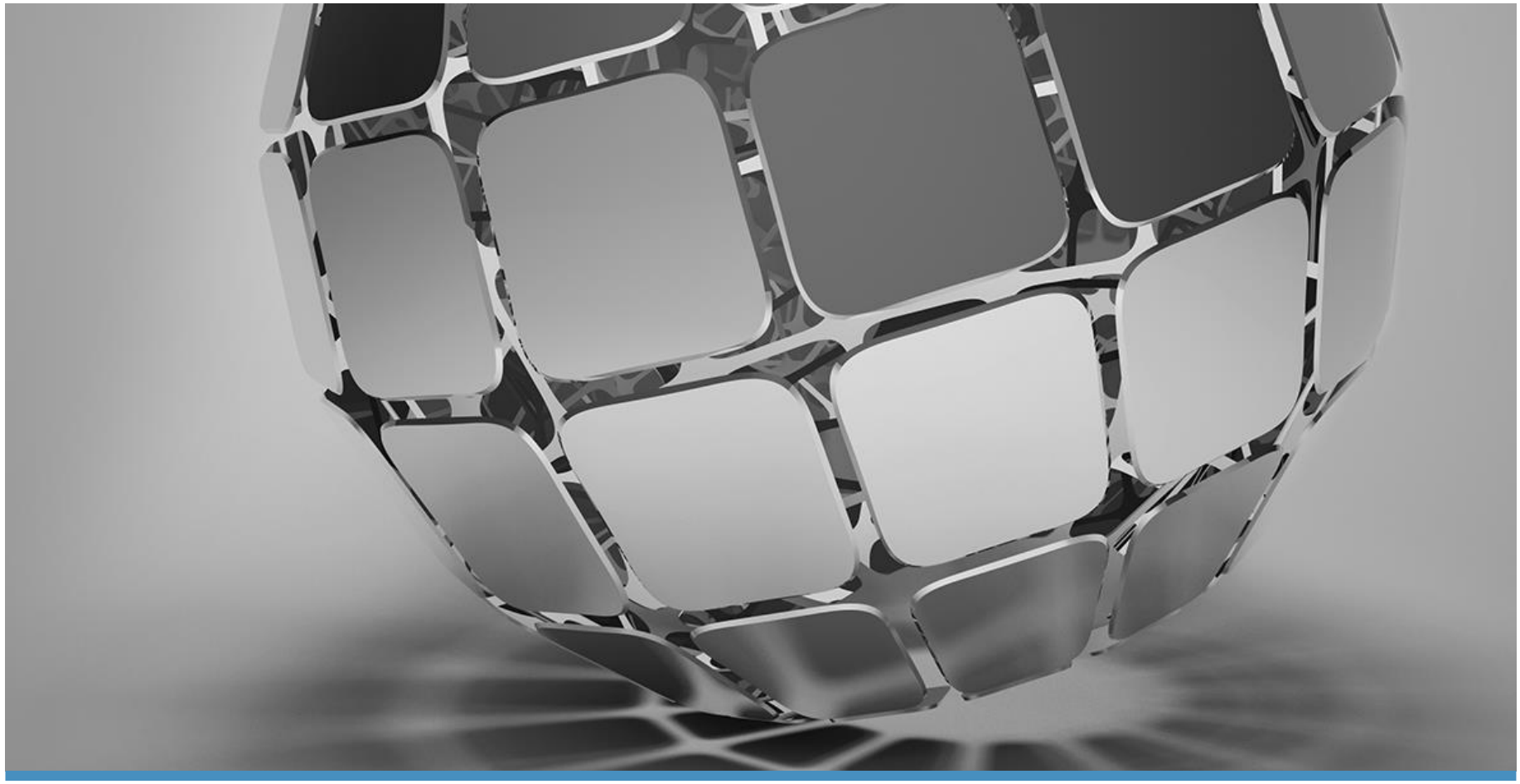

Sharing Best Practices in Active Engagement to Promote Good Corporate Governance

March, 2017

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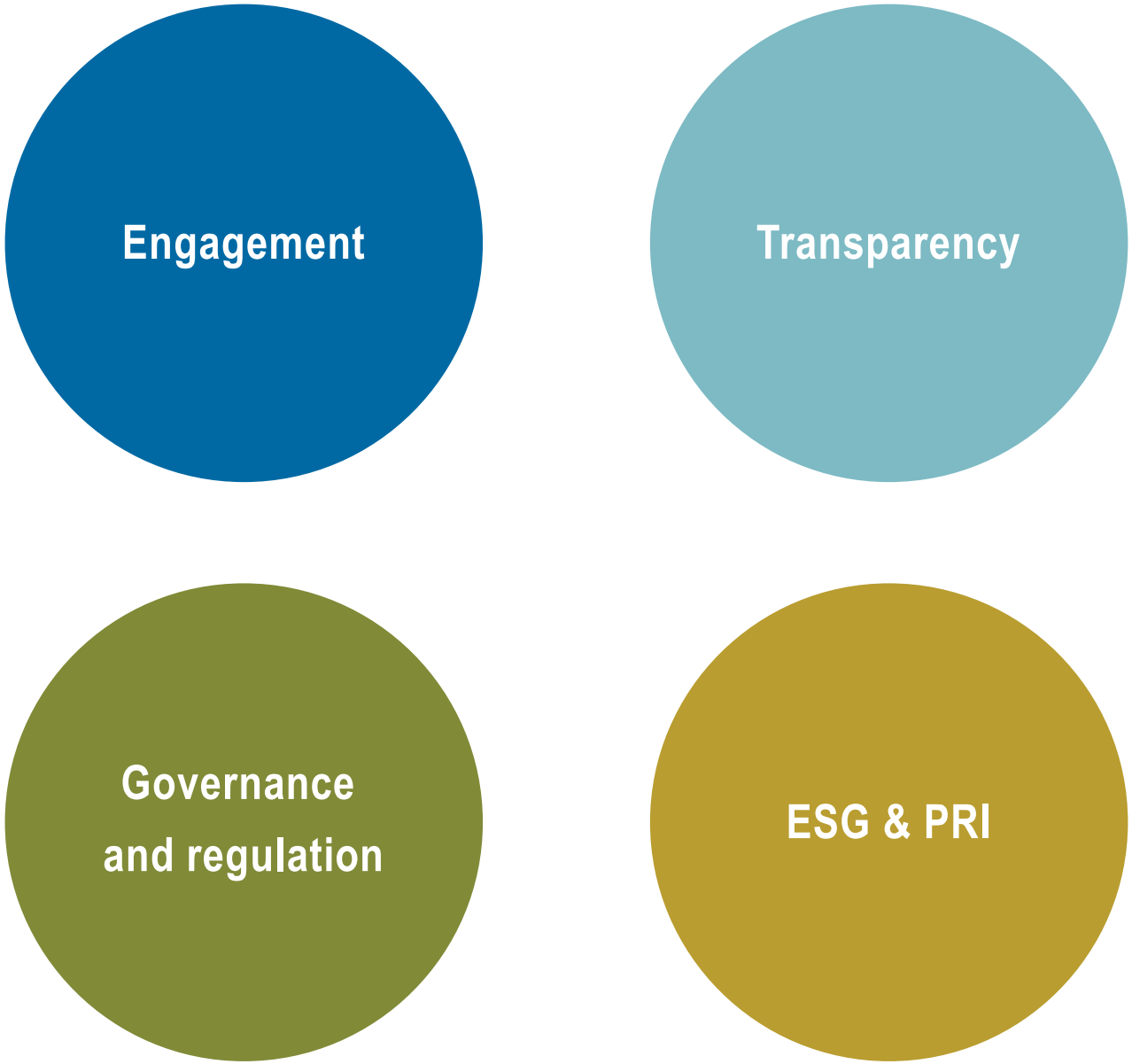
J.P.Morgan

Current areas of focus



The evolution of Investor Stewardship…

[1] The Stewardship Code

What is the aim?

A set of principles or guidelines aiming to make institutional investors more **active** and **engaged** in monitoring investee companies on matters such as:

- Strategy
- Performance
- Risk
- Capital structure
- Corporate governance

Where has it been adopted?

- U.K. (2010) by the Financial Reporting Council (FRC)
- Versions adopted in Australia, Brazil, Canada, Denmark, EU, Hong Kong, ICGN, India, Italy, Japan, Kazakhstan, Kenya, Malaysia, The Netherlands, Singapore, South Africa, South Korea, Switzerland, Taiwan, Thailand and the U.S.
- The U.S. Investor Stewardship Group (ISG) (2018)

Sustainable performance

ESG as a value-added function within the investment and risk management process

[2] Considerations

Industry developments:

- Public commitments and greater awareness
- 1,500+ signatories to the UN's Principles for Responsible Investment

Regulatory requirements

- IORP II Directive
- Legislation: Article 173 (France)
- Supra-national initiatives: Paris Agreement on Climate Change
- OECD Guidelines for Multinational Enterprises

Fiduciary evolution

- The Pensions Regulator's Guidance for trustees (2016)

Co-operation and resource sharing

- Funds, investment consultants, investment managers, rating agencies and other advisors

Member consultation

- Changing perception of millennials

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[2] Investing in a sustainable tomorrow. ESG integration in European pensions. Ernst and Young

What are we observing globally?

Common questions

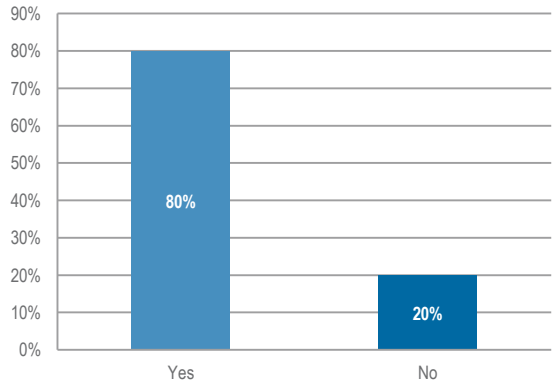
- How are you seeing Socially Responsible Investing **developing** and what are the **key drivers**?
- Whilst there is an upward trend and ESG is increasingly at the centre of much of the governance focus, **engagement seems to be slow and the practical implementation is fairly limited** and indeed for many it is still a bit of a hobby – why do you think that is?
- Will there be a **tipping point** when this will become as important a risk to manage as part of their overall **risk management framework** as any other risk? What will be the **trigger** for this?

Global sample from the 2017 Paris Multinational Pensions Forum

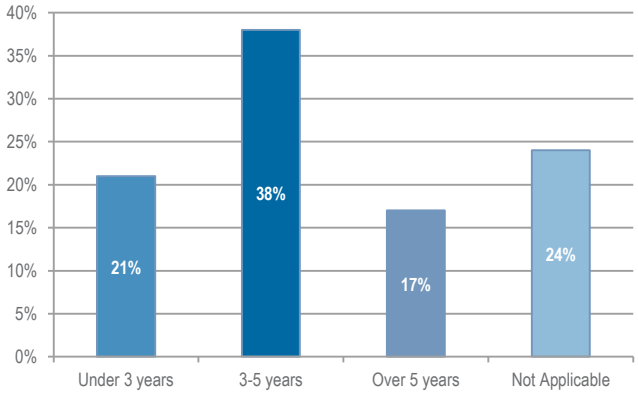
Panel session: Hunting Return vs ESG: Tell me how that works?

Polling Questions – 98 attendees

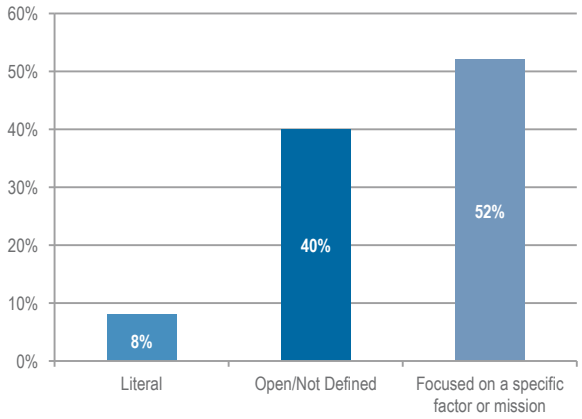
1. Has your fund implemented ESG Investment policies?



2. For those of you with ESG policies, how long have these been in place?



3. Are the ESG policies – Literal, Open/ Not Defined/ Focused on a specific factor or mission



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