



Task Force on Climate-Related Financial Disclosure

# J.P. Morgan Asset Management 2022 Inaugural Report

- Executive Summary

# Executive Summary<sup>1</sup>

Climate change presents important risks and opportunities to investors. To best serve our clients, we are committed to providing insights, products and capabilities to help them navigate the climate transition.

In this report, we disclose how we consider climate-related risks and opportunities in the assets we manage on behalf of our clients.<sup>2</sup> In line with TCFD recommendations, this report is structured in four sections. [The Governance section](#) discusses how climate risks and opportunities feature in our governance and management structures. [The Strategy section](#) focuses on the key climate-related components of our strategy: ESG integration and research, our sustainable product offering and investment stewardship. [The Risk Management section](#) explores how we identify and manage climate risks through our continuously evolving ESG and climate research capabilities, and through our risk management and compliance functions. Finally, in the [Metrics and Targets section](#), we disclose the data and metrics we currently use and are in the process of onboarding, and also report our 2021 carbon emissions baseline.

In this Executive Summary, we present the key highlights of the report and provide a summary of our disclosures for each of the TCFD recommendations in Exhibit II.

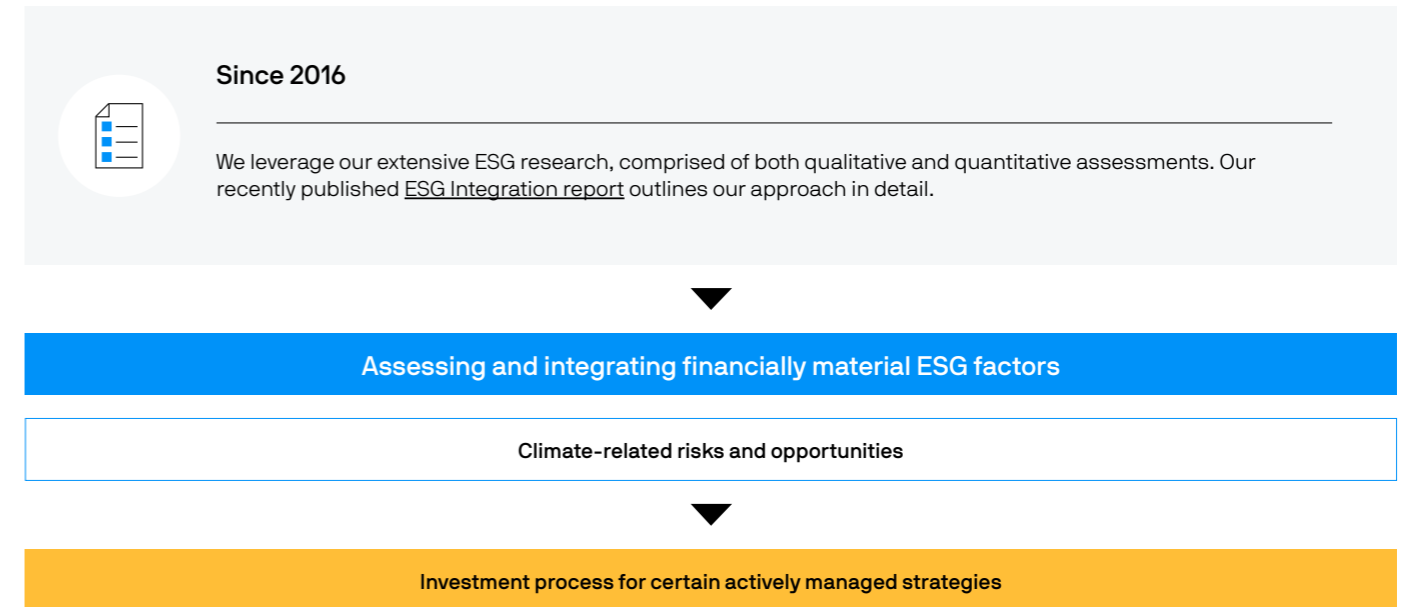
<sup>1</sup> Please refer to Task Force on Climate-Related Financial Disclosure - J.P. Morgan Asset Management 2022 Inaugural Report.

<sup>2</sup> The information provided in this report reflects J.P. Morgan Asset Management's approach to ESG as at the date of this report and is subject to change without notice. We do not undertake to update any of such information in this report.

## We are advancing sustainable investing governance

In 2021, to enhance the governance of our sustainable investing related activities, J.P. Morgan Asset Management established the Sustainable Investing Oversight Committee (SIOC). SIOC provides strategic oversight of sustainable investing activities including, among others, reviewing the implementation plans for the firm's commitment to Net Zero Asset Managers initiative.

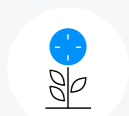
## Exhibit I. ESG Integration is a foundation for assessing and managing climate risk



## Our sustainable investment<sup>3</sup> solutions continue to grow

We offer sustainable investment solutions to clients seeking to generate long-term returns and contribute to sustainable outcomes, including strategies that incorporate climate-related risks and opportunities. In 2021, we launched new sustainable thematic strategies, including strategies that seek to invest in companies that are offering solutions through their products or services to address climate change mitigation or adaptation challenges.

<sup>3</sup> J.P. Morgan Asset Management takes a global approach to sustainable investing, and the solutions offered through our sustainable investing platform meet our internally defined criteria for a sustainable investment. The evolving nature of sustainable finance regulations and the development of jurisdiction-specific legislation setting out the regulatory criteria for a "sustainable investment" or "ESG" investment mean that there is likely to be a degree of divergence as to the regulatory meaning of such terms. This is already the case in the European Union where, for example, under the Sustainable Finance Disclosure Regulation (EU) (2019/2088) certain criteria must be satisfied in order for a product to be classified as a "sustainable investment." Any references to "sustainable investing," "SI" or "ESG" in this document are intended as references to our internally defined criteria only and not to any jurisdiction-specific regulatory definition.



Our approach to engagement on climate risk is to focus on the sectors and companies where, in our view, climate risk poses the greatest material risk to our clients' investments.

We also acquired Campbell Global, LLC, a recognized leader in global timberland investment and natural resource management, with 5 million acres of forest globally<sup>4</sup> managed by Campbell Global, a firm acquired by J.P. Morgan Asset Management.

**We continue developing our climate analytics capabilities**

We continue to develop our climate data and analytics capabilities. This includes working towards integrating climate-related data and metrics into a centralized J.P. Morgan Asset Management platform alongside other material information used for portfolio management and research. The approach integrates what J.P. Morgan Asset Management has identified to be the most appropriate data, scenarios and analytical tools, combined with the expertise from our dedicated climate researchers in the Sustainable Investing team and our 200+ fundamental researchers.

**As an active investment manager, we engage with investee companies**

As stewards of our clients' capital, we engage with certain investee companies to encourage positive change as an important part of our investment process across asset classes. Climate risk is one of our firmwide investment stewardship priorities. In 2021, we engaged with over 600 companies engaged on climate risk across 47 markets and 25 sectors. Our approach to engagement on climate risk is to focus on the sectors and companies where, in our view, climate risk poses the greatest material risk to our clients' investments.





Voting on shareholder proposals relating to climate change is another important way of expressing our views where we think management could better manage climate risk.

**The journey ahead**

We have made significant advancements in the ways we help our clients to address climate risks and act upon opportunities presented by the transition to a low-carbon economy and we will continue to deepen these capabilities.

<sup>4</sup> Please note that this document is not an offer of any particular product.

**Exhibit II. Summary of disclosure alignment to TCFD guidance for all sectors and supplemental guidance for asset managers\***

 <b>Governance</b>	 <b>Strategy</b>	 <b>Risk Management</b>	 <b>Metrics and Targets</b>
<p><b>Board's oversight of climate risks and opportunities</b></p> <p>Legal entity boards oversee senior management, providing challenge of business activities and controls, including sustainability-related matters.</p> <p><b>Management's role in assessing and managing risks and opportunities</b></p> <p>We created the SIOC to oversee sustainable investing activities, including our commitments under Net Zero Asset Managers initiative.</p> <p>Business units and functional groups are responsible for overseeing climate-related risks and opportunities as part of oversight in their respective roles.</p>	<p><b>Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</b></p> <p>Transition risks and opportunities (Policy and Legal, Reputation, Market and Consumer Preferences, Energy and Technology Transformations) are particularly important in the near term (3 to 10 years), while physical risks (acute and chronic) are increasingly important over longer time horizons (up to 30 years), although these will vary by asset class and risk type.</p> <p><b>Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</b></p> <p>A preliminary assessment of a subset of our equities portfolios found the highest risk exposure within the Extractive Minerals sector. Transition risks from Policy and Legal impacts were highest, while most transition related opportunities were from shifts in Market and Consumer preferences.</p> <p><b>Describe how climate-related risks and opportunities are factored into relevant products or investment strategies.*</b></p> <p><b>Describe how each product or investment strategy might be affected by the transition to a low-carbon economy.*</b></p> <p>ESG integration in our actively managed investment processes considers financially material ESG factors, including climate-related risks and opportunities. Our broad product capabilities and global research allow us to partner with clients to meet their needs across a spectrum of solutions, including strategies that incorporate risks and opportunities of climate change.</p> <p><b>Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or over scenario.</b></p> <p>We are in the process of developing our firmwide approach to scenario modeling, formalizing the work that is currently being done by a number of investment teams. The approach will assess the resilience of our assets under management to different futures, including achieving net zero by 2050.</p>	<p><b>Describe the processes for identifying and assessing climate-related risks.</b></p> <p><b>Describe how material climate-related risks for each product or investment strategy are identified and assessed. This might include a description of the resources and tools used in the process.*</b></p> <p>We identify climate-related risks through our ESG quantitative and qualitative research. ESG Integration in our actively managed investment processes considers financially material ESG risks, including climate-related risks. We are currently in the process of further developing and integrating our dedicated climate-related capabilities into the central technology platform.</p> <p><b>Describe engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks.*</b></p> <p>As an active investment manager, we consider engagement with investee companies to encourage positive change an integral part of our investment process across asset classes. Climate risk is one of our firmwide investment stewardship priorities. We discuss our investment stewardship approach in the Strategy section.</p> <p><b>Describe the processes for managing climate-related risks.</b></p> <p><b>Describe how material climate-related risks for each product or investment strategy are managed.*</b></p> <p><b>Describe the processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</b></p> <p>We employ a multi-line defense approach to managing risks in client portfolios. As primary risk owners, investment teams are responsible for considering climate as a core topic in our investment analysis, alongside all other material financial risks, as part of ESG integration. In addition to J.P. Morgan Asset Management's risk management process, Investment Directors monitor and assess how investment teams are incorporating material sustainability risks into their investment strategies. Our independent Risk Management and Compliance functions are part of the second line of defense.</p>	<p><b>Metrics to assess risks and opportunities, including in products and strategies</b></p> <p>We are evaluating the most appropriate metrics to use for assessing climate related risks and opportunities, taking into account data and methodology, quality and availability, the needs of our clients, and regulatory requirements.</p> <p><b>GHG emissions for assets under management*</b></p> <p>Our carbon exposure metrics for our assets under management for 2021 are: See Exhibit XXI.</p> <p><b>Targets to manage risks and opportunities</b></p> <p>J.P. Morgan Asset Management signed up to Net Zero Asset Managers initiative in 2021, supporting investment aligned with the goal of achieving net-zero GHG emissions by 2050 or sooner.</p>

\*Reflects recommendations that are included in the Supplemental Guidance for Asset Managers, which incorporates updates to the guidance for the financial sector released by the TCFD in 2021 ([https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing\\_Guidance.pdf](https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf))

It is important to remember that the MSCI ESG metrics provided in this report may not fully reflect future economic reality. At J.P. Morgan Asset Management, our ESG specialists collaborate closely with our research analysts to understand when that may be the case, and where appropriate we engage with companies to improve disclosure and enhance policies. Where we think climate risk may be material, we review fossil fuel exposure, disclosed reduction targets going forward and other relevant information.

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For more information on ESG integration and our approach to sustainable investing at J.P. Morgan Asset Management, please visit our website. Investment involves risk. Please refer to the offering document(s) for details, including the risk factors. Past performance information presented is not indicative of future performance. Investments in emerging markets, if relevant, may be more volatile than other markets and the risk to your capital is therefore greater. The information contained in this document does not constitute investment advice, or an offer to sell, or a solicitation of an offer to buy any security, investment product or service.

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