

J.P. Morgan Asset Management reinforces commitment to sustainable investing

Investment stewardship will focus on five sustainability priorities, including climate change

Firm is developing ESG proprietary scoring framework leveraging data science

Firm becomes Climate Action 100+ signatory

25 February 2020: J.P. Morgan Asset Management (JPMAM) today announced a range of initiatives designed to reinforce its focus on advancing sustainable solutions for clients, including:

- 1) JPMAM is enhancing its investment-led, research driven stewardship process to increase its engagement with companies around five specific priorities, including climate change, bringing greater momentum to efforts already underway.
- 2) JPMAM will develop a proprietary environmental, social and governance (ESG) scoring framework. It will leverage in-house research on the materiality of different ESG factors and utilize data science and artificial intelligence, based on the firm's conviction that harnessing data will significantly advance sustainable investing.
- 3) JPMAM has become a signatory to Climate Action 100+, reflecting the firm's increasing collaboration with companies, investors and regulators on the critical issue of climate risk.

"These announcements serve to strengthen our ongoing commitment to sustainability. ESG considerations are an integral part of investing at J.P. Morgan, with over 200 buy-side research analysts applying ESG factors into the buy/sell decisions on securities. We have applied our learnings and best practices systematically across asset classes so that it is part of our DNA," said George Gatch, Chief Executive Officer, J.P. Morgan Asset Management.

"Our data science teams and advanced technologies will enable us to better understand how sustainability-related issues impact financial outcomes and to do even more to help our clients navigate this and build stronger portfolios."

JPMAM enhances its investment-led, research driven investment stewardship process

Leveraging the expertise of more than 1,000 investment professionals working directly with companies, JPMAM will build on the foundation of our longstanding corporate engagement practices in defining and implementing its investment stewardship philosophy, tapping into its investors and using ESG data and research capabilities, to strategically focus on engaging companies where JPMAM believes ESG considerations can play a critical role in creating value for its clients.

To support this, enhanced annual reporting will incorporate key performance indicators in the firm's engagement policies, providing transparency to clients and clarity in terms of JPMAM's expectations for the companies in which JPMAM is invested.

The investment stewardship model will prioritize:

- **Climate Risk.** JPMAM believes climate risks will directly impact the ability of companies to create long-term shareholder value and will engage with companies on embedding and disclosing climate risk considerations into corporate strategy as outlined by the Task Force on Climate-related Financial Disclosures (TCFD).
- **Governance.** JPMAM values a strong corporate culture with a focus on directors who represent all shareholders equally and on companies with diverse boards.
- **Strategy Alignment with the Long Term.** JPMAM expects companies and boards to align themselves with long-term outcomes, including compensation arrangements for executives.
- **Human Capital Management.** JPMAM believes managing human capital effectively (e.g. workplace standards, education & training, diversity and gender equality) is critical to maintaining an engaged and productive workforce.
- **Stakeholder engagement.** JPMAM thinks companies' sustainability depends on companies taking into account the interests of all their stakeholders and the broader impact on the communities in which they operate, including issues such as cybersecurity and privacy, which will be increasingly critical to long-term success.

"We're concentrating our investment stewardship efforts on the most financially material issues where we can help drive the creation of long-term value; this forms the foundation of our investment stewardship work. Our focus is zeroing in on the issues that influence the growth

trajectory of companies in which we invest,” said Jennifer Wu, Global Head of Sustainable Investing, J.P. Morgan Asset Management.

“Our focus on sustainability and value creation has always been an integral factor in our corporate engagement work. Our investment stewardship priorities will be expressed in increased engagement and in our voting, in which we will take positions that promote long-term sustainable business practices,” she added.

JPMAM harnessing data science to launch proprietary ESG scoring system

JPMAM is developing a proprietary ESG scoring system framework utilizing multiple sources of ESG data based on a common set of financially material ESG indicators designed by its investment teams.

The goal of the proprietary scoring system is to help JPMAM’s investment professionals better identify forward looking ESG risks and opportunities, as well as to construct portfolios with an optimized ESG efficient frontier with the goal to deliver enhanced risk-adjusted return.

The framework will tap into the firm’s data science capabilities, such as machine learning algorithms and natural language processing that can generate meaningful sentiment signals, to source alternative data sets and glean insights on sustainability beyond corporate disclosures at scale.

“Our proprietary scoring system will combine sector expertise and technology, complementing our investors’ existing frameworks and taking us towards a fundamentally forward-looking, data driven method of ESG investing. We believe that data science, harnessed intelligently, will greatly enable and advance sustainable investing, in both mitigating risks and generating alpha. Furthermore, it will help to inform focus areas for our corporate engagement work,” said Ms. Wu.

JPMAM becomes Climate Action 100+ signatory

JPMAM will also become a signatory to Climate Action 100+. As an extension of the firm's sustainable investing efforts, this move reflects JPMAM's increasing engagement with companies on the critical issue of climate risk.

"Joining Climate Action 100+ adds another channel to engage with companies on enhancing disclosure of risk exposures, as well as strategy and governance on greenhouse gas emissions reduction and adoption of sustainable business practices," says Ms Wu.

JPMAM has a history of taking action to address climate change through various industry advocacy efforts such as the Task Force on Climate-related Financial Disclosures and continued reporting via the United Nations-supported Principles for Responsible Investment (PRI) initiative. JPMAM has been a UN PRI signatory since 2007.

"We believe a long-term focus delivers better results, leads towards more sustainable business models and allows the power of compounding to translate into investment outcomes. That's why we consider sustainability and awareness of the material implications of climate change to be so integral to portfolio construction and risk management," concluded Mr Gatch.

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J.P. Morgan Asset Management Sustainable Solutions

JPMAM offers 11 dedicated sustainable products across different investment styles and asset classes, with more than \$2 billion in client assets under management in sustainable funds as of 31 December 2019. Many of these strategies are sustainable versions of JPMAM flagship products.

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