

Sustainable investing at J.P. Morgan Asset Management

Our philosophy & approach

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Philosophy and Approach

Introduction

At J.P. Morgan Asset Management (JPMAM), our mission is to deliver long-term investment performance that helps our clients achieve their financial objectives. As a global investment manager, we are entrusted with the stewardship of our clients' financial assets, and are committed to providing investment insights that consider financially material factors, including sustainability risks, which impact the value of our investments today and in the future.

Our approach to sustainable investing is rooted in a global perspective, and we offer solutions that align with our clients' financial goals while also seeking to meet a range of objectives for sustainable outcomes. We recognize the evolving nature of sustainable finance regulations and the development of jurisdiction-specific legislation, which may lead to varying definitions of 'sustainable investment' or 'ESG' investment. Therefore, any references to 'sustainable investing', 'SI', or 'ESG' in this document pertain to our internally defined criteria, not to any jurisdiction-specific regulatory definition.

We believe considering, among others, financially material environmental, social and governance (ESG) factors allows for a more holistic assessment of a company's performance, as management of material issues may mitigate risk and/or unlock opportunities within an investment portfolio. Our strategy for sustainable investing emphasizes the use of proprietary resources, such as fundamental research, ESG data and analytics, and innovation, to deliver sustainable investment solutions. We demonstrate our commitment to active ownership by utilizing our voting rights and engaging with issuers to generate long-term value for our clients. This document provides insight into how we approach sustainable investing, including our governance, our sustainable investing philosophy, the principles guiding ESG integration, and our approach to developing dedicated products that reflect themes our clients care about, such as climate change, human capital management, and natural capital.

At JPMAM, our approach to sustainable investing spans:

- Integrating financially material ESG considerations in active investment processes that are determined to be ESG integrated under our governance process.
- An investor-led, research-driven approach to investment stewardship that defines and directs company- and industry-level engagements.
- Producing sustainable investing research and insights on a range of thematic ESG issues, including climate change.
- Developing metrics and tools for ESG and climate change analytics to enhance investment capabilities and contribute to product innovation.
- Working with our clients to build and implement sustainable investment solutions.
- Continuing to develop proprietary, multi-dimensional research methods and analytics to support climate-aware investing, in recognition that climate factors represent a growing source of risks and opportunities in the decades to come.

Philosophy & Approach continued

ESG integration

Financially material ESG factors, including sustainability risks, may affect the performance of investments. We believe that when companies and other security issuers manage these factors well, they may be more efficient, less exposed to regulatory, operational and reputational risk, and offer opportunities for our client portfolios.

As a result, we believe assessing financially material ESG considerations in the investment decision-making process strengthens risk management and may contribute to long-term financial returns.

We define ESG integration as the systematic inclusion of ESG factors in investment analysis and investment decisions. In actively managed strategies deemed by JPMAM to be ESG integrated under our governance process, we systematically assess financially material ESG factors among other factors in our investment decisions with the goals of managing risk and improving long-term returns. ESG integration does not change a strategy's investment objective, exclude specific types of companies, or constrain a strategy's

investable universe. In addition, we offer sustainable investment solutions to clients seeking to generate long-term returns while simultaneously contributing to sustainable outcomes.

To assess and periodically review the integration of financially material ESG factors in actively managed investment processes, we have developed and implemented a proprietary set of key metrics. This includes a process-focused, metric driven framework to validate the approach applied by our investment groups. More information on the topic can be found in our ESG integration paper.

This approach aligns with our policies regarding the integration of sustainability risks in investment decision-making and advisory processes as applicable and detailed in the summary of our [Sustainability Risks Policy](#).

Philosophy & Approach continued

Our sustainable product classification framework¹

Our broad range of sustainable solutions are designed to align with our clients' financial goals, and where applicable, sustainability-oriented goals.

We offer a broad range of investment strategies including sustainable strategies, shown below, and continue to expand these options to support our clients' objectives as they evolve over time.

J.P. Morgan Asset Management Sustainable Product Classification Framework

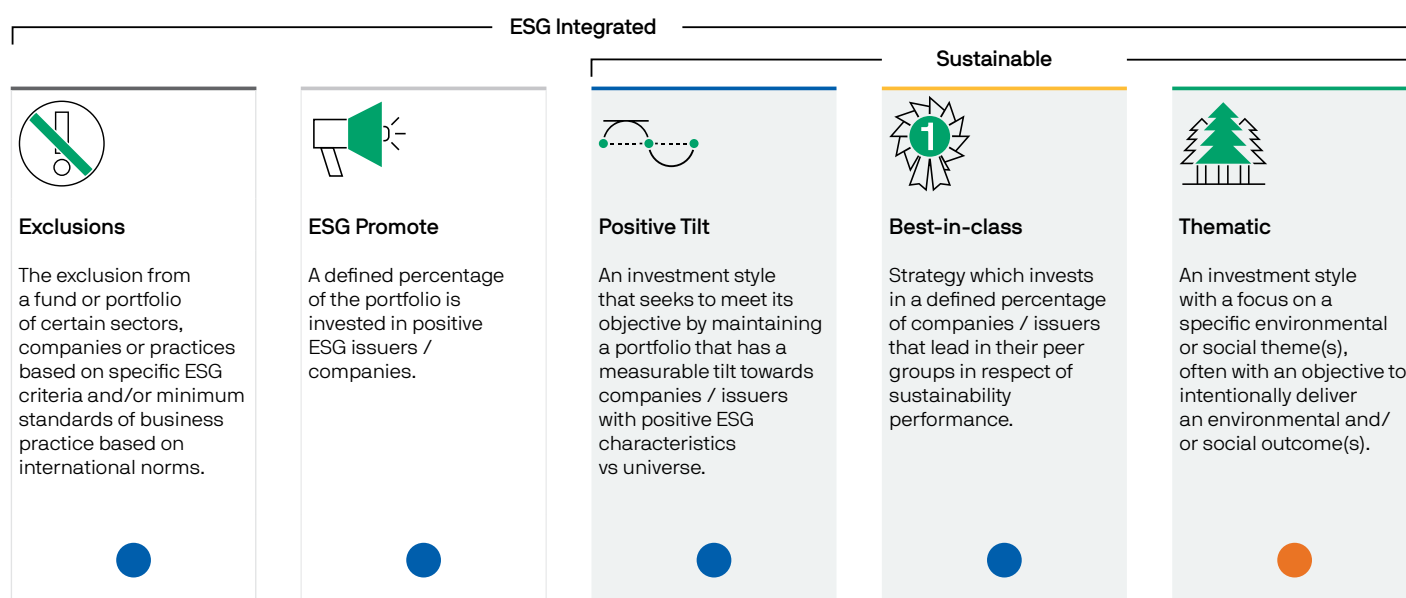


Table key

● Include values and norms-based exclusions ● May also apply values and norms-based exclusions

Source: J.P. Morgan Asset Management.

JPMAM 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.

¹ As this document describes a global approach, please refer to our website in your jurisdiction for more information, if available. For example, in the EU, you can refer to the EU SFDR Art 8 and 9 Product Disclosures for further information on our products that promote environmental and/or social characteristics or have a sustainable investment objective within the meaning of Article 8 and/or 9 of the SFDR.

Governance & Resources

Sustainable Investing and Stewardship Team

The Global Head of Sustainable Investing and Stewardship spearheads our approach to sustainable investing and stewardship and is supported by a dedicated team of researchers, sustainable investing specialists, stewardship specialists, and solutions experts located across the globe. The Team spread across London, New York, San Francisco, Mumbai, Hong Kong, Singapore and Tokyo.

The Sustainable Investing & Stewardship team is structured into four distinct sub-teams:

- The Sustainable Investing Research team drives dedicated ESG research by partnering with our investors across asset classes, provides quantitative SI research insights, develops climate investing solutions for our clients, and leads our fundamental research process for identifying sustainable investments.
- The Sustainable Investment Specialists team partners with our investment and distribution teams as subject matter experts across our sustainable platform, representing our sustainable strategies and capabilities and providing insights to ensure we can continue to offer innovative solutions to meet our clients' evolving objectives.
- The Investment Stewardship team is responsible for our investor-led, expert-driven stewardship approach, engaging with companies and voting proxies on behalf of clients. The team runs the JPMAM engagement and voting program and works in close conjunction with our investment team colleagues in different asset classes.
- The Solutions team conducts regulatory horizon scanning, develops investment frameworks, produces entity-level regulatory ESG reports and provides project management capabilities to the Sustainable Investing and Stewardship team.

Sustainable investing governance

Our governance framework for effective sustainable investing and stewardship is designed with oversight from the top of JPMAM, led by the Chief Executive Officer (CEO) of Asset Management and fellow senior executives. The Global Head of Sustainable Investing and Stewardship has the remit of directly overseeing stewardship and sustainable investing activities. This oversight is exercised through the Sustainable Investing Oversight Committee (SIOC) and Investment Stewardship Oversight Committee (ISOC).

The SIOC provides ongoing strategic oversight, effective decision making, review, and assurance across the key components of sustainable investing. This includes engagement, sustainable investment criteria, and oversight of ESG integration, as well as regulatory developments. Related policies, programs, targets and performance are also overseen by this group.

The ISOC provides a central, specialized group for oversight of stewardship and proxy voting activities and serves as an escalation pathway for key components of Investment Stewardship, including proxy voting and corporate engagement with issuers held in client portfolios. The ISOC is responsible for overseeing investment stewardship activities globally, via the regional proxy voting committees. More information about our governance structure can be found in our Investment Stewardship Report and Global Climate Report.

Sustainable investing-related working groups

To enhance collaboration and support J.P. Morgan Asset Management's global leadership, working groups are established as part of internal implementation approach. These groups are formed as needed and serve to bring together subject-matter experts and the relevant internal stakeholders across the organization to provide inter alia focused oversight. Their purpose is to facilitate a coordinated approach, timely assessment and support the effective execution of specific projects or ongoing initiatives.

Sustainable Investing Research Capabilities

ESG Research

Fundamental ESG Assessments

As an active investment manager, our approach to sustainable investing is firmly grounded in our expertise in fundamental research. At JPMAM our teams of equity and credit research analysts conduct comprehensive ESG assessments as part of their fundamental research process, focusing on the most financially material issues that we believe impact the long-term performance of companies in which we invest. This rigorous process ensures that our investment decisions are based on a thorough understanding of each company's ESG performance and allows us to maintain a consistent and comprehensive evaluation across a diverse range of companies.

To enhance the robustness and comparability of our ESG assessments, the Sustainable Investing Research team provides equity and credit research analysts with carefully selected third-party ESG data, mapped to each relevant ESG issue for every company. By integrating this external data into our Spectrum Research platform, it makes our analysis more data-driven and comparable, further strengthening our rigorous and transparent investment process. This comprehensive approach to ESG integration supports the delivery of long-term risk-adjusted returns for our clients.

Quantitative ESG Assessment

The ongoing improvement in the quantity and quality of ESG-related data available to investors has enabled us to introduce a globally consistent, JPMAM Quantitative ESG Score that is available to our portfolio management and research analyst teams through Spectrum™. The JPMAM Quantitative ESG Score assesses the extent to which companies face and manage financially material ESG risks and opportunities. As a result, it complements fundamental assessments by providing another reference point to enhance the consideration of material ESG risks and opportunities in active investment processes.

The JPMAM Quantitative ESG Score allows internal users to drill down into individual data points, such as greenhouse (GHG) emissions and supply chain-related metrics. This enhanced visibility means that analysts

and our stewardship team are better able to pinpoint issues with greater accuracy and have an improved ability to monitor company behaviour and performance. Having been developed in collaboration with the SI Research Working Group, the JPMAM Quantitative ESG Score also leverages our data science capabilities, such as machine learning, algorithms and natural language processing, to enrich our understanding of ESG metrics beyond corporate disclosures and at scale².

The Sustainable Investing Research team also conducts ESG Sector Analytics to deliver sector-specific sustainability insights and enhance integration with investment research teams. Through this work we regularly review the QESG Score's materiality matrix with input from Equity and Credit Research Analysts to keep it current and relevant, and to analyze where ESG issues have a financially material impact on company performance.

Sustainable Investing Quantitative Research

The Sustainable Investing Research team developed an area of expertise around Sustainable Investing Quantitative Research (SI Quant research). SI Quant research aims to deliver meaningful insights by evaluating the risk and return profiles of ESG Scores, assessing the financial materiality of ESG metrics, and exploring their relationship with traditional investment factors.

Climate Investing Solutions

Climate investing expertise is integrated into several teams across JPMAM, with dedicated climate investing researchers within the Sustainable Investing research team. These researchers develop climate-related insights and analytics, provide subject matter expertise and work with portfolio managers and research analysts to support the integration of these insights into their decision making, where relevant. For example, through a continued partnership between the Sustainable Investing Research team and the technology team, the Climate Insights suite is available in Spectrum™, enabling the assessment of key climate related data for company analyses, investment decision making and client reporting.

² Please note that investment teams are not required to use the JPMAM Quantitative ESG Score as part of their investment process and not all JPMAM investment teams use the JPMAM Quantitative ESG Score as part of their ESG integration process. When they are used, scores are not a definitive driver of investment decision-making, and portfolio managers may continue to hold low-scoring securities for reasons unrelated to their ESG profile as the integration of ESG data is one element alongside other factors considered in our investment processes.

Sustainable Investing

Research Capabilities continued

The team conducts analysis of low-carbon transition trends at the sector, portfolio and company level, applying subject matter expertise to better understand how to measure and track a low carbon transition, based on emerging and existing data and scientific consensus. One application of these insights is in the Carbon Transition Score, which ranks sector leaders and laggards in a low carbon transition. The score takes a quantitative approach, incorporating a range of climate-related metrics that consider both the risks and opportunities that could arise due to a low carbon transition, with a particular focus on company disclosure for material metrics.

Sustainability Research

In light of pressing environmental and social challenges, many of our clients are setting investment objectives that include financial and sustainability-related outcomes.

One of the tools we have developed to support our clients achieve these objectives is the Sustainable and Inclusive Economy (SIE) Framework. The SIE Framework aims to identify key sustainability challenges and investible solutions that we believe will facilitate the transition to a more sustainable and inclusive future.

The SIE Framework is leveraged to conduct fundamental sustainability research, where corporate issuers' sustainability profiles are evaluated based on alignment of their products & services to positive environmental and social outcomes using revenue and non-revenue financial metrics. This expertise is central to portfolio construction for sustainable thematic, outcome-driven strategies.

Please see our [SIE Framework](#) document for more information.

Investment Stewardship

Investor-led, expert-driven engagement

Our engagement model is built on an investor-led, expert-driven approach and leverages the knowledge of investment professionals around the world, working in close collaboration with investment stewardship specialists. Our engagement process benefits from the longstanding relationships our investment teams have with local investee companies, through regular interactions with board directors and chairs, senior executives, and CEOs. We believe this collaborative, well-resourced approach enables us to recognize significant risks early and identify new opportunities, supporting our goal of generating attractive risk-adjusted returns. Combining our ESG research capability with the experience and skill of our investment teams and the expertise of our investment stewardship specialists gives us a deep understanding of the risks and opportunities facing different sectors, industries, and geographies. By integrating this expertise into a global common platform, we seek to maintain a consistently high standard of engagement, considering the myriad of nuances a responsible investor needs to embrace. Engagement, when aligned with the underlying investment strategy, can be a driver for long-term sustainable outcomes.

Ultimately, the objective is to build stronger and more resilient portfolios for our clients.

Investment stewardship themes

We conduct annual prioritization to assess themes which we believe to be financially material and timely issues for engagement with our investee companies. These themes address the ESG issues that we believe pose the most significant long-term material financial

risks to our investments, while also presenting the greatest opportunities. Engaging on these topics is therefore important to delivering value to our clients.

These are the breakdown of issues we have engaged on previously: climate change, natural capital and ecosystems, human capital management, social stakeholder management, governance, and strategy alignment with the long-term. We feel this approach to assessing ESG issues provides a structured, timely and targeted framework for engagement for our investors and Investment Stewardship team globally.

Proxy voting

We vote shares held in our clients' portfolios based on our reasonable judgment of what will best serve the long-term interests of our clients, in accordance with the legal standards applicable to the particular client account.

We have comprehensive proxy voting policies and guidelines in each region, consistent with law and expectations of good governance practices in these different locations.

Our investment teams and investment stewardship specialists in the relevant regions are responsible for implementing those policies.

For more information on our proxy voting procedures and guidelines, please see our [JPMAM Global Proxy Voting Guidelines](#).

For more information on our global investment stewardship approach, including engagement activities and proxy voting, please read our [Investment Stewardship Report](#).

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