

Stewardship Guideline

Introduction

As a major institutional investor, JPMorgan Asset Management (Taiwan) Limited (JPMAMTL) has a responsibility to its clients to ensure that all entrusted assets benefit from the highest standards of governance. To this end, we endorse the Stewardship Code for Taiwan investments, which encourages investors to engage with investee companies to provide effective oversight over their investments. While it is clear that the primary responsibility for a company's strategy and operations lies with its managers and directors, investors play an important role in holding the latter to account in meeting their obligations. For investors, exercising proxies at shareholder meetings is the primary means of achieving this. But JPMAMTL also believes that we should actively engage with the companies in which we invest to satisfy our stakeholders that our stewardship responsibilities are being discharged. Meetings with company representatives are central to our investment process, as we seek to understand the strategies our companies are pursuing to create a return on our investment, and also the challenges they face in delivering this. By engaging with companies in this way, we believe that this should ultimately result in better investment performance for our clients.

The efficiency of any market related economy is driven by the capital allocation decisions of millions of investors who seek to allocate their capital according to their perceptions of risk and return. In order to do this they need the information necessary to make informed investment decisions, and to allow them to monitor the progress of their investments once those decisions have been made. The Principles of Stewardship Code encourage investors to seek this information, thereby contributing to more effective decision-making within an economy as a whole.

The guideline sets out the following principles:

- (i) Investors should establish and report to their stakeholders their guidelines for discharging their stewardship responsibilities;
 - (ii) When investing on behalf of clients, investors should have guidelines for managing conflicts of interests.
 - (iii) Investors should monitor and engage with their investee companies;
 - (iv) Investors should establish clear guidelines on when to escalate their engagement activities;
 - (v) Investors should have clear guidelines on voting and disclosure of voting activity.
 - (vi) Investors should report to their stakeholders on how they have discharged their stewardship responsibilities;
- and

Our approach to this Guideline and how we apply the recommended principles is set out below:

1. Investors should establish and report to their stakeholder their guidelines for discharging their stewardship responsibilities.

JPMAMTL's primary activity in the investment chain is as an asset manager for institutional and retail clients. We act on behalf of both institutional and individual clients. As a fiduciary, we are obliged to act solely in clients'

interests and our fiduciary responsibilities inform every decision we make on clients' behalf.

All owners of capital should assume responsibility for their investments, and as a fiduciary, that responsibility is entrusted to us. This responsibility includes the active monitoring of investee companies in terms of strategy, operations and governance; informed investor-led voting; and an assessment of environmental and social factors in determining a company's suitability for investment. By exercising our stewardship responsibilities and by actively engaging with investee companies, we believe this will lead to improved value creation and the strong performance of our investments over the long term.

The principles which underlie our stewardship activities include:

- **Fiduciary Priority.** Our clients appoint us to manage their assets in order to achieve their investment objectives within their risk parameters. Every investment decision taken will be consistent with that overriding objective.
- **Stewardship and Engagement.** Contact with the companies in which we invest is central to our investment process. Our clients expect us to monitor the progress of our investee companies and to encourage the adoption of the highest governance standards.
- **Proxy Voting.** Company management is held accountable to shareholders through the exercise of proxy votes. We are obliged to exercise proxies in a prudent and diligent manner in the best interest of our clients.
- **Sustainability.** Non-financial factors (e.g. environmental and social issues) can have an economic impact on investments. We expect the companies in which we invest to behave in a manner consistent with their wider, societal obligations.
- **Ongoing Commitment.** We are committed to reviewing our governance guidelines to ensure they reflect best practice.

2. When investing on behalf of clients, investors should have guidelines for managing conflicts of interests.

JPMAMTL is part of the JP Morgan Chase Group (JPMC Group), which provides investment services to its clients. Conflicts of interest may arise as a result of the various activities of different JPMC Group affiliates. As part of our Safeguard Policy, JPMAMTL has established formal barriers – both physical and electronic – to restrict the flow of information between JPMC Group affiliates. This includes information flow between JPMC's custody, securities broking and investment banking activities to JPMAM's investment professionals. In order to meet our fiduciary responsibilities we need to ensure that our voting decisions are independent of any wider JPMC Group interest and that proxies are exercised solely in the interests of our clients. Conflicts of interest guidelines have therefore been established and a Conflicts of Interest Disclosure for Corporate Governance policy document has been drawn up to manage all conflicts of interest relating to corporate to our corporate engagement and proxy voting activities. This guideline document is available for download from our website.

3. Investors should monitor and engage with their investee companies.

Effective monitoring of company performance is an essential component of our stewardship. As active institutional investors we invest considerable resources in our research capabilities, and our analysts and portfolio managers are expected to enter into dialogues with investee companies to ensure that we understand all aspects of their businesses.

As part of our engagement activities, wherever possible, we seek to:

- Keep up-to-date with the main drivers of each company's operating performance to the extent that this information lies within the public domain;
- Question management on each company's strategic priorities, to gain assurance that future projects can be managed and financed without giving rise to undue risks;
- Remain fully briefed on the risks – both internal and external – which may impact a company's outlook and market valuation; and
- Ensure that the leadership of each investee company, and its corporate governance structures, adhere to best practice.

Any information that we derive from these activities is used to make forward looking projections or valuation assessments, which are integral to our investment process. A record of our engagement activities is maintained on a proprietary database, allowing all such information to be communicated to our investment professionals throughout the firm. As part of this process, environmental, social and governance factors are assessed for their impact on each company's performance and / or reputation. Any issues that do arise are noted, and this may give rise to further engagement with the company concerned, so that material concerns may be communicated and logged.

Our dialogue with investee companies only seeks to make use of information which has been publicly disclosed. However it is possible that, as a result of our engagement activities, we gain access to information that has not previously been disclosed. JPMAMTL has well documented procedures to ensure, that any such information that is received in this way, is protected until measures have been taken place to bring it into the public domain. Where we come into receipt of material non-public information ("MNPI"), either advertently (where we choose to become insiders to facilitate a specific corporate action or event), or inadvertently (as a result of an error or lapse in communications guideline), the relevant security is placed on a banned list by our Compliance Department, and all dealings are suspended until the information has been publicly disclosed.

4. Investors should establish clear guidelines on when to escalate their engagement activities.

JPMAMTL has clear guidelines on how we should escalate our engagement activities to protect clients' interests. We meet with our investee companies as part of our monitoring activities. In the event that concerns are raised, which are not adequately dealt with at these meetings, wherever possible, we may express our concerns through

the company's senior executive, chairman, etc. Usually such issues can be resolved confidentially. Nevertheless in a small number of instances we may need to become more visible in our actions, by for example:

- Wherever possible, holding joint engagement meetings with other investors who share our concerns
- Where appropriate and possible, making public statements in advance of general meetings
- Using our proxy votes to impact the composition of boards
- Wherever possible, submitting shareholder resolutions, or in extremis, requisitioning an EGM to bring about management change

While we prefer to work in partnership with our investee companies to generate long term value, we have a fiduciary responsibility to hold management and directors to account. Wherever possible, we will use all necessary means to protect clients' interests.

5. Investors should have a clear guideline on voting and disclosure of voting activity.

JPMAMTL endeavors to vote its Taiwan equity holdings, unless there are certain regulatory or technical reasons which preclude us from voting, or unless there is a conflict of interest. As a matter of guideline we vote proxies according to regulatory procedures, in a diligent and prudent manner based on our judgment of what we deem to be in the best interests of our clients. Votes are investor-led and made on a case by case basis. Boards cannot take it for granted that we will always support their recommended resolutions.

JPMAMTL retains the services of ISS, a proxy voting services advisor, to assist us with this function. As part of this service, ISS makes recommendations on each board resolution requiring a shareholder vote, according to its governance process. We have agreed with ISS some proxy voting guidelines which help determine its recommendations to us, but we have the discretion to take a differing view, based on the results of our own engagement activities, or our own research insights.

We will disclose voting summary information on our public website on an annual basis each November.

6. Investors should report to their stakeholders on how they have discharged their stewardship responsibilities.

JPMAMTL maintains a record of our proxy voting and engagement activities. We will disclose voting summary information on our public website on an annual basis each November.