

At JPMorgan Chase, we believe that good internal governance is essential to effective management. It links our businesses worldwide with a common set of rules, expectations and oversight activities. Superb execution makes possible our firm's success and aligns our performance with the best interests of our shareholders and employees. We demand and maintain strong financial discipline through



## Corporate Governance

# : reaffirming how we do business

All JPMorgan Chase employees received Code of Conduct training tailored to their individual lines of business and corporate functions, as part of an established annual Code affirmation process.



sound accounting standards, transparent public reporting and solid management information systems. And we are committed to being a world-class organization, meeting the highest standards of professionalism and integrity to produce benefits that extend far beyond our bottom line. Across the firm – from our Board to our 180,000 employees worldwide – we strive to do first-class business in a first-class way.



## :electing our board of directors

It is critical that the Board is accountable to and aligned with shareholders. In 2007, the Board amended its by-laws so that each nominee must receive a majority of “for” votes to be elected.

## :strengthening shareholder relations

Our senior executives engage the firm’s shareholders periodically to invite comments on governance matters, executive compensation and shareholder proposals. We meet throughout the year with shareholders and organizations interested in our practices.



## Corporate Governance

### Highlights

#### Management Controls

Effective management of strategies, capital and risk has helped us achieve balanced, positive results in a difficult environment, relative to our peers.

#### Stakeholder Engagement

To foster ongoing, open dialogue and to broaden the firm's understanding of governance issues, we regularly meet with corporate activist groups and other organizations interested in governance.

#### Board Independence

JPMorgan Chase is committed to having a substantial majority of its directors represent independent voices. Today, 10 out of the Board's 12 directors come from outside the firm.

### The Board

Strong governance starts at the top with our Board of Directors, which oversees our firm's management and operations. Our directors come from diverse backgrounds and industries and are dedicated to setting – and meeting – the highest standards of governance.

**Practices.** Our Board provides experience, judgment, independence and accountability for our shareholders. We believe a smaller Board is generally more effective and we now have a dozen members in order to facilitate open and productive discussion.

Director independence is maintained in several ways, including limiting the number of officers sitting on the Board. Ten of our 12 directors are independent, outside directors. The Board also generally meets without its management directors at the end of regular meetings. These are chaired by a presiding director. Only independent directors sit on the Board's audit, compensation and governance committees.

Because the Board's primary responsibility is to seek long-term shareholder value, it's critical that this governing body is accountable to and aligned with shareholders. JPMorgan Chase follows several practices with this in mind, rewarding directors largely in the form of stock-based compensation and adopting a new election standard requiring nominees to be elected by a majority of "for" votes.

**Committees.** The Board and its committees focus on the areas that are important to governance – Audit, Compensation and Management Development, Corporate Governance and Nominating, Public Responsibility and Risk Policy.

### Risk Management

For financial firms, risk management is a cornerstone of good corporate governance. Properly managed risk enables resiliency and strong through-the-cycle returns.

**Risk Management Structure.** Our risk management structure touches several levels of the organization. While the Board and its Audit and Risk Policy Committees provide oversight at the broadest level, each business is accountable for managing the different risks associated with its activities. Risk committees within each business meet regularly to set policy and strengthen due diligence in their respective areas and can readily escalate issues to the firm's Operating Committee. And as we seek to manage risk inside each business, corporate functions – Treasury, the Chief Investment Office, Legal and Compliance and Risk Management – provide firmwide risk management supervision.

**Reputation Risk.** Reputation risk can be one of the most damaging forms of risk if not properly managed, so we look to the most extensive safety net we have to protect our reputation: our 180,000 employees around the world. Each employee goes through Code of Conduct training to ensure that all of us adhere to the highest standards of professionalism, integrity and ethical behavior. Particular units within the firm focus on specific areas of risk, including the Conflicts Office, which reviews potential conflicts of interest in Investment Banking, and Regional Reputation Risk Committees, which assess proposed transactions that might heighten reputation risk, including environmental and social risk.

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## Code Governing Behavior

In business, as in every other arena, ethical behavior does not just happen. It has to be cultivated and repeatedly affirmed throughout the organization.

Our Code of Conduct applies to everyone at JPMorgan Chase because we will achieve the greatest growth and good if our employees have common ethical standards and follow consistent policies. It guides not only what business we do, but also how we do business with our clients, shareholders, suppliers and colleagues.

**Code of Ethics for Finance Professionals.** Because JPMorgan Chase's business and reputation depend on the accuracy of its financial information, we have adopted a Code of Ethics that pertains to a broad range of professionals serving in financial positions across the organization, including accounting, corporate treasury and investor relations. Together, our Codes of Conduct and Ethics represent our commitment to first-class standards.

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## Human Rights

We do business around the globe and serve millions of consumers and many of the world's most prominent corporations, institutions and governments. Our reputation is linked to the values we stand for, and supporting human rights is an integral part of our commitment to corporate responsibility.

Our philosophy reflects our support for, and commitment to, fundamental principles of human rights everywhere in the world. By operating a business characterized by transparency and respect for the rule of law, we are supporting economic prosperity and social cohesion that works for the good of our firm, as well as the communities and people we serve.

Our many policies embody certain principles demonstrating our respect for human rights in regard to how we do business with our colleagues, our vendors, our clients and the countries where we operate. These policies include, but are not limited to, Know Your Customer, Anti-Money Laundering and Supplier Code of Conduct.

Please see our website: [www.jpmorganchase.com](http://www.jpmorganchase.com)

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## Political Contributions and Lobbying

Since public policy decisions frequently affect our businesses, employees and communities, we lobby on issues to benefit the firm and its constituents.

We also make prudent political contributions, as permitted by law and as described in our Board-approved policy, to help support candidates and political parties or committees whose positions are good for the long-term benefit of JPMorgan Chase and the communities we serve. For more information on our firm's policy about political contributions and our lobbying efforts and full disclosure on support given by political action committees, see the governance section on our corporate website at [www.jpmorganchase.com](http://www.jpmorganchase.com)

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## Shareholder Engagement

Given the size, scope and complexity of JPMorgan Chase, we understand the importance of shareholder communication to help our investors understand our performance and strategies.

Our experience is that if you ask people what needs to be done or done better, they will tell you. That's why we strive to reach out to shareholders in many different ways, including through quarterly earnings presentations, SEC filings, web communications and investor meetings.

In 2007, we engaged our shareholders on a range of governance issues, from executive compensation to human rights proposals, that enhanced our understanding of these issues. Anyone may communicate with our Board of Directors by contacting [corporate.secretary@jpmchase.com](mailto:corporate.secretary@jpmchase.com).

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## Compensation and Ownership

We have made equity an important part of our compensation plans to help our employees think and act like owners and shareholders.

We also believe that compensation should reflect performance; the higher the manager's level, the more directly his or her compensation should be tied to how the company is doing. To achieve this result, the members of the firm's senior executive team receive at least 50 percent of their incentive compensation in restricted stock units and must hold at least 75% of shares received through such units and option exercises until they leave the firm.