Investment Stewardship, Asia ex Japan – 2024 Q1

May 2024

J.P.Morgan
ASSET MANAGEMENT

J.P. Morgan Asset Management is committed to delivering long term risk-adjusted returns to its clients. We believe that one of the key contributors to strong investment returns is a deep understanding of the corporate governance principles and practices of the companies in which we invest. We expect all our investee companies to demonstrate and aspire to high standards of governance in the management of their businesses, as far as is reasonably practicable.

A key component of 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 recognise the importance of active ownership on behalf of our clients and maintaining a dialogue with the companies in which we invest, to ensure that our clients' interests are represented and protected. We therefore meet regularly with the senior executives of our investee companies, to exercise our ownership responsibilities. Where a governance issue is material, we will engage with the company in order to better understand the issue and seek to promote best practices. Our analysts and portfolio managers may take these issues into account as part of their investment process.

Contents

Market developments and trends

Regulators pushing for more standardised disclosure to help sustainability-related evaluation

Setting global baselines helps drive consistency and comparability of sustainability-related disclosures.

The first quarter of 2024 witnessed a flurry of activity across various Asian countries, as regulators and exchanges intensified their focus on sustainability disclosure initiatives. From finalised rules to consultation papers, the quarter was marked by a significant push towards greater transparency and accountability in the realm of corporate reporting.

In Singapore, the Accounting and Corporate Regulatory Authority (ACRA) and the Singapore Exchange Regulation (SGX RegCo) announced details of mandatory climate-related disclosure requirements for listed companies and large non-listed companies. The requirements are set to come into effect from 2025. Listed issuers were directed to align with International Sustainability Standards Board (ISSB) standards, signaling a clear commitment to aligning with global best practices. Large non-listed companies, which generate annual revenue of SGD 1 billion or above and have total assets of SGD 500 million or above, were also given a timeline to start their disclosure journey from 2027.

Meanwhile, the SGX RegCo sought feedback through a consultation paper[1] on incorporating ISSB Standards into its sustainability reporting rules, underlining the growing importance of climate-related disclosures. The consultation emphasised the need for issuers to adhere to the ISSB standards (S1 and S2) for preparing climate-related disclosures, reflecting a comprehensive approach towards reporting Scope 1 and Scope 2 greenhouse gas emissions. The consultation also mentioned the reporting of Scope 3 emissions.

In Australia, the Department of Treasury issued the consultation[2] for the exposure draft legislation of the climate-related financial disclosure. The proposed disclosure requirements underscored the country's commitment to promoting sustainable practices and ensuring that the largest companies and financial institutions adhere to Australian Accounting Standards Board (AASB) standards for sustainability reporting.

Over in Korea, the Financial Services Commission (FSC) geared up to unveil domestic Environmental, Social and Governance (ESG) disclosure standards, with a specific focus on climate-related disclosure standards. The intention to align with global benchmarks such as the ISSB demonstrates Korea's determination to harmonise its reporting framework with international standards.

China also made significant strides in advancing sustainability reporting, with Shanghai Stock Exchange[3], Shenzhen Stock Exchange[4], and Beijing Stock Exchange[5] publishing a draft of the sustainability disclosure guidelines (in Chinese) for listed companies. The move aimed to mandate large-cap companies in key indices to disclose sustainability reports by a specified deadline, reinforcing the importance of transparent reporting practices.

[1] Consultation Paper on Sustainability Reporting: Enhancing Consistency and Comparability

[2] Climate-related financial disclosure: exposure draft legislation

[3] Shanghai Stock Exchange website

[4] Shenzhen Stock Exchange website

[5] Beijing Stock Exchange website

Market developments and trends continued

Before the announcement of the three exchanges, the Securities and Futures Commission of Hong Kong rolled out its three-year strategic priorities for 2024-2026. One of the priority is "Leading financial markets transformation through technology and ESG". Steering local and regional development of corporate disclosure standards is among the objective within this priority. Later in the quarter, the Hong Kong Government issued a Vision Statement, describing its aim to be among the first jurisdictions to align local sustainability disclosure requirements with the ISSB Standards.

Last but not least, the Taiwan Stock Exchange (TWSE) announced amendments (in Chinese) to its sustainability reporting rules, expanding the scope of companies required to prepare sustainability reports while incorporating additional reference points such as the Sustainability Accounting Standards Board (SASB) standards. These changes highlighted TWSE's commitment to enhancing disclosure practices and embracing global sustainability frameworks.

We welcome the effort of regulators to instil transparency, comparability and accountability in how companies address ESG issues. The supply of standardised disclosure, and more importantly material, high-quality and reliable sustainability-related information could help investors evaluate the sustainability risks and opportunities of companies. The information could enable stewardship specialists to uncover key issues among companies, driving them to make positive changes through engagement, thereby preserving and enhancing their asset value.

Korea's "Corporate Value Up Programme" welcomed by investors

Governance issues such as misallocation of capital and cross-shareholding structures are some of the major perceived factors among investors that could be causing South Korean companies to have lower relative valuation than their global peers. To help address the issues, the country's Financial Services Commission will focus on boosting the value of the local capital markets by introducing the Corporate Value-Up Programme.

Investors compare the Korea Value-up programme with governance initiatives rolled out in Japan

According to the FSC's announcement, the Corporate Value-Up Programme framework has three pillars, 1) supporting listed companies to prepare, implement and communicate their corporate value-up plans, 2) supporting investors to make informed evaluations and investments in companies that demonstrate outstanding improvements or high value, and 3) establishing a dedicated system to support the implementation of the Corporate Value-Up Programme[6].

The FSC also introduced the Korea value-up index, which is a new benchmark index currently being developed by the Korea Exchange (KRX). The index will be composed of companies that have outstanding valuations and those demonstrating improvement in their valuations. KRX is in close consultation with institutional investors and plans to finish the development of the index by the third quarter of 2024.

We appreciate the roll out of the Corporate Value-Up programme by the FSC and continue to look for more details about the programme.

[6] Active Support to be Provided to Promote Voluntary Efforts of Listed Companies in Enhancing Their Value

Corporate engagement

Tencent

Asset Class: Equity

Market: China

Stewardship priority: Social stakeholder management, governance

Focus: Date privacy and security, trusted AI, board composition

Issue

Tencent collects and processes massive user data. We want more transparency from the company about its governance of data privacy and cybersecurity. Furthermore, with its expansion in Artificial Intelligence (AI) research and application, more transparency is needed regarding the company's internal governance on the use of AI. Governance is another topic we actively engaged with Tencent. We are asking the company to improve its board independence by appointing a lead independent director.

Action

In January 2024, we engaged in-person with Tencent twice, to answer its ESG survey and to follow up on material ESG issues we discussed previously, namely the handling of data privacy and the responsible use of AI.

We shared with Tencent the key takeaways of the International AI Cooperation and Governance Forum hosted by HKUST and Tsinghua University. These include the controversies faced by iTutor Group and the practical approach to fairness in AI hiring shared by LinkedIn's AI Technical Fellow. Tencent has been using AI for a range of applications and emphasises its "Value for Users, Tech for Good" vision and mission. It quoted AI use cases on healthcare such as the collaboration with hospitals for scanning and diagnosis and the joint development project with Novartis on AI Nurse, an AI-enabled disease management tool. The company has set protocols for the health application to ensure protection of data privacy and security.

Data quality, copyright issues and ethical concerns are some of major issues for companies to their AI technology.

Tencent has established a Personal Information Protection and Data Compliance Management Taskforce and the highest decision-making body of the taskforce is the management committee, which is comprised of the CEO, Presidents and the heads of all business groups. The taskforce helps drive the AI governance policies. The company also established a committee to evaluate AI projects. We encouraged it to disclose more about its governance structure and mechanism with respect to AI governance. We also shared a paper from Novartis that covers AI ethical principles.

Corporate engagement continued

Considering the long-tenure for some independent directors, we suggested that the company increase its board independence and appoint a Lead Independent Director.

Outcome

The company released its annual ESG report in April 2024. We found more details about the company's development in the area of data privacy and cybersecurity. Their disclosure about its AI principles and governance has also been enriched. From the report, we noticed that Tencent has formed the AI Technology Committee to centralise the coordination of AI-related initiatives and has established AI management guidelines. The company aims to establish an R&D and governance framework prioritising responsible AI practices.

We welcome the above developments and will follow up on the governance of its AI initiatives.

Qantas

Asset Class: Equity

Market: Australia

Stewardship priority: Governance, climate change

Focus: Executive compensation, climate risk mitigation

Issue

Qantas has been facing turmoil. The former CEO retired earlier than scheduled and two independent directors resigned. The Remuneration report was voted down by shareholders, resulting in the first strike under the Corporations Act of Australia.

The company is among the first (in 2019) to commit to net zero by 2050 and we want to get better insight into its plan and progress.

Action

The company has been facing accusations related to ticket sales and firing of workers. Three board members announced their resignation before the Annual General Meeting (AGM). The board chair will be succeeded by John Mullen, who has been the Chair of Treasury Wine Estates since 2023 and Brambles since 2017. A new independent director and Chair of the Remuneration Committee, Dr. Nora Scheinkestel, joined in March 2024. She is the Independent Director of Origin Energy, Westpac and Brambles.

Corporate engagement continued

Australia has the advantages to develop its SAF industry given the country's availability of natural resources.

The board also acknowledged shareholders' concern of the company's executive remuneration and is committed to increasing transparency and addressing other issues.

Regarding climate action, Qantas has invested in carbon offset projects since 2007. The projects are generally considered high quality and aims to benefit both nature and society. The scale of the offset has been expanding with new partners participating. The use of Sustainable Aviation Fuel (SAF) is another key initiative for reducing emissions. Noticeably, the company has set a 10% SAF blending target by 2030, in-line with the commitment of many other airlines.

The adoption of SAF is a challenge in Australia, highlighting the critical need for more government support. Outside of the country, the company signed offtake agreement for SAF with suppliers in London Heathrow airport and California.

Outcome

Qantas shared with us the initial steps it has taken to address investors' concerns with respect to executive compensation. We believe that the dust has largely settled for the company and there should be no further changes to the board. We expressed our interest to engage with the two new independent directors in 2H to discuss about the company's plan for the design of executive compensations and climate action, including the strategy and priorities of the Climate Fund.

Samsung Electronics

Asset Class: Equity, bonds

Market: South Korea

Stewardship priority: Governance

Focus: Capital allocation, board diversity

Issue

Improving shareholder return is another ask in our engagement over the past two to three years. We also see room for more diversity in the company's board.

Action

With respect to capital allocation strategy, the messages from the company remained unchanged. External market uncertainty, declining cash reserves and considerations of corporate actions (merger, acquisition and strategic partnership) were brought up again in the meeting. The board was reviewing the shareholder return policy over the past year and a new shareholder return programme for 2024-2026 would be announced.

We met with the company in January to discuss the issues. The board was aware of the investors' ask for a more diversified board and was reviewing candidates for the succession of two independent directors whose term would end soon. The diversity of the candidates will be among the factors considered by the board.

Outcome

At the end of January 2024, Samsung Electronics came up with the share return programme for 2024-2026, which has the same terms as the previous three-year programme. We were disappointed about this.

In the March AGM, the company appointed two new candidates for independent directors. There were no changes to the overall diversity of the board.

Kiwoom Securities

Asset Class: Equity

Market: South Korea

Stewardship priority: Governance

Focus: Board structure and composition

Issue

Kiwoom Securities was involved in a share price manipulation scandal in 2023. Both the CEO and Chairman resigned. While a new CEO was appointed in January 2024, the company has yet to provide a proper explanation about the scandals or offer a remedy for investors affected by the scandals. We are concerned about the company's governance.

Action

In the March 2024 AGM, the company sought for shareholders' approval to elect two executive directors into the board. We voted against the election of two executive directors as the board must be held in check and we would like to seek greater independence and responsibility for the board.

Effective communication with investors is important in fostering transparency and building trust with the investor community.

We attended the company's AGM in person to address our concerns. The CEO, a newly appointed executive director, and the Chair of the Audit committee who is an independent director, were the only board members at the meeting. In the meeting, we raised our concerns as shareholders of the company. In particular, we noted the lack of communication with investors historically and the regulator's investigation of the Chairman over the alleged stock manipulation.

Corporate engagement continued

Outcome/next steps

The new CEO acknowledged our concerns and stated that Kiwoom Securities plans to improve its investor relationships this year. The newly appointed executive director supplemented that the company aims to reach out to foreign investors. We welcomed the positive feedback from the board and will request for a meeting with them later this year.

Proxy voting

We review all resolutions to ensure that votes cast are in the best economic interests of our clients. As such, we vote in a manner that is intended to be beneficial to delivering the long-term value of the companies in which we invest. 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 January and March 2024, we voted 2,810 proposals at 493 Asia ex-Japan company meetings, of which China and Hong Kong accounted for close to 54.2% of the total number of meetings, followed by South Korea (27.0%), India (15.2%), and Association of Southeast Asian Nations (ASEAN) (2.4%). Our voting statistics for the quarter are summarised below:

J.P. Morgan Asset Management voting for Asia ex Japan companies in 2024 Q1

*All Asia ex Japan companie	2024 Q1		2023 Q1	
Number of meetings	**493**		348	
Number of votable proposals	**2,810**		2,141	
Votes with management	**2,462**	**87.6%**	1,852	86.5%
Votes against management	**325**	**11.6%**	286	13.4%
Abstain and withhold	**12**	**0.4%**	3	0.1%
Total number of proposals voted	**2,810**	**100.0%**	2,141	100.0%
Number of shareholder proposals voted for	**133**		67	

Key Markets	China, HK		South Korea		India		ASEAN		Australia	
Period*	**2024 Q1**	2023 Q1	**2024 Q1**	2023 Q1	**2024 Q1**	2023 Q1	**2024 Q1**	2023 Q1	**2024 Q1**	2023 Q1
Number of meetings voted	**267**	188	**133**	93	**75**	26	**12**	34	**6**	7
Number of proposals voted	**1348**	1119	**1059**	622	**251**	84	**131**	278	**21**	38
For	**1198**	964	**927**	546	**219**	74	**99**	237	**19**	31
Against	**138**	152	**132**	76	**32**	10	**21**	41	**2**	7
Abstain/Withhold/DNV	**12**	3	**0**	0	**0**	0	**11**	0	**0**	0
As % of total										
For	**88.9%**	86.1%	**87.5%**	87.8%	**87.3%**	88.1%	**75.6%**	85.3%	**90.5%**	81.6%
Against	**10.2%**	13.6%	**12.5%**	12.2%	**12.7%**	11.9%	**16.0%**	14.7%	**9.5%**	18.4%
Abstain/ withhold	**0.9%**	0.3%	**0.0%**	0.0%	**0.0%**	0.0%	**8.4%**	0.0%	**0.0%**	0.0%

**Based on ISS Country of Coverage*

Propsoal category	2024 Q1			2023 Q1		
	Number of Proposals	**As a % of total**	**% voted Against / Abstain / Withold**	**Number of Proposals**	**As a % of total**	**% voted Against / Abstain / Withold**
Capitalization	278	10%	9%	350	16%	7%
Compensation	383	14%	14%	251	12%	16%
Director related	1,273	45%	16%	727	34%	10%
Strategic Transactions	110	4%	10%	243	11%	38%
Routine business	277	10%	12%	266	12%	12%
Others	489	17%	6%	304	14%	8%

Similar to our observation in the past years, the January–March quarter coincided with the peak of the AGM period in South Korea and EGMs in China and Hong Kong. In China and Hong Kong, we voted against 138 proposals, of which 41.3% were related to director items related proposals. In South Korea, we voted against 132 proposals, of which 76.5% were also related to director items related proposals.

Proxy voting continued

Directors' election

During the quarter, we voted against 185 proposals related to director election due to concerns about overall board independence and long-tenure of independent directors and the lack of female director on the board. About 54.6% these proposals came from South Korean companies. Please refer to the following voting highlights:

Korea Investment Holdings (South Korea)

Korea Investment Holdings , a South Korean financial services company, held an AGM in March proposing to appoint five directors into the board. We voted against election of all five directors and appointment of an audit committee member because the board has been showing poor capital management of the company and showed unwillingness to improve shareholders value. We believe that it is important that the board represents the interests of all shareholders and for the role of chairman and CEO to be separate. In addition, a lead independent director should be appointed.

Compensation

During the quarter, we voted against 51 proposals related to compensation due to concerns about failure to provide clarity on the increase of total remuneration and the grant of incentive schemes. About 43.1% of these proposals came from South Korean companies. Please refer to the below voting highlight:

NC Soft Corp (South Korea)

NC Soft is a South Korean video game developing company. The company held an AGM to seek approval of remuneration of executive directors and non-executive directors. For the South Korean market, most companies typically seek shareholders' approval at AGM to set an overall cap or limit on the total amount of compensation that can be paid to all of the company's directors. We voted against this item because total remuneration is significantly higher than the market norm.

Proxy voting continued

Capitalisation and capital allocation

During this quarter, we voted against 22 proposals related to capitalisation, capital allocation and strategic transactions. About 95.5% of these proposals came from China and Hong Kong companies. Please refer to the following voting highlights:

China YuHua Education Corporation Limited (Hong Kong)

China YuHua Education Corporation Limited, a Hong Kong-based diversified consumer services company, held an AGM seeking shareholder's approval for the Issuance of Equity or Equity-Linked Securities without Preemptive Rights. We voted against the item because we believe that any new issue of equity should first be offered to existing shareholders on a pre-emptive basis. We also voted against an increase in capital, without pre-emptive rights, as the increase would dilute shareholder value in the long-term.

Shareholder proposals

During the quarter, we observed 138 shareholder proposals in the region but most of them were proposed by controlling shareholders about director re-election. We supported 133 proposals and voted against 5 proposal related to election of directors. There was no environmental proposal in this quarter.

Spotlight on: Article 9 Funds

Pauline Ng
Portfolio Manager,
EMAP Equities
Exp: 22,19

Jack Featherby
Portfolio Manager,
IEG
Exp: 10,6

Aijaz Hussain
Portfolio Manager,
Multi-Asset Solutions
Exp: 9,8

In this quarter's report, we asked three Portfolio Managers responsible for managing Article 9 funds across the world about how ESG is integrated into their portfolios. We wanted to illustrate how an SFDR classification of Article 9 is achieved for these funds in practice as well as demonstrate how we collaborate across teams. We spoke to Pauline Ng who manages our Global Emerging Markets Social Advancement Fund, Jack Featherby who manages our Global Climate Change Solutions Fund and Aijaz Hussain who manages our Global and China Carbon Transition Funds.*

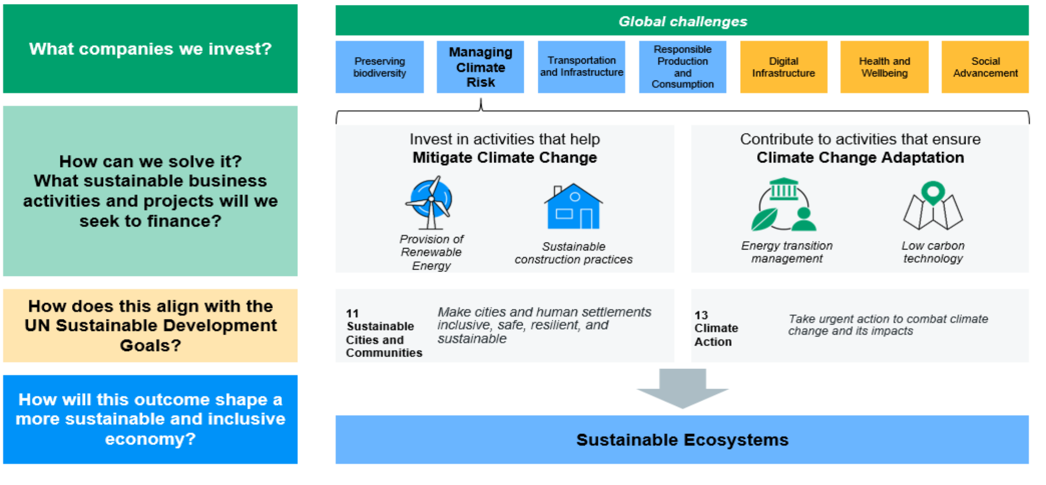
1. Could you provide an overview of your Article 9 funds and how you identified their sustainable objectives?

To help identify current environmental and social challenges that also present financially attractive investment opportunities, our Sustainable Investing team developed the 'Sustainable and Inclusive Economy Investment Framework' which outlines how we can allocate capital to drive positive change by facilitating a transition to a sustainable and inclusive economy.

This framework identifies the seven environmental and social challenges that we consider most critical for achieving sustainable outcomes: preserving biodiversity, managing climate risk, transportation and infrastructure, responsible production and consumption, digital infrastructure, health and wellbeing and social advancement.

Top-Down Investing Lens: Investing for a Sustainable Future

Identifying sustainable business activities as our pathway to a sustainable future.



*These strategies may not be authorised in local jurisdictions and may not be offered to the public in such jurisdictions. The information contained in this document does not constitute a distribution, an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction.

Source: J.P. Morgan Asset Management. Data as of March 2024. The securities above are shown for illustrative purposes only. Their inclusion should not be interpreted as a recommendation to buy or sell. Experience figures: years in industry/firm.

Our suite of Article 9 high conviction sustainable thematic strategies have been thoughtfully designed to map directly to developing the solutions to address the seven environmental and social challenges identified in our Sustainable and Inclusive Economy Investment Framework. Each strategy targets a number of underlying sub-themes which are related to achieving the broader objective of the strategy. We explore the way that these sub-themes create environmental and social benefits, as well as the mechanisms that allow for the creation of these benefits. Within these sub-themes, we target types and groups of companies. This provides the framework to ensure that we seek specific sustainability outcomes intentionally from the inception of the strategy.

Further details on our suite of Article 9 high conviction thematic strategies is provided below:

Article 9: High conviction thematic strategies

Climate Change Solutions	Sustainable Infrastructure	EM Social Advancement
Companies developing solutions to address climate change	Essential assets to support the transition to a sustainable and inclusive economy	Companies driving the social advancement agenda
Sub-themes:	Sub-themes:	Sub-themes:
• Renewable Energy	• Environmental Resilience	• Health and Wellbeing
• Sustainable Construction	• Social Infrastructure	• Financial Inclusion
• Sustainable Transport	• Improved Connectivity	• Access Digital Ecosystem
• Sustainable Food & Water		• Essential Products and Services for the Masses
• Recycling & Re-Use		

2. Could you provide an overview of your Article 9 thematic inclusion process and elaborate on how you partner with our Sustainable Investing team to ensure that these funds qualify for EU SFDR Article 9?

We adopt a consistent and rigorous process across all our outcome-driven Article 9 thematic strategies that brings together artificial intelligence with human insight to help identify companies most aligned to the theme.

First, we use a proprietary machine learning tool, ThemeBot, which uses natural language processing to scan through hundreds of millions of data sources and ranks securities on their alignment to a theme based on two metrics: textual relevance and revenue attribution. The benefit of using ThemeBot is that it allows us to analyse a broad spectrum of securities in a short period of time and can help identify securities we may not associate with a theme.

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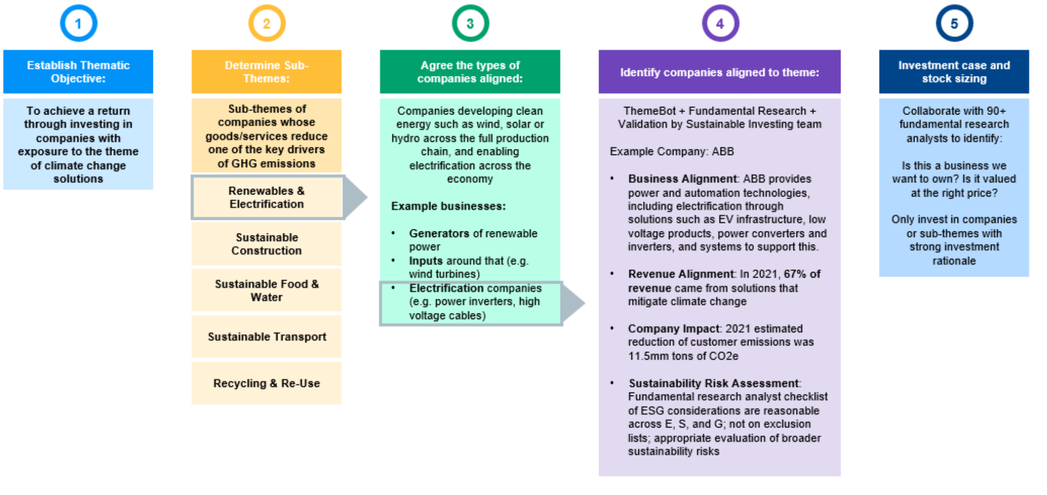
The output from ThemeBot helps narrow the universe of potential investable securities. From there, we do bottom-up fundamental analysis on every company we invest in: we work with more than 90 research analysts globally who engage with these companies, undertake due diligence on them and who know their sectors inside out. We leverage the same investment process that is used across the Global Equities platform, adopting the Strategic Classifications framework, the 40 Question ESG checklist and our forward-looking Expected Return framework.

The final step and key component of our investment process is to ensure that every company we invest in contributes to the fund's sustainable objective. To do this, we partner with our Sustainable Investing team who review the sustainable alignment of every stock. Only stocks that have been validated by the Sustainable Investing team are eligible for inclusion in the portfolio.

These three components, our quantitative and data analytics insights, our bottom-up fundamental research, and our dedicated sustainable investing insights, ensure that we apply a rigorous inclusion process.

Thematic inclusion process in practice

Climate change mitigation case study



Our Article 9 high conviction thematic strategies have two key objectives: to generate an investment return and to achieve a sustainable outcome. To ensure our funds align with the latter of these two goals, we partner with our Sustainable Investing team. This is a team of approximately 40 sustainable investors who are independent from the portfolio management team and who play a critical role in ensuring the outcome-driven sustainable thematic strategies adhere to Article 9 standards.

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Firstly, we ensure the top-down intentionality of all our Article 9 high conviction thematic strategies as each investible theme needs to have a clear objective that contributes positively to a solution to address an environmental or social challenge. To ensure our funds achieve this sustainable intentionality from the outset, the Sustainable Investing team developed the 'Sustainable and Inclusive Economy Investment Framework' which outlines how we can allocate capital to drive positive change by facilitating a transition to a sustainable and inclusive economy. This framework was developed to align with Article 9 requirements and forms the foundation from which we developed our outcome-driven thematic strategies.

Secondly, we ensure bottom-up credibility by applying a consistent and rigorous process for evaluating the extent to which a company captured in a portfolio is contributing to the sustainable objective of the fund. As these are Article 9 funds, we need to demonstrate that 100% of each portfolio's investments have a clear and direct link to the fund's sustainable objective, as well as demonstrate a minimum 20% revenue threshold (we can use other metrics such as EBITDA or capital expenditure) attributable to the sustainable objective.

To evidence this, the portfolio managers complete a detailed 'inclusion criteria template' for each company outlining its alignment to the sustainable theme. The template is reviewed by the Sustainable Investing team who can challenge the portfolio managers, ask questions around ESG risks, the impact of their investments and how they can document it. Each company's alignment to the sustainable theme must be validated by the Sustainable Investing team before the portfolio managers can invest in a company.

Finally, we collaborate with the Sustainable Investing team to ensure we stay abreast on policy developments relating to SFDR and to ensure the funds adhere to the required exclusion policy requirements and enhanced levels of disclosure required of Article 9 products.

3. Have you observed regional differences in practices among companies? Whilst sustainability is a big focus for companies in the West, could you talk about the activities of companies in the rest of the world that you own?

Divergences in regional practices are primarily driven by local ESG policy regulations. For example, the Inflation Reduction Act (IRA) in the U.S. is a broad policy which is focused on incentives to encourage the adoption of new energy solutions such as renewables, electric vehicles and technologies driving energy efficiencies for buildings. Whereas the Green Deal Industrial Plan (GDIP) in Europe is focused more on easing bottlenecks around the development of the infrastructure required for the transition to a low carbon world. For example, one component of GDIP is to streamline the approval process for new project permits by capping the approval process to a maximum of 18 months for new permits depending on the project. In contrast, in Asia, the divergence is typically more industry specific as we see countries specialise in certain solutions. China, for example, is investing heavily in solar panel manufacturing and electric vehicles with the aim of becoming a dominant global player, whilst South Korea is a leading player in the lithium battery market. Japan, in contrast, is focused more on robotics and automation.

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Social advancement goals and criteria often reflect the cultural values and priorities of a region. The stage of economic development, government policies, resource availability and global influence all shape the goals and priorities of countries. For example, in South Korea, the emphasis is on education and technological innovation whist in some parts of Africa and India, priorities may include poverty alleviation, healthcare access and infrastructure development. More developed countries may also focus on gender equality, environmental sustainability and mental health awareness whilst developing countries may prioritise basic needs such as clean water access, sanitation and access to education. Companies will naturally develop their products and services to align with the needs and demands of the countries that they operate in. For example, micro-finance and SME lending in countries like Indonesia and India are critical in increasing financial penetration which in turn drives sustainable economic growth.

4. How relevant are the engagements undertaken by our research analysts, portfolio managers and sustainable investing team for the Article 9 funds?

Engagement is a key aspect of the investment process and helps us to identify companies which tackle global challenges and facilitate a more sustainable future. At the heart of our approach lies a close collaboration between the portfolio managers, research analysts and investment stewardship specialists to engage with the companies in which we invest. Regular engagement with our investee companies presents opportunities for us to discuss relevant and financially-material environmental, social and governance (ESG) issues, encourage companies to adopt robust ESG practices with the goal of driving better investment returns. It can also help inform decision-making for stock selection by providing us with a better understanding of a company's ESG profile and alignment to the sustainable objective. For example, we might engage with a company to understand if there is enough evidence of a company's revenue alignment to a theme.

Disclosure standards are often lacking for many of the emerging technologies that we invest in for our Article 9 high conviction thematic strategies and can also vary across jurisdictions. We therefore engage with companies to understand how their products and services deliver their promised sustainable outcomes and ensure companies evidence their claims. We identify companies which have identified growth drivers linked to addressing these societal needs and encourage them to better evidence positive outcomes for end-users and allocate expenditures for research and development on sustainable solutions. Improved rigour and evidence to support sustainability claims allows companies to gain competitive advantages and avoid greenwashing risks.

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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.

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