

## ESG Policy – May 2011

### Background

JCP is a signatory to the United Nations Principles of Responsible Investing.

We believe that considering ESG factors within our business structure is fundamental to risk management and the sustainable development of our business. To this effect, our ESG Committee was established in 2007, with a representative from each line of business.

Sustainability is one of JCP's four core values. All employees are qualitatively assessed on their commitment to sustainability as part of their annual performance appraisal process. This score feeds into their remuneration.

### Investment Process

JCP believes that companies should act in a socially responsible manner. They should conduct their business in a way which recognises their responsibilities to employees and other stakeholders, as well as broader society and the environment.

We incorporate ESG issues into our investment decision-making process when assessing a company's generic key value driver (KVD) risk factors (see below):

- External – regulatory, legal, political, macro-economic, industry, **environmental**, **social**, etc.
- Internal – **governance**, management, incentives, employee relations, structure, power, culture, etc.

These risks are incorporated into our company valuations, and risk and return calculations, as well as the qualitative overlay part of our portfolio construction process.

**What differentiates ESG issues from other generic KVD risk factors is that as a matter of policy we seek to actively engage with company management, directors and other stakeholders on these issues, to encourage change where we believe the issue is detrimental to the environment, the society in which the company operates (social), or minority shareholders (governance).** Whereas on other generic KVD risk factors we reserve the right to passively engage (i.e. sell a company's shares), rather than seek change from a company's management and/or board.

When ESG issues are the subject of proxy voting, JCP considers the issues on a case by case basis, keeping in mind the best economic interests of our clients. Sometimes, shareholder proposals are used by activist groups to target companies as a means of promoting single-issue agendas. In these instances, it is important to differentiate between constructive resolutions, intended to bring about genuine social or environmental improvement, and hostile proposals intended to limit management power, which may in fact ultimately destroy shareholder value.

We expect companies to publish a separate ESG or Corporate Social Responsibility Report, or to provide an ESG statement within their Annual Report, as well as on their website.

We also encourage broking houses to provide data and information relating to individual companies' E, S and G performance by allocating a portion of our panel brokerage (currently 2.5%) to reward brokers for the provision of ESG research.