

Investing in China's carbon transition

JPM Carbon Transition China Equity ETF (JCCT)*



If the world is to achieve its net zero targets, it is clear that China will need to play a big role. In 2020 China accounted for 31% of global emissions, a staggering 17 percentage points ahead of the second largest emitter, the United States¹.

As well as the world's net zero targets, China's own long-term growth and prosperity is deeply intertwined with climate change. A key takeaway from the latest climate change report² by the UN's Intergovernmental Panel on Climate Change (IPCC), is that without adaption, China will suffer the world's biggest economic losses as a result of rising sea levels and the resulting floods, as well as threats to the country's food security due to extreme weather conditions.

China's government has launched a number of initiatives to mitigate the effects of climate change, and in September 2020 President Xi Jinping announced the country would aim to reach peak carbon emissions by 2030 and be carbon neutral by 2060.

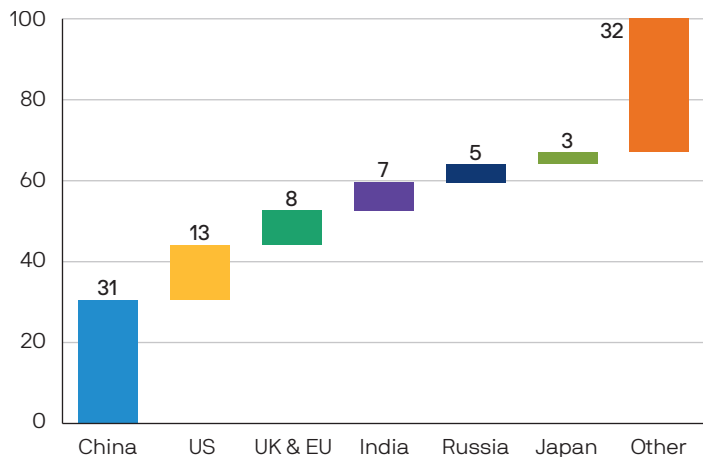
Achieving these targets will be a significant undertaking. The energy sector is responsible for almost 90% of China's greenhouse gas emissions³, as the country is still highly dependent on coal, and ongoing urbanising means its demand for energy is still expanding. It is therefore encouraging to see that China is investing heavily in renewable energy, with more solar power capacity added than any other country year after year, according to the International Energy Agency (IEA).

However, China cannot rely solely on renewables to achieve its targets. Every industry, including those in the hard-to-abate sectors such as industrials, will need to adopt innovative new technologies, and more efficient and sustainable processes to avoid being left behind as the country transitions to a low carbon economy.

Global CO₂ emissions by country

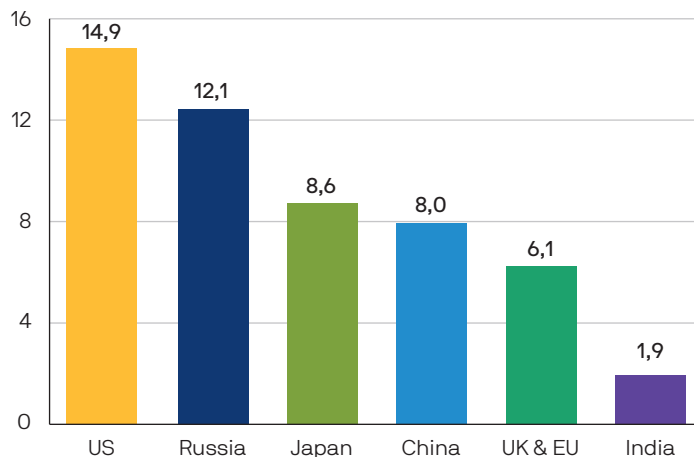
Share of global CO₂ emissions by country

%, 2021



Global CO₂ emissions per capita

Tonnes, 2021



Source: (All charts) Gapminder, Global Carbon Project, Our World in Data, United Nations, J.P. Morgan Asset Management. CO₂ emissions are from the burning of fossil fuels for energy and cement production. Emission impact from land use change (such as deforestation) is not included. *Guide to the Markets Europe*. Data as of 31 March 2023.

¹ Statista website, "Distribution of carbon dioxide emissions worldwide in 2021, by select country"

² IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.

³ International Energy Agency: "An Energy Sector Roadmap to Carbon Neutrality in China" report

Investing in China's carbon transition

The JPM Carbon Transition China Equity ETF (JCCT)*

The JPM Carbon Transition China Equity (CTB) UCITS ETF (JCCT)* aims to invest in those companies facilitating China's transition towards a lower carbon economy and mitigate some of the risks from climate change.

The construction of the ETF starts with its proprietary benchmark. J.P. Morgan Asset Management has developed a research framework which helps to identify Chinese companies that are best positioned to benefit from the transition. Using data derived from companies themselves, third-party providers and our own data science team, we use this research framework to construct a proprietary index that leans into the best – and away from the worst – prepared companies for the carbon transition.




Our research suggests that there are three key ways that companies can prepare themselves for the transition to a low-carbon world. Analysis of company performance against these three key pillars forms the basis of our framework:

We then take overweight positions in those companies that are most transition-ready and underweight those companies that are failing to prepare their businesses for the carbon transition.

For example, in the transportation sector we might overweight automotive companies which are investing heavily in electrifying their fleet of vehicles. In contrast, we may underweight companies supporting high emitting forms of transit such as shipping companies, or those which have not disclosed any details on plans to achieve carbon neutrality.

This carbon transition benchmark index is aligned with the European Union's Climate Transition Benchmark (CTB) standards for sustainable products, aiming to lower carbon intensity by at least 30% compared to a traditional equity benchmark, while also targeting at least 7% rate of self-decarbonisation year-on-year.

J.P. Morgan AM's proprietary scoring framework

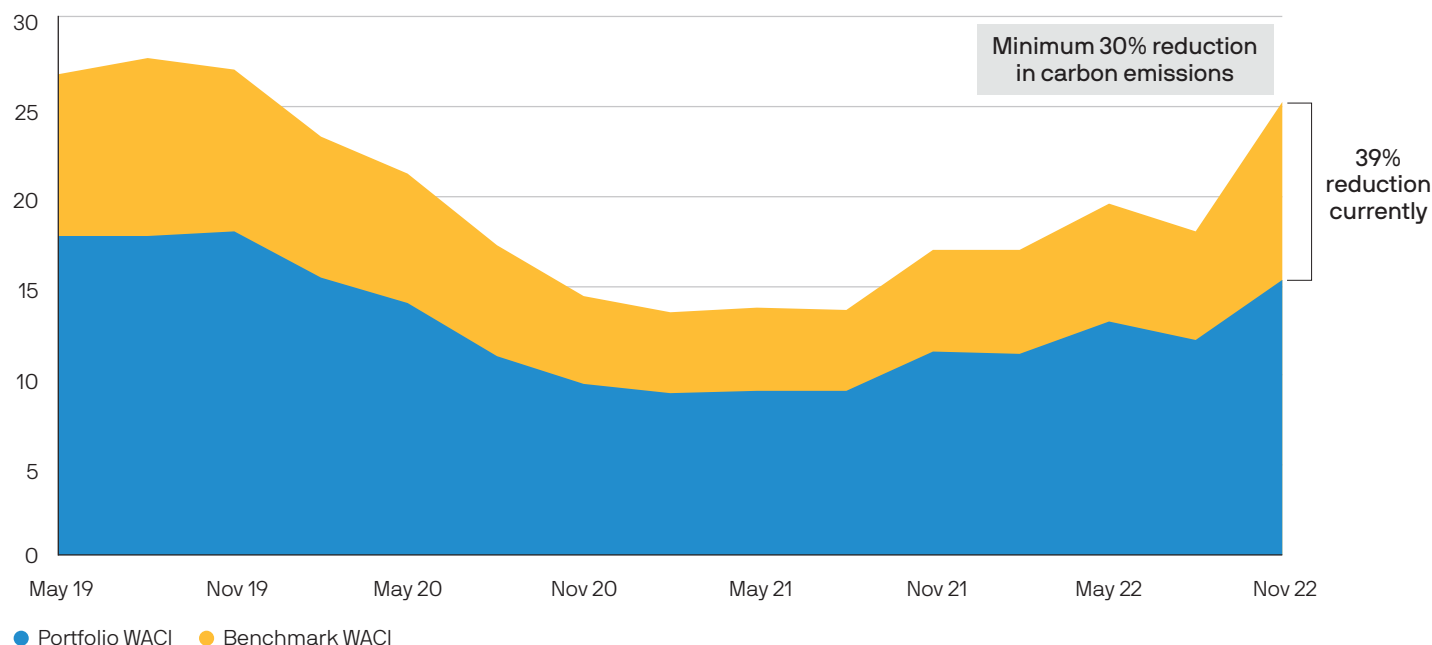
 Managing emissions	 Managing resources	 Managing climate-related risks
<p>Site Emissions Reduce direct emissions and shift towards greener forms of energy</p> <p>Consumer emissions & opportunities Benefit from a shift in consumer demands towards low carbon alternatives</p>	<p>Electricity management Reduce indirect GHG emission from the usage of electricity</p> <p>Water management Improve the sustainability of water flow management</p> <p>Waste management Reduce waste materials, both hazardous and non-hazardous</p>	<p>Physical risk From physical risks from extreme weather conditions</p> <p>Reputational risks Improve climate stewardship</p>

Investing in China's carbon transition

JCCT* tracks this proprietary index, achieving a meaningful reduction in carbon intensity relative to a traditional index. Importantly, we do this without applying sector exclusions, as we want to keep sectors in line with the traditional index. Instead we achieve the reduction in carbon intensity through individual security selection, investing in companies leading the way in the transition and avoiding those that will lose out as a result.

Meaningful reduction in carbon emissions

Weighted Average Carbon Intensity (WACI)



Source: J.P. Morgan Asset Management. Carbon emissions data as at 1 February 2023. Weighted Average Carbon Intensity = metric tons CO2 equivalent emissions per USD million Enterprise Value including Cash.

Summary

Achieving carbon neutrality in China will be imperative in safeguarding China's long-term growth and prosperity. It is also critical if the world is to meet its global de-carbonisation efforts, and while it may be a significant undertaking, the World Bank has recognised that China is well positioned to meet its climate commitments.

China's pathway towards a low carbon economy will therefore be transformative and will create a number of new growth opportunities to capitalise on.

By investing in JCCT*, investors gain exposure to a core Chinese equity portfolio that provides a meaningful reduction in carbon intensity compared to a traditional equity benchmark (at least 30%), provides more insulation from the risks of climate change, and seizes the investment opportunities made possible from China's transition to a low carbon economy.

JPMorgan ETFs (Ireland) ICAV - Carbon Transition China Equity (CTB) UCITS ETF

Ticker	JCCT
TER	0.35%
Fund inception	6 December 2022
SFDR	Article 9
Benchmark	Solactive J.P.MorganAsset Management Carbon Transition China Equity Index

FOR BELGIUM ONLY: Please note the acc share class of the ETF marked with an asterisk () in this page are not registered in Belgium and can only be accessible for professional clients. Please contact your J.P. Morgan Asset Management representative for further information. The offering of Shares has not been and will not be notified to the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten/Autorité des Services et Marchés Financiers) nor has this document been, nor will it be, approved by the Financial Services and Markets Authority. This document may be distributed in Belgium only to such investors for their personal use and exclusively for the purposes of this offering of Shares. Accordingly, this document may not be used for any other purpose nor passed on to any other investor in Belgium.

This is a marketing communication and as such the views contained herein do not form part of an offer, nor are they to be taken as advice or a recommendation, to buy or sell any investment or interest thereto. Reliance upon information in this material is at the sole discretion of the reader. Any research in this document has been obtained and may have been acted upon by J.P. Morgan Asset Management for its own purpose. The results of such research are being made available as additional information and do not necessarily reflect the views of J.P. Morgan Asset Management. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, J.P. Morgan Asset Management's own at the date of this document. They may not necessarily be all-inclusive and are not guaranteed as to accuracy. They may be subject to change without reference or notification to you. The value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Changes in exchange rates may have an adverse effect on the value, price or income of the products or underlying overseas investments. Past performance and yield are not a reliable indicator of current and future results. There is no guarantee that any forecast made will come to pass. Furthermore, there can be no assurance that the investment objectives of the investment products will be met. J.P. Morgan Asset Management is the brand name for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our EMEA Privacy Policy www.jpmorgan.com/emea-privacy-policy. As the product may not be authorised or its offering may be restricted in your jurisdiction, it is the responsibility of every reader to satisfy himself as to the full observance of the laws and regulations of the relevant jurisdiction. Prior to any application investors are advised to take all necessary legal, regulatory and tax advice on the consequences of an investment in the products. Shares or other interests may not be offered to or purchased directly or indirectly by US persons. All transactions should be based on the latest available Prospectus, the Key Information Document (KID) and any applicable local offering document. These documents together with the annual report, semi-annual report, instrument of incorporation and sustainability-related disclosures, are available in English from JPMorgan Asset Management (Europe) S.à r.l., 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, your financial adviser or your J.P. Morgan Asset Management regional contact or at www.jpmorganassetmanagement.ie. A summary of investor rights is available in English at <https://am.jpmorgan.com/lu/investor-rights>. J.P. Morgan Asset Management may decide to terminate the arrangements made for the marketing of its collective investment undertakings. Units in Undertakings for Collective Investment in Transferable Securities ("UCITS") Exchange Traded Funds ("ETF") purchased on the secondary market cannot usually be sold directly back to UCITS ETF. Investors must buy and sell units on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them. In Switzerland, JPMorgan Asset Management Switzerland LLC (JPMAMS), Dreikönigstrasse 37, 8002 Zurich, acts as Swiss representative of the funds and J.P. Morgan (Suisse) SA, Rue du Rhône 35, 1204 Geneva, as paying agent. With respect to its distribution activities in and from Switzerland, JPMAMS receives remuneration which is paid out of the management fee as defined in the respective fund documentation. Further information regarding this remuneration, including its calculation method, may be obtained upon written request from JPMAMS. This communication is issued in Europe (excluding UK) by JPMorgan Asset Management (Europe) S.à r.l., 6 route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg, R.C.S. Luxembourg B27900, corporate capital EUR 10.000.000. This communication is issued in the UK by JPMorgan Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority. Registered in England No. 01161446. Registered address: 25 Bank Street, Canary Wharf, London E14 5JP.

LV-JPM54280 | 06/23 | 09a5230305101412