

Sustainable Finance Disclosure Regulations (SFDR), Article 4 Principal Adverse Sustainability Impacts Statement: J.P. Morgan Bank Luxembourg S.A.

I. Principal Adverse Impacts of Investment Decisions

This document summarises J.P. Morgan Bank Luxembourg S.A.'s ("JPMBL") due diligence policies and procedures in respect of the principal adverse impacts ("PAI") of our investment decisions on sustainability factors. JPMBL currently takes a principles-based approach to the identification and prioritisation of PAIs, and as set out below, is in the process of integrating a more comprehensive PAI framework into its discretionary management business.

This document is divided into four sections:

1. Information about our policies on the identification and prioritisation of principal adverse sustainability impacts and indicators
2. A description of the principal adverse sustainability impacts and of any actions taken or planned
3. A brief summary of our shareholder engagement approach
4. A reference to JPMorgan Chase's adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting

The statement is published in accordance with Article 4 of the EU Sustainable Finance Disclosure Regulation ("SFDR").

1. Information about JPMBL's Principal Adverse Sustainability Impact policies

JPMBL has enhanced certain of its existing due diligence procedures to incorporate the identification and prioritisation of adverse sustainability impacts and indicators. Our procedures with regards to PAI address sustainability from the perspective of the negative effects that investment decisions might have on "sustainability factors", being relevant environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. With regards to JPMBL's discretionary management business, these procedures are part of a broader investment process which considers environmental, social and governance ("ESG") risk management along with any positive impact of ESG decisions. Depending on the investment strategy, portfolio managers may choose to prioritise certain PAIs. Our future approach towards the prioritisation of PAIs will generally be based on JPMorgan Chase's firm-wide ESG priorities.

With regards to JPMBL's discretionary management business, JPMBL has enhanced its existing third-party fund manager (which, in this context, includes collective investment schemes managed by J.P. Morgan Asset Management) due diligence procedures to include a focused PAI outreach process. This outreach process involves asking third-party fund managers, on a periodic basis, a series of questions designed to identify the current and potential PAIs of funds/strategies approved for use in JPMBL's products and whether and how the fund managers intend to prioritise and reduce those PAIs. The expectation is that, over time, this process will be complemented by data supplied by third-party data provider(s) as well as any PAI disclosures made by external managers that are in scope of SFDR (either at an entity or product level). JPMBL conducts the same PAI outreach process where it makes use of third-party investment advisors in its strategies (which is currently the case for all strategies which include direct investments in transferable securities). The PAI outreach process is a recent enhancement to the existing third-party manager/advisor due diligence procedures and initial responses are expected to be received as managers and advisors finalise their respective approaches to PAI. Once JPMBL has a more complete picture of PAIs across its third-party funds and strategies, the information will be made available to the portfolio management team for consideration as part of their investment decision-making and external fund/fund manager selection process. All responses received by the due diligence teams are considered as part of the broader qualitative analysis of third-party managers/advisors. JPMBL is enhancing its processes and systems to collate

data on the PAI scores of approved funds/strategies as well as information from third party managers/advisors about the steps that they intend to take to reduce and/or mitigate PAIs.

With regards to our internally managed ESG strategies, the portfolio management team incorporates ESG qualitative and quantitative assessments and considerations into their investment process (where appropriate) which broadly comprises economic and market analysis, portfolio construction, vehicle selection and ESG research, and in doing so may have regard to the PAIs of specific investments. The portfolio management team maintains an active dialogue with the manager solutions team and the underlying fund managers when assessing the merits of individual funds both in isolation as well as in aggregate. Similarly, the portfolio management team uses insights and data from third-party ESG research and ratings providers to review both individual funds and the aggregated portfolio along ESG-related lines, in absolute terms as well as relative to traditional benchmark indices.

As part of the ongoing monitoring process of certain ESG strategies, the portfolio management team utilises third-party research tools periodically to generate reports which are used to assess and review impact, portfolio characteristics and performance against relevant ESG criteria. These reports include ESG ratings and trends as well as ESG risks which the portfolio management team can then factor into their portfolio construction and management process as necessary. The reports identify relevant environmental, social, employee and human rights risks associated with the strategy, via certain indicators, for example: carbon emissions, carbon intensity, high water risk, violation of UN Global Compact principles, controversial weapons and violations of human rights and labour norms. For certain ESG strategies, the portfolio management team considers these risks, and the associated negative impacts, alongside the other ESG data, ratings and trends featured in the report to inform their investment decision making. Going forward, the portfolio management team will continue to evaluate accessible PAI data via their existing third-party data providers as their services evolve to meet the PAI requirements. Further, the portfolio management team will benefit from the enhancements to the fund manager selection process detailed above as well as the data initiatives referenced in section 2 below.

With respect to our other internally managed strategies, as set out in the next section, JPMBL is taking steps to enhance its existing framework to integrate PAI considerations within its broader discretionary management business.

In respect of JPMBL's agency securities lending business, JPMBL acts as an agent with limited discretion and re-invests cash collateral in accordance with investment guidelines approved by its clients. JPMBL is in the process of considering how to evaluate the PAI of its investment decisions for such portfolio management activity on sustainability factors, including, but not limited to, evaluating regulatory and technical advice in this context.

2. Description of the principal adverse impacts and action taken or planned

The SFDR will require JPMBL to collect data on adverse impact indicators for the purpose of reporting those impacts annually in this statement. The first reference period for this data collection is likely to be January 1st to December 31st 2022 with the results for that reference period to be published by June 30th 2023. Historical data will then be reported year on year. Any actions planned or taken with respect to PAI and indicators will also be included.

JPMBL is in the process of integrating a full PAI framework into its discretionary management business, including further development of the existing procedures and processes described in the previous section. The enhancements will focus on the following key areas:

- expanding PAI data sources – the sourcing of PAI information on underlying investments from preferred third-party vendor(s), third-party managers or other external channels;
- prioritisation and reduction of PAIs – development of prioritisation and reduction targets which complement JPMorgan Chase's firm-wide ESG priorities;
- onboarding and monitoring - integration of PAI considerations and priorities into fund/fund manager onboarding and monitoring processes;
- broader consideration of PAI data by portfolio managers – dissemination of PAI data and PAI priorities/reduction targets to portfolio management teams for consideration in their investment decision-making processes; and
- technology infrastructure – technology enhancements for the collection and analysis of PAI data, including the aggregation of PAI indicators at legal entity level.

3. Summary of shareholder engagement approach

JPMBL's discretionary management business does not directly undertake shareholder engagement activities with investee companies (because of the nature of its private wealth business and client base). However, pursuant to disclosures made under Article 3g of the Directive (EC) 2007/36 of the European Parliament and of the Council, as amended by Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (Shareholder Rights Directive II – SRD II), JPMBL engages with external fund managers both before and during the period of investment to collate information as part of the selection and ongoing monitoring processes, including information about the fund managers' approaches to engagement. JPMBL's due diligence teams collect information on third party funds via requests for information and manager/strategy level questionnaires. These questionnaires may include requests for information on ESG integration and on engagement/stewardship, as well as other ad hoc or thematic questionnaires. Once a fund or strategy is approved for distribution, an ongoing monitoring process commences which includes, but is not limited to, periodic operational, investment and ESG information reviews.

4. Adherence to responsible business codes and international standards

This section summarises the approach taken at JPMorgan Chase group level with respect to responsible business codes, ESG international standards and ESG initiatives generally. Although JPMBL does not directly adhere to these codes and standards, it will from time to time have regard to them within its business in accordance with group wide policies and procedures (e.g. the firm's Environmental and Social Policy Framework).

JPMorgan Chase participates in, is a member of or has committed to various initiatives and principles that address business and sustainability matters, including the United Nations ("U.N.") Principles for Responsible Investment (through the Asset Management business of the group), and has served as a member of the Task Force on Climate-related Financial Disclosures since it was established.

In 2020, JPMorgan Chase also became a founding partner of RMI's Center for Climate-Aligned Finance, which is developing practical solutions for financial institutions seeking to pursue the goals of the Paris Agreement in relation to relevant business activities.

JPMorgan Chase acknowledges the U.N. Guiding Principles on Business and Human Rights as the recognised framework for corporations to respect human rights in their own operations and through business relationships. The firm is a member of the Wolfsberg Group, an association of 13 global banks that aims to develop frameworks and guidance for the management of financial crime risks, particularly with respect to anti-money laundering and counter-terror financing policies.

II. Principal Adverse Impacts of Investment Advice

JPMBL does not consider the adverse impacts of investment advice on sustainability factors as we are monitoring further regulatory guidance and the development of industry and market practice in this area.