

# J.P. Morgan Asset Management Principal Adverse Sustainability Impacts Statement 30 June 2021

In accordance with Article 4 of the EU Sustainable Finance Disclosure Regulation (“**EU SFDR**”), this document summarises how J.P. Morgan Asset Management (Europe) S.à r.l. and J.P. Morgan Asset Management Real Estate (France) SAS (together, “**JPMAM**”) consider the principal adverse impacts (“**PAIs**”) of their investment decisions and investment advice on sustainability factors, through the global J.P. Morgan Asset Management stewardship and sustainable investing framework described below.

As set out in our most recent annual investment stewardship report (available [here](#)), the global J.P. Morgan Asset Management business takes a long-term, active approach to investment management, supported by a stewardship structure that is designed to identify risks and understand portfolio companies’ activities in order to create and enhance long-term value for our clients including, by engaging with selected portfolio companies on the principal adverse impacts of their business on sustainability factors. The approach and framework summarised below, shall also apply (as appropriate) to any investment advisory activities provided by JPMAM in connection with portfolio companies.

## Information on policies and procedures to identify and prioritise PAIs

JPMAM’s policies define PAIs as those impacts of its investment decisions and financial advice that result in, material negative effects on sustainability factors (i.e. environmental, social and governance matters, respect for human rights, anti-corruption and anti-bribery matters).

JPMAM prioritises PAIs based on the long-term investment stewardship priorities that are established and identified by the global J.P. Morgan Asset Management stewardship framework and which currently include (i) governance; (ii) strategy alignment with the long term; (iii) human capital management; (iv) stakeholder engagement; and (v) climate risk.

Within each priority area, we have identified related themes that we are seeking to address over a shorter time frame (e.g. climate risk disclosure and board diversity). These themes will evolve as we engage with companies to understand issues and promote best practice, and other issues may emerge.

This combination of long-term priorities and evolving, shorter-term themes provides us with a structured and targeted framework to guide our engagement with investee companies globally, in order to promote long term value creation for our clients, and to support the management of the PAIs of our investment decisions and investment advice on sustainability factors.

Our stewardship efforts and ongoing engagement activities enables us to identify and monitor PAIs at portfolio company level. As appropriate, relevant and material, sustainability risks as a consequence of PAIs are also identified and considered in the portfolio construction and implementation process through our systematic integration of Environmental, Social and Governance (ESG) risks and opportunities (e.g. exclusionary screens may be applied based on sustainability criteria such as violations of the United Nations Global Compact Principles), to be applied to certain strategies; and / or violations or bribery and corruption related concerns.

PAIs are identified and monitored through our in-house research capabilities, on both a fundamental and quantitative basis. The JPMAM proprietary research process includes inputs such as company regulatory filings, annual reports, company websites, direct communication with companies and government issuers, media, third party research and data providers as well as proprietary JPMAM research.

With a view to the delegated regulation supporting the EU SFDR coming into effect from 2022 (“**EU SFDR RTS**”), JPMAM is also in the process of enhancing its existing PAI identification and monitoring framework to incorporate and track relevant PAI metrics identified in the EU SFDR RTS, which is still being finalised at a European level.

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### Description of the principal adverse impacts and action taken or planned

As we invest globally in a range of markets, regions and asset classes, companies within our portfolios vary both in terms of actual or potential adverse impacts on sustainability factors, as well as in their responses to any adverse impacts and their broader corporate sustainability practices. The PAIs that we focus on in our portfolios include (but are not limited to) greenhouse gas emissions, lack of board and/or workplace diversity, and issues with regards to executive compensation.

These PAIs (amongst others) have been used to inform our long-term investment stewardship priorities noted above. In terms of actions planned, JPMAM may engage directly with the management of investee companies to better understand these impacts and/or take additional steps. This may include exercising voting rights as a shareholder, sending letters to or attending meetings with the management of investee companies, setting up documented and time-bound engagement in actions or shareholder dialogue with specific sustainability objectives in mind, and planning escalation measures in case those objectives are not achieved, including reductions of investments or the introduction of exclusion screens.

Our most recent annual investment stewardship report (available [here](#)) sets out examples of actions that have been taken by the global J.P. Morgan Asset Management business to address such PAIs with investee companies.

### Engagement policies

As a fiduciary of our clients' assets, JPMAM has created an investment stewardship approach that aims to improve long-term, sustainable value through engagement with a focus on responsible allocation of capital and long-term value creation. Active engagement has long been an integral part of our investment approach. JPMAM not only considers issues related to ESG, but also seeks to influence the behavior and encourage best practices of investee companies, for the purpose of enhancing returns for our clients.

At the heart of our approach lies a close collaboration between our portfolio managers, research analysts and investment stewardship specialists to engage with the companies in which we invest. Insights gained from our engagements are systematically incorporated into our investment decisions, helping enhance risk-adjusted returns over time while contributing to positive change. We also seek to maintain an ongoing dialogue with the management of investee companies. As long-term investors, many of JPMAM's engagements with companies are not single conversations, but rather they will form part of long-running discussions covering months or, in some cases, years.

See the JPMAM Global Proxy Voting Procedures and Guidelines (available [here](#)) and the annual JPMAM investment stewardship report (available [here](#)) for a more detailed description of the JPMAM approach to engagement with investee companies. For the JPMAM Engagement & Proxy Voting statement (available [here](#)).

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## Adherence to responsible business codes and other relevant international standards

J.P. Morgan Asset Management believes that both investors and businesses have an important part to play in supporting the long-term development of the sustainable economy of the future.

J.P. Morgan Asset Management has been a signatory to the United Nations Principles for Responsible Investment (PRI) since 2007. J.P. Morgan Asset Management has also recently become a signatory to Climate Action 100+, reflecting our increasing focus and engagement with companies on the critical issues they face on climate risk.

J.P. Morgan Asset Management affiliates are also signatories to a number of local responsible investment associations, stewardship and sustainable investment standards and codes, such as the UK Stewardship Code and the Principles for Responsible Institutional Investors (Japan).

As part of J.P. Morgan Asset Management's commitment to being a responsible investor, it also engages with regulators, governments, standard-setters and nongovernmental organizations on matters that may affect investee companies. See the JPMAM Engagement & Proxy Voting statement (available [here](#)) for more information with regards to which standards and codes J.P. Morgan Asset Management is a signatory to.

## Contact

For more information about this statement please contact: [sustainableinvesting.am@jpmorgan.com](mailto:sustainableinvesting.am@jpmorgan.com)

The above information is subject to periodic changes without advanced notice. Any changes will be reflected in this document.  
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