JPMorgan Investment Funds – Global Macro Sustainable Fund

Exclusion Policy

June 2020

The JPMorgan Investment Funds – Global Macro Sustainable Fund reflects many of the shared environmental, social and governance values of our clients through the exclusion of certain industries and activities. The exclusions are applied to individual company exposures through equity (physical and single stock options) and credit. Please see below for details of how exclusions are applied to our long derivatives exposure to indices. As shown, we fully exclude some industries and apply maximum revenue percentage thresholds to others, which can vary depending on whether the company is a producer, distributor or service provider.

	REVENUE-BASED EXCLUSIONS		FULL EXCLUSIONS
VALUES BASED	Alcohol	Military equipment	Controversial weapons
	Cannabis	Pornography	Unconventional oil and gas
	Fossil Fuel	Power generation	
	Gambling	Tobacco	
NORMS BASED			Companies in breach of the UN** Global Compact

*Where the norms violation cannot be remediated in the near future or where the company has not shown any signs of addressing the issue, we will immediately exclude that company. Where it is less clear, we will engage with the company on the issue.

**UN stands for United Nations. The UN Global Compact is an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

Within our exclusionary framework we seek to distinguish between companies that continue to engage in less sustainable activities and those that are in transition towards greater sustainability, especially with regards to climate change. In particular, we anticipate that power generation companies will continue to place increased focus on climate change and emissions as a strategic consideration. As such, we have developed an inclusion policy to identify power generation companies that are actively transitioning towards sustainable power generation and placing emissions reduction at the forefront of their business strategy.

In addition to our qualitative assessment, which includes consideration of the company's investment in renewable energy capacity, companies considered for inclusion must at a minimum meet the following criteria:

- The company's planned development of its business should be in line with a global warming of below 2˚C
- The company's current operations must not consist mainly of energy from fossil fuels

Treatment of index derivatives

The above exclusions are also applied to any long exposure to indices via derivatives where more than 30% of the exposure of the underlying index is captured by our exclusion criteria. When we do implement long exposure to indices via permitted derivatives (which meet the aforementioned 30% rule), the aggregate long equity exposure to the underlying excluded companies cannot exceed 5% equity delta. For example, if we invest at the same time in long S&P call options and long Eurostoxx futures – indices which each currently have less than 30% of their underlying exposure in excluded areas – then the combined exposure from those indices to excluded companies cannot exceed 5% equity delta in aggregate. We only permit netting of long and short exposures in the case of option hedging, when both are on the same underlying index.

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Asset Management

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