



Statement on Principal Adverse Impacts of investment decisions on sustainability factors

Financial market participant: J.P. Morgan Asset Management (Europe) S.à r.l. (549300XWGTGPPNVKZY94)

Summary¹

J.P. Morgan Asset Management (Europe) S.à r.l. (“JPMAME”) is part of the asset management line of business (“J.P. Morgan Asset Management” or “JPMAM²”) of JPMorganChase & Co (“JPMC”) and acts as a UCITS Management Company and Alternative Investment Fund Manager³) for investment funds domiciled in Luxembourg, France and Ireland (the “Funds”) and managed by JPMAM entities. It also provides discretionary portfolio management services to clients (“Client(s)”). With some exceptions, JPMAME has delegated the investment management function for the Funds and for the discretionary Client mandates to legal entities within JPMAM which act as delegated investment managers (“DIMs”).

This statement (the “Statement”) describes how JPMAME considers the Principal Adverse Impacts of investment decisions⁴ on sustainability factors (“PAIs”) for the Funds on an entity level (via activities performed by its DIMs), subject to data availability, coverage and quality, by measuring, monitoring and (subject to product design, intentionality and binding commitments) seeking to mitigate the potential negative impact on sustainability factors of its investments.

This Statement covers the reference period 1 January 2023 to 31 December 2023 and PAI data is compared to the previous reference period of 1 January 2022 to 31 December 2022 (unless indicated otherwise).⁵

Certain activities described in this Statement may also be applied in the context of segregated mandates with Clients, as agreed with them.

This Statement applies to investments held in listed equities, listed corporate and sovereign fixed income instruments and certain illiquid assets (certain timber investments)

When calculating the principal adverse impact values of investments, all investments except cash and derivatives are included in the numerator where data is available, the denominator includes everything except derivatives given the current lack of guidance on how to include them.⁶

These Funds and Client portfolios represent approximately EUR450bn AUM as of 31 December 2023.

¹ In case of any inconsistency in translations of this statement, the English version will prevail.

² J.P. Morgan Asset Management (JPMAM) is the marketing name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide.

³ Management Company subject to Chapter 15 of the Luxembourg Law of 17 December 2010 relating to Undertakings for Collective Investment and an authorised Alternative Investment Fund Manager subject to the Luxembourg Law of 12 July 2013

⁴ The same may apply to the provision of investment advisory services, as appropriate and subject to the specificities of such type of service.

⁵ Whilst AUM and holdings data is collated as prescribed by SFDR, the underlying data required to determine the principal adverse impacts of investments may, based on availability, have varying degrees of maturity and timing alignment. For the avoidance of doubt, the information sourced is applied to the calculations contained within this report for the reference period 1 January 2023 to 31 December 2023.

⁶ Clarification in relation to the treatment of derivatives in the calculation of PAI indicators is expected in the future revisions of the applicable rules of the SFDR and SFDR Regulatory Technical Standards. JPMAM continues to monitor these developments.

Subject to the limitations described above, JPMAME measures the mandatory PAIs and two voluntary indicators defined by the Sustainable Finance Disclosure Regulation (SFDR).⁷

This Statement does not apply to the following:

- where JPMAME has delegated the investment management to managers outside JPMAM⁸, and
- for certain illiquid alternative Funds (such as real estate, infrastructure and transportation), given issues related to insufficient, dated or unreliable data.

The JPMAME commitments with regards to PAIs are further outlined in the JPMAM Policy on Principal Adverse Impacts. In adhering to this policy, JPMAME or its DIMs, as applicable, apply multiple approaches to seek to identify and mitigate potential PAIs. These approaches include:

- the execution of JPMAM's long-term Investment Stewardship priorities, which are, among others, informed by PAIs
- the incorporation of the consideration of PAIs of its Funds' investments within the investment process for such Funds.

On this second point, norms and values-based screens are applied to seek to implement full or partial (such as subject to specific revenue thresholds) exclusions of certain investments, with certain PAIs considered in the context of investment inclusion criteria. This latter perspective is applicable to those Funds meeting internal classification criteria including (but not limited to) whether they meet the definitions of Article 8 or Article 9 under SFDR; and taking into account the degree to which these Funds make binding commitments towards making investments with environmental and / or social characteristics and / or sustainable investments (either as defined by SFDR and/or JPMAM internal processes).

JPMAME continues to evolve its policies, frameworks and approaches in relation to sustainable investing and continues to target enhancing the consideration of PAIs.

⁷ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

⁸ Whilst not part of the JPMAME PAI framework, Table 1 below does include the PAIs related to investments where JPMAM has sub-delegated the investment management to a third-party DIM outside JPMAM.

Description of the Principal Adverse Impacts on sustainability factors

Table 1: Indicators applicable to investments in investee companies

Adverse sustainability indicator						Actions taken, and actions planned and targets set for the next reference period
Metric		Impact 2023 ⁹	Impact 2022	Explanation		
Climate and other environment-related indicators						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	10,817,203 tonnes This adverse sustainability indicator (ASI) figure is based on data coverage of 76% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	10,831,621 tonnes	The year-on year changes (either positive or negative) on adverse sustainability indicators (ASIs) outlined in this table are a reflection and direct consequence of the corresponding changes in the composition, size and specific investments undertaken for Fund and Client Portfolios The ASIs disclosed herein do not show the impacts that may have occurred and which may have been mitigated as a result of the application of the JPMAM Sustainable investing framework, as applicable for certain Funds	Actions Taken JPMAME has established and developed a sustainable investing framework that incorporates the consideration of PAIs at an entity level; and at both a product and asset level. The degree to which PAIs are considered is correlated to the design and intentionality of JPMAM (including JPMAME) products and underlying investments. The more sustainable a product intends to be, the greater the extent to which PAIs are considered JPMAME endeavors to mitigate PAIs through both investor stewardship and engagement across Funds; and in addition for those Funds categorized as Article 8 or 9 under SFDR, according to their respective investment strategies, by ‘screening in’ assets that in the view of the DIM exhibit relatively peer leading ASI’s and ‘screening out’ some of those which in the view of the DIM exhibit relatively material worse performance
		Scope 2 GHG emissions	2,633,310 tonnes This ASI figure is based on data coverage of 76% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	2,763,084 tonnes		
		Scope 3 GHG emissions	83,654,087 tonnes This ASI figure is based on data coverage of 60% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	79,154,187 tonnes		
		Total GHG emissions	92,893,838 tonnes This ASI figure is based on data coverage of 60% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	88,112,702 tonnes		

⁹ Absent prescribed formulas within the original Annex I Delegated Regulation, JPMAM has applied the formulas contained within the Joint Consultation Paper review of SFDR Delegated Regulation regarding PAI and financial product disclosures issued April 12th 2023 for PAIs 4, 5, 6, 7, 14, 15, and 16.

Adverse sustainability indicator		Metric	Impact 2023 ⁹	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions (continued)	2. Carbon footprint	Carbon footprint (JPMAM has applied the total for scope 1+2+3)	216 tonnes CO ₂ e per M€ Invested ¹⁰ This ASI figure is based on data coverage of 60% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	221 tonnes CO ₂ e per M€ Invested		Actions Planned JPMAME intends as far as is reasonably practicable to continue to refine its PAI relevant sustainable investing framework including but not limited to assessing industry practice and improved PAI attributable methodologies; the scope and applicability of PAI consideration within JPMAME products and leveraging technology to enhance data quality and coverage. In parallel, JPMAME shall continue to deploy its PAI led central engagement model
	3. GHG intensity of investee companies	GHG intensity of investee companies	805 tonnes CO ₂ e per M€ Invested This ASI figure is based on data coverage of 63% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	864 tonnes CO ₂ e per M€ Invested		
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	1.14% This ASI figure is based on data coverage of 28% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	1.2%		
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	Consumption 1.21% Production 1.02% This ASI figure is based on data coverage of 1% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Consumption 0.97% Production 0.83%		

¹⁰ M€ denotes Millions of Euro invested.

Adverse sustainability indicator		Metric	Impact 2023 ⁹	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions (continued)	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Agriculture, forestry and fishing (NACE A): 0.00 GWh per M€ Invested This ASI figure is based on data coverage of 0.02% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Agriculture, forestry and fishing (NACE A): 0 GWh per M€ Invested		Actions Planned JPMAME intends as far as is reasonably practicable to continue to refine its PAI relevant sustainable investing framework including but not limited to assessing industry practice and improved PAI attributable methodologies; the scope and applicability of PAI consideration within JPMAME products and leveraging technology to enhance data quality and coverage. In parallel, JPMAME shall continue to deploy its PAI led central engagement model
			Mining and quarrying (NACE B): 0.02 GWh per M€ Invested This ASI figure is based on data coverage of 2% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023			
			Manufacturing (NACE C): 0.01 GWh per M€ Invested This ASI figure is based on data coverage of 1% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023			
			Electricity, gas, steam and air conditioning supply (NACE D): 1.01 GWh per M€ Invested This ASI figure is based on data coverage of 22% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023			

Adverse sustainability indicator	Metric	Impact 2023 ⁹	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Greenhouse gas emissions (continued)		Water supply; sewerage; waste management and remediation activities (NACE E): 0.01 GWh per M€ Invested This ASI figure is based on data coverage of 2% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Water supply; sewerage; waste management and remediation activities (NACE E): 0.01 GWh per M€ Invested		Actions Planned JPMAME intends as far as is reasonably practicable to continue to refine its PAI relevant sustainable investing framework including but not limited to assessing industry practice and improved PAI attributable methodologies; the scope and applicability of PAI consideration within JPMAME products and leveraging technology to enhance data quality and coverage. In parallel, JPMAME shall continue to deploy its PAI led central engagement model
		Construction (NACE F): 0.00 GWh per M€ Invested This ASI figure is based on data coverage of 0.05% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Construction (NACE F): 0 GWh per M€ Invested		
		Wholesale and retail trade; repair of motor vehicles and motorcycles (NACE G): 0.00 GWh per M€ Invested This ASI figure is based on data coverage of 0.35% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Wholesale and retail trade; repair of motor vehicles and motorcycles (NACE G): 0 GWh per M€ Invested		
		Transporting and storage (NACE H): 0.11 GWh per M€ Invested This ASI figure is based on data coverage of 2% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Transporting and storage (NACE H): 0.11 GWh per M€ Invested		
		Real estate activities (NACE L): 0.00 This ASI figure is based on data coverage of 0.16% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Real estate activities (NACE L): 0		

Adverse sustainability indicator					Actions taken, and actions planned and targets set for the next reference period
Metric					
Impact 2023 ⁹					
Impact 2022					
Explanation					
Climate and other environment-related indicators					
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas ¹¹	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	2.06% This ASI figure is based on data coverage of 2% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	1.12%	Actions Planned JPMAME intends as far as is reasonably practicable to continue to refine its PAI relevant sustainable investing framework including but not limited to assessing industry practice and improved PAI attributable methodologies; the scope and applicability of PAI consideration within JPMAME products and leveraging technology to enhance data quality and coverage. In parallel, JPMAME shall continue to deploy its PAI led central engagement model
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.51 tonnes per M€ Invested This ASI figure is based on data coverage of 4% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	1.57 tonnes per M€ Invested	
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	3.02 tonnes per M€ Invested This ASI figure is based on data coverage of 23% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	2.64 tonnes per M€ Invested	

¹¹ The sustainable use and protection of water and marine resources; and the protection and restoration of biodiversity and ecosystems, are considerations that have been incorporated in exclusion methodologies applied for the determination of investments considered as sustainable (in adherence to Article 2.17 of EU SFDR).

Adverse sustainability indicator	Metric	Impact 2023 ⁹	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters					
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises ¹²	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0.04% This ASI figure is based on data coverage of 46% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	0.03% JPMAME acts as a fiduciary of its clients; the year-on year changes (either positive or negative) on adverse sustainability indicators (ASIs) outlined in this table are a reflection and direct consequence of the corresponding changes in the composition, size and specific investments undertaken for Fund and Client Portfolios. The ASIs disclosed herein do not show the impacts that may have occurred and which may have been mitigated as a result of the application of the JPMAM Sustainable investing framework, as applicable for certain Funds	Actions Taken JPMAME has established and developed a sustainable investing framework that incorporates the consideration of PAIs at an entity level; and at both a product and asset level. The degree to which PAIs are considered is correlated to the design and intentionality of JPMAM (including JPMAME) products and underlying investments. The more sustainable a product intends to be, the greater the extent to which PAIs are considered
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	28.9% This ASI figure is based on data coverage of 71% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	32.8%	JPMAME endeavors to mitigate PAIs through both investor stewardship and engagement across Funds; and in addition for those Funds categorized as Article 8 or 9 under SFDR, according to their respective investment strategies, by 'screening in' assets that in the view of the DIM exhibit relatively peer leading ASI's and 'screening out' some of those which in the view of the DIM exhibit relatively material worse performance

¹² For those Funds classified internally as either Article 8 or Article 9 products under SFDR, norms-based screening is applied, which seeks to identify investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises. Adverse sustainability indicator 10 is incorporated into the PAI led centralized engagement model (as outlined below and in the JP Morgan Investment Stewardship Report) in the identification of the of those investee companies that we consider as requiring enhanced engagement.

Adverse sustainability indicator		Metric	Impact 2023 ⁹	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Social and employee matters (continued)	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	2.79% This ASI figure is based on data coverage of 15% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023.	8.29%		Actions Planned JPMAME intends as far as is reasonably practicable to continue to refine its PAI relevant sustainable investing framework including but not limited to assessing industry practice and improved PAI attributable methodologies; the scope and applicability of PAI consideration within JPMAME products and leveraging technology to enhance data quality and coverage. In parallel, JPMAME shall continue to deploy its PAI led central engagement model.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	6.00 women on board per 100 men This ASI figure is based on data coverage of 19% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023. ASI 13 is incorporated into the PAI led centralized engagement (as outlined below) in the identification of the of those investee companies that we consider as requiring enhanced engagement.	4.92 women on board per 100 men		
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) ¹³	Share of investments in investee Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.00% This ASI figure is based on data coverage of 0.02% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	0.01%		

¹³ In keeping with Luxembourg law, JPMAME has implemented a policy that in relation to its UCITS Funds and segregated mandates as applicable that seeks to restrict investments in securities issued by companies that have been identified by third party providers as being involved in the manufacture, production or supply of cluster munitions, depleted uranium ammunition and armour or antipersonnel mines. In addition to these norms based exclusions, the Funds classified internally as either Article 8 or Article 9 products under SFDR apply values-based screening to seek to exclude certain investments, in full or in part, including exposure to controversial weapons.

Adverse sustainability indicator						Actions taken, and actions planned and targets set for the next reference period
Metric		Impact 2023 ⁹	Impact 2022	Explanation		
Indicators applicable to investments in sovereigns and supranationals						
Environmental Social	15. GHG intensity	GHG intensity of investee countries	29.2 Tonnes per EUR Million GDP This ASI figure is based on data coverage of 9% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	32.01 Tonnes per EUR Million GDP	The year-on year changes (either positive or negative) on adverse sustainability indicators (ASIs) outlined in this table are a reflection and direct consequence of the corresponding changes in the composition, size and specific investments undertaken for Fund and Client Portfolios. The ASIs disclosed herein do not show the impacts that may have occurred and which may have been mitigated as a result of the application of the JPMAM Sustainable investing framework, as applicable for certain Funds	Actions Taken JPMAME has established and developed a sustainable investing framework that incorporates the consideration of PAIs at an entity level; and at both a product and asset level. The degree to which PAIs are considered is correlated to the design and intentionality of JPMAM (including JPMAME) products and underlying investments. The more sustainable a product intends to be, the greater the extent to which PAIs are considered. JPMAME endeavors to mitigate PAIs through both investor stewardship and engagement across Funds; and in addition for those Funds categorized as Article 8 or 9 under SFDR, according to their respective investment strategies, by 'screening in' assets that in the view of the DIM exhibit relatively peer leading ASI's and 'screening out' some of those which in the view of the DIM exhibit relatively material worse performance.
	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	Number: 1 Percentage: 0.00% This ASI figure is based on data coverage of 0.001% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023	Number: 1 Percentage: 0.001%		Actions Planned JPMAME intends as far as is reasonably practicable to continue to refine its PAI relevant sustainable investing framework including but not limited to assessing industry practice and improved PAI attributable methodologies; the scope and applicability of PAI consideration within JPMAME products and leveraging technology to enhance data quality and coverage. In parallel, JPMAME shall continue to deploy its PAI led central engagement model.

Adverse sustainability indicator		Metric	Impact 2023 ⁹	Impact 2022	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in sovereigns and supranationals						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	Not available	Not available		Actions taken and actions planned The quality and availability of data will continue to be assessed for inclusion in the 2024 statement.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Not available	Not available		

Other indicators for principal adverse impacts on sustainability factors

As required by SFDR, in addition to the set of mandatory indicators above, JPMAME considers two additional indicators (subject to data availability and quality).

JPMAME considers, where applicable, “Emissions (Emissions of air pollutants)” # 2 from Table 2; and “Social and employee matters (Number of days lost to injuries, accidents, fatalities or illness)” # 3 from Table 3 within its entity and product level PAI aligned frameworks.

Description of policies to identify and prioritise principal adverse sustainability impacts

Governance

JPMAME’s Board last approved its commitment to the policy to identify and prioritise principal adverse sustainability impacts (“PAI Policy”) on 8 Jun 2022. The PAI Policy defines PAIs as those impacts of its investment decisions and financial advice that result in, material negative effects on sustainability factors (i.e. environmental, social and governance (ESG) matters, respect for human rights, anti-corruption and anti-bribery matters). The PAI Policy applies to JPMAME and its DIMs within JPMAM.

In 2021, to enhance the governance of activities related to sustainable investing, the Sustainable Investing Oversight Committee (“SIOC”) was established by JPMAM (which includes JPMAME). The SIOC provides strategic oversight of sustainable investing activities including, among others, the PAI Policy and engagement.

The committee is co-chaired by the JPMAM Global Head of Sustainable Investing and the JPMAM Global Head of Sustainable Investing Integration. Members include the DIMs Chief Investment Officers (CIOs) of each asset class and heads of control functions such as Risk and Compliance, as well as non-voting members including the Global Head of Investment Stewardship and JPMAM’s General Counsel. The SIOC meets on a quarterly basis with additional meetings as warranted. Escalation of any issues related to the management of PAIs from a controls and risk oversight perspective, can be made to the DIMs Regional Asset Management Business Control Committee¹⁴ (JPMAM EMEA BCC) and the JPMAM Fiduciary Committee (for specific fiduciary responsibilities).

Policies in relation to PAIs

The JPMAME framework requires its DIMs to identify and prioritise PAIs. In practice this is implemented by the Investment Stewardship and Engagement process (as established by the global JPMAM Investment Stewardship framework); and the ESG credentials and intentionality of its Funds. JPMAME applies one of three approaches to ensure the appropriate level of consideration of sustainability impacts is made.

- SFDR Article 8 Funds aim to incorporate Principal Adverse Impact Indicators (PAIs) (as appropriate) through the investment process.
- SFDR Article 9 Funds aim to undertake a portfolio level Principal Adverse Impact (PAI) assessment.
- SFDR Article 6, 8 and 9 Funds form part of PAI led central engagement framework (unless exempted), as applicable.

¹⁴ The JPMAM BCC committee (and the relevant BCC of the relevant region) provides oversight of the operational risks and control environment across the entire DIMs business, with respect to proper identification, management and monitoring of existing and emerging operational risks, control issues and trends. This committee, which is co-chaired by the DIMs CEO and Business Control manager, includes decision making members comprising all heads of controls functions, CIOs across all asset classes/product groups and heads of all major business areas within the DIM.

Investment Stewardship and Engagement

Investment Stewardship and Engagement are key pillars in JPMAME's framework response to the financially material PAIs related to its financial products and services, as implemented by its delegates.

The DIMs Investment Stewardship framework targets the following short and long term priority areas:

- (i) climate change
- (ii) natural capital and ecosystems
- (iii) human capital management
- (iv) stakeholder engagement
- (v) governance and
- (vi) strategy alignment with the long term

Within each priority area, the framework identifies related themes which are financially material and which it seeks to address over a shorter time frame. These sub-themes are expected to continue evolving over time as the JPMAM

Investment Stewardship team engages with companies to understand issues and promote best practice, and other issues emerge. This combination of long-term priorities and evolving, shorter-term themes is intended to provide JPMAM (including JPMAME) with a structured and targeted framework to guide its engagement with investee companies globally.

This approach is further recognised within the below Engagement Model section and forms part of the JPMAM Investment Stewardship Report.

Centralised Engagement Model

The PAI led centralised engagement model, where applicable, identifies companies which rank poorly in relation to prioritised PAIs and corresponding adverse sustainability indicators; and focuses on investee companies where the DIM has a significant investment holding and that are suitable for engagement.

This process prioritised the following adverse sustainability indicators:

Table 2: Indicators applicable to investments in investee companies

Table	Adverse sustainable indicator and corresponding number				2023
1	Climate and Other Environment-related Indicators	Greenhouse gas emissions	3	GHG intensity of investee companies	See Table 1
			5	Share of non-renewable energy consumption and production	See Table 1
	Social and Employee, Respect for Human Rights, Anti-Corruption and Anti-Bribery matters	Social and Employee Matters	10	Violations of UN Global Compact principles and Organisation for Economic Co-operation and Development (OECD) Guide-lines for Multinational Enterprises	See Table 1
			13	Board gender diversity	See Table 1
2	Climate	Emissions	2	Emissions of air pollutants	1.09 This ASI figure is based on data coverage of 16% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023
3	Social and Employee Rights		3	Number of days lost to injuries, accidents, fatalities or illness	0.09 This ASI figure is based on data coverage of 24.5% of the total AUM in scope for PAI legal entity reporting and reflects PAI values as of 31 December 2023 and AUM values as of 31 December 2023

Investee companies identified as requiring an adverse sustainability indicator led engagement are subject to a multi-year engagement and internal review process. Only a select number of investee companies are chosen for this enhanced engagement model. More detail on the enhanced engagement model is detailed in the JP Morgan Investment Stewardship Report 2023.

Process and product level considerations

In addition to the above-described “top down” entity-level approach to the consideration of PAIs via Investment Stewardship and Engagement, PAIs may also be considered as part of the investment process at the level of investment analysis and portfolio construction for Funds and segregated mandates managed by DIMs; or their consideration is reflected at a product level in Funds and certain mandates managed by JPMAME classified internally as either Article 8 or Article 9 products under SFDR (“bottom up”).

a) ESG Integration: Sustainability risk (i.e. material negative impact of ESG issues on the value of investments) and PAIs, (i.e. the environmental and social impact of investment activities), represent the two legs of the double materiality principle.¹⁵ Where PAIs overlap with sustainability risks, they may be identified and considered in the portfolio construction and implementation process through the DIMs systematic integration of financially material ESG factors, where applicable.

However not being a binding criteria, sustainability risk considerations would not by itself prohibit an investment. Instead, sustainability risk forms part of the overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to a determination of overall risk. For more information on how JPMAME integrates sustainability risks where applicable, please refer to the summary of the JPMAM Sustainability Risk Policy.

b) Inclusion and exclusion criteria: Further, binding product features may represent the consideration of PAIs, as applicable at the level of the Funds and segregated mandates managed by JPMAME. The degree to which PAIs are considered is correlated to the degree to which a financial product or advisory service has binding conditions which apply Environmental, Social and Governance minimum safeguards; promote environmental and / or social characteristics, commit to investing in sustainable investments and / or is aligned to a sustainable objective. This includes but is not limited to United Nations Global Compact (UNGC) and certain values based considerations.

c) Portfolio level assessment: In addition to ESG integration, subject to data availability, product type and the identification of an appropriate benchmark, Funds classified as Article 9 products under SFDR apply a portfolio level assessment of adverse sustainability indicators relative to a designated benchmark, whereby adverse sustainability indicators are compared for the purpose of identifying materially significant outliers. Where an adverse sustainability indicator is materially worse within the Fund relative to the benchmark, this adverse sustainability indicator is further assessed.

Further information about the Funds can be found in the prospectuses and the respective exclusion policy under www.jpmorganassetmanagement.lu

Both the PAI led central engagement model and PAI aligned investment framework are monitored and overseen by the SIOC.

Where applicable, JPMAME aims at continuing to enhance its existing PAI identification and monitoring capability and technology. In addition, the manner in which PAIs are required to be considered by JPMAM is periodically reviewed, is evolving and may be subject to change.

While JPMAME looks to data inputs that have been subject to its internal due diligence controls and which it believes to be reliable, JPMAME cannot guarantee the accuracy, availability or completeness of its proprietary system or third-party data. The criteria used by third-party providers can differ significantly, and data can vary across providers and within the same industry for the same provider. Data inputs from third party data providers or companies may prove to be based on data sets and assumptions that may be insufficient, of poor quality or contain biased information. Where JPMAME has identified an issue related to the above, JPMAME endeavors to take commercially reasonable efforts to assess and, where possible, rectify the issue.

More information about the external data sources used is available upon request.

¹⁵ Firms are required to disclose how financial risks impact financial performance and how investment decisions impact sustainability factors.

Engagement policies

JPMAME adheres to a JPMAM group policy on engagement and proxy voting which, among others, is designed to meet the requirements under the Shareholder Rights Directive II.¹⁶

- JPMAME's DIMs apply an Investment Stewardship approach that aims to create long-term value through engagement with a focus on responsible allocation of capital. At the heart of this approach lies a close collaboration between portfolio managers, research analysts and Investment Stewardship specialists, who are in contact with the companies in which the DIM invests.

Engagement is based on four principles:

- **Intentionality:** Acting in the best interests of clients by encouraging investee companies to focus on prudent allocation of capital and long-term value creation.
- **Materiality:** Understanding how factors impacting sustainability are financially significant to individual companies over time, understanding that the regions, cultures, and organisations in which JPMAM invests differ greatly.
- **Additionality:** Focus on strategic issues that are most urgently in need of JPMAM involvement in order to deliver better long-term return to clients.
- **Transparency:** Seek to be clear with regards to the Investment Stewardship work JPMAM undertakes, being transparent with stakeholders, and seek that same level of transparency of investee companies.

Having fully reviewed the priorities in 2022, 2023 was the first full year of working with natural capital and ecosystems, the newest priority theme. This extensive topic looked at economic activity and its relationship with the natural world. Issues included the extraction of natural resources and their use in industrial production and other business activity, waste and recycling, the concept of circular economy and sustainable systems of production. Like climate risk over the past decade, JPMAM believe that natural capital and ecosystems will continue to emerge as an important investment and stewardship consideration in the coming decade because of the financial impact on the long-term value of companies.

This combination of priorities and evolving themes provide a structured and targeted framework for engagement by the Investment Stewardship team.

JPMAM Investment Stewardship program

JPMAME adopted the JPMAM Investment Stewardship program. JPMAM's engagement with investee companies is in part initially determined by the identification of the most significant PAIs and is designed to promote a better understanding of the issues they face and encourage them to adopt robust operational and strategic practices, with the goal of addressing financially material PAIs and improving risk-adjusted financial returns which will indirectly contribute to our wider approach to PAIs. As long-term investors, many of JPMAMs engagements with investee companies may cover months or, in some cases, several years.

Established in 2021, the JPMAM Enhanced Engagement Program aspires to meet the expectations of JPMAM's global investment teams across asset classes, and of JPMAME's clients and stakeholders around the world, to mitigate the most significant financially material PAIs and promote long-term shareholder value at investee companies.

The three key pillars of the enhanced engagement program are:

- I. **Focus List** companies where JPMAM have meaningful exposure and research has identified financially material ESG risks and opportunities:
- II. **Thematic Projects** where engagements are targeted to align with specific themes with JPMAM Investment Stewardship priorities; and
- III. **Reactive Engagements** where JPMAM may engage if ESG issues arise as a result of controversies or matters arising from proxy voting processes. Reactive engagement also includes regulatory-driven engagement, which includes engagement activities which address PAIs – as referenced above.

¹⁶ Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement (Shareholder Rights Directive II).

Proxy Voting

Within the JPMAM group, the Investment Stewardship team manage the voting rights of the shares entrusted to JPMAM in the same way as we would manage any other asset. The JPMAM proxy voting guidelines and procedures are designed to vote in the best long-term interests of clients. JPMAM has comprehensive proxy voting guidelines in each region, covering North America; Europe, the Middle East, Africa, Central America and South America; Asia ex-Japan; and Japan. These guidelines can be found on the sustainable investing section of the JPMAM website and include good practice recommendations from the International Corporate Governance Network and the Organisation for Economic Co-operation and Development, among others, where applicable. Please refer to the JPMAM External Policy on Engagement and Proxy Voting for more information.

It is important to note that while these engagements may be unsuccessful, securities of companies may be purchased and retained for reasons other than financially material ESG factors.

JPMAM will escalate concerns having reviewed the potential benefits of such action on core objectives, while ensuring JPMAM is always acting in the best long-term interests of clients.

Please refer to the JPMAM Investment Stewardship Report for more information.

References to international standards

JPMAM is a signatory to and member of a number of responsible business codes of conduct and internationally recognised standards. Some of these are linked to addressing PAIs. Outlined below are the key collaborations. Some of these groups speak to overarching approaches to sustainable investing, which are relevant to principle adverse impacts in terms of ambition and disclosure, while others relate to specific PAIs.

As part of JPMAM's commitment to being a responsible investor, it also engages with regulators, governments, standard-setters and non-governmental organisations on matters that may affect investee companies.

Paris Agreement/ The Net Zero Asset Managers initiative (NZAMI)

As part of JPMAM's business's strategy to help clients manage climate risks and opportunities, JPMAM became a signatory to The Net Zero Asset Managers Initiative (NZAMI) in November 2021. JPMAM has included all of its AUM in listed equities and corporate bonds, as well as certain direct investments in forestry, in scope of its targets. As of December 2023, the proportion of AUM in listed equities and corporate bonds was \$1,129bn (38% of the total JPMAM AUM of \$2,969bn) at group level.

JPMAM will measure its progress towards its targets by the proportion of companies in which it invests that have set their own credible net zero targets.

As of December 2023, approximately 32% of JPMAM's in-scope AUM was in investments in companies that had set their own science-based targets. By 2030, JPMAM anticipates that the percentage of its AUM held in companies with science-based targets (SBT-validated or equivalent, as determined by JPMAM) will increase to 55%.

Investee companies that set and act on credible science-based net zero targets can help manage risk and build and sustain shareholder value over time. JPMAM believes that where investee companies are setting their own credible science-based net zero targets, client portfolios will also decarbonize over time and minimize transition risks. For companies where JPMAM assesses that climate poses a material risk, JPMAM engages with investee companies on the credibility of their target setting, in addition to as broader aspects of their decarbonization strategy, and climate risk reporting.

JPMAM's membership in NZAMI does not alter its fiduciary responsibility to clients.¹⁷ JPMAM's targets do not change its existing portfolio strategies and do not constrain the investment universe of client accounts or require divestment. JPMAM's ability to meet its voluntary net zero targets is contingent on action from a range of parties, and is dependent on sustained and consistent government policy, accelerated technological breakthroughs and substantial adaption in corporate business models.

¹⁷ JPMAM's role remains, first and foremost, as a fiduciary to its clients, with a singular focus on acting in their best interests. The ability to meet targets is dependent on sustained and consistent government policy, accelerated technological breakthroughs and substantial adaptation in corporate business models. The ability to meet specific targets is contingent on action from a range of parties.

UN Global Compact

The United Nations Global Compact (UNGC) is a nonbinding voluntary initiative encouraging businesses to adopt policies and practices to meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. JPMAM uses third party research to identify companies understood to be in breach of the UNGC. As referenced above, this data informs exclusion lists for Funds identified as being aligned to Article 8 or 9 of SFDR and may serve as the basis of JPMAM's reactive engagements.

Principles for Responsible Investment (PRI)

JPMAM has been a signatory to the United Nations supported Principles for Responsible Investment (PRI)¹⁸ since 2007. Over time, JPMAM has developed, implemented and enhanced the standards and processes it uses to evidence, implement and monitor ESG integration, which, where possible and appropriate, may also be used to guide and inform on adverse impacts on sustainability factors.

Forward-looking climate scenarios

JPMAM is currently developing its climate scenario modelling capabilities. It is conducting an assessment of the metrics and methodologies provided by a variety of vendors to ascertain appropriate data sources and providers.

Historical comparison

This statement on PAI on sustainability factors covers the reference period 1 January 2023 to 31 December 2023. A historical comparison is also made with the previous reporting year of 1 January 2022 to 31 December 2022.

¹⁸ The PRI survey includes modules that solicit information from signatories, including J.P. Morgan Asset Management, on topics including an overall Investment Stewardship & Policy module and a number of modules covering individual asset classes, such as Listed Equity, Fixed Income and Infrastructure. Information is self-reported by signatories, including J.P. Morgan Asset Management, and was not audited by any party, including J.P. Morgan Asset Management, independent public accounting firms or PRI. Information on the PRI 2021 assessment methodology along with FAQs on the 2021 reporting cycle are included in the following links: https://dwtzyx6upklss.cloudfront.net/Uploads/j/l/f/assessmentmethodology2021_302746.pdf and <https://www.unpri.org/reporting-and-assessment/2021-reporting-update-faqs/8309.article>

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LV-JPM54750 | 06/24 | 095i242806094850