

7 Essentials of ESG

J.P. Morgan

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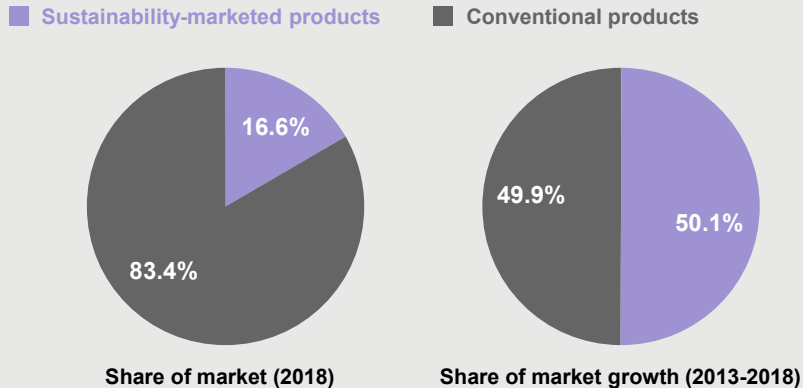
1. ESG considerations are affecting consumer preferences and public attitudes
2. Policymakers are setting environmental and social goals
3. For some companies this may be a headwind...
4. ...but it also creates significant opportunities for those at the forefront of change
5. It's not just climate, G matters and focus on S is growing
6. ESG is affecting the investment landscape...
7. ...and is changing the nature of investment flows

ESG considerations are affecting consumer preferences and public attitudes.

“I don’t mind paying more for products that are good for the environment”

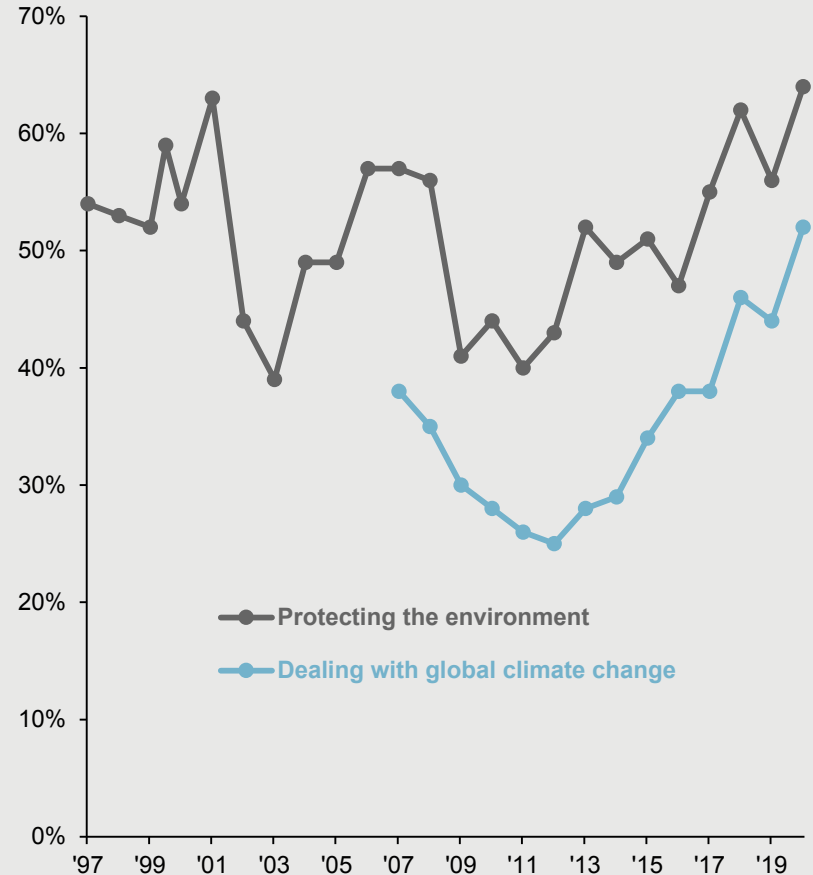


Growth of sustainability-marketed products



U.S. attitudes on environmental policy

% of U.S. adults who say ___ should be a top priority

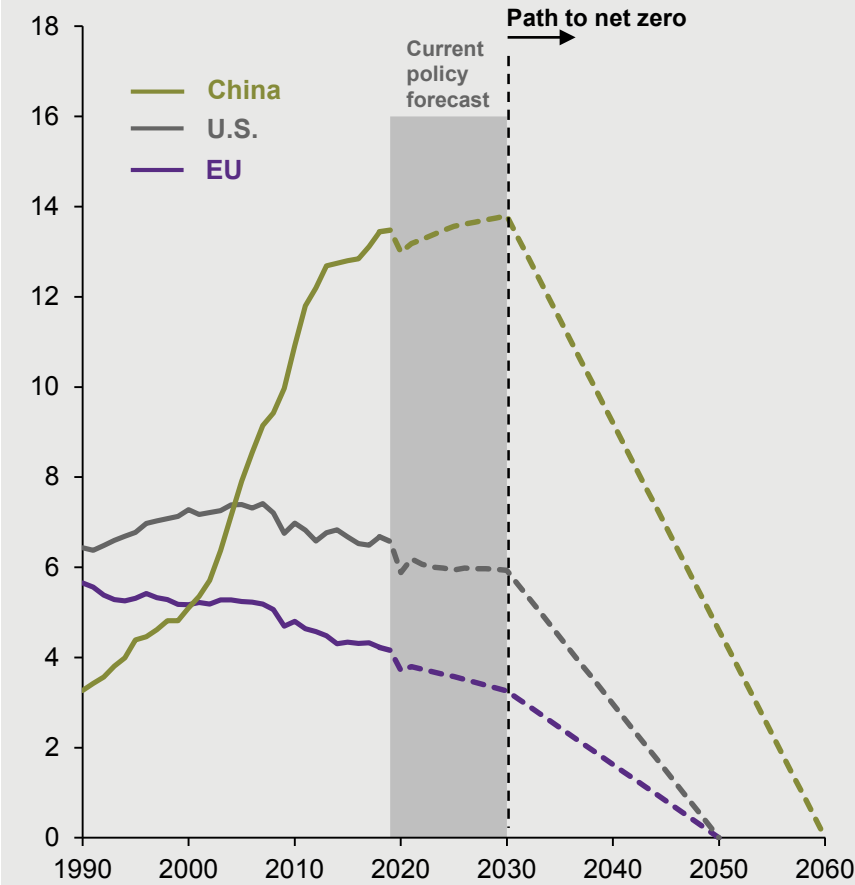


Source: IRI, NYU Stern Center for Sustainable Business, Pew Research Center, YouGov, J.P. Morgan Asset Management. (Top left) Respondents identified as being mainly or partly responsible for grocery shopping for their household. Survey conducted April 2021. (Bottom left) Products in 36 consumer packaged goods (CPG) categories comprising 40% of the total CPG market in dollars. (Right) Percent of U.S. adults who say this climate issue should be a top priority for the president and Congress. In 2014 and earlier, respondents were asked about “global warming” rather than “global climate change.” Survey was conducted Jan. 8-13, 2020. From “As Economic Concerns Recede, Environmental Protection Rises on Public’s Policy Agenda.” Data are as of June 30, 2021.

Policymakers are setting environmental and social goals.

Greenhouse gas emissions targets

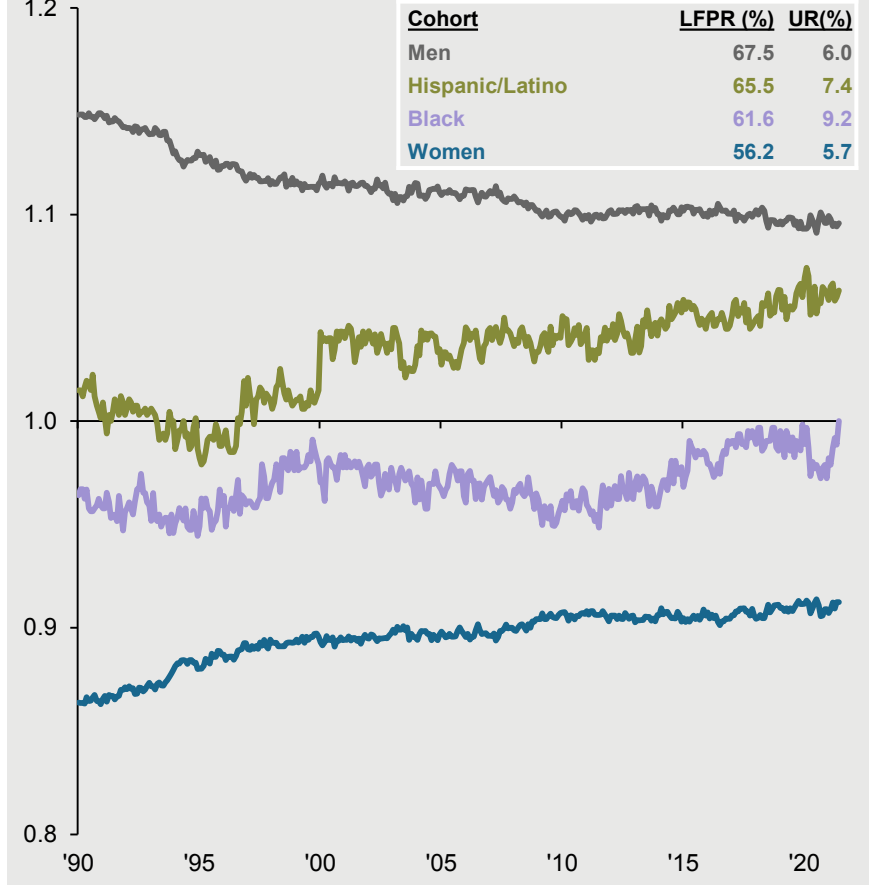
Billions of tons per year, CO2 equivalent



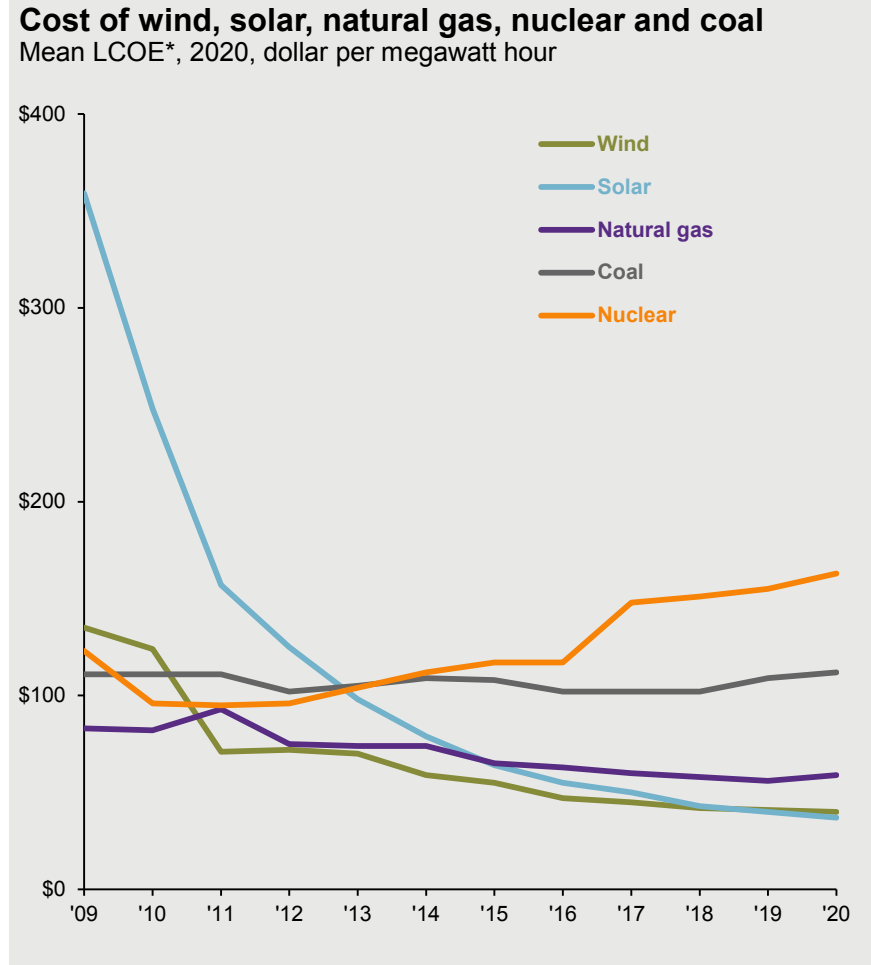
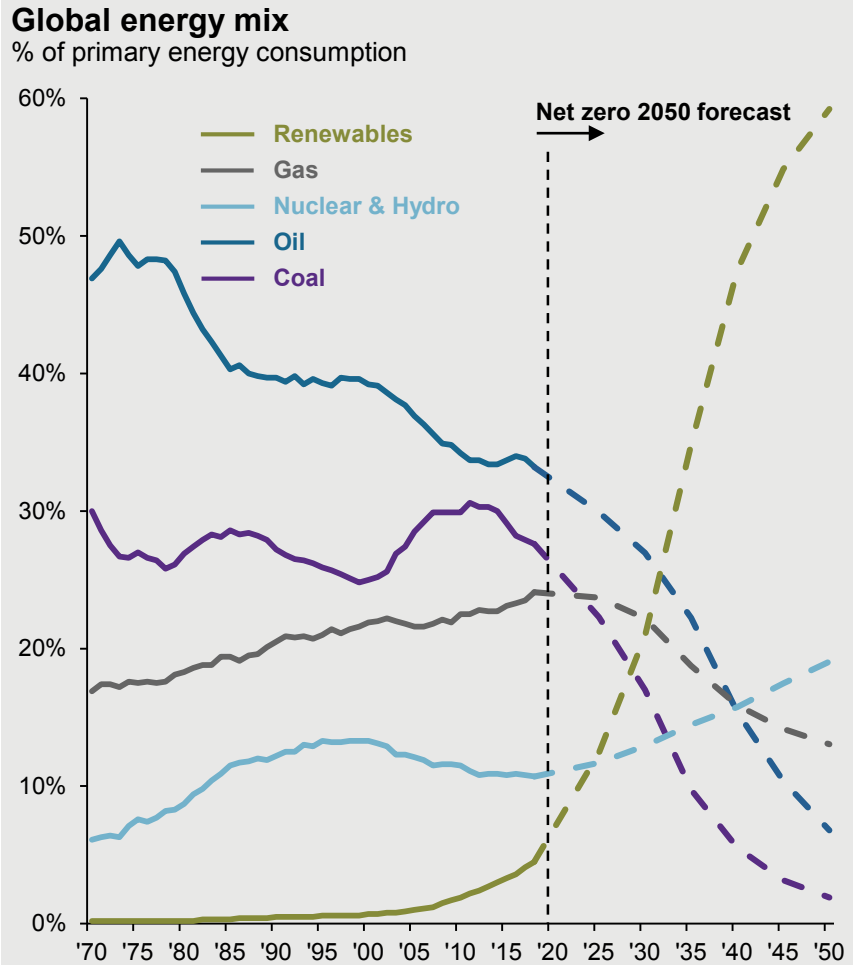
Source: BLS, ClimateActionTracker, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of June 30, 2021.

Labor force participation (LFP)

Ratio of LFP rate of cohort to total LFP rate, June 2021



For some companies this may be a headwind...

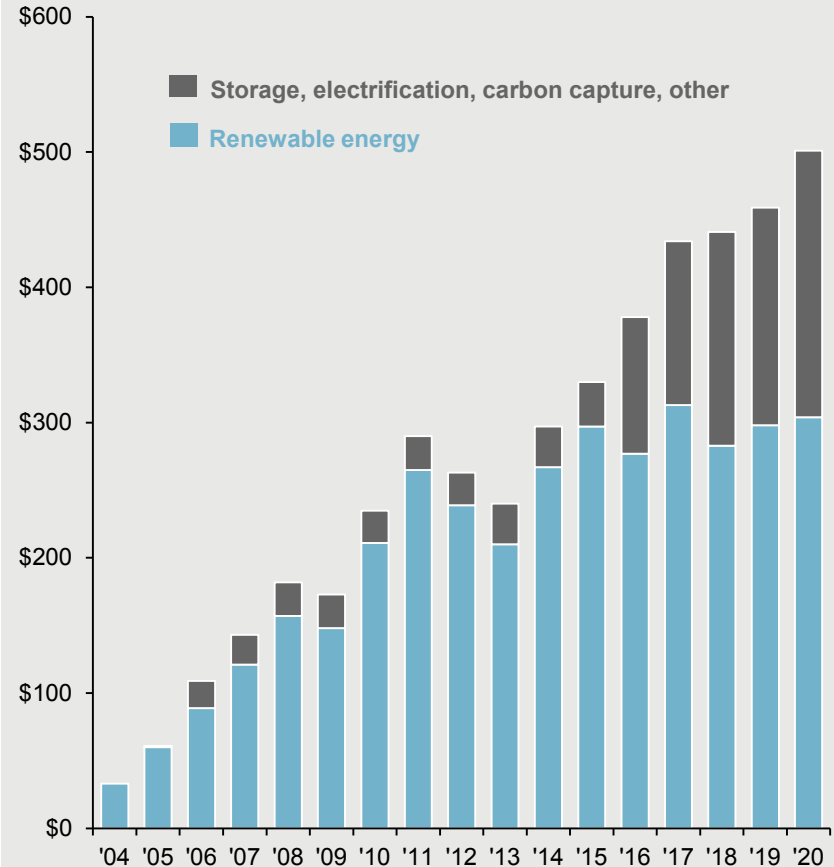


Source: BP StaLazard, ClimateActionTracker, J.P. Morgan Asset Management. (Left) BP Energy Outlook 2020. (Right) *LCOE is levelized cost of energy, the net present value of the unit-cost of electricity over the lifetime of a generating asset. It is often taken as a proxy for the average price that the generating asset must receive in a market to break even over its lifetime.
Guide to the Markets – U.S. Data are as of June 30, 2021.

...but it also creates significant opportunities for those at the forefront of change.

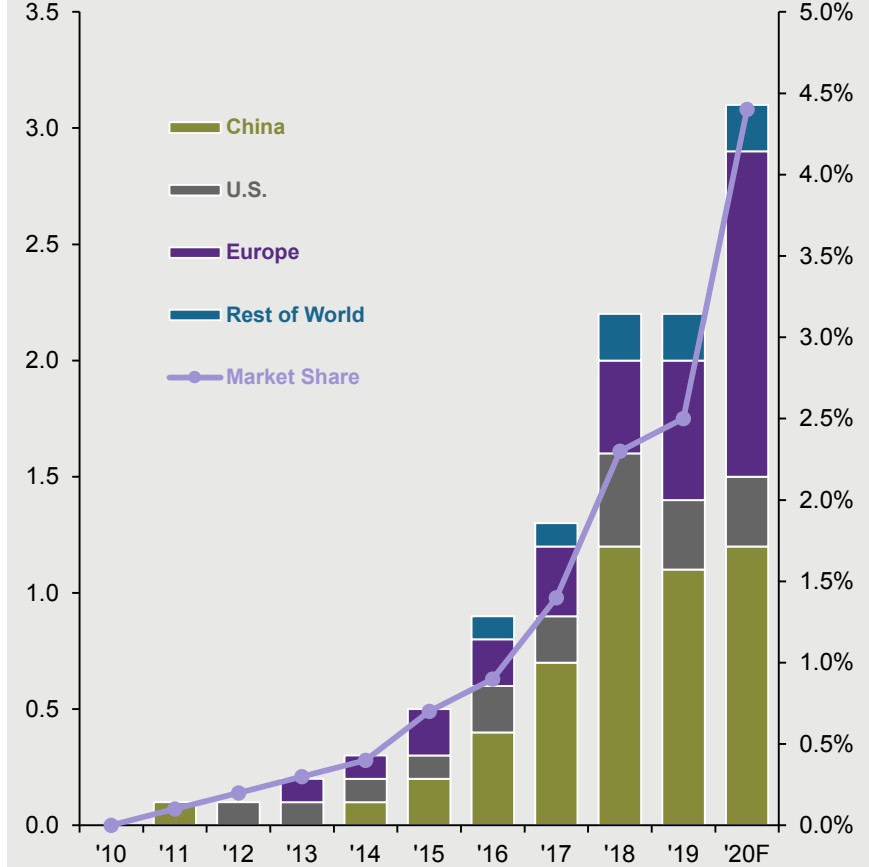
Global investment in energy transition

Billions USD, nominal



Global electric vehicle sales

Millions, percent

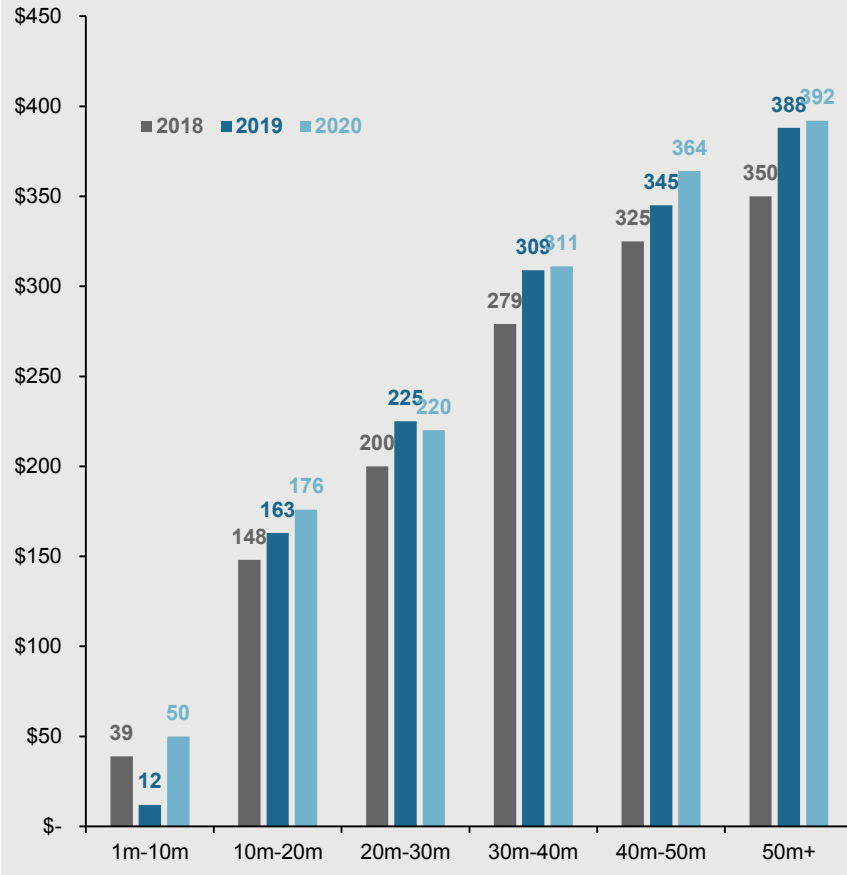


Source: Bloomberg NEF, IEA, J.P. Morgan Asset Management. (Left) Storage, electrification, other includes hydrogen, carbon capture and storage, energy storage, electrified transport and electrified heat. (Right) Global electric car sales by key markets, 2010-2020e, IEA, Paris <https://www.iea.org/data-and-statistics/charts/global-electric-car-sales-by-key-markets-2010-2020e>. 2020 data is preliminary. Includes passenger and commercial light-duty vehicles. *Guide to the Markets* – U.S. Data are as of June 30, 2021.

It's not just climate, G matters and the focus on S is growing.

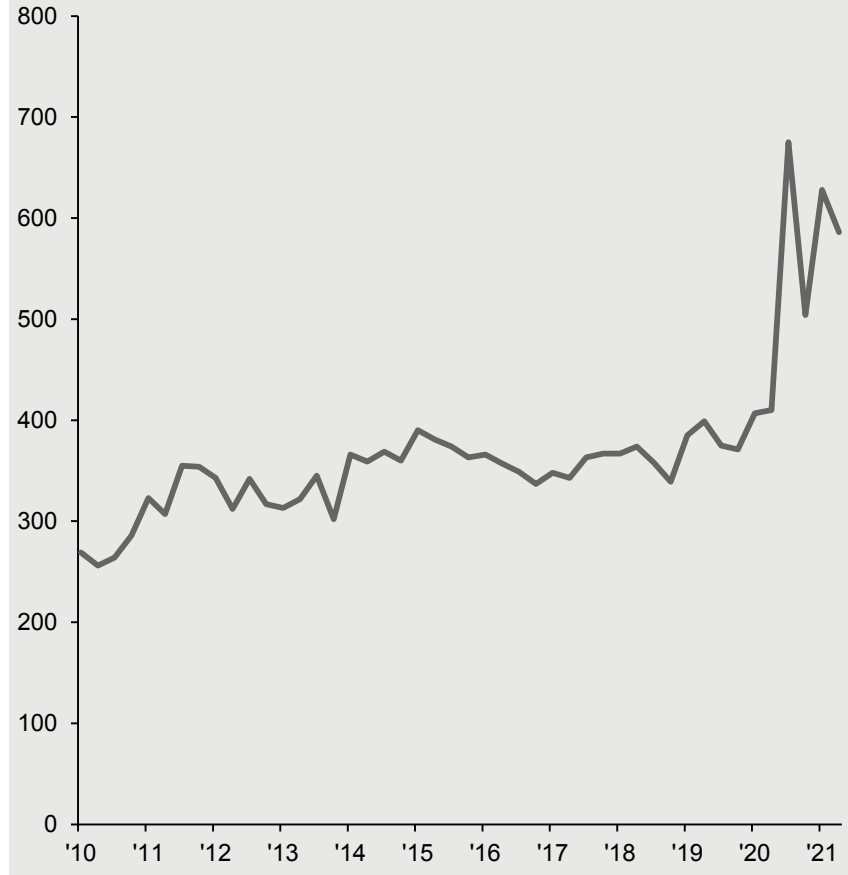
Global average total cost of data breaches

By number of records lost, millions (\$)



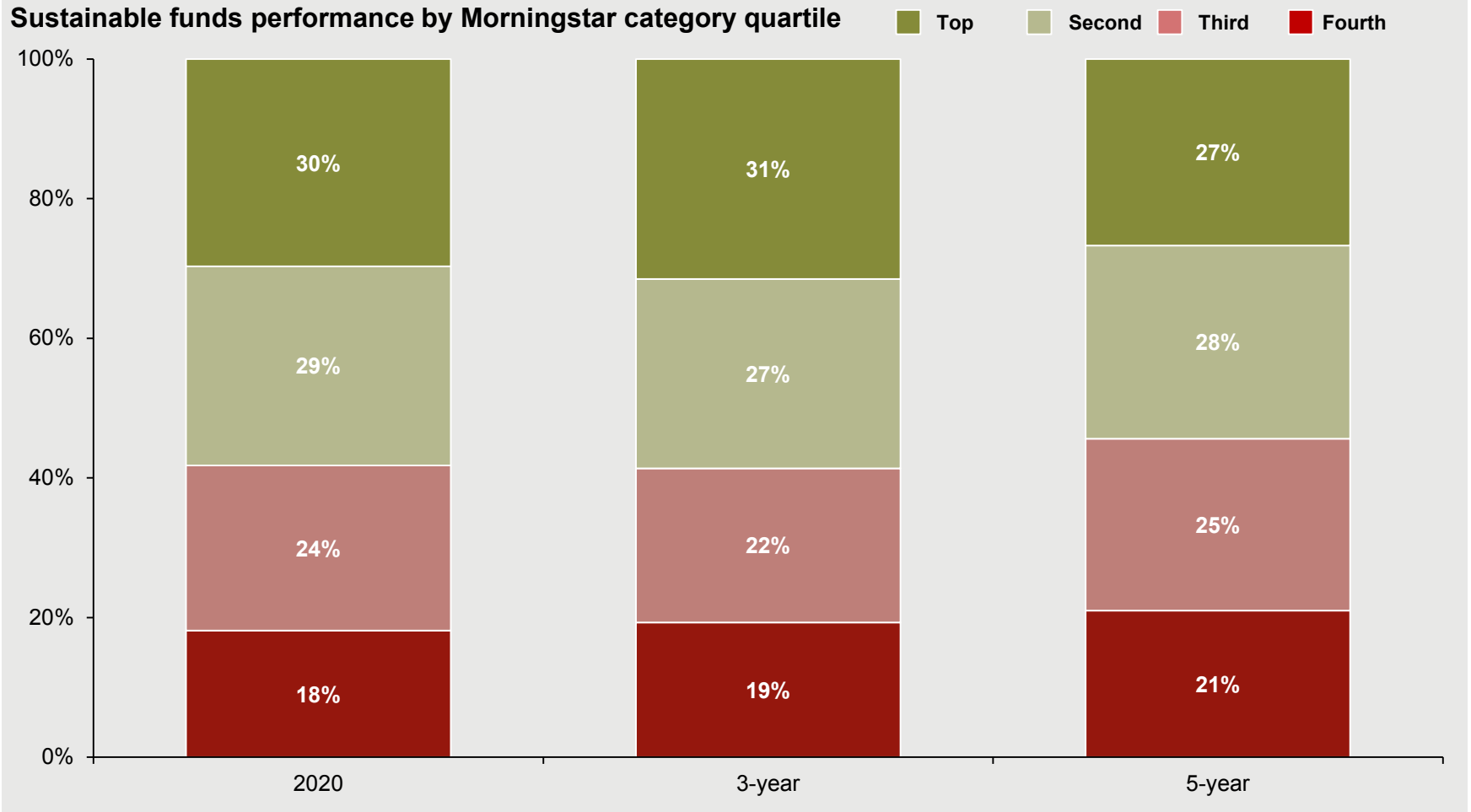
Corporate mentions of “diversity” or “inclusion”

Earnings calls for Russell 3000 companies



Source: IBM, Poneman Institute, Russell, J.P. Morgan Markets, J.P. Morgan Asset Management. Data are as of June 30, 2021.

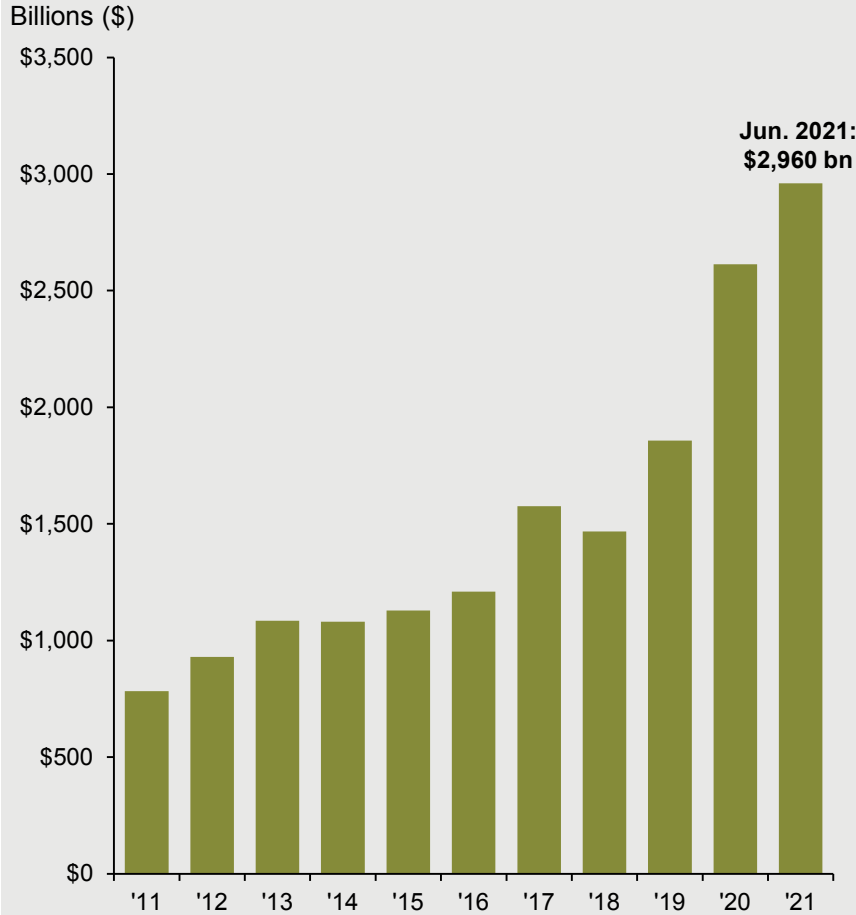
ESG is affecting the investment landscape...



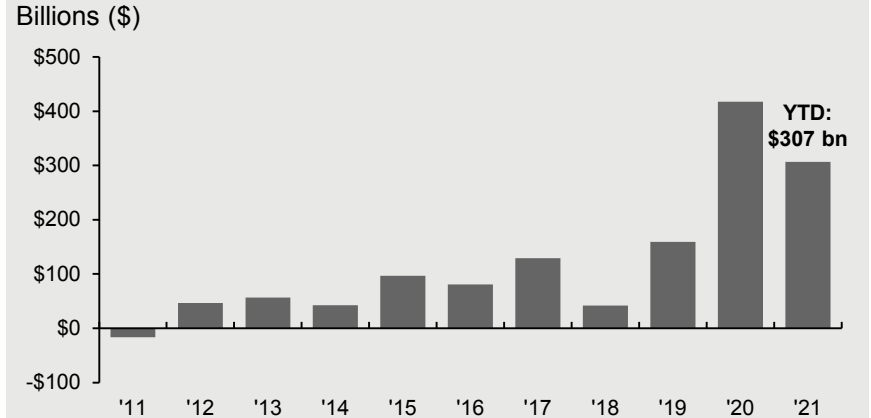
Sources: Morningstar Direct, J.P. Morgan Asset Management. Includes open-ended funds and ETFs globally. To identify sustainable funds, we searched Morningstar Direct, as follows: 1. Open-End Funds and ETFs universe 2. Domicile = All Countries. 3. Sustainable Investment Overall = Yes. 4. Oldest share class = Yes. 3-year and 5-year trailing performances reflect the periods 5/31/18-5/31/21 and 5/31/16-5/31/21, respectively. 2020 includes funds with full-year records only and 4,106 funds in total (2,313 equity, 1,793 fixed income/asset allocation/other). 3-year includes 3,321 funds (1,834 equity, 1,487 fixed income/asset allocation/other). 5-year includes 2,642 funds (1,460 equity, 1,182 fixed income/asset allocation/other). Figures may not match with prior reports due to ongoing revisions by data providers after the prior reports have been published. Data are as of June 30, 2021.

...and is changing the nature of investment flows.

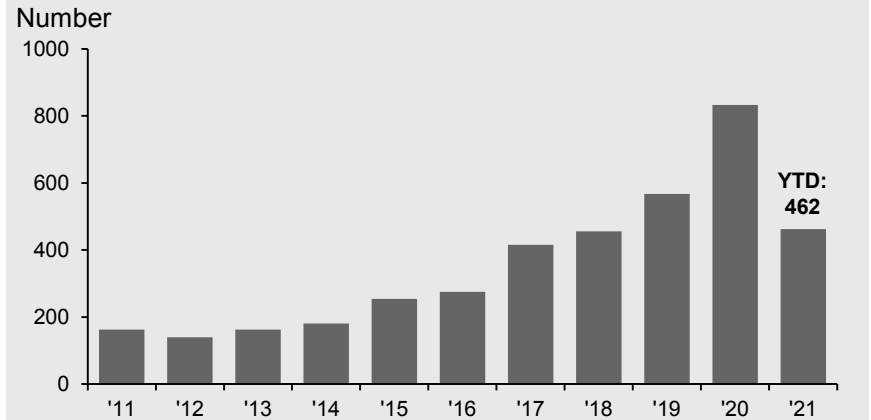
Sustainable mutual fund and ETF AUM



Sustainable mutual fund and ETF net flows



Sustainable mutual fund and ETF launches



Source: Morningstar Direct, J.P. Morgan Asset Management. Includes open-ended funds and ETFs globally. To identify sustainable funds, we searched Morningstar Direct, as follows: 1. Open-End Funds and ETFs universe 2. Domicile = All Countries. 3. Sustainable Investment Overall = Yes. 4. Oldest share class = Yes. Data as of June 30, 2021.

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Prepared by: Meera Pandit

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