limited, Advantech Co., Ltd. and Silergy Corp. - to reiterate our ESG asks directly to the board of directors and senior management. The key highlights are:

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Corporate engagement continued

Chailease

We have been engaging with the family-controlled leasing company on board diversity and independence since 2022. The company has a medium- and long-term goal for at least one-third of the company with female directors and supervisors, but there is no timeline.

At the AGM this year, we asked if there is any specific timeline for the company's voluntary one-third female directors/supervisors target, whether the company has any plans to further increase board independence to at least majority independence, and what considerations it has for board refreshments. The chief strategy officer acknowledged the importance of further increasing board independence and diversity, and agreed on majority independence as their intended direction. The board chair also noted our expected timeline of at least 30% female board directors before 2030.

Silergy

The company recently started its ESG journey and published its inaugural ESG summary report last year. We welcomed the progress and reiterated the importance of ESG management and disclosure, including board oversight of material ESG topics to the board chair at its AGM. On climate, we encouraged the company to establish carbon neutrality targets aligned with the goals of the Paris Agreement. On social, the board chair agreed that information and cyber security should be prioritized and has promised to look further into the relevant materials. On corporate governance, we communicated our corporate governance principles of at majority board independence, as well as 30% gender diverse board before 2030, to the board chair. We encouraged the company to consider other board candidates who have relevant cyber/ESG oversight experience. The board chair promised to consider our suggestions. We also communicated our gender diversity expectations to one of the board directors who is also the director of Women on Boards Association in Taiwan.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Corporate engagement continued

Advantech

Succession planning is a key engagement topic especially for family-controlled companies in Asia. Industrial computer manufacturer Advantech is currently 27-28% held by the Liu Family. At the AGM, the company proposed appointing another son of the founder to the board. A long-standing independent director will continue to serve on the board and will be classified as an non-independent director as he has already served the board for more than nine years/three terms. These changes resulted in a decrease in board independence from 43% to 33%. While we exceptionally supported management this year as we see it as a temporary transitional change, we asked about the founder's succession planning and its plan on board composition.

As part of its three-year succession plan, the company is going to establish a "management committee" comprising three co-presidents and four to six vice presidents. The board chair expects board independence to increase at the next director election cycle. We will continue to monitor the company's transition to a professional management and board in the coming years.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Jardine Matheson

Asset Class: Equity, Bonds
Market: Singapore
Stewardship priority: Governance
Focus: Board refreshment and structure (independence, diversity and committee setup), capital allocation

Issue

Companies need to generate reasonable long-term returns for shareholders and meeting interest and principle payments of their debts on time.

The board of Jardine Matheson (JM) has a number of experienced long-tenure directors. Their experience and knowledge are valuable to JM which has a complex and generally mature business. It is important for the board to bring in new directors, including independent directors to inherit these values and to help the company navigate the evolving challenges in its businesses and to drive innovation which are among its strategic priorities. We see the need for a gradual refreshment of the board.

Capital allocation is another topic in our engagement. Amid a series of actions involving share buyback, acquisitions, divestments and new investments, we want to understand clearly its priorities and considerations in the use of capital.

Action

Following changes in the board of its subsidiaries, JM appointed its first female director who is independent. An experience executive has also stepped down but remains on the board as a non-executive director. There are also changes in the Audit Committee which has become more independent. We welcome all the changes and expect more refreshment to bring the board in closer alignment with our expectations.

With respect to capital allocation, JM has prioritized organic investment and dividend per share before mergers and acquisitions (M&A), which includes buyback. Noticeably, we see JM having limited intention for sizeable buybacks that would involve hundreds of millions of dollars. Geographically, the company is now focusing its business on China, Indonesia and Vietnam. In terms of industries, JM emphasized that its portfolio is evolving and is investing in new businesses with long-term growth prospects, such as digital banking, consumer financials and health care.

Outcome/next steps

We will continue to engage with the company with the aim of driving a younger, more diversified board with majority independence. Given the group's exposure to coal and autos, energy transition is a topic we want to engage more on.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Proxy voting

We review all resolutions to ensure that votes cast are in the best interests of our clients. Most resolutions raised are uncontentious, and we typically vote in support of incumbent management. However, in a number of instances, we either abstain from voting or vote against specific resolutions. In Asia Pacific, we have appointed Institutional Shareholder Services Inc. (ISS) to assist us in the processing of proxies and to provide us with recommendations based on our Proxy Voting Guidelines. At the same time, we are under no obligation to accept these recommendations if we believe that client interests are best served by voting differently.

Between April and June 2023, we voted 10,903 proposals at 1,039 Asia ex Japan company meetings, of which China and Hong Kong accounted for close to 66.0% of total number of meetings, followed by Association of Southeast Asian Nations (ASEAN) (19.9%), Taiwan (7.4%), India (4.5%) and Australasia (1.7%). Our voting statistics for the quarter are summarized below:

J.P. Morgan Asset Management voting for Asia ex Japan companies in 2023 Q2

*All Asia ex Japan companie	2023 Q2		2022 Q2	
Number of meetings	**1,039**		870	
Number of votable proposals	**10,903**		9,431	
Votes with management	**9,388**	**86.1%**	7,938	84.2%
Votes against management	**1,441**	**13.2%**	1,430	15.2%
Abstain and withhold	**61**	**0.6%**	54	0.6%
Total number of proposals voted	**10,903**	**100.0%**	9,422	100.0%
Number of shareholder proposals voted for	**278**		288	

Key Markets	China, HK		ASEAN		Taiwan		India		Australasia		South Korea	
Period*	**2023 Q2**	2022 Q2	**2023 Q2**	2022 Q2	**2023 Q2**	2022 Q2	**2023 Q2**	2022 Q2	**2023 Q2**	2022 Q2	**2023 Q2**	2022 Q2
Number of meetings voted	**685**	517	**207**	204	**77**	73	**47**	51	**18**	22	**5**	3
Number of proposals voted	**7982**	6251	**2036**	2096	**503**	638	**227**	278	**130**	137	**25**	22
For	**6884**	5234	**1709**	1750	**472**	586	**191**	238	**107**	115	**25**	15
Against	**1069**	1001	**282**	308	**31**	52	**36**	40	**23**	22	**0**	7
Abstain/Withhold/DNV	**29**	16	**45**	38	**0**	0	**0**	0	**0**	0	**0**	0
As % of total												
For	**86.2%**	83.7%	**83.9%**	83.5%	**93.8%**	91.8%	**84.1%**	85.6%	**82.3%**	83.9%	**100.0%**	68.2%
Against	**13.4%**	16.0%	**13.9%**	14.7%	**6.2%**	8.2%	**15.9%**	14.4%	**17.7%**	16.1%	**0.0%**	31.8%
Abstain/ withhold	**0.4%**	0.3%	**2.2%**	1.8%	**0.0%**	0.0%	**0.0%**	0.0%	**0.0%**	0.0%	**0.0%**	0.0%

**Based on ISS Country of Coverage*

Propsoal category	2023 Q2			2022 Q2		
	Number of Proposals	**As a % of total**	**% voted Against / Abstain / Withold**	**Number of Proposals**	**As a % of total**	**% voted Against / Abstain / Withold**
Capitalization	1,487	14%	27%	1207	13%	24%
Compensation	898	8%	21%	326	3%	33%
Director related	2,703	25%	14%	2851	30%	18%
Strategic Transactions	602	6%	28%	1042	11%	27%
Routine business	3,416	31%	0%	3643	39%	7%
Others	1,797	16%	21%	353	4%	13%

Similar to our observation in the past years, the April–June quarter coincided with the peak of the AGM period in Greater China and ASEAN. In China and Hong Kong, we voted against 1,069 proposals, of which 35.2% were related to Capitalization. In Taiwan, we voted against 31 proposals, of which 71.0% were also related to director items related to AGM. In ASEAN, we voted against 282 proposals, of which 25.5% were related to director items related to AGM.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Directors' election

During the quarter, we voted against 316 proposals related to director election due to concerns about overall board independence and long-tenure of independent directors and the lack of female representation on the board. About 61.7% of these proposals came from China and Hong Kong companies. Please refer to the following voting highlights:

Kweichow Moutai Co., Ltd. (China)

At the company's AGM 2023, we exceptionally supported the election of directors given the appointment of first female director and the independence of its audit committee. We may consider voting against certain directors' re-election if there is no further improvement in board independence and diversity in the future.

In addition, we voted against its participation in the establishment of the industrial development funds. We believe there is a governance issue as there is a mismatch of the parent company's commitment and benefits, whereby the parent commits to 0.18% investment only but will benefit from 0.45% management fee while the listed entity bears the most of the financial results/risks with 90.7% investment. In addition, the investment scope of the private equity funds is too general with no restriction in terms of industries or markets, and there are no details on project risk control measures. We also have concerns about the risks on how to assess and review capital deployment in the future.

Approval of Auditors

During this quarter, we voted against 43 proposals related to ratification of auditor items if the company does not provide sufficient disclosure related to external auditors. About 79.1% of these proposals came from ASEAN companies. Please refer to the following voting highlights:

Gelex Group Joint Stock Company (Vietnam)

The company proposed an item related to the approval of external auditors in this AGM. We voted against this item because the company failed to disclose sufficient information. We expect the company to disclose the level of audit and non-audit related fees paid to auditors for the financial year, in order to provide protection for minority investors.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Executive remuneration

During the quarter, we voted against 41 proposals related to executive remuneration due to concerns about failure to provide clarity on the increase of total remuneration and the grant of incentive schemes. About 46% of these proposals came from South Korean companies. Please refer to the following voting highlights:

Wuxi AppTec Co., Ltd. (Hong Kong)

The company proposed several items related to its share award schemes in the AGM. We supported these items because we believe the share award scheme could drive business performance that is aligned with shareholders' interest.

The primary reason for the company seeking an approval is to meet the changes in the listing rules related to issuance of options and shares for executives' pay. According to the company, the schemes cover 4,800 employees and involves primarily short-term targets including revenue growth, gross profit growth and gross margin for the financial year 2023. The shares/options will be granted in four years (25% for each year starting from 2024) for those with performance rating of B+ or above. We suggested the company initiate share award schemes that focus not only the short-term targets but also the mid-to-long term metrics as all the conditions for granting are based on 2023 performance only.

Capitalization and capital allocation

During this quarter, we voted against 402 proposals related to capitalization, capital allocation and strategic transactions. About 93.5% of these proposals came from China and Hong Kong companies. Please refer to the following voting highlights:

Hindustan Unilever Limited (India)

The company proposed an item related to related-party transactions in this AGM. The company did not put royal payout as a voting item, but was only seeking shareholders' approval for the central services fee arrangement, while royalty and brand-usage payouts have been kept out of the shareholders' review. We voted against these items because we did not receive a convincing response as to what more can the company get from the increased payout. Additionally, the other supplementary rise in charges such as brand royalty payout has been kept out of the voting purview, and this is sub-optimal corporate governance.

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Shareholder proposals

During the quarter, we observed 298 shareholder proposals in APAC but the most of them were proposed by controlling shareholders about director re-election. We supported 278 proposals and voted against 20 related to election of directors and article of incorporations. There were two environmental proposals from Australia in this quarter and we voted against them

Source: J.P. Morgan Asset Management. Data as of June 2023. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell.

Spotlight on: Proxy Voting

Shizuko Ohmi
Exp: 31,2

Felix Lam
Exp: 18,1

Bennett Rosenbach
Exp: 8,8

Irfan Patel
Exp: 9,<1

In this quarter's report, we asked four members of the Sustainable Investing team to discuss Proxy Voting. We hope it illustrates our internal proxy voting process and highlights current trends in voting. We asked Shizuko Ohmi (SO), Felix Lam (FL), Bennett Rosenbach (BR) and Irfan Patel (IP), who are all Investment Stewardship Specialists in the Sustainable Investing team.

1 **We have just finished the second quarter which is usually the peak time for AGMs and voting. Can you talk about some of the themes you have seen? Do these themes tend to be region-specific or are they connected across the world?**

FL: Environmental and social related shareholder activism is growing slowly in Asia. The regional focus remains on traditional governance topics with respect to the board and capital discipline. A positive sign we are seeing is the increase in the appointment of female directors. We believe this is due to a change in regulation in some markets and the general trend for institutional investors in the region asking companies for more diversity. Starting from 2022, large South Korean companies (with assets of over two trillion won or more) need at least one female director. The Hong Kong Exchange has also rolled out rules prohibiting single-gender boards. Capital allocation is another topic we have actively discussed with investee companies. This year we engaged with some Korean financial institutions to demand higher dividends as we view their historical pay outs as low. We have also questioned the purposes and objectives of pursuing expansion, including mergers and acquisitions. We highlighted that it is important to consider the quality of growth and returns of these growth opportunities to shareholders in the long term. Companies have responded positively to our ask for higher dividends whilst their response regarding business growth has been lukewarm.

SO: The universal focus on board diversity and climate change is becoming more attractive in Japan as well. With gender diversity at the lowest end in a global comparison, we have increasingly seen companies in Japan appointing female directors on their board after years of engagement.

Source: J.P. Morgan Asset Management. Data as of June 2023.

1

Cont/...

The escalation to vote against single-gender boards which we introduced in our guidelines last year, has worked quite effectively. The strengthening of our guidelines this year to at least 30% female representation on boards by 2030 has attracted public attention as it echoes well with the newly introduced government policy for prime-listed companies of at least 30% female representation on boards by 2030. We have also noted a continuous increase in shareholder proposals on climate risk not just by environmental NGOs, but by investors. These proposals being filed for the first time to a large automaker reflect climate risk concerns increasing in the financial community.

More specifically to Japan, there is expanding awareness that capital efficiency remains an issues despite corporate governance reforms in the past few years. As a result, to improve the capital efficiency of companies, the Tokyo Stock Exchange has requested companies to explain their management of capital costs and strategy. Investors have been increasingly voting against management if they have not been satisfied with the state of cross-shareholding and shareholder returns. Therefore, proposals from activists asking for more shareholder returns have been gaining momentum.

BR: In the US, we have seen continued high numbers of environmental and social shareholder proposals as well as significant growth in the number of anti-ESG proposals. We expect overall support levels in the market for shareholder proposals to be down. We believe that is largely because the lowest hanging fruit for environmental and social issues is gone. If we go back five years, very few companies were reporting on climate opportunities and risks in frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD), and most had not set intermediate or long-term targets covering their operations (Scope 1 and 2 emissions). Now, at least in the most emissions-intensive sectors, that is no longer true. Shareholder proposals on emissions this season have therefore mostly focused on supply chain emissions (Scope 3), which might not be within the company's control and which shareholders may be less comfortable endorsing.

IP: The European voting season was marked by continued focus on climate and environmental issues, a theme which was mirrored across all regions voted. Investors continue to challenge companies on climate targets and commitments, fossil fuel financing and underwriting, as well as transparency in lobbying activity regarding climate change policy. Investors are also increasingly holding directors accountable for failure to appropriately manage climate change risk by withholding support on individual director elections or entire slates.

Source: J.P. Morgan Asset Management. Data as of June 2023.

1

Cont/...

The voting season also saw pay-related resolutions coming under increased scrutiny in Europe as companies sought to ensure pay for top executives remains appropriately aligned with shareholder value creation and long-term performance while cognizant of the wider economic environment. There was also a focus on longer term incentive plan awards granted during the COVID-19 pandemic. These typically have three-year performance periods and came to fruition during the year under review. Investors were eager to ensure payout reflected performance and did not unduly benefit from any 'windfall' gains where grants were made at the bottom of the share price in the early days of the pandemic and subsequently recovered quickly. In the UK, we have already seen 27 companies receive dissent of more than 20% on their remuneration proposals (the figure at which companies appear on the UK Investment Association's Public Register for companies with significant dissent), accounting for more than a third of all resolutions that received such dissent.

2

From a practical perspective you have established a system which enables you to vote in such a large volume of meetings – approximately 9000 meetings a year. How do you work with the investment teams to ensure the full range of internal expertise is captured in the voting decision especially when they are contentious in nature?

BR: In the US, JP Morgan Asset Management (JPMAM) votes in around 3,000 meetings per year for stocks held in active accounts. Approximately 75% of that occurs in the second quarter. The sheer volume requires an established process to manage the workflow.

Our Proxy Voting Guidelines were established to address routine proposals, and proposals that can easily be analyzed with a rules-based framework. The guidelines, which have been broken into the four regions of North America, EMEA, Japan, and Asia-ex-Japan to allow for differences in regional norms, are updated every year. These allow the Stewardship team, in its role as the regional Proxy Administrator, to focus on more contentious votes. These contentious votes mostly include controversial say-on-pay votes, proxy contests, high-profile environmental and social shareholder proposals, and merger votes.

A key role of the Stewardship team is to escalate contentious votes to the appropriate internal experts, namely the portfolio managers who own the stock and the analysts who cover it. The Stewardship team aims to present the proposals, the relevant issues, and an initial recommendation to the relevant analysts and PMs early enough to allow for internal debate and possibly a meeting with the company itself to discuss the proposal.

Source: J.P. Morgan Asset Management. Data as of June 2023.

2 Cont/...

The most controversial and high-profile votes are escalated to the regional proxy committee for approval after the Stewardship and Investment teams have come to an agreement. Each Proxy Committee is composed of members and invitees including senior officers from among the Investment, Legal, Compliance and Risk Management Departments. This ensures that these votes are approved by investors covering a wide range of investment styles and strategies.

FL: While my team and I oversee the voting of Asia ex-Japan companies, the decision makers could be in any region. Some of our key Asia ex-Japan holdings are owned by portfolio managers in all four regions while the research analysts could be based anywhere. Overseeing proxy voting is challenging. To help all users monitor and exercise proxy voting in scale, the stewardship teams have been working with our operation teams to build an in-house technological voting platform. The platform exchanges data between us and our external proxy advisor. It serves as an interface to organize voting related information and manage our votes.

Asia ex-Japan was the first region to use this platform for proxy voting. As with many new software programs and technologies, there generally are issues at the beginning and it takes time for these issues to be resolved. The three user groups, the investment stewardship specialists, portfolio managers and research analysts, have been providing constructive feedback about the voting platform. Based on this feedback, our operational teams have enhanced the platform and made it a more robust engine for voting. We have been using this platform to vote for most of the meetings for Asia ex-Japan companies. The plan is to roll out the platform to the rest of Asset Management over the next two years.

Source: J.P. Morgan Asset Management. Data as of June 2023.

3

We have our in-house Custom Voting Policy, which is the basis of our vote recommendations. This has evolved considerably in recent times - can you talk about what you are achieving with this initiative and explain some of its key characteristics?

FL: We vote in a manner that is intended to be beneficial in delivering the long-term value of the companies in which we invest. To facilitate this, we have established proxy voting guidelines covering global markets. Our Global Proxy Voting Guidelines are the backbone of our in-house Custom Voting Policy, which is the implementation policy that guides our voting decisions for routine proposals that can be analyzed within a rule-based framework. The classic examples are proposals that could affect the independence of the board. As we mentioned in our Global Proxy Voting Guidelines, we expect companies to have a majority independent board and their audit committees to consist solely of non-executive directors, who are independent of management. Should our investee companies fail to meet these requirement we will vote against the election/re-election of certain non-independent directors of the board and all the non-independent directors of the audit committee.

IP: Our proxy voting advisor will review our Custom Voting Policy and deliver bespoke recommendations for the associated resolutions. The Custom Voting Policy helps to deliver a more consistent and joined up reflection of our views with our voting. With Custom Voting Policy in-place, we can spend more resources and time analyzing agenda items which are more contentious, such as the say-on-pay votes, say-on-climate votes, executive compensations, share award schemes and proxy fights. These resolutions require active discussion case-by-case internally.

4

How do you work with certain funds or clients which have very specific views on sustainability or governance?

BR: JPMAM recognizes that some clients' desire for ESG to be part of the investment process goes beyond our standard ESG integration philosophy and includes driving sustainable outcomes. That has led to JPMAM developing sustainable strategies. In conjunction, we have also developed the North America Sustainable Strategy Proxy Voting Guidelines. The purpose was to align proxy voting decisions within scope of sustainable strategy accounts' objectives and strategies. These guidelines supersede the section on social and environmental issues in the North America Proxy Voting Guidelines and address issues such as human capital management, promotion of environmental disclosures and climate action. The guidelines can be found here: North America Sustainable Strategy Proxy Voting Guidelines.

Source: J.P. Morgan Asset Management. Data as of June 2023.

4 **Cont/...**

IP: As sustainable strategies continue to grow, we recognize that there exists a need to provide a similar offering at a more global level, so we are in the process of developing Global Sustainable Strategy Proxy Voting Guidelines. These will reflect a similar approach to social and environmental issues as in the North America guidelines while recognizing the nuances of specific markets. Similarly, we see an increasing appetite in the market to provide clients enhanced voting choices. We have been working with our voting platform provider to explore voting approaches for clients in separately managed accounts which could include specialty policies or considering the client's specific votes on sustainability or other topics.

5 **We have recently published JPMAM's 2022 Investment Stewardship Report, including a separate Climate Change Engagement & Voting Report. Could you discuss some of the key messages and insights from those documents?**

SO: The Investment Stewardship Report is an important publication which details in great depth our firm-wide approach to stewardship. We go into detail about how we consider key priority issues such as climate change, human capital and governance amongst others and we provide case studies of how we have progressed engagements over time. It also covers our governance and oversight of sustainable investing, how we integrate ESG into our investment decision-making process across asset classes as well as how we work to meet client needs. The report is panoramic as it seeks to meet the expectations of robust engagement and proxy voting as set by Stewardship Codes around the world. The 2020 revisions to the UK Stewardship Code in particular, set the hurdle high for practices and transparency especially for the largest firms.

This year, we provide further detail on the outcomes of engagement, as well as covering asset classes such as sovereign bonds and private markets. The report can be found here: 2022 Investment Stewardship Report.

Also, we published an excerpt from the report focusing on climate change which is an area that many of our clients and stakeholders constantly request knowing more about. This can be found here: 2022 Climate Change Engagement & Voting Report.

Source: J.P. Morgan Asset Management. Data as of June 2023.

RISK SUMMARY

Certain client strategies invest on the basis of sustainability/Environmental Social Government (ESG) criteria involves qualitative and subjective analysis. There is no guarantee that the determinations made by the adviser will be successful and/or align with the beliefs or values of a particular investor. Unless specified by the client agreement or offering documents, specific assets/companies are not excluded from portfolios explicitly on the basis of ESG criteria nor is there and obligation to buy and sell securities based on those factors.

The views contained herein are not to be taken as advice or a recommendation to buy or sell any investment in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. Although certain information has been obtained from sources believed to be reliable, JPMAM does not assume any responsibility for the accuracy or completeness of such information. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit and accounting implications and determine, together with their own financial professional, if any investment mentioned herein is believed to be appropriate to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not reliable indicators of current and future results.

J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at https://am.jpmorgan.com/global/privacy.

This communication is issued by the following entities:

In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients' use only, by local J.P. Morgan entities, as the case may be. In Canada, for institutional clients' use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific ("APAC"), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919). For all other markets in APAC, to intended recipients only. For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance.