

# Task Force on Climate-Related Financial Disclosure

## J.P. Morgan Asset Management

### 2023 Report – Hong Kong Addendum

#### Introduction From Ms. Elisa Ng, CEO of AM, JPMAM (Hong Kong)

J.P. Morgan Asset Management Hong Kong (“JPMAM(Hong Kong)”) is an asset manager, operating in Hong Kong as part of J.P. Morgan Asset Management (“JPMAM”). J.P. Morgan Asset Management is the marketing name for the investment management businesses of JPMorgan Chase & Co. and its affiliates worldwide

Within JPMAM(Hong Kong), JPMorgan Funds (Asia) Limited (“JPMF(A)L”) with assets under management of \$22.3b USD as of 31st December, 2022, acts as the manager of the JPMorgan Funds (Unit Trust Range) and JPMorgan Provident Funds. JPMorgan Asset Management (Asia Pacific) Limited (“JPMAM(AP)L”) with assets under management of \$82.3b USD as of 31st December, 2022, is delegated with investment management responsibilities for JPMorgan Funds (Unit Trust Range) and JPMorgan Provident Funds. It also acts as the manager of JPMorgan SAR Funds, whilst also providing investment management and advisory services to other mutual funds and segregated accounts.

This Hong Kong Addendum is complementary to and should be read in conjunction with “Task Force on Climate-Related Financial Disclosure – J.P. Morgan Asset Management 2023 Global TCFD Report” (the “**Global AM TCFD Report**”, and together with this Hong Kong Addendum, this

“**Report**”). They together provide climate-related disclosure in accordance with the Fund Manager Code of Conduct issued by the Hong Kong Securities and Futures Commission (“**SFC**”) as of August 2022.

This is the second year that we publish the Report. It builds on our sustainability work and looks to provide insights into our approach and developing commitment to integrate climate related considerations in our business and investment processes. Given the scale and complexity of the global climate transition, managing financially material climate-related risks and opportunities is important to our role in serving our diverse client base.

We will continue to evolve and enhance our disclosure, in line with industry developments and regulatory requirements .

We hope you find this Report informative.



**Ms. Elisa Ng,**  
CEO, AM Hong Kong  
Head of Hong Kong Funds and Institutional Business

## Governance

### Board

The Boards of JPMAM(AP)L and JPMF(A)L are chaired by Mr. Edwin Chan, Chief Administrative Officer of J.P. Morgan Asset Management Asia Pacific. The role of each Board is to effectively oversee and manage the respective legal entities’ businesses. Both Boards of JPMAM(AP)L and JPMF(A)L meet on a quarterly basis.

Board-level oversight on climate-related risks and opportunities follows the framework adopted by JPMAM globally. For details, please refer to the “Governance – Board and Committee Oversight” section of the **Global AM TCFD Report**. In particular, the Boards of JPMAM(AP)L and JPMF(A)L provide oversight on senior management and challenge the respective legal entities’ business activities and controls. The oversight comprises sustainability-related matters, including climate risk strategy for managed funds.

Sustainable Investing Oversight Committee (“**SIOC**”) (as further detailed below) serves as a single point of ongoing strategic oversight, effective decision-making, review, and assurance across the key components of sustainable investing. With respect to climate-related issues, meeting minutes and updates from SIOC relating to environmental, social and governance (“**ESG**”) integration, targets and performance are provided by senior management within the Sustainable Investing (“**SI**”) team to the JPMAM(AP)L and JPMF(A)L Boards on an ad-hoc basis.

As part of the Boards’ oversight, members of JPMAM(AP)L and JPMF(A)L Boards are presented with the risk management framework covering climate-related risks as described in this report, which is reviewed alongside senior management within our SI team and the APAC Head of Risk as required.

The following Hong Kong based investment heads are either current members of the Boards and/or responsible for providing the Boards with updates relating to climate-related matters for funds where JPMAM(AP)L or JPMF(A)L has investment management responsibilities:

- APAC Head of Equities (Board Member of JPMAM(AP)L and JPMF(A)L)
- APAC Head of Fixed Income, Currencies & Commodities (Board Member of JPMAM(AP)L)
- APAC Head of Liquidity
- APAC Head of Multi-Asset Solutions

Separately, JPMAM’s APAC Head of Risk attends Board meetings as a standing invitee, and as outlined in the “Risk Management” section of the **Global AM TCFD Report**, is responsible for independent risk oversight and challenge, including climate related items presented to the Boards of JPMAM(AP)L and JPMF(A)L.

JPMAM’s APAC Lead Sustainable Investing Strategist or her delegate also attends Board meetings as a standing invitee, and provides climate and other ESG risks training and updates, along with any escalations from the APAC Business Control Committee (“**APAC BCC**”) and the Hong Kong Location Management Meeting (as further detailed below) as required.

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## Management

Management accountability of climate-related risks follows the global framework adopted by JPMAM. For more details, please refer to the “Governance – Management Oversight” section of the **Global AM TCFD Report**.

As part of the global framework, JPMAM has local management within APAC which are assigned with responsibilities in managing climate-related risks. The following are examples of some critical functional groups with members based in Hong Kong:

- Sustainable Investing Team: Provide advice across investment teams, client teams and other corporate and business teams on climate-risk factors, oversee the climate-related proxy voting matters and define company and industry level engagements on our stewardship priorities.
- Investment Teams: Accountable for the performance of relevant funds / strategies and contribution to clients’ risk and return objectives, including consideration of financially material climate-related risks and opportunities.
- Risk Team: Provide independent challenge, monitoring and review of the investment process, including climate-related risk factors.

Our SIOC is also responsible for oversight and governance of ESG integration processes of JPMAM. Where and when escalation specific to APAC is required from a controls and risk oversight perspective, escalation from SIOC is to the APAC BCC. As mentioned in the previous section, JPMAM's APAC Lead Sustainable Investing Strategist or her delegate would then escalate matters to the Boards of JPMAM(AP)L and JPMF(A)L as required. For more details, please refer to the "Governance – Management Oversight" section of the **Global AM TCFD Report**.

The Hong Kong Location Management Meeting, chaired by JPMAM's CEO of AM Hong Kong and attended by heads of various business teams and control functions of JPMAM(Hong Kong), meets on a quarterly basis and was established to provide a high level forum to discuss and agree on solutions to issues affecting the business in JPMAM(Hong Kong), including any climate-related risks and considerations as and when they arise.

JPMAM's APAC Lead Sustainable Investing Strategist or her delegate attends the Hong Kong Location Management Meeting as a standing member, and provides climate-related risk training and updates as required.

The APAC Sustainable Investing team also provide trainings on ESG-related topics to staff. For example, in the first half of 2023, the team provided trainings to client advisors of JPMAM(Hong Kong) on climate scenario analysis.

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## Strategy (including Stewardship and Engagement)

In identifying and assessing the impact of climate-related risks and opportunities, JPMAM(Hong Kong) adopts the strategy that JPMAM implements globally. In particular, in actively managed strategies deemed by JPMAM to be ESG integrated under our governance process, we systematically assess financially material ESG factors including climate-related risks in our investment decisions with the goals of managing risk and improving long-term returns. For more information, please refer to the "Strategy" section of the **Global AM TCFD Report**.

As part of JPMAM's engagement policy, our Hong Kong based Investment Stewardship team, led by JPMAM's Head of Investment Stewardship (Asia ex Japan), engages with investee companies to actively encourage enhanced disclosure of ESG and climate-related data. These engagements include encouraging companies facing climate-related risks to provide details of their own decarbonization planning and improve climate change risk disclosures, and those planning to capitalize on opportunities to demonstrate their competitive advantage. Voting on shareholder proposals relating to climate change is another important way of expressing our views where we think company management should be encouraged to better manage climate risk they actually face. For more information, please refer to the "Strategy – Considering climate in our investment stewardship" section of the **Global AM TCFD Report** and the **JPMAM 2022 Investment Stewardship Report**.

**Example of climate-related engagement with a Hong Kong listed company:**

We have been engaging with a Hong Kong listed company which engages in gas supply business (“**Company A**”) on its climate reporting, specifically about its Scope 3 emissions and scenario analysis. Additional disclosure on the ESG-related key performance indicators (KPIs) for executive pay, more board diversity and greater board independence are other areas we recommended Company A to improve.

In its latest ESG report published in 2022, Company A delivered its promise and reported Business Travel emission, one of the 15 Scope 3 categories. The number is small (0.3% of Scope 1+2) but is a good start. Through our engagement, we understand that Company A has been working on the rest of Scope 3 emission numbers and plan to report them in the next report. It also expects disclosure of its internal carbon price and methane emissions in 2023. Company A also disclosed its target of a 48% cut in greenhouse gas emissions intensity for its energy generating facilities of integrated energy business (IEB) by 2030 when compared with the intensity in 2019, which we also welcome.

With respect to scenario analysis, Company A has been taking more time to conduct. We understand that an important source of reference Company A is considering is the methodology guidance for the oil and gas sector from the Science-Based Targets Initiative. The sector methodology guidance for target settings is in the development stage. In the meantime, we will continue to engage with Company A on its progress in meeting its emission intensity reduction target.

JPMAM also continues to develop a range of dedicated sustainable investment solutions which go beyond ESG integration, typically by screening or tilting the portfolio based on sustainability-related criteria that may or may not be financially material. In 2022, our thematic Sustainable Infrastructure strategy was introduced and established as a Hong Kong Unit Trust, which was registered as an ESG Fund with the SFC<sup>1</sup>. Then, in 2023, we enhanced the investment strategy of JPMorgan Future Transition Multi-Asset Fund and registered it as an ESG Fund with the SFC<sup>1</sup>.

## Risk Management

JPMAM(Hong Kong) also adopts JPMAM’s firmwide internal controls framework and has multiple lines of defense to manage risks in client portfolios. These lines work together but with distinct responsibilities to provide oversight over business activities, including climate-related risks. For more information, please refer to the “Risk Management” section of the **Global AM TCFD Report**.

In 2022, JPMAM launched the Sustainable Investing Risk Oversight Framework globally to monitor material ESG metrics and their consideration in the investment process of JPMAM’s strategies. The framework covers JPMAM (Hong Kong). On a quarterly basis, the monitoring results are reviewed to determine material outliers to escalate to senior management.

<sup>1</sup> SFC authorisation is not a recommendation or endorsement of a fund nor does it guarantee the commercial merits or ESG attributes of a fund or its performance. It does not mean the fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

## Metrics & Targets

JPMAM(Hong Kong) is a component of the metrics and targets that JPMAM adopts firmwide in assessing the progress of its efforts in managing climate-related risks. For details, please refer to the “Metrics and Targets” section of the **Global AM TCFD Report**.

In line with the SFC requirements, in respect of the funds for which JPMAM(Hong Kong) is responsible for the overall operation (“**In-scope Funds**”), JPMAM(Hong Kong) calculates the portfolio carbon footprints based on the positions of the respective In-scope Funds as at their financial year ends. These portfolio carbon footprints are set out in the Appendix to this document.

The formula used for the calculation of the portfolio carbon footprints (see below) is in line with the methodology recommended by the SFC and Partnership for Carbon Accounting Financials (PCAF). This metric identifies the Scope 1 and Scope 2 greenhouse gas (GHG) emissions of a portfolio’s underlying investments, and is disclosed at the portfolio level.

$$\text{Carbon footprint (tonnes CO}_2\text{e/million invested (USD))} = \frac{\sum_{i=1}^N \left[ \frac{\text{Investment}_i \times \text{Emissions}_i}{\text{EVIC}_i} \right]}{\text{AUM}}$$

where:

**Emissions<sub>i</sub>** are the greenhouse gas emissions of company *i*, in tonnes of CO<sub>2</sub> equivalent

**Investment<sub>i</sub>** is the total value invested in company *i*

**AUM** is the total size of the portfolio

**EVIC<sub>i</sub>** is the enterprise value (including cash) of company *i*, in million USD, defined as “the sum of the market capitalization of ordinary shares at fiscal year-end, the market capitalization of preferred shares at fiscal year-end, and the book values of total debt and minorities’ interest” (PCAF)

Currently, JPMAM uses carbon footprint data from climate data vendor Trucost to measure the carbon exposure of investment portfolios across public equity and corporate bonds, and from another climate data vendor MSCI for sovereign debt. Where emissions data are not available, gaps are filled following a hierarchical approach consisting of a Trucost emissions estimate model and an internal emissions data gap filling methodology which uses industry / sub-industry averages. For more details, please refer to the “Metrics and Targets – Bridging Emissions Data Gaps” section of the **Global AM TCFD Report**.

## Appendix - Portfolio Carbon Footprints

In-Scope Funds with Financial Years Ended on 30 June 2023

Fund Name	As of 30 June 2023	
	Portfolio Carbon Footprint (Tons CO2e/USD mn invested)	Portfolio Coverage (% AUM)
<b>JPMorgan Provident Funds</b>		
JPMorgan Provident Balanced Fund	95.21	86.59
JPMorgan Provident Capital Fund	97.59	82.62
JPMorgan Provident European Fund	81.44	100.00
JPMorgan Provident Global Bond Fund	117.91	71.70
JPMorgan Provident Greater China Fund	19.38	100.00
JPMorgan Provident Growth Fund	84.23	92.39
JPMorgan Provident High Growth Fund	73.39	98.55
JPMorgan Provident HKD Money Fund	56.98	99.36
JPMorgan Provident Hong Kong Fund	87.29	100.00
JPMorgan Provident Stable Capital Fund	78.28	84.48
JPMorgan Provident USD Money Fund	2.07	100.00
<b>JPMorgan SAR Funds</b>		
JPMorgan SAR European Fund	81.44	100.00
JPMorgan SAR American Fund	28.62	100.00
JPMorgan SAR Asian Bond Fund	374.66	90.23
JPMorgan SAR Global Bond Fund	117.91	71.70
JPMorgan SAR Asian Fund	102.04	100.00
JPMorgan SAR Global Emerging Markets Fund	118.25	100.00
JPMorgan SAR Greater China Fund	19.38	100.00
JPMorgan SAR HKD Bond Fund	133.26	78.08
JPMorgan SAR Hong Kong Fund	87.29	100.00
JPMorgan SAR Japan Fund	59.95	100.00
JPMorgan SAR Investment Grade Corporate Bond Fund	100.32	100.00

For JPMorgan Provident Plan, please refer to the portfolio carbon footprints of JPMorgan Provident Funds above, each representing an investment portfolio under the JPMorgan Provident Plan.



## Appendix - Portfolio Carbon Footprints

In-Scope Funds with Financial Years Ended on 30 September 2023

Fund Name	As of 30 September 2023	
	Portfolio Carbon Footprint (Tons CO2e/USD mn invested)	Portfolio Coverage (% AUM)
<b>JPMorgan Hong Kong Unit Trust</b>		
JPMorgan ASEAN Fund	74.03	100.00
JPMorgan Asia Equity Dividend Fund	85.75	100.00
JPMorgan Asia Growth Fund	24.61	100.00
JPMorgan Asian Smaller Companies Fund	65.63	100.00
JPMorgan Asian Total Return Bond Fund	253.32	92.80
JPMorgan Australia Fund	174.78	100.00
JPMorgan China A-Share Opportunities Fund	47.58	100.00
JPMorgan China Income Fund	155.27	90.06
JPMorgan China Pioneer A-Share Fund	47.83	100.00
JPMorgan Europe High Yield Bond Fund	124.45	100.00
JPMorgan Europe Strategic Dividend Fund	136.05	97.58
JPMorgan Evergreen Fund	76.99	86.19
JPMorgan Future Transition Multi-Asset Fund	48.29	93.42
JPMorgan Global Bond Fund	129.65	69.19
JPMorgan Global Investment Grade Bond Fund	96.87	53.93
JPMorgan Indonesia Fund	297.26	100.00
JPMorgan Japan (Yen) Fund	29.00	100.00
JPMorgan Korea Fund	127.79	100.00
JPMorgan Malaysia Fund	180.43	100.00
JPMorgan Money Fund - HK\$	15.80	97.66
JPMorgan Multi Balanced Fund	103.19	85.73
JPMorgan Multi Income Fund	115.36	88.77
JPMorgan Pacific Securities Fund	30.60	100.00
JPMorgan Pacific Technology Fund	49.61	100.00
JPMorgan Philippine Fund	154.58	100.00
JPMorgan Sustainable Infrastructure Fund	96.00	100.00
JPMorgan Thailand Fund	238.64	100.00
JPMorgan Vietnam Opportunities Fund	413.59	100.00
JPMorgan India Fund	450.99	100.00
JPMorgan India Smaller Companies Fund	55.09	100.00

The information herein has been provided for information and disclosure purposes only. It should not be construed as investment advice, or an offer to sell, or a solicitation of an offer to buy any security, investment product or service. Investment involves risk. Past performance is not indicative of future performance. Investors should not make any investment decision solely based on the information above. Please refer to the offering documents for details, including the risk factors. This document is issued by JPMorgan Funds (Asia) Limited, and has not been reviewed by the SFC. Copyright 2023 JPMorgan Chase & Co. All rights reserved.