

# Task Force on Climate-Related Financial Disclosure

## J.P. Morgan Asset Management

### 2024 Report – Hong Kong Addendum

#### Introduction

This Hong Kong Addendum is prepared for J.P. Morgan Asset Management Hong Kong (“**JPMAM(Hong Kong)**”, “**we**” or “**our**”), an asset manager operating in Hong Kong as part of J.P. Morgan Asset Management (“**JPMAM**”). This Hong Kong Addendum is supplemental to and should be read in conjunction with JPMAM’s Global Task Force for Climate Related Financial Disclosures Report (the “**JPMAM 2024 Global TCFD Report**”, and together with this Hong Kong Addendum, the “**report**”). They together provide disclosures on how JPMAM(Hong Kong) considers climate-related risks and opportunities in the assets it manages, in accordance with the Fund Manager Code of Conduct issued by the Hong Kong Securities and Futures Commission (“**SFC**”) as of August 2022.

Within JPMAM(Hong Kong), (1) JPMorgan Funds (Asia) Limited (“**JPMF(A)L**”), with assets under management of \$22.8b USD as of 31 December 2023, acts as the manager of the JPMorgan Funds (Unit Trust Range) and JPMorgan Provident Funds; (2) JPMorgan Asset Management (Asia Pacific) Limited (“**JPMAM(AP)L**”), with assets under management of \$76b USD as of 31 December, 2023, is delegated with investment management responsibilities for JPMorgan Funds (Unit Trust Range) and JPMorgan Provident Funds.

JPMAM(AP)L also acts as the manager of JPMorgan SAR Funds, while providing investment management and advisory services to other mutual funds and segregated accounts.

JPMAM is the marketing name for the investment management businesses of JPMorgan Chase & Co. worldwide. As a global asset management group, JPMAM seeks to adopt a consistent approach in its strategy and management of client assets, including with respect to climate risks and opportunities.

Please note, all data in this addendum and the **JPMAM 2024 Global TCFD Report** is as of 31 December 2023 with a reporting period of 1 January 2023 to 31 December 2023.

We hope you find the contents of this addendum 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 **JPMAM 2024 Global TCFD Report**. In particular, the boards of JPMAM(AP)L and JPMF(A)L provide oversight of senior management and challenge the respective legal entities’ business activities and controls. Their responsibilities also include oversight of sustainability-related matters, including climate risk strategy for managed funds.

The Sustainable Investing Oversight Committee (“**SIOC**”) serves as a single point of ongoing strategic oversight, decision-making, review, and assurance across the key components of sustainable investing. SIOC oversees sustainable investing activities globally, including certifying new strategies as ESG integrated and the participation in climate-related targets that are not strategy / product specific such as the Net Zero Asset Managers Initiative (“**NZAMI**”), as part of JPMAM’s business strategy to help clients manage climate risks and opportunities.

In APAC, from a controls and risk oversight perspective, SIOC escalates climate-related risks to the APAC Business Control Committee (“**APAC BCC**”), where appropriate.

JPMAM’s APAC Head of Sustainable Investing Client Solutions or the delegate attends JPMAM(AP)L and JPMF(A)L board meetings as a standing invitee and provides climate related updates, along with any escalations from the APAC BCC.

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. The risk management framework is also reviewed by senior management within our Sustainable Investing team and the APAC Head of Risk, as required.

The following Hong Kong based investment heads are either current members of JPMAM(AP)L and JPMF(A)L 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 JPMAM(AP)L and JPMF(A)L board meetings as a standing invitee, and, as outlined in the “Risk Management” section of the [JPMAM 2024 Global 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.

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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 [JPMAM 2024 Global TCFD Report](#).

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

- Sustainable Investing Team: Provides sustainable investing expertise including information on climate-related risks and opportunities that can be applied across asset classes and may assist in the development of investment solutions for clients. The team also develops proprietary ESG, climate, and sustainable outcomes driven research, oversees climate-related proxy voting

matters and defines company and industry level engagements on our stewardship priorities.

- Investment Groups: 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.
- JPMAM Risk Team: Provides independent challenge, monitoring and review of the investment process, including climate-related risk factors.

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 provides a high level forum to discuss and agree on solutions to issues affecting the business in JPMAM(Hong Kong), including climate-related risks and considerations.

JPMAM's APAC Head of Sustainable Investing Client Solutions or the delegate attends the Hong Kong Location Management Meeting as a standing member and provides climate-related updates as required.

The APAC Sustainable Investing team also provide trainings on ESG-related topics to staff. For example, in the second half of 2023, the team provided trainings to client advisors, investment teams and other stakeholders of JPMAM(Hong Kong) on investment stewardship.

## Strategy

In identifying and assessing the impact of climate-related risks and opportunities, JPMAM(Hong Kong) adopts the strategy that JPMAM implements globally.

1. ESG integration across asset classes
2. Identifying climate-related risks and opportunities for investments held in fund accounts across time horizons
3. Developing tools and methodologies to improve insights on climate related risks
4. Offering investment strategies for clients with specific climate goals
5. Engaging with portfolio companies on climate change risks and opportunities specific to such companies
6. Adopting AM Risk Framework to better manage climate-related risk

For more information, please refer to the "Strategy" section of the [JPMAM 2024 Global TCFD Report](#).

In its role as an investment manager, JPMAM has developed and continues to expand a range of dedicated sustainable investment solutions which go beyond ESG integration, typically by screening or tilting portfolios based on sustainability-related criteria that may or may not be financially material or by focusing on specific environmental or social themes.

<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.

As of the date of this Report, JPMAM(HK) manages two Hong Kong unit trusts which are registered as ESG funds with the SFC<sup>1</sup> – JPMorgan Sustainable Infrastructure Fund, JPMorgan Future Transition Multi-Asset Fund – both of which adopt a thematic strategy. JPMorgan Funds – Emerging Markets Sustainable Equity Fund, a SICAV sub-fund which adopts a best-in-class strategy, is also registered as an ESG fund with the SFC<sup>1</sup>.

As part of JPMAM’s engagement policy, JPMAM’s Hong Kong based Investment Stewardship team, led by JPMAM’s Head of Investment Stewardship (Asia excluding Japan), engages with investee companies based in Asia excluding Japan to 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, for those planning to capitalize on opportunities, to demonstrate their competitive advantage. For more information, please refer to the “Strategy – Considering climate in our investment stewardship” section of the [JPMAM 2024 Global TCFD Report](#).

Voting on climate-related shareholder proposals is another important way of expressing JPMAM’s views where the relevant investee company’s management could better manage climate-related financial risk. JPMAM’s voting policies are designed to promote the best long-term interests of its client accounts. For more information, please see JPMAM’s Global Proxy Voting Guidelines [here](#).

Examples of climate-related engagement with Hong Kong listed companies:

#### **Company A: A gas utility company**

We have been engaging with this gas utility company (“**Company A**”) on its climate reporting since 2021 specifically about its Scope 3 emissions and scenario analysis. We recommended Company A to provide additional disclosure on the ESG-related key performance indicators (KPIs) for executive pay, improve board diversity and have greater board independence.

In terms of disclosure, we welcomed Company A’s release of Scope 3 emissions inclusive of all 15 categories under the GHG Protocol in its 2022 ESG report. Furthermore, towards the end of 2023, it released its inaugural dedicated climate report based on TCFD recommendations.

Regarding the incorporation of ESG-related KPIs into executive compensation scheme, Company A provided a high level overview of the compensation plan and highlighted that it was working on an internal data system to enable more robust assessment of the ESG-related KPIs for board members and senior management. We reiterated our position that aligning executive compensation with the company’s sustainability targets is a crucial step in driving meaningful progress on the company’s ESG commitments.

<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.

### Company B: A home appliance manufacturer

We have been engaging with a leading home appliance manufacturer (“**Company B**”) to gain a better insight of its management of sustainability matters, including climate risks and opportunities.

The company has reported its Scope 1 and Scope 2 greenhouse gases emissions. However, with the majority of emissions of home appliances coming from the use of the products, we urged the company to accelerate the assessment of its Scope 3 emissions. The company acknowledged investors’ demand and has already started working on the assessment of its Scope 3 emissions. Additionally, the company has set short term reduction targets for emission intensity. We encouraged it to set medium-term and long-term targets as well.

From the perspective of opportunity, the company is seeing a rise in demand for green products as customers are now more conscientious about their purchases. As such, the company continues to expand its offering of green products for retail customers and green building solutions for corporate clients. We asked the company to provide clear definition for its green products and other information which can help us assess their impact.

Integrating ESG factors into the measurement of employees’ performance was one of the topics in our discussion with Company B. The company explained that it has considered ESG in employees’ evaluations and highlighted that data management poses challenges to integrating ESG factors into employee performance measurement. That being said, the company is working on solutions to resolve the issue, and we will follow up about this in our upcoming engagement opportunities.

## Risk Management

JPMAM recognises the importance of effective identification, monitoring and management of climate-related risks and opportunities across its business.

JPMAM(Hong Kong) leverages JPMAM’s firmwide internal controls framework and continue to develop processes to capture the potential impacts of climate-related risks. For more information, please refer to the “Risk Management” section of the [JPMAM 2024 Global TCFD Report](#).

At JPMAM, it has three 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. Investment teams are responsible for developing and maintaining effective internal controls and are the primary risk owners, or the first line of defense. Within the first line of defense, financially-material climate related risks are considered as part of ESG integration and managed within portfolios that are determined to be ESG-integrated under JPMAM’s governance process. Compliance, Conduct and Operational risk (CCOR) is responsible for the independent governance and oversight of the first line of defense, including the timely escalation of identified issues to the relevant management committee.

JPMAM Risk is the second line of defense for managing climate-related risk, providing independent oversight and effective challenge of the risk management

process, including measuring, monitoring and managing risk thresholds to review investment, liquidity and counterparty risks. Climate-related risks are considered part of Sustainable Investing Risk Oversight.

JPMAM’s Sustainable Investing Risk Oversight Framework monitors material ESG metrics globally 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.

It is also important to note the internal audit function, our third line of defense, will consider the robustness of JPMAM (Hong Kong)’s risk management framework in managing climate-related risks, as part of its independent review within a risk-based cycle audit plan.

## Metrics & Targets

JPMAM(Hong Kong) contributes to 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 [JPMAM 2024 Global TCFD Report](#).

In line with the SFC requirements, with respect to 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 third party data vendors to measure the carbon exposure of investment portfolios across public equity and corporate bonds. Where emissions data are not available, gaps are filled following a hierarchical approach consisting of an emissions estimate model from its data vendor and an internal emissions data gap filling methodology which uses industry / sub-industry averages<sup>2</sup>. For more details, please refer to the “Metrics and Targets – Bridging Emissions Data Gaps” section of the [JPMAM 2024 Global TCFD Report](#).

<sup>2</sup> While JPMAM looks to data inputs that it believes to be reliable, JPMAM cannot guarantee the accuracy, availability or completeness of its proprietary system or third-party data. Under certain of JPMAM’s investment processes, data inputs may include information self-reported by companies and third-party providers that may be based on criteria that differ significantly from the criteria used by JPMAM, which often include forward-looking statements of intent and are not necessarily factbased or objectively measurable. In addition, 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. Such data gaps could result in the incorrect, incomplete or inconsistent assessment of an ESG practice and/or related risks and opportunities.

## Appendix - Portfolio Carbon Footprints

### In-Scope Funds with Financial Years Ended on 30 June 2024

Fund Name	As of 30 June 2024	
	Portfolio Carbon Footprint (Tons CO2e/USD mn invested)	Portfolio Coverage (% AUM)
<b>JPMorgan Provident Funds</b>		
JPMorgan Provident Capital Fund	84.15	71.64
JPMorgan Provident European Fund	90.65	98.83
JPMorgan Provident Global Bond Fund	105.72	65.80
JPMorgan Provident Greater China Fund	32.39	99.19
JPMorgan Provident Growth Fund	76.37	85.86
JPMorgan Provident High Growth Fund	73.43	92.80
JPMorgan Provident HKD Money Fund	6.56	74.82
JPMorgan Provident Hong Kong Fund	144.94	98.40
JPMorgan Provident Stable Capital Fund	70.62	67.56
JPMorgan Provident USD Money Fund	0.28	55.63
JPMorgan Provident Balanced Fund	77.86	75.90
<b>JPMorgan SAR Funds</b>		
JPMorgan SAR American Fund	27.56	100.00
JPMorgan SAR Asian Bond Fund	272.48	80.76
JPMorgan SAR Asian Fund	116.75	96.44
JPMorgan SAR European Fund	90.65	98.83
JPMorgan SAR Global Bond Fund	105.17	66.39
JPMorgan SAR Greater China Fund	32.39	99.19
JPMorgan SAR HKD Bond Fund	80.45	60.58
JPMorgan SAR Hong Kong Fund	144.94	98.40
JPMorgan SAR Investment Grade Corporate Bond Fund	47.60	87.14
JPMorgan SAR Japan Fund	50.91	98.49

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 2024 JPMorgan Chase & Co. All rights reserved.