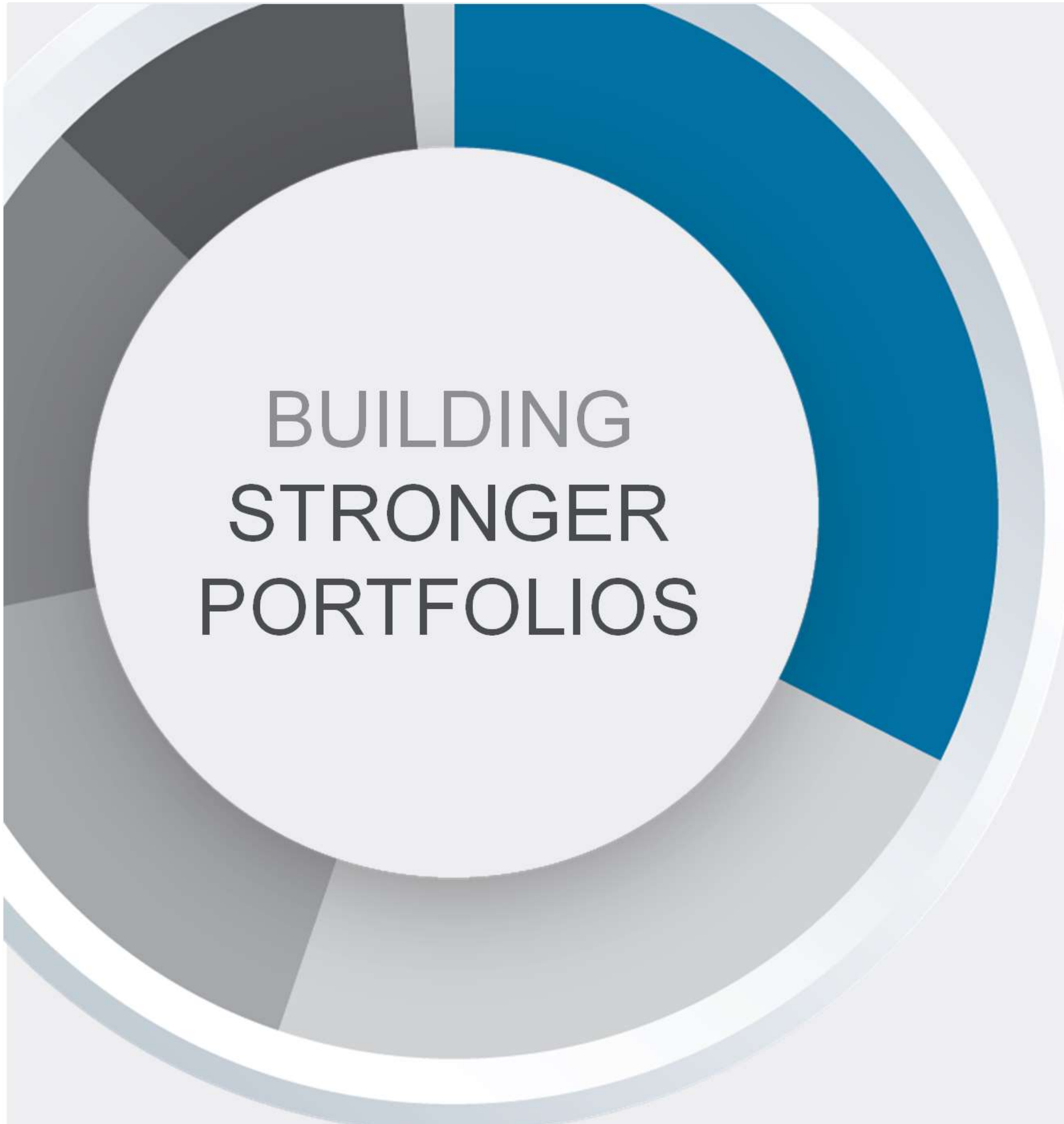


Environmental, Social and Governance Report

US Equities

First Quarter 2022

J.P.Morgan
Asset Management

“We believe effective investment stewardship can materially contribute to helping build stronger portfolios over the long term, for our clients.”

George Gatch

CHIEF EXECUTIVE OFFICER
J.P. MORGAN ASSET MANAGEMENT

Our aspirations for engagement

When it comes to corporate engagement, being one of the world's largest investment managers brings significant advantages that we can bring to bear for our clients' interests, but we must also be mindful to manage potential challenges.

The starting point from which we engage with the companies in which we invest is strong. We are typically large shareholders, have a reputation for being long term partners and our engagements are underpinned by the in depth research that comes from having a large, well-resourced analyst team.

The challenge for us is to ensure we coordinate our sizeable internal resources — from research and portfolio management through to specialist sustainability functions — to ensure we pursue a coherent agenda based on consistent principles. In particular, it is important that we understand the relationship between sustainable goals and financial outcomes, as it is engagement at this intersection which drives the greatest long term value for our clients.

The purpose of this report is to explain how we are setting about achieving these aspirations and to share examples of our progress as we continue on our journey towards ever more productive and impactful corporate engagement on behalf of our clients.

Our frameworks for engagement

In the US Equity Group, corporate engagement is a collaboration between our investors and the Investment Stewardship specialists within our Global Sustainable Investing Team. Each brings a different perspective to our interactions with companies:

- Our **Five Investment Stewardship Principles** are the highest level statement of universal priorities that we have. They are set by our Global Sustainable Investing Group and are principles we believe will have universal applicability and stand the test of time.

- Our **Research Framework** comes entirely from our investors bottom up perspective. Across equities globally we apply a consistent 40 point ESG Checklist, which ask the same detailed questions of every company under coverage to establish a baseline of their ESG credentials.

We hope the examples and data contained in the following pages help illustrate how bringing together these top down and bottom up ESG perspectives provides a coherent and effective approach to corporate engagement.

David Small
Director of U.S. Research

Danielle Hines
Associate Director of U.S. Research

Engagement

J.P. Morgan Asset Management believes that companies should act in a socially responsible manner. To this end, we are signatories to the United Nations-supported Principles of Responsible Investment (PRI), which commits participants to six Principles, with the aim of incorporating Environmental, Social and Governance (ESG) criteria into their processes when making stock selection decisions and promoting ESG disclosure. As a firm, we prefer to invest in companies that engage in social and environmental behaviours likely to enhance their reputations, rather than compromise them. We believe that such factors are key determinants of sustainability and, ultimately, can have a material impact on share prices over time.

We recognise and embrace our wider stewardship responsibilities to clients as a major asset owner. To this end, **we support many regional specific stewardship codes**, which set out the responsibilities of institutional shareholders in respect of investee companies. We believe that regular contact with the companies in which we invest is central to our investment process, and we recognise the importance of being an 'active' owner on behalf of our clients.

Engagement driven by our Investment Stewardship Team focuses on the five firm-wide priorities detailed in the introduction. Underlying each priority are specific themes which are typically topical issues within the industry and with our clients. These themes are reviewed on an annual basis. Our Investment Stewardship Team has identified a set of **'focus' companies** aligned with these themes, **which we proactively target for engagement**. These companies are selected because we have an issue of concern, typically in reference to our five priorities, that is sufficiently material in the view of our investors to warrant more focused engagement, and where the name is held in sufficient size to make our voice effective. The list of companies will be validated as part of ongoing dialogue between our Investment Stewardship Team and our Portfolio Managers and Research Analysts.

Portfolio Managers and Research Analysts in the US Equity Group also directly drive our engagement with the companies, addressing a broad range of ESG issues as part of their bottom-up stock analysis and ongoing interaction with companies.

A few examples of our recent engagement activity during the quarter are provided on the following pages:

Engagement

Exxon Mobil

Following a proxy contest, where three of dissident Engine No. 1's directors were elected to the board, JPMorgan added Exxon Mobil (XOM) to the Focus List to understand and help guide the company's climate strategy.

Climate risk

In March 2022, following updated disclosures and climate targets, we engaged with the company. We also attended a presentation on the company's Advancing Climate Solutions Report. We have been impressed by the urgency Exxon Mobil has shown in developing its climate strategy and believe these targets have made it an emerging industry leader, especially as it relates to shale environmental goal-setting and execution.

Following the 2021 proxy fight the board has gained new urgency on climate issues, which are discussed in monthly meetings. They do not see any distinction between the legacy directors and Engine No. 1 directors but acknowledge that the board refreshment has significantly changed the dynamics and level of engagement of the board.

Exxon Mobil's recently announced climate targets include 1) a 2050 net zero goal for Scopes 1&2 for Exxon Mobil's operated assets (upstream and downstream) 2) a 2030 net zero goal for Scopes 1&2 for the Permian (upstream) and 3) plans to eliminate all routine flaring in the Permian by 2022. Both Exxon and Chevron have signed onto the World Bank Goal of zero routine flaring by 2030 (for all assets). Chevron's 2050 goal covers equity assets (including non-operated) but is only upstream.

Exxon Mobil believes that the Permian goal puts out a rallying cry in the rest of the organization to make other groups want to keep pace. They noted that they are working behind the scenes on their non-operated assets but are not ready to announce a target yet. The company needs detailed planning to underpin any target. Communication of plans has historically been slow, but, in a clear shift in practices, it has become more aggressive in communicating its plans. More detail will follow.

We believe there is a major culture shift underway, and that Exxon Mobil's ability to adapt to a changing industry environment has evolved significantly. By leveraging Exxon Mobil's hallmark quantification and analysis of key issues with a sense of urgency on developing a more ambitious climate strategy, there is a much greater focus and appreciation on broader stakeholder impacts, climate-wise and beyond. We are therefore closing the focus engagement considering the progress achieved and their demonstrated willingness to re-evaluate targets as more progress and understanding is developed.

Engagement

AmerisourceBergen

JPM has been voting against compensation and/or the Chairman of the Compensation Committee at AmerisourceBergen (ABC) dating back to 2019. Votes against stemmed from the committee's failure to consider the impact of tax reform on the company's results, therefore resulting in above average payouts from causes that were not in management's control. We had related concerns when the decision was made to adjust opioid settlement costs out of compensation metrics. In both cases, the proxy statement does not address how the committee considered the large difference between the adjusted results and underlying financial performance when certifying long-term metric results.

Strategy alignment with the long term

In 2021, the company had 48% of investors vote against say-on-pay at its annual stockholders' meeting. The Chair of the Compensation Committee was replaced which we considered to be an appropriate response to the voting outcome and escalations. After the annual meeting, we held an engagement call with the new Chair of the Committee to discuss the board's response to the most recent say-on-pay vote. In the meeting, we pointed out our concerns and shared examples highlighting the need for further oversight on the evaluation of performance metrics, resulting in unwarranted compensation gains by executives in previous years. We emphasized that any positive adjustments to performance measures should be judicious and reflect management accountability. Conversely, management should not be rewarded for windfall benefits.

In 2022, as part of our annual meeting due diligence, we engaged with AmerisourceBergen to discuss improvements for compensation. We learned that they had implemented meaningful changes to the plan including: 1) Enhanced disclosure of the decision process related to compensation outcomes and its use of discretion and a commitment to do so in the future; 2) incorporated a TSR modifier and post-vesting holding requirement to align long term incentives to shareholder value creation; 3) created a single compensation recoupment policy for incentive compensation and formally expands the list of actions that could result in a clawback; and 4) included the best practice of have an audit committee member also serve on the compensation committee, thus providing oversight of adjustments to metrics used to evaluate management performance.

Engagement

Lowe's

JPM has engaged with Lowe's on the topic of diversity, equity and inclusion over the past couple of years. When Marvin joined as CEO (2018), he was only one of nine diverse executives while as of early 2021 there were five of nine diverse executives. In 2021 they were mentioned in a New York City Comptroller's press release asking the company to disclose EEO-1, a report reflecting gender and racial diversity of the employee base. Lowe's shared they did not intend on releasing EEO-1 data but recognized the importance of showing more granular information.

Human capital management

In 2022, we engaged with Lowe's to get an update on diversity, equity and inclusion ("DEI"). We walked away from the discussion understanding that the Board is engaged on these issues and Lowe's is making meaningful progress on their DEI initiatives. Specifically, they've hired a VP of HR with extensive experience in the field of DEI, they analyze employee survey results (88% participation rate for 300,000+ employees) including by employee demographics to identify inclusion gaps and they now provide gender and racial workforce representation at a more granular level. Lowes is focused on providing skill development and training for women and minorities to facilitate advancement. Additionally, over the last 3 years, they have focused on opportunities to promote diversity throughout the ranks by ensuring a diverse set of candidates are evaluated for opportunities. While recognizing there is a lot of work to be done, they believe they're ahead of peers.

Proxy Voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We will aim to vote at all meetings called by the companies in which we are invested, unless there are any market restrictions or conflicts of interests.

In the US Equity Group proxy voting is a collaboration between our investors and the Investment Stewardship specialists in our Global Sustainable Investing Team, headed by Jennifer Wu.

At J.P Morgan Asset Management we believe that corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

A summary of key voting statistics and activity for the first quarter 2022 period is detailed below. Please note that these figures include all activity in US equities. Account specific proxy voting records are available on request.

Meetings voted	**223**	(100.0%)
Votes with management	**1,948**	(94.8%)
Votes against management	**107**	(5.2%)
Abstentions	**3**	(0.1%)

A few examples of our recent voting activity are provided overleaf.

Jennifer Wu
Global Head of Sustainable Investing

Nishesh Kumar
North America Head of Investment Stewardship

Bennett Rosenbach
North America Investment Stewardship

Proxy Voting

We voted **AGAINST** executive compensation and all directors on the compensation committee at Arrowhead Pharmaceuticals (ARWR). After giving the CEO a performance share grant worth up to $60mil in 2020,the company gave him similar equity grants in 2021 and 2022. Our voting decision reflects our view of the lack of clarity in communication around the 2020 grant, and the intentions behind similar large grants in subsequent years. In our engagement with the company, it was communicated to us that the Board desired to increase the ownership stake of the non-founder CEO to bring about better alignment. While we appreciate the alignment, it is an expensive and unusual practice to grant non-founder CEO such large positions in the company.

We voted **FOR** a shareholder proposal asking for a report on human rights due diligence at The Walt Disney Company (DIS). Human rights is a key reputational risk, and we had concerns due to 1) content controversies such as working with the Xinjiang province government on Mulan and the NBA's relationship with China and 2) management of DIS's physical supply chain, in which China is the largest country. While Disney has disclosed the policies such as its Code of Conduct for Manufacturers and International Labor Standards Program, it has conducted audits on only 32% and 34% of its Tier 1 suppliers the last two years. Given the risks and controversies, as well as the relatively small audit footprint, we believed that merely disclosing policies was insufficient mitigation of risk, and therefore supported the proposal.

We voted **FOR** a shareholder proposal asking for a report on concealment clauses at Apple (AAPL). We had also voted in support of similar proposals at other companies asking for reports on mandatory arbitration at companies, as we have concerns about the use of mandatory arbitration for sexual harassment cases and its' potential impact on corporate culture. The company notes that Apple's Business Conduct Policy reinforces employees' right to speak freely about "wages and working conditions". In an engagement with the company, they stated that "working conditions" is meant to include harassment and discrimination. We believe it is appropriate for the board to make this explicit, and therefore voted for the proposal.

A FIDUCIARY FOR 150 YEARS+

Commitment to considering the impact of each decision we make on client portfolios and performance

1,000+ INVESTMENT PROFESSIONALS

engaging with companies globally

INVESTMENT-LED EXPERT-DRIVEN

FOCUSED ON FINANCIAL MATERIALITY

ENGAGING

1,393 ESG engagements with companies around the world each year

ACTIVELY VOTING

Across 80 markets around the world

Source: J.P. Morgan Asset Management; data as of March 31, 2022.

BUILDING STRONGER PORTFOLIOS

At J.P. Morgan Asset Management, collaborating with our clients in an effort to build stronger portfolios drives everything we do.

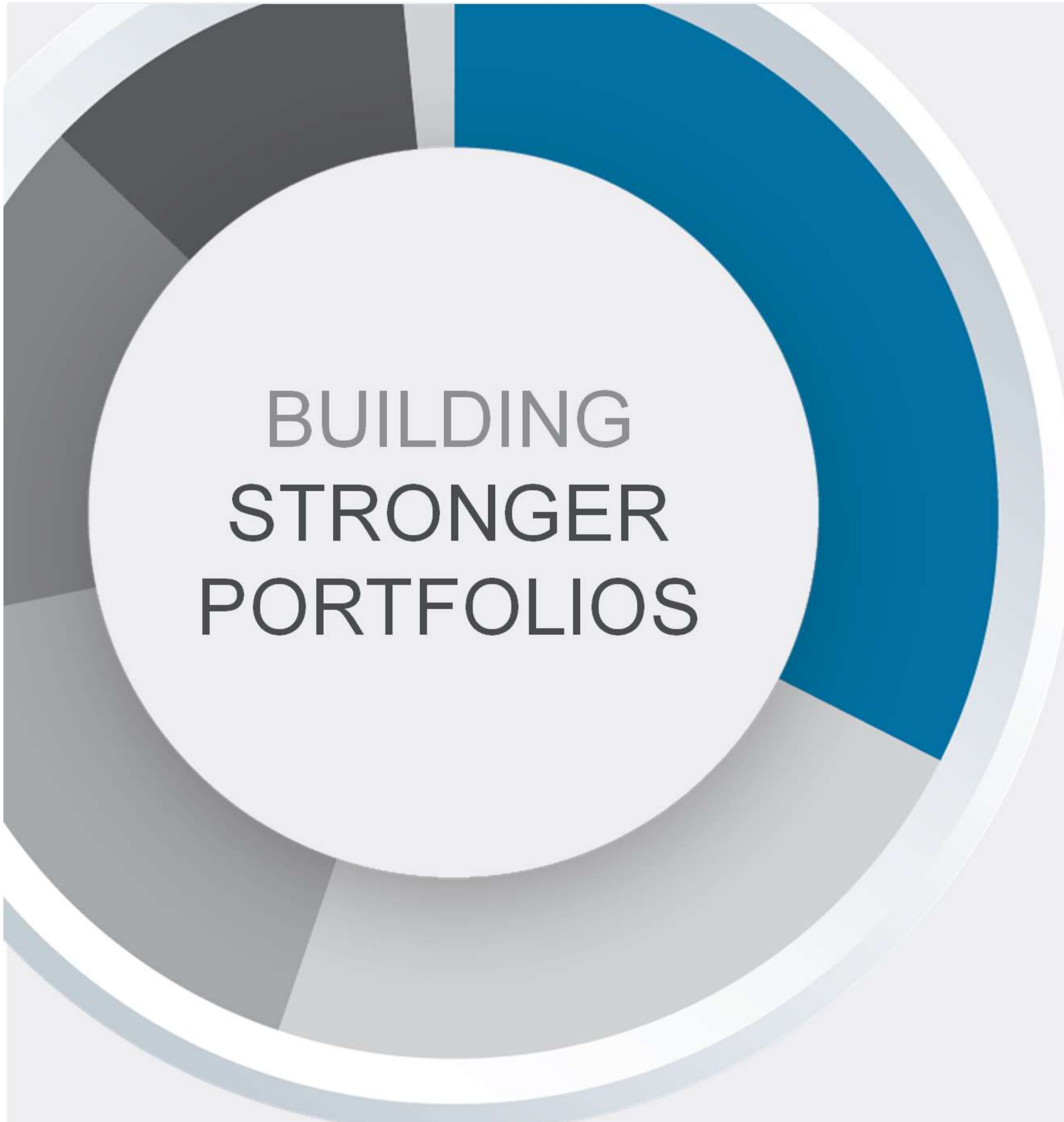
We are committed to sharing our expertise, insights and solutions to help make better investment decisions. Whatever you are looking to achieve, together we can solve it.

LET'S SOLVE IT®

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

0903c02a82aee8dc

LV–JPM52704 | 04/20



Environmental, Social and Governance Report

US Equities

Second Quarter 2022

J.P.Morgan
Asset Management

> We believe effective investment stewardship can materially contribute to helping build stronger portfolios over the long term, for our clients.

George Gatch

CHIEF EXECUTIVE OFFICER
J.P. MORGAN ASSET MANAGEMENT

Our aspirations for engagement

When it comes to corporate engagement, being one of the world's largest investment managers brings significant advantages that we can bring to bear for our clients' interests, but we must also be mindful to manage potential challenges.

The starting point from which we engage with the companies in which we invest is strong. We are typically large shareholders, have a reputation for being long term partners and our engagements are underpinned by the in depth research that comes from having a large, well-resourced analyst team.

The challenge for us is to ensure we coordinate our sizeable internal resources — from research and portfolio management through to specialist sustainability functions — to ensure we pursue a coherent agenda based on consistent principles. In particular, it is important that we understand the relationship between sustainable goals and financial outcomes, as it is engagement at this intersection which drives the greatest long term value for our clients.

The purpose of this report is to explain how we are setting about achieving these aspirations and to share examples of our progress as we continue on our journey towards ever more productive and impactful corporate engagement on behalf of our clients.

Our frameworks for engagement

In the US Equity Group, corporate engagement is a collaboration between our investors and the Investment Stewardship specialists within our Global Sustainable Investing Team. Each brings a different perspective to our interactions with companies:

- Our **Five Investment Stewardship Principles** are the highest level statement of universal priorities that we have. They are set by our Global Sustainable Investing Group and are principles we believe will have universal applicability and stand the test of time.

- Our **Research Framework** comes entirely from our investors bottom up perspective. Across equities globally we apply a consistent 40 point ESG Checklist, which ask the same detailed questions of every company under coverage to establish a baseline of their ESG credentials.

We hope the examples and data contained in the following pages help illustrate how bringing together these top down and bottom up ESG perspectives provides a coherent and effective approach to corporate engagement.

David Small
Director of U.S. Research

Danielle Hines
Associate Director of U.S. Research

Engagement

J.P. Morgan Asset Management believes that companies should act in a socially responsible manner. To this end, we are signatories to the United Nations-supported Principles of Responsible Investment (PRI), which commits participants to six Principles, with the aim of incorporating Environmental, Social and Governance (ESG) criteria into their processes when making stock selection decisions and promoting ESG disclosure. As a firm, we prefer to invest in companies that engage in social and environmental behaviours likely to enhance their reputations, rather than compromise them. We believe that such factors are key determinants of sustainability and, ultimately, can have a material impact on share prices over time.

We recognise and embrace our wider stewardship responsibilities to clients as a major asset owner. To this end, **we support many regional specific stewardship codes**, which set out the responsibilities of institutional shareholders in respect of investee companies. We believe that regular contact with the companies in which we invest is central to our investment process, and we recognise the importance of being an 'active' owner on behalf of our clients.

Engagement driven by our Investment Stewardship Team focuses on the five firm-wide priorities detailed in the introduction. Underlying each priority are specific themes which are typically topical issues within the industry and with our clients. These themes are reviewed on an annual basis. Our Investment Stewardship Team has identified a set of **'focus' companies** aligned with these themes, **which we proactively target for engagement**. These companies are selected because we have an issue of concern, typically in reference to our five priorities, that is sufficiently material in the view of our investors to warrant more focused engagement, and where the name is held in sufficient size to make our voice effective. The list of companies will be validated as part of ongoing dialogue between our Investment Stewardship Team and our Portfolio Managers and Research Analysts.

Portfolio Managers and Research Analysts in the US Equity Group also directly drive our engagement with the companies, addressing a broad range of ESG issues as part of their bottom-up stock analysis and ongoing interaction with companies.

A few examples of our recent engagement activity during the quarter are provided on the following pages:

Engagement

Morgan Stanley

JPM engaged with Morgan Stanley (MS) ahead of their annual shareholder meeting on financed emissions. There was a shareholder proposal filed by The Sierra Club Foundation requesting that MS adopt a policy to take steps to cease financing new fossil fuel supplies. They argued that MS is a leading financier of fossil fuels, which is not in alignment with their commitment to the Paris Agreement. In September 2020, MS had become the first major U.S. financial services firm to commit to net-zero financed emissions by 2050.

Climate risk

Through our engagement we confirmed that MS had taken several steps in line with their commitment including: 1) placing restrictions on coal-fired power generation, thermal coast mining, Arctic oil and gas, and oil and gas more broadly; 2) MS was one of the first supporters of the TCFD's recommendations and published its first TCFD report in 2020; and 3) MS was the first U.S. financial services firm to set interim (2030) targets, which we view as an important milestone in support of their 2050 commitment.

We voted AGAINST the proposal noting 1) that a one-size fits all approach does not leave room for management to weigh the complex variables related to a transition to a low carbon economy; 2) the proposal was overly prescriptive; and 3) MS has credible initiatives in place to address their commitment to NZ by 2050.

Universal Display

JPM engaged with Universal Display Corporation (OLED), including CFO and board member Sidney Rosenblatt, on compensation ahead of the annual meeting. We shared the proxy advisors' concerns about disclosure. OLED does not disclose how closing cycle performance shares paid out or performance against the targets that drove them. We do not agree with the proxy advisors that it is problematic if company's do not share PSU metric targets at the start of a cycle, but we do believe targets and payouts should be disclosed when the cycle is concluded and shares vest. Otherwise, it is hard for investors to assess if a plan is truly aligned with long-term shareholders. On our call with the company, we shared these concerns.

Strategy alignment with the long term

After our call, we decided to support management and vote for the plan. We do think disclosures around closing-cycle performance shares are table-stakes, and we conveyed that to the company. OLED believed that request was totally reasonable and pledged to disclose that in the proxy next year. Meanwhile, they had also made improvements to the plan itself: starting with 2022 compensation they lowered the quantum of time-based restricted stock by 50%. This had the double effect of 1) reducing total equity grants by 25% and 2) changing the mix from half performance-based to two-thirds performance-based.

Engagement

Amazon

JPM engaged with Amazon.com (AMZN) on warehouse working conditions over the last two years given the controversies and resulting risks tied to human rights and AMZN's reputation. We had another call with the company during the second quarter. Other investors shared our concerns, and AMZN received a shareholder proposal to asking it to commission a third-party audit on working conditions.

Human capital management

We had requested the company disclose workplace injury data and provide an update on how they are improving ergonomics of warehouse working conditions. We acknowledge the company was responsive to our request by publishing "Amazon's Delivered with Care Report on Safety and Well-being" which showed recordable injury rate (IR) and lost time incident rate (LTIR) and noted an improvement in the LTIR. However, we also noted that injury rates in the US appeared significantly higher than the rest of the world; the company did not disclose warehouse attrition rates and there was no discussion on hiring practices ensuring individuals were physically fit for warehouse employment.

While recognizing some encouraging signs and responsiveness, we believe their reporting should continue to evolve to provide shareholders and stakeholders with adequate information to assess risk and remediation efforts. As a result, we supported the proposal to commission a third-party audit, which received 44% support.

Proxy Voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We will aim to vote at all meetings called by the companies in which we are invested, unless there are any market restrictions or conflicts of interests.

In the US Equity Group proxy voting is a collaboration between our investors and the Investment Stewardship specialists in our Global Sustainable Investing Team, headed by Jennifer Wu.

At J.P Morgan Asset Management we believe that corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

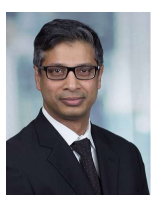
A summary of key voting statistics and activity for the second quarter 2022 period is detailed below. Please note that these figures include all activity in US equities. Account specific proxy voting records are available on request.

Meetings voted	**2,233**	(99.6%)
Votes with management	**20,833**	(94.7%)
Votes against management	**1,167**	(5.3%)
Abstentions	**20**	(0.1%)

A few examples of our recent voting activity are provided overleaf.

Jennifer Wu
Global Head of Sustainable Investing

Yo Takatsuki
Global Head of Investment Stewardship



Nishesh Kumar
North America Head of Investment Stewardship

Jonathan Steinmetz
Investment Stewardship Specialist

Aidine Rivera
Investment Stewardship Specialist

Bennett Rosenbach
Investment Stewardship Specialist

Proxy Voting

We voted **AGAINST** executive compensation for the second consecutive year at Southwest Airlines (LUV). We believed that 2021 compensation decisions were structured in a manner that risk misalignment of executive pay with investor outcomes, and created reputational risk while doing so. LUV has historically granted performance shares based on 3-year ROIC. This year they hardly granted any performance shares, and instead granted a long-term cash award based on 2-year EBITDA in 2022-2023. This change enabled the company to stay compliant with the restrictions on executive compensation as imposed by the CARES act as part of LUV's participation in the payroll support program. These restrictions expire in April 2023.

We had concerns over both the rigor of targets and the potential payouts of this cash award. Target payouts on the award will be achieved if combined 2022+23 EBITDA is $1.7bn. Bloomberg consensus EBITDA for 2022 + 23 was $8.1bn in Feb 2021 when target was set, and even now trough estimates are $6.6b, considerably above the $5.3b needed for MAX payout . The long-term cash award would pay out at 300% of target, almost $10mil, at the max. The 300% payout is new – the prior max for performance shares would have capped awards at 200%. While targets appeared to be disconnected from shareholder expectations, LUV could have put a check on potentially disconnected payouts by including a TSR modifier such that payouts are capped at target if shareholder returns are not positive. This is also where the use of cash is an additional problem; if the share price declines, the realized value of a stock-settled award will decline. But cash is totally insulated from shareholder return.

LUV was unique among airlines in the extent to which it used long-term cash to stay compliant with the CARES Act. Delta included a more modest long-term cash component in its LTIP; only Spirit made a similar change.

We voted **AGAINST** compensation at Fidelity Information Services (FIS). Alignment was poor, with pay towards the top of the peer group and performance towards the bottom over five years. There are special awards in prior years, such as a 2019 $9mil Worldpay Integration Incentive Plan. But it was jarring to see the regular equity grant grow year-over-year such that 2021 compensation approached the levels of 2019 with no special awards. Meanwhile the Worldpay integration award has now hit the max on both synergy targets, so it is expected to pay out at 200% of target. While recurring performance shares had paid out a bit below target in aggregate over the last few years, that was more than offset by the Worldpay award. We therefore felt management was insulated from the poor shareholder experience.

Proxy Voting

We voted **AGAINST** a shareholder proposal asking for Scope 3 emissions reductions targets at ConocoPhillips (COP). We believed that the proposal would require significant changes to the company's core business strategy and capital allocation: it would require COP to reduce oil and gas output and pivot to renewables where it is not capable of generating returns. Moreover, the proposal would not even solve the macro problem of global GHG emissions, as market share would shift to less responsible producers with higher operational emissions intensity. We therefore voted against the proposal.

We voted **FOR** a shareholder proposal asking for intermediate Scope 3 reduction targets en route to their 2050 net zero aspiration at Dominion Energy (D). For D, Scope 3 emissions largely relate to customers' use of natural gas and are about 40% of total emissions. Where Scope 3 emissions are significant and where the company has already set net zero scope 3 targets, and where we believe that the attainment of net zero will have significant shareholder implications, shareholders should be able to see more details behind these aspirational goals. Intermediate targets will allow investors to assess progress as well as reliance on offsets, which is coming under scrutiny. We noted that for Scope 1 and 2, D had outlined their proposed path through intermediate targets. For Scope 3, they have announced this 2050 aspiration, but we did not know how they are going to get there. We therefore supported the proposal.

We voted **FOR** a shareholder proposal at Dollar Tree (DLTR) asking it to disclose and set GHG emission targets, including Scope 3 emissions, in line with the goals of the Paris Climate Agreement. We had voted against similar proposals at COST and AZO earlier this year. We had noted that Scope 3 (supply chain emissions) are notoriously complex for the retail sector and companies needed more time before they could present could quality data with assurance.

Since then, the SEC has come out with proposed rules for GHG reporting and has clearly given companies more leeway on Scope 3 emissions reporting. The proposed rules grant companies relief from liability that may arise out of Scope 3 emissions. We are also signatories to the NZAMI (Net Zero Asset Managers initiative), by which we will encourage companies to move towards adopting the 2050 Net Zero Goals based on science-based targets. We therefore reconsidered our stance and voted for the proposal at DLTR.

A FIDUCIARY FOR 150 YEARS+

Commitment to considering the impact of each decision we make on client portfolios and performance

1,000+ INVESTMENT PROFESSIONALS

engaging with companies globally

INVESTMENT-LED EXPERT-DRIVEN

FOCUSED ON FINANCIAL MATERIALITY

ENGAGING

1,393 ESG engagements with companies around the world each year

ACTIVELY VOTING

Across 80 markets around the world

Source: J.P. Morgan Asset Management; data as of March 31, 2022.

BUILDING STRONGER PORTFOLIOS

At J.P. Morgan Asset Management, collaborating with our clients in an effort to build stronger portfolios drives everything we do.

We are committed to sharing our expertise, insights and solutions to help make better investment decisions. Whatever you are looking to achieve, together we can solve it.

LET'S SOLVE IT®

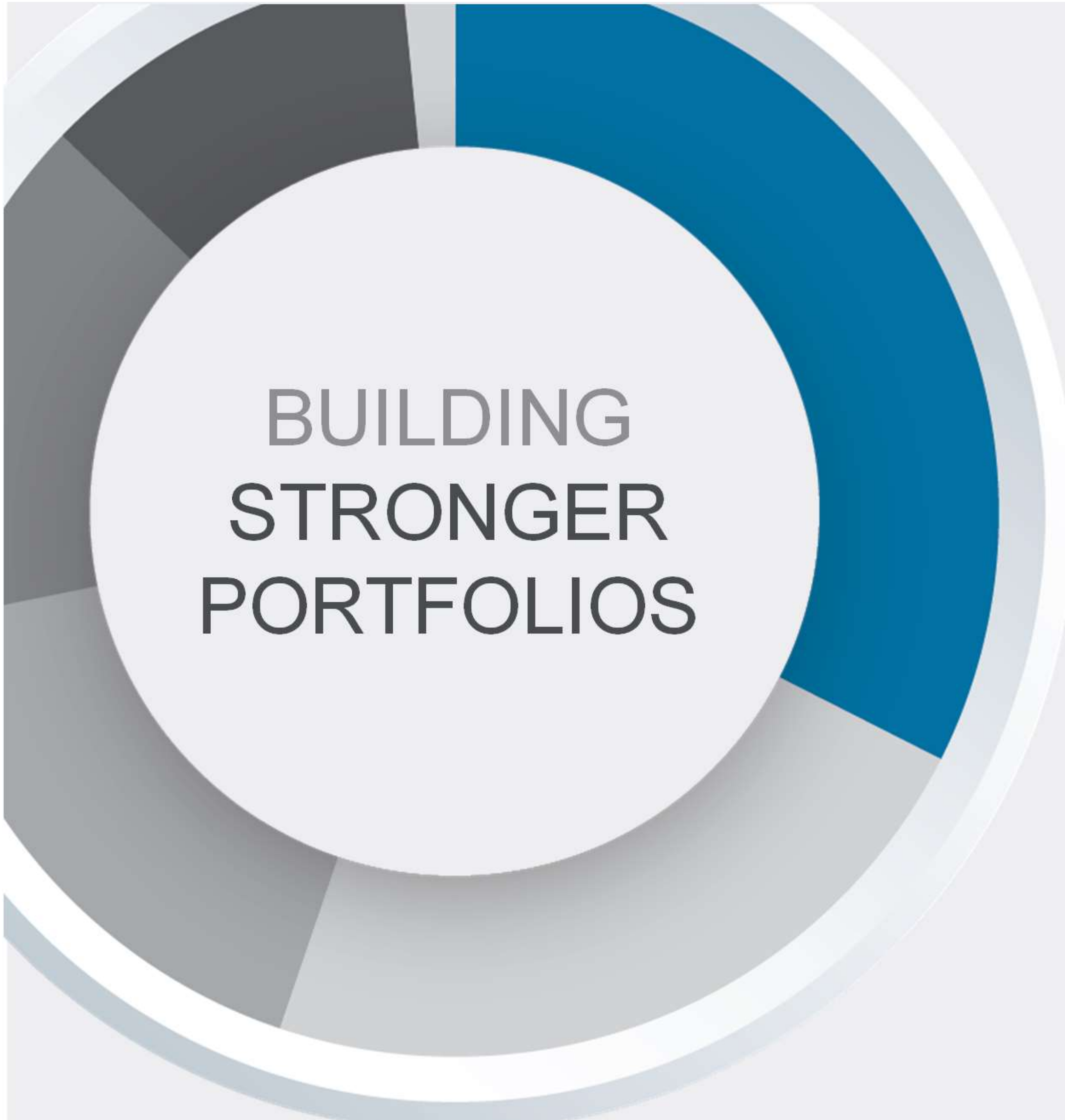
Copyright 2020 JPMorgan Chase & Co. All rights reserved.

0903c02a82aee8dc

LV–JPM52704 | 04/20

Think before you print

J.P.Morgan
Asset Management



Environmental, Social and Governance Report

US Equities

Third Quarter 2022

J.P.Morgan
Asset Management

> We believe effective investment stewardship can materially contribute to helping build stronger portfolios over the long term, for our clients.

George Gatch

CHIEF EXECUTIVE OFFICER
J.P. MORGAN ASSET MANAGEMENT

Our aspirations for engagement

When it comes to corporate engagement, being one of the world's largest investment managers brings significant advantages that we can bring to bear for our clients' interests, but we must also be mindful to manage potential challenges.

The starting point from which we engage with the companies in which we invest is strong. We are typically large shareholders, have a reputation for being long term partners and our engagements are underpinned by the in depth research that comes from having a large, well-resourced analyst team.

The challenge for us is to ensure we coordinate our sizeable internal resources — from research and portfolio management through to specialist sustainability functions — to ensure we pursue a coherent agenda based on consistent principles. In particular, it is important that we understand the relationship between sustainable goals and financial outcomes, as it is engagement at this intersection which drives the greatest long term value for our clients.

The purpose of this report is to explain how we are setting about achieving these aspirations and to share examples of our progress as we continue on our journey towards ever more productive and impactful corporate engagement on behalf of our clients.

Our frameworks for engagement

In the US Equity Group, corporate engagement is a collaboration between our investors and the Investment Stewardship specialists within our Global Sustainable Investing Team. Each brings a different perspective to our interactions with companies:

- Our **Five Investment Stewardship Principles** are the highest level statement of universal priorities that we have. They are set by our Global Sustainable Investing Group and are principles we believe will have universal applicability and stand the test of time.

- Our **Research Framework** comes entirely from our investors bottom up perspective. Across equities globally we apply a consistent 40 point ESG Checklist, which ask the same detailed questions of every company under coverage to establish a baseline of their ESG credentials.

We hope the examples and data contained in the following pages help illustrate how bringing together these top down and bottom up ESG perspectives provides a coherent and effective approach to corporate engagement.

David Small
Director of U.S. Research

Danielle Hines
Associate Director of U.S. Research

Engagement

J.P. Morgan Asset Management believes that companies should act in a socially responsible manner. To this end, we are signatories to the United Nations-supported Principles of Responsible Investment (PRI), which commits participants to six Principles, with the aim of incorporating Environmental, Social and Governance (ESG) criteria into their processes when making stock selection decisions and promoting ESG disclosure. As a firm, we prefer to invest in companies that engage in social and environmental behaviours likely to enhance their reputations, rather than compromise them. We believe that such factors are key determinants of sustainability and, ultimately, can have a material impact on share prices over time.

We recognise and embrace our wider stewardship responsibilities to clients as a major asset owner. To this end, **we support many regional specific stewardship codes**, which set out the responsibilities of institutional shareholders in respect of investee companies. We believe that regular contact with the companies in which we invest is central to our investment process, and we recognise the importance of being an 'active' owner on behalf of our clients.

Engagement driven by our Investment Stewardship Team focuses on the five firm-wide priorities detailed in the introduction. Underlying each priority are specific themes which are typically topical issues within the industry and with our clients. These themes are reviewed on an annual basis. Our Investment Stewardship Team has identified a set of **'focus' companies** aligned with these themes, **which we proactively target for engagement**. These companies are selected because we have an issue of concern, typically in reference to our five priorities, that is sufficiently material in the view of our investors to warrant more focused engagement, and where the name is held in sufficient size to make our voice effective. The list of companies will be validated as part of ongoing dialogue between our Investment Stewardship Team and our Portfolio Managers and Research Analysts.

Portfolio Managers and Research Analysts in the US Equity Group also directly drive our engagement with the companies, addressing a broad range of ESG issues as part of their bottom-up stock analysis and ongoing interaction with companies.

A few examples of our recent engagement activity during the quarter are provided on the following pages:

Engagement

PepsiCo

We engaged with PepsiCo (PEP) on its palm oil supply chain and related controversies. The company acknowledges there are systemic issues in the supply chain, and they continue to work with suppliers to help them achieve NDPE (No Deforestation, No Peat, No Exploitation). They are also in the process of improving their disclosures, having pledged to disclose their full supplier grievance list including issues, targets, and progress. We are encouraged by their push to increase transparency.

They have found that issues like deforestation, forced labor, and land grabbing are often interlinked. One challenge comes from the number of participants in the palm oil supply chain. Pepsi is a top-three consumer packaged goods palm oil purchaser but is still less than 1% of the total palm oil market. The mills and plantations themselves can be three to five layers below them in the supply chain. They are linked to 1,500 of the 2,000 global mills, often through traders.

There are several direct suppliers with whom PEP ended the relationship because of sustainability-related problems. For example, they had an Indonesia snacks joint venture with PT Indofood. The palm oil supplier there had a number of allegations. Pepsi spent considerable time working with them on the issues, but ultimately they were not addressed. They relationship ended for a combination of commercial and sustainability-related issues.

They now view NDPE as the best goal against which progress should be measured. They are part of the Palm Oil Collaboration Group developing the NDPE Implementation Reporting Framework (IRF) to create a consistent way to measure how mills/refiners are adhering to the principles of NDPE. Through the No Exploitation pillar, NDPE also includes Free, Prior, and Informed Consent (FPIC), which refers to the right of indigenous peoples to give or withhold their consent for any action that would affect their lands, territories or rights.

They pledged to publish their full list of grievances at mills and if they have been resolved. JPMAM applauded this transparency while encouraging them to avoid a selection bias by reporting on the ongoing, problematic issues as well as the successes.

Engagement

Norfolk Southern

We engaged with Norfolk Southern (NSC) on its climate initiatives and reductions targets. The potential to take share from trucking would bring financial benefits to NSC and broader environmental benefits due to the lower emissions profile of rails; NSC noted in our engagement last year that they were seeing emissions increasingly become part of their customers' logistics considerations. Meanwhile, while NSC's network is currently slightly more emissions-intensive than its closest geographic peer CSX's, the two companies' reduction targets imply that NSC believes it can close that gap.

Climate risk

The company has announced targets to reduce Scopes 1 and 2 emissions intensity 42% by 2034. This target has been approved by the Science Based Targets initiative, which allows both absolute and intensity reduction targets. NSC believe intensity makes more sense for them because longer term they are looking to grow volume, which will have both financial benefits and environmental benefits (if they take market share from more emissions-intensive trucking). They are confident that fuel efficiency improvements and low carbon fuels will get them towards achieving the 2034 goals. In the first two years, they have achieved a 5% reduction year-over-year.

They noted that 40 of their top 200 customers have committed to Science Based Targets initiative (SBTi). As customers matured from measuring to reporting, they are now focusing on managing their scope 3 goals. NSC's customers' scope 3 emissions are NSC's scope 1 and 2. Given the emission efficiency of rail, many customers may be incentivized to choose rail over trucking to meet climate goals; NSC is seeing more climate questions in Request For Proposals (RFPs).

Locomotive diesel is 90% of their emissions, and there are over 20 levers they can pull around fuel efficiency. They analyzed over seven million shipments from 2021 and developed a fuel efficiency factor for over 30 commodities plus intermodal transportation; for example, one of the least efficient items to move is finished automobiles because they don't weigh that much. One big surprise was the efficiency of intermodal; previously it was believed to be 2-3x more efficient than trucking, but actually is 3-6x more efficient, with intermodal getting 30 miles per gallon vs. truck at 5 miles per gallon (considering idling, repositioning empty trucks) based on actual life cycle data of moving a rail/truck.

Engagement

AutoZone

We engaged with AutoZone (AZO) on executive compensation. The company has never had issues with failed say-on-pay votes, but shareholder support dipped to 86% last year after previously being 90%+ (JPMAM has historically supported them). That dip prompted the board and compensation committee chair George Mrkonic to conduct shareholder outreach to explain the board's philosophy.

Human capital management

The board strongly believes that the compensation program is a causal factor in the company's success and strong shareholder returns over time. The company's long-term equity consists of 100% options which vest over four years. AZO shares JPMAM's assessment that options are inherently performance-based: while they are guaranteed to vest, they only have value in the long-term if the stock appreciates over time. The compensation plan drives a virtuous cycle: a good incentive plan leads to good capital allocation, which drives strong performance, which drives value creation for employees, which drives retention, which drives employees becoming better at their jobs, which in turn drives further strong performance.

The option plan contributes to good corporate financial planning. Performance shares can incentivize management to open too many stores or buy too much inventory to hit earnings or sales numbers despite poor return on investments (ROI); AZO views too many stores as a chronic problem for mature retailers. Meanwhile, the same incentives lead these retailers to underinvest in operating expenses like labor and maintenance, which later results in expensive remodelling programs that management hopes will drive store improvements.

In 2021, during the Great Resignation, only 2.5% of the 317 options recipients left voluntarily for reasons other than retirement, which the board attributes to the retentive value of the options.

We found the presentation to be one of the best explanations of a compensation philosophy we have heard, both in terms of thoughtfulness and evidence presented.

Proxy Voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We will aim to vote at all meetings called by the companies in which we are invested, unless there are any market restrictions or conflicts of interests.

In the US Equity Group proxy voting is a collaboration between our investors and the Investment Stewardship specialists in our Global Sustainable Investing Team, headed by Jennifer Wu.

At J.P Morgan Asset Management we believe that corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

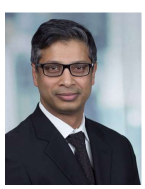
A summary of key voting statistics and activity for the second quarter 2022 period is detailed below. Please note that these figures include all activity in US equities. Account specific proxy voting records are available on request.

Meetings voted	**221**	(97.4%)
Votes with management	**1,636**	(93.2%)
Votes against management	**124**	(7.1%)
Abstentions	**-**	(0.0%)

A few examples of our recent voting activity are provided overleaf.

Jennifer Wu
Global Head of Sustainable Investing

Yo Takatsuki
Global Head of Investment Stewardship



Nishesh Kumar
North America Head of Investment Stewardship

Jonathan Steinmetz
Investment Stewardship Specialist

Aidine Rivera
Investment Stewardship Specialist

Bennett Rosenbach
Investment Stewardship Specialist

Proxy Voting

We voted **FOR** shareholder proposals asking for shareholder proposals at Tesla (TSLA) asking for a report on efforts to prevent harassment in the workplace, a report on the impacts of mandatory arbitration, and for the company to adopt a policy on respecting rights to freedom of association and collective bargaining. Our support was due to various human capital/diversity-and-inclusion-related controversies at the company. The company has been sued and forced to pay settlements over allegations of racial discrimination at its Fremont, CA facility. Meanwhile, there is ongoing litigation with the National Labor relations Board tied to intimidation of workers attempting to unionize. The company recently amended is Supplier Code of Conduct to specify protection for union members, but their own internal Code of Business Ethics does not specify that.

The company continues to make mandatory arbitration an employment condition at a time when other tech companies are moving away from it. Since Tesla does not make public its standard arbitration provision, it is difficult for investors to know what it entails. Given the controversies, the report on mandatory arbitration is a reasonable ask.

We voted **AGAINST** a shareholder proposal at McKesson (MCK) asking the company to file an 8-K any time there is an adoption, modification, or cancellation of a 10b5-1 plan by an executive officer, after voting FOR the same proposal at Abbott (ABT) during the prior quarter. We have had concerns about the potential legal cover these plans could offer to executives who make trading decisions while possessing MNPI. Meanwhile, the proposal's asks were similar to a proposed SEC rule that would require for a cooling-off period between adoption/changing of a plan and the commencement of trading, written certifications that the officer was not in possession of MNPI, and an expanded good faith requirement.

We noted, however, that MCK had already implemented these policies. Any 10b5-1 plan adoption/modification has to be approved by either the Chief Legal Officer or Corporate Secretary – this includes a MNPI certification where any trade done with possession of MNPI would not be approved. They already have a 30-day cooling off period. And they already disclose whether a trade was done through a 10b5 plan or not and the date of adoption, which is not mandated by the SEC for Form 4 reporting. We therefore felt the company was being appropriately transparent with investors while taking steps to prevent the plans being abused by MNPI-influenced trading.

A FIDUCIARY FOR 150 YEARS+

Commitment to considering the impact of each decision we make on client portfolios and performance

1,000+ INVESTMENT PROFESSIONALS

engaging with companies globally

INVESTMENT-LED EXPERT-DRIVEN

FOCUSED ON FINANCIAL MATERIALITY

ENGAGING

1,393 ESG engagements with companies around the world each year

ACTIVELY VOTING

Across 80 markets around the world

Source: J.P. Morgan Asset Management; data as of March 31, 2022.

BUILDING STRONGER PORTFOLIOS

At J.P. Morgan Asset Management, collaborating with our clients in an effort to build stronger portfolios drives everything we do.

We are committed to sharing our expertise, insights and solutions to help make better investment decisions. Whatever you are looking to achieve, together we can solve it.

LET'S SOLVE IT℠

Think before you print

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

0903c02a82aee8dc

LV–JPM52704 | 04/20

J.P.Morgan
Asset Management

Fourth Quarter 2022

Environmental, Social and Governance Report

US Equities

J.P.Morgan
ASSET MANAGEMENT

“We believe effective investment stewardship can materially contribute to helping build stronger portfolios over the long term, for our clients.”

George Gatch
Chief Executive Officer
J.P. Morgan Asset Management

David Small
Director of U.S. Research

Danielle Hines
Associate Director

Our aspirations for engagement

When it comes to corporate engagement, being one of the world's largest investment managers brings significant advantages that we can bring to bear for our clients' interests, but we must also be mindful to manage potential challenges.

The starting point from which we engage with the companies in which we invest is strong. We are typically large shareholders, have a reputation for being long term partners and our engagements are underpinned by the in depth research that comes from having a large, well-resourced analyst team.

The challenge for us is to ensure we coordinate our sizeable internal resources — from research and portfolio management through to specialist sustainability functions — to ensure we pursue a coherent agenda based on consistent principles. In particular, it is important that we understand the relationship between sustainable goals and financial outcomes, as it is engagement at this intersection which drives the greatest long term value for our clients.

The purpose of this report is to explain how we are setting about achieving these aspirations and to share examples of our progress as we continue on our journey towards ever more productive and impactful corporate engagement on behalf of our clients.

Our frameworks for engagement

In the US Equity Group, corporate engagement is a collaboration between our investors and the Investment Stewardship specialists within our Global Sustainable Investing Team. Each brings a different perspective to our interactions with companies:

- Our **Five Investment Stewardship Principles** are the highest level statement of universal priorities that we have. They are set by our Global Sustainable Investing Group and are principles we believe will have universal applicability and stand the test of time.

Governance | Strategy alignment with the long term | Human capital management | Stakeholder engagement | Climate risk

- Our **Research Framework** comes entirely from our investors bottom up perspective. Across equities globally we apply a consistent 40 point ESG Checklist, which ask the same detailed questions of every company under coverage to establish a baseline of their ESG credentials.

- We hope the examples and data contained in the following pages help illustrate how bringing together these top down and bottom up ESG perspectives provides a coherent and effective approach to corporate engagement.

Engagement: Environmental, Social & Governance

J.P. Morgan Asset Management believes that companies should act in a socially responsible manner. To this end, we are signatories to the United Nations-supported Principles of Responsible Investment (PRI), which commits participants to six Principles, with the aim of incorporating Environmental, Social and Governance (ESG) criteria into their processes when making stock selection decisions and promoting ESG disclosure. As a firm, we prefer to invest in companies that engage in social and environmental behaviours likely to enhance their reputations, rather than compromise them. We believe that such factors are key determinants of sustainability and, ultimately, can have a material impact on share prices over time.

We recognise and embrace our wider stewardship responsibilities to clients as a major asset owner. To this end, **we support many regional specific stewardship codes,** which set out the responsibilities of institutional shareholders in respect of investee companies. We believe that regular contact with the companies in which we invest is central to our investment process, and we recognise the importance of being an 'active' owner on behalf of our clients.

Engagement driven by our Investment Stewardship Team focuses on the five firm-wide priorities detailed in the introduction. Underlying each priority are specific themes which are typically topical issues within the industry and with our clients. These themes are reviewed on an annual basis. Our Investment Stewardship Team has identified a set of **'focus' companies aligned with these themes, which we proactively target for engagement.** These companies are selected because we have an issue of concern, typically in reference to our five priorities, that is sufficiently material in the view of our investors to warrant more focused engagement, and where the name is held in sufficient size to make our voice effective. The list of companies will be validated as part of ongoing dialogue between our Investment Stewardship Team and our Portfolio Managers and Research Analysts.

Portfolio Managers and Research Analysts in the US Equity Group also directly drive our engagement with the companies, addressing a broad range of ESG issues as part of their bottom-up stock analysis and ongoing interaction with companies.

A few examples of our recent engagement activity during the quarter are provided on the following pages:

Engagement: Environmental, Social & Governance

Strategy alignment with the long term

Lennar

We engaged with Lennar on executive compensation in the context of the company's poor say-on-pay result at the 2022 annual meeting. The company acknowledged their disappointment with the low say-on-pay support and shared with us possible solutions that they are considering to address shareholder concerns. These concerns largely relate to magnitude of compensation and the relatively high weighting of the annual bonus as a percentage of total compensation.

To address the problem of inordinate amount of compensation being driven by annual bonus and cash they are considering adding a cap to the Annual Bonus payout: $6m for CEOs Richard Beckwitt and Jon Jaffe, and $7m to Chair Stuart Miller.

To increase compensation tied to long-term performance they are increasing equity compensation quantums and simultaneously increasing the weight of performance shares from 35% to 65% (with time-based shares down from 65% to 35%). Equity grant values will now be $27mil for all three executives.

The result will be targeted compensation values of $34.5mil for Miller and ~$30mil for the CEOs, in the form of 20% cash/80% equity (when it had been closer to 50/50).

We noted their proposed changes would lock in executive compensation at a very high level. CEO compensation has swelled from $19m to $34m in five years, and the decision to fix long-term equity grants at $27mil could essentially lock in target compensation in low $30m range. The concern is increased by the fact that three separate executives receive this high level of compensation.

Management were appreciative of our feedback. We will learn more about the final changes to the 2023 compensation plan after the proxy is released and will follow up then if our concerns hold true.

Engagement: Environmental, Social & Governance

Climate risk

Phillip66

We engaged with Phillips66, including Lead Independent Director Glenn Tilton, on the company's climate plans in the context of the company's recent CEO transition. They noted how the refreshed board and new leadership are focused on nimbleness and the ability to respond to challenges and capitalize on opportunities in the energy transition.

The company intends to reduce the greenhouse gas emissions intensity from its operations companywide 50% by 2050, building on a previously announced 2030 target. The 2030 targets are backed by specific projects; while it is too early to do that for the 2050 target, it is based on scenario analysis that looks at several scenarios including the more stringent IEA Net Zero Scenario. Speaking to the lack of a net zero target, the company stressed the desire for targets it viewed as credible. The board's Public Policy Committee provides oversight of these plans, and every member of the board attends those meetings.

The company's 2022 Sustainability Report highlights the developing opportunities in the areas of low carbon fuels, premium coatings and materials, and fuel cells. Investment in these opportunities requires the right returns, right technology, and right timing. Renewable fuels in particular meets these criteria today.

In response to a JPMAM point about how PSX's emissions targets did not include CPChem, PSX noted that CPChem is still in the process of evaluating what a proper target would be. CPChem did, however, announce the final investment decision on a $8.5bn polymers facility on the US Gulf Coast that is expected to have 25% lower emissions than similar facilities in the US and Europe.

We believe Phillips66 has undergone significant changes to position itself for the energy transition. While we would like to see emissions targets at CPChem, we expect those to come soon.

Engagement: Environmental, Social & Governance

Human capital management

W. R. Berkley

We engaged with W.R. Berkley, including CEO Rob Berkley, on human capital and culture, which could in theory be a challenge to manage given the decentralized structure and 59 operating units. WRB pointed to a mix of formal (reporting structure, employee engagement surveys) and informal (engagement and communication between segment leaders and people in the operating units). Employee engagement surveys are helpful, but not as insightful as local engagement.

For example, there was one operating unit where WRB found that leadership was not engaged, but rather just coasting along. Employee engagement survey results were strong, but casual conversations revealed that something was wrong. WRB investigated the issue and ultimately replaced three of the leaders there.

WRB believes engagement survey results can lull senior management into a false sense of security. Employees often do not fill it out, do not take it seriously, or do not share their true feelings. So WRB needs to go further under the hood, which it does through ten people dividing and conquering the 59 units.

WRB also noted an emphasis on belonging in addition to diversity & inclusion. They need to make sure that every employee feels that they belong and are important to the company.

We continue to believe the company's thoughtfulness in managing its culture has contributed to its success over time.

Proxy Voting

J.P. Morgan Asset Management exercises the voting rights of shares held in client portfolios, where entrusted with this responsibility. We seek to vote in a prudent and diligent manner, based exclusively on our reasonable judgement of what will best serve the financial interests of our clients. We will aim to vote at all meetings called by the companies in which we are invested, unless there are any market restrictions or conflicts of interests.

Jennifer Wu
Global Head of Sustainable Investing

Yo Takatsuki
Global Head of Investment Stewardship

In the US Equity Group proxy voting is a collaboration between our investors and the Investment Stewardship specialists in our Global Sustainable Investing Team, headed by Jennifer Wu.

At J.P Morgan Asset Management we believe that corporate governance is integral to our investment process. We examine the share structure and voting structure of the companies in which we invest, as well as the board balance, oversight functions and remuneration policy. For full details, please see the J.P. Morgan Asset Management Corporate Governance Policy & Voting Guidelines, copies of which are available on request, or to download from our website.

A summary of key voting statistics and activity for the fourth quarter 2022 period is detailed below. Please note that these figures include all activity in US equities. Account specific proxy voting records are available on request.

Meetings voted	**209**	(98.1%)
Votes with management	**1,457**	(93.8%)
Votes against management	**100**	(6.4%)
Abstentions	**-**	(0.0%)

A few examples of our recent voting activity are provided overleaf.

Nishesh Kumar
North America Head of Investment Stewardship

Jonathan Steinmetz
Investment Stewardship Specialist

Aidine Rivera
Investment Stewardship Specialist

Bennett Rosenbach
Investment Stewardship Specialist

Proxy Voting

Guidewire Software

We voted AGAINST a management proposal at Guidewire Software (GWRE) asking shareholders to approve a change to the company's article of incorporation that would permit the exculpation of officers and eliminate any personal liability. We understood the need for directors and officers to remain free of the risk of financial ruin as a result of an unintentional misstep. Therefore, rational limits on the scope of indemnification, liability, and exculpation are the best way to strike a balance between shareholders' interest in accountability and their interest in attracting and retaining quality agents to work on their behalf.

We also felt, however, that executive officers, who are heavily involved in the day-to-day operations of a company and have direct access to information, should be held to a higher standard than directors. We do not think excessive lawsuits against management has been an unmanageable problem, nor do we think absence of this provision has resulted in officers leaving for other companies. The proposal seemed like a one-way door that will permanently shut a significant venue for shareholders. We therefore voted against the proposal.

Copart

We voted FOR executive compensation at Copart (CPRT). The issue was the promotional grant to new co-CEO Jeff Liaw which consisted of $6mil of time-based stock and $23mil of options. It was meant to cover his equity compensation for the next four years. The grant is designed to align Jeff with CPRT's shareholders, while the promotion addresses succession planning concerns while allowing the more experienced co-CEO Jay Adair to focus on bigger picture strategic thinking. The company had granted its CEOs similar grants in 2013 and 2020. But unlike the prior grants, this one contained a performance condition covering 60% of the options such that the stock price would need to be 25% above the grant-day price for twenty days before any options could be exercised.

As a long-term shareholder of CPRT, we have benefited from the strong performance at CPRT. We believe the compensation philosophy contributes to that performance, as it leads to a long-term focus on value creation. Since CPRT granted the first large option grant in December 2013 to CEO Jay Adair and President Vincent Mitz, the stock price has compounded at 26% per year as of the end of CPRT's most recent fiscal year in July 2022. We therefore voted in favor of compensation.

A Fiduciary for 150 years+

Commitment to considering the impact of each decision we make on client portfolios and performance

1,000+ investment professionals

Engaging with companies globally

Investment-led, expert-driven

Focused on financial materiality

Engaging

>500 ESG engagements with companies around the world each year

Actively voting

Across 80 markets around the world

Source: J.P. Morgan Asset Management; Data as of 31 December 2022.

BUILDING STRONGER PORTFOLIOS

At J.P. Morgan Asset Management, collaborating with our clients in an effort to build stronger portfolios, drives everything we do.

We are committed to sharing our expertise, insights and solutions to help make better investment decisions. Whatever you are looking to achieve, together we can solve it.

LET'S SOLVE IT©

Copyright 2020 JPMorgan Chase & Co. All rights reserved.

0903c02a82aee8dc

LV–JPM52704 | 04/20