

J.P. MORGAN

# Sustainable Preferences Summary



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## J.P. Morgan Sustainable Investment mission statement

In an ever-changing world, we believe sustainability is a growing concern for our clients. Many clients have twin goals: to generate returns, and to do so in a way that aligns with your values. We believe in the power of sustainable investing to do just that - drive long term growth and positive impact.

At J.P. Morgan, our clients' interests come first as we help you preserve and grow your wealth. We believe that consideration of relevant environmental, social and governance (ESG) factors adds value to the investment process, through mitigating risks, capturing opportunities, and benefitting from sustainability megatrends. In addition, should you wish to explicitly express your values in your portfolios, we offer innovative and flexible sustainable investment solutions to reflect your preferences.

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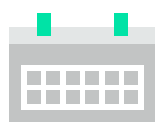
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## How do we invest sustainably at J.P. Morgan?

Clients looking to align their portfolios with their intentions, manage risk or simply understand how their investment decisions can affect the world around them, may find themselves caught in an array of confusing acronyms and terminology.

“Sustainable investing” is an umbrella term used to describe investment approaches that incorporate financial as well as social and environmental objectives. To help simplify and clarify implementation options for you, we define a number of approaches that can be used alone or in concert in your portfolios to help you achieve/meet your goals that can range from broad market strategies, diversified across sectors and geographies down to strategies solving for a specific environmental or social theme. Over time, we expect to grow our number of sustainable strategies available across all services and asset classes.



**As part of your suitability assessment, we will now ask you a number of questions about your sustainability preferences.**

## What is changing now?

We are keen to help you align your investments with your sustainability preferences where we can.

As part of your suitability assessment, we will now ask you a number of questions about your sustainability preferences through the accompanying questionnaire. Our focus will be how you would like your investment portfolio aligned with those preferences and to what extent.

Your sustainability preferences will complement your other suitability requirements but will not take precedence over them. There is no obligation for you to define any sustainability preferences and you are welcome to change your sustainability preferences at any time.

You can also decide which service those preferences should apply to:

- EXECUTE - Dealing and Advisory
- ENTRUST - Discretionary Investment Management
- ENGAGE (where available) - Fiduciary non-discretionary advisory service
- Insurance Contract(s) (where available)

Over time, we expect companies and asset managers to increase transparency by their Environmental, Social and Governance disclosures. This will enable us to provide you more investment solutions better aligned with your sustainability preferences.

We will endeavour to take your sustainability preferences into consideration when making investment decisions on your behalf or giving you investment advice.

# What are Sustainability Preferences?



## Sustainable Investments: Environmental and Social Objectives

A Sustainable Investment is an investment in any economic activity contributing to environmental and/or social objectives provided that such investments do not significantly harm any of the other objectives, while investee companies follow good governance practices.

- **Environmental objectives** could relate, for example, to biodiversity, water, use of energy, use of renewable energy, waste management, or greenhouse gas emissions.
- **Social objectives** could relate, for example, to disadvantaged communities, investing in human capital, challenging inequality, or fostering social unity and community engagement.

This categorisation is currently applicable to mutual funds, Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs), Exchange Traded Commodities (ETCs), discretionary strategies and *Fonds Général* where the fund manager or product provider publishes a commitment to make sustainable investments (e.g. min. 75% of Net Asset Value or NAV in sustainable investments). Fund managers or product providers may use a variety of different methodologies to determine that their investments meet the sustainable investment requirements.



## Taxonomy: Specific Environmental Goals

The EU has created a framework or “Taxonomy” through which companies’ activities can be assessed to determine if they contribute to one or more specific environmental goals (known as being “Taxonomy-aligned”).

Currently, there are limited disclosures on Taxonomy-alignment available in the market and some companies report a Taxonomy-alignment of zero.

At this time, equity and fixed income securities, mutual funds, ETFs, ETCs, ETNs, *Fonds Général* and discretionary strategies may have a degree of alignment.

The Taxonomy specifies six environmental goals:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

There are two methods that can be used to calculate the Taxonomy-alignment of a product.

1. Calculates the Taxonomy alignment of the product including all of its investments
2. Calculates the Taxonomy alignment of the product’s investments excluding sovereign bonds.

Including or excluding sovereign bonds in the calculation could significantly influence the overall Taxonomy-alignment of the product as there is no standardised methodology to determine the Taxonomy-alignment of sovereign bonds. Similarly, it is not currently possible to make consistent comparisons between different countries’ sovereign bonds. When specifying your sustainability preferences in relation to insurance contract(s) you will be able to tell us if you would like sovereign bonds to be included or not when calculating the Taxonomy-alignment of a product. For all other services, either method could be used, depending on the reporting approach of the fund manager or product provider.

Note that inclusion or exclusion of sovereign bonds would only apply to managed products (mutual funds, ETFs, *Fonds Général* and discretionary strategies).



# Principal Adverse Impacts

Principal Adverse Impacts (PAIs) are negative, material or likely to be material effects on sustainability factors that are directly linked to the activities of investee companies resulting from, worsening or directly relating to investment choices or advice performed by a legal entity that can be considered in the investment decision making process

PAIs may be considered in many different ways depending on the approach or strategy of the manager or product provider.

If you have expressed a preference for investments which consider PAIs, we will consider your preference to be met if a product considers at least one of the PAI indicators below.

In addition, when specifying your sustainability preferences in relation to insurance contract(s) you will be able to tell us if you would like to focus on environmental, social and/or governance PAIs. We map the PAI indicators to these three categories as set out below. If you express a preference to focus on environmental, social and/or governance PAIs, we will consider your preference to be met if a product considers at least one of the PAIs indicators in each category you select.

This categorisation is currently applicable to mutual funds, ETFs, ETCs, ETNs, *Fonds Général* and discretionary strategies.

ESG PILLARS	CORRESPONDING PRINCIPAL ADVERSE IMPACT INDICATORS
<b>1 ENVIRONMENT</b>	<ol style="list-style-type: none"> <li>1. Greenhouse Gas (GHG)<sup>1</sup> emissions</li> <li>2. Carbon footprint</li> <li>3. Greenhouse Gas (GHG) intensity of investee companies</li> <li>4. Greenhouse Gas (GHG) intensity of investee countries</li> <li>5. Exposure to companies active in the fossil fuel sector</li> <li>6. Share of non-renewable energy consumption and production</li> <li>7. Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector</li> <li>8. Activities negatively affecting biodiversity sensitive areas</li> <li>9. Emissions to water</li> <li>10. Hazardous waste and radioactive waste ratio<sup>2</sup></li> <li>11. Exposure to fossil fuels through real estate assets</li> <li>12. Exposure to energy-inefficient real estate assets</li> </ol>
<b>2 SOCIAL</b>	<ol style="list-style-type: none"> <li>13. Unadjusted gender pay gap</li> <li>14. Board gender diversity</li> </ol>
<b>3 GOVERNANCE</b>	<ol style="list-style-type: none"> <li>15. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</li> <li>16. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</li> <li>17. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)</li> <li>18. Investee countries subject to social violations</li> </ol>

1 A Greenhouse Gas is a gas that traps heat into the atmosphere, causing global warming. Greenhouse Gases include Carbon Dioxide, Methane and Nitrous Oxide amongst others.

2 Tons of waste that can pose a threat to public health, generated by an investee company per million Euro invested.



This table sets out J.P. Morgan's position regarding the matching of sustainable preferences. This position is subject to change as more financial product data becomes available on the market.

SERVICE	PRODUCT	SUSTAINABLE INVESTMENTS (Q1)	TAXONOMY (Q2)	PRINCIPAL ADVERSE IMPACTS (Q3)
<b>EXECUTE</b>	EQUITIES	Matching not possible at this time	Matching possible	Matching not possible at this time
	FIXED INCOME		Matching possible	
	MUTUAL FUNDS	Matching possible	Matching possible	Matching possible
	ETFs	Matching possible	Matching possible	Matching possible
	ETCs	Matching possible	Matching possible	Matching possible
	ETNs	Matching possible	Matching possible	Matching possible
	FONDS GÉNÉRAL	Matching possible	Matching possible	Matching possible
	STRUCTURED PRODUCTS	Matching not possible at this time		
	DERIVATIVES			
	ALTERNATIVE INVESTMENT FUNDS			
<b>ENTRUST</b>	DISCRETIONARY MANAGED STRATEGIES	Matching possible	Matching possible	Matching possible
<b>ENGAGE<sup>1</sup></b>	ENGAGE PORTFOLIO <sup>2</sup>	Matching possible	Matching possible	Matching not possible at this time
<b>INSURANCE<sup>3</sup></b>	ALL	Matching against any sustainability preferences you may have is completed on a product by product basis within the policy, as detailed above <sup>4</sup>		

- 1 Engage is not currently available at all locations. Should you select Engage, your sustainability preferences will be applied to this service, to the extent possible, when it becomes available in your location and you have signed up thereto.
- 2 Sustainable Investments and Taxonomy scores are calculated at the Engage portfolio level, utilising a weighted average of the sustainability attributes of the products within your Engage portfolio. This is matched against any sustainability preferences that you may have expressed.
- 3 Insurance contracts are not available in all locations.
- 4 Excluding Equities and Fixed Income.



## If you have any questions...

While the details of Sustainable Investing are evolving, we believe this investment philosophy is here for the long term. We will work with you to provide advice as well as recommendations for implementing strategies that meet your investment goals and align with your values.

If you have any questions, please contact your J.P. Morgan team. We are happy to assist you.