

JPMorgan Fund ICVC –

## JPM US ESG Equity Fund

FCA Product Reference Number: 959694

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### NON-LABELLED ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) FUND

The Financial Conduct Authority’s Sustainability Disclosure Requirements (“UK SDR”) is a set of regulatory rules that requires enhanced sustainability disclosures for funds using sustainability-related terms in their name or marketing materials. It also introduces four discretionary sustainable investment labels for products and associated qualifying criteria that the fund must meet to achieve a label. Sustainable investment labels help investors find investment products that have a specific sustainability goal. This Fund does not have a UK sustainable investment label.

Among other, the qualifying criteria for a label requires the Fund to have a sustainability objective. This Fund does not have a sustainability objective but instead has a financial objective, which it seeks to achieve by investing in companies with positive or improving ESG characteristics, as defined by the Investment Manager.

This Fund invests in companies with positive ESG characteristics or companies that demonstrate improving ESG characteristics. It does not seek a specific or set of sustainability outcome(s), such as pursuing climate change mitigation or transition, in addition to its financial objective. Consequently the Fund does not currently have a UK sustainable investment label under UK SDR but may pursue one in future.

### SUSTAINABILITY APPROACH

#### How the Investment Manager selects assets

#### Positive Inclusions – Only Applies to companies with positive ESG characteristics

At least 80% of the Fund’s assets are invested in equities of companies with positive ESG characteristics or companies that demonstrate improving ESG characteristics and that are domiciled, or carrying out the main part of their economic activity, in the US. Companies with positive ESG characteristics are those that the Investment Manager believes to have effective governance and superior management of environmental and/or social issues.

The Fund will focus on companies with positive ESG characteristics rather than companies demonstrating improving ESG characteristics (which are companies with a clear timeline for improvement and tangible and measurable ways to demonstrate that improvement identified during the ESG assessment process). Improving ESG characteristics are identified and considered on a case by case basis by the Investment Manager.

#### ESG Exclusions – applies to all assets

The Fund excludes certain sectors, companies / issuers or practices from the investment universe based on specific values or norms-based screening policies. Values-based screening assesses companies against key ESG values, such as environmental damage and production of controversial weapons. Norms-based screening assesses companies against minimum standards of business practice based on international norms. These policies set limits or full exclusions on certain industries and companies based on specific ESG criteria and/or minimum standards of business practice based on international norms. To support this screening, it relies on third party provider(s) who identify an issuer’s participation in or the revenue which they derive from activities that are inconsistent with the values and norms based screens. Third party data

may be subject to limitations in respect of its accuracy and / or completeness. Please refer to the website at <https://am.jpmorgan.com/content/dam/jpm-am-aem/emea/regional/en/policies/exclusion-policy/jpm-us-esg-equity-fund-exclusion-policy-ce-en.pdf> for the full exclusion policy, including exceptions applicable to certain thresholds.

In addition, the bottom 20% lowest scoring companies based on the Investment Manager's proprietary ESG focused checklist are excluded from the investable universe.

The portfolio is selected after applying the above exclusions. Accordingly, the universe of eligible companies for selection in respect of the 80% in positive or improving ESG characteristics, excludes lower ESG rated companies, as determined by the Investment Manager.

## SUSTAINABILITY METRICS

From the eligible universe, after applying the ESG exclusions, the Fund invests at least 80% of its assets in US companies with positive ESG characteristics or companies that demonstrate improving ESG characteristics. The identification of these companies is based on fundamental analysis of the company and ongoing engagement with select companies to understand how they consider ESG issues and also to try and influence their behaviour and encourage best practice.

Fundamental analysis is used to better understand ESG risks and opportunities that may impact a company. This analysis is also an important driver behind company engagement and stewardship which is used not only to understand how companies consider issues related to ESG but also to try to encourage companies to develop and adopt best practices, for the purpose of enhancing returns.

Further information on JPMorgan Asset Management's stewardship and engagement with companies, including the Investment Stewardship Report is available at [www.jpmorgan.co.uk/investor](http://www.jpmorgan.co.uk/investor).

A core part of this analysis is based on a proprietary ESG framework to assess a company's exposure to, and performance on, material ESG issues. The framework comprises of:

- A fundamental score based on JPMAM research analysts' answers to a checklist questionnaire with E, S and G pillars. This assessment analyses issues such as:
  - (E) - GHG and toxic emissions, use of water and resources, plastic waste, environmental risks such as deforestation or other destruction of natural habitats;
  - (S) - Labour relations, data security and privacy, anti-competitive behaviour, health and safety record;
  - (G) - Board diversity and independence, incentive structures, management performance, bribery and corruption.
- A quantitative score based on key ESG factors across sub-industries. This aims to identify the most material ESG metrics for a particular sub-industry, for example, GHG emissions could be highly weighted for Transportation and Human Rights could be weighted highly for Healthcare.

The fundamental ESG Score is prioritised where available, otherwise the quantitative ESG Score or a combined score with respect to the fundamental and quantitative. Companies in the investable universe are ranked, based on the scoring described above and companies that score in the top 60% relative to a peer group of companies, as determined by the Investment Manager, qualify as a "leader". The peer group is a group of companies representative of the Fund's potential investable universe.

This analysis is performed alongside research to understand the company's growth prospects and the sustainability of its competitive position and an identification of key ESG issues that are relevant for companies in that industry.

## TO LEARN MORE

You can access pre-contractual disclosures, ongoing product-level disclosures, entity-level disclosures and non-sustainability-related information at [jpmorgan.co.uk/investor](http://jpmorgan.co.uk/investor).