Environmental and Social Policy Framework

As of February 2020

JPMorgan Chase & Co.

Contents

I. Introduction

Today, the world is facing a number of significant environmental and social (E&S) challenges. Climate change, deforestation and habitat loss, water quality and availability, waste, and the impact of development on communities and, especially, indigenous peoples, are just some of the threats that create risks for society and businesses, if they are not appropriately addressed. As a global financial institution, JPMorgan Chase & Co. (together with its subsidiaries, JPMorgan Chase or we) recognizes that our business decisions have the potential to impact the environment and surrounding communities. This is why understanding our clients' approach to E&S issues is an important component of our risk management process. It helps us make more informed decisions, and in certain circumstances enables us to offer our clients information and guidance on good practices when they are seeking to access capital markets, provide disclosures to investors or improve sustainability practices. We believe our firm can play a valuable role to help our clients manage their E&S impacts.

JPMorgan Chase adopted its first comprehensive Environmental and Social Risk Governance Policy (E&S Risk Policy) in 2005. That same year, we published our first Environmental and Social Policy Framework (E&S Framework) to articulate the tenets of that policy and how the firm approaches E&S issues across our business. As our efforts have evolved, we have updated our E&S Framework to reflect current practice, including our standards and processes. This document is just one of the ways that JPMorgan Chase communicates about our efforts on sustainability and environmental, social and governance (ESG) matters. We also publish an ESG Report annually and, in May 2019, we published a report on the firm's approach to managing climate-related risks and opportunities, guided by recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). These reports, alongside other information, can be found on our website at www.jpmorganchase/esg.

II. Environmental and Social Risk Management

A. Our Approach to Risk Management

The firm's overall objective is to manage our businesses – and the associated risks – in a manner that balances serving the interests of our clients, customers and investors and that protects the firm's safety and soundness. An important component of the firm's risk management process is assessing our clients' approach to, and performance on, E&S matters. Failing to appropriately manage E&S issues can directly impact our reputation, our clients' operations and long-term economic viability, and the communities and environment in which we and our clients operate.

JPMorgan Chase has a multifaceted approach to managing the E&S risks associated with its financial products and services. Global Environmental and Social Risk Management (GESRM) establishes the firmwide E&S Risk Policy and standards outlining the risk governance requirements for the consistent identification, escalation and management of transactions and activities that present an increased E&S risk. At the transactional level, GESRM assesses a client's commitment and capacity to manage E&S issues, reviews its associated track record and engages directly with companies to discuss performance improvements, where appropriate (See Section II. E. Transaction Reviews).

B. Principles

JPMorgan Chase adheres to a range of internationally-recognized principles of best practice to assess E&S impacts and promote responsible performance. These include:

- United Nations Universal Declaration of Human Rights
- Wolfsberg Principles (anti-money laundering)
- Equator Principles
- Green Bond Principles
- Extractive Industries Transparency Initiative*
- Soft Commodities Compact
- United Nations Principles for Responsible Investment*

*Through our Asset and Wealth Management line of business

C. Environmental and Social Risk Policy Scope

The E&S Risk Policy applies to certain transactions in the Corporate and Investment Bank, Commercial Banking, Consumer and Community Banking and Asset and Wealth Management (together the Lines of Business or LOBs) in sectors and countries with the greatest potential for significant E&S impacts, in accordance with JPMorgan Chase policies and standards. The Equator Principles (EP) and the International Finance Corporation (IFC) Performance Standards frameworks have informed the development of our E&S Risk Policy. However, our E&S Risk Policy applies to a broader range of financial products. The following are examples of types of transactions referred to GESRM irrespective of dollar amount:

- Project finance transactions (including advisory and principal investments)
- Bilateral and syndicated loans (including project-related corporate loans and bridge loans as defined under the Equator Principles)
- Equity security offerings
- Debt security offerings
- Private placements
- Advisory assignments

D. Prohibited Activities

The following section outlines prohibited activities.

- **Modern Slavery and Child Labor:** JPMorgan Chase will not provide lending, capital markets or advisory services to companies where there is evidence of forced or child labor, human trafficking or slavery.
- **World Heritage Sites:** JPMorgan Chase will not provide project financing or other forms of asset-specific financing where the proceeds will be used to develop within UNESCO World Heritage sites, unless there is prior consensus from both the host government authorities and UNESCO that such operations will not adversely affect the Outstanding Universal Value of the site;
- **Coal:**
  - **Prohibition on development of greenfield coal mines:** JPMorgan Chase will not provide project financing or other forms of asset-specific financing where the proceeds will be used to develop a new greenfield coal mine. (See Section E2c below for additional details on the firm's approach for transactions involving coal.)
  - **Prohibition on financing for coal mining companies:** JPMorgan Chase will not provide lending, capital markets or advisory services to companies deriving the majority of their revenues from the extraction of coal. By 2024, we will also phase out our remaining credit exposure to such companies.

    - **Prohibition on financing to companies involved in mountaintop mining:** Mountaintop mining (which includes mountaintop removal mining) is a method of removing all or a portion of a mountain or ridge to access coal seams near the surface. JPMorgan Chase will not provide lending, capital markets or advisory services to coal mining companies involved in mountaintop mining.
- **Coal-fired power generation:**
    - **Prohibition on financing of new coal-fired power plants:** JPMorgan Chase will not provide project financing or other forms of asset-specific financing where the proceeds will be used to develop a new coal-fired power plant or refinance an existing coal-fired power plant. Coal-fired power plants utilizing carbon capture and sequestration technology will be considered on a case-by-case basis.
- **The Arctic:** JPMorgan Chase will not provide project financing or other forms of asset-specific financing where the proceeds will be used for upstream, midstream or downstream greenfield oil and gas development in the Arctic, including the Arctic National Wildlife Refuge.[1]
- **Illegal logging:** JPMorgan Chase will not provide lending, capital markets or advisory services to companies that collude with or are knowingly engaged in illegal logging.
- **Illegal wildlife trafficking:** JPMorgan Chase will not provide lending, capital markets or advisory services to companies that collude with or are knowingly engaged in illegal wildlife trafficking.
- **Uncontrolled fire:** JPMorgan Chase will not provide lending, capital markets or advisory services to companies that intentionally utilize uncontrolled fire as a means of land clearance.

E. Transaction Reviews

1. Environmental and Social Review (E&S Review)

Where a transaction is within scope of our E&S Risk Policy and standards, GESRM conducts an E&S Review to evaluate the following:

- The industry/sector and location(s) where a client is operating
- How the client proposes using financing proceeds
- Specific types of commercial activity that present heightened E&S risks

The E&S Review assesses the client's approach to E&S risk management at the corporate level, the specific E&S impacts at the asset level (e.g., for asset specific financing), or both. The E&S Review focuses on a client's commitment and capacity to manage the risks relevant to its activities, including the company's policy, governance, risk management and stakeholder engagement approaches. In addition, a client's track record of E&S impact management is reviewed. An E&S Review evaluates companies against a set of sector-appropriate E&S indicators and utilizes in-house expertise and publicly available documentation (e.g., public and regulatory filings, media and academic resources), and direct client engagement, where appropriate. This insight helps us make more informed decisions and in certain circumstances enables us to offer our clients information and guidance on good practices when they are seeking to access capital markets, provide disclosures to investors or improve sustainability practices.

2. Sensitive Sectors and Activities Requiring Enhanced Review

In accordance with our internal standards, certain sectors and activities require a tailored approach to ensure a comprehensive understanding of the transaction and associated risks. Where a client is involved in a sensitive sector, activity or location, in accordance with JPMorgan Chase policies and standards, or where we identify additional issues during a standard E&S Review, an Enhanced Review will be required. This process may entail sector/issue specific due diligence questions including a determination of whether a client holds specific sector certifications, direct client engagement, site visits and risk mitigation plans. An Enhanced Review may result in placing some conditions on certain future activities or transactions.

1 For prohibitions, JPMorgan Chase utilizes a definition based on a 10°C July Isotherm boundary, meaning the area does not experience temperatures above 10° C.

A. Oil and Gas

i. **Hydraulic fracturing:** Any transaction with a client engaged in the exploration and/or extraction of shale oil or natural gas using hydraulic fracturing is subject to Enhanced Review. This focuses on the client's management of water (including access, recycling and disposal), air emissions (including fugitive methane), well integrity and community impacts.

ii. **Oil sands development:** Any transaction with a client involved in oil sands development will be subject to Enhanced Review. This will focus on the client's management of water discharge, use of fresh water, impacts to biodiversity, interactions with First Nations communities, the type of technology deployed (and its environmental footprint) and the client's compliance with Canadian permitting requirements.

B. The Arctic: Irrespective of sector, transactions and new greenfield development (not prohibited above) within the broader Arctic region will be subject to Enhanced Review.[1]

C. Coal

i. **Coal mining:** JPMorgan Chase will apply enhanced due diligence to transactions with diversified mining and industrial companies where proceeds will be used to finance new coal mining capacity.

ii. **Coal-fired power generation:** JPMorgan Chase expects that the proportion of coal-fired technology contained in power generation portfolios financed by the firm will continue to decline.

We will continue to apply enhanced due diligence to non-prohibited transactions involving coal-fired power generation and consider the type of technology, regulatory drivers and the company's commitment, capacity and track record in managing E&S risks.

D. Large Hydroelectric Plants:

Transactions involving the construction of dams for hydroelectric power projects with more than 20MW of installed capacity or dams for other purposes where the dam wall is greater than 10 meters high are assessed using the International Hydropower Association Sustainability Assessment Protocol.

E. Soft Commodities

i. **Palm oil:** We require an Enhanced Review for transactions that involve palm oil production. The Roundtable on Sustainable Palm Oil (RSPO) Principles and Criteria for Sustainable Palm Oil Production is the framework for our assessments, although we are cognizant that other standards are under development. As outlined in the RSPO Principles and Criteria #5, environmental impact assessments include consideration of impacts on soil and water resources, air quality, greenhouse gases, biodiversity and ecosystems and local communities. Stakeholder consultation has a key role in identifying environmental impacts, and our Enhanced Review will assess the client's level of attention to these issues.

   JPMorgan Chase acknowledges that the RSPO framework has been criticized on the basis that the rigor applied to the certification process is insufficient in some territories and that, according to certain constituents, the RSPO Principles and Criteria do not adequately address all the relevant E&S issues. Notwithstanding, JPMorgan Chase will continue to use RSPO as a reference point for good E&S practice in conducting due diligence on companies and transactions, while recognizing that operator certification does not necessarily equate to positive E&S outcomes.

   JPMorgan Chase also recognizes the scale of the challenges faced by the governments of countries where the palm oil industry is active in enforcing legal requirements and resolving competing land use claims. We believe institutional capacity in certain jurisdictions needs to be significantly enhanced before concepts such as plantation legality can become meaningful.

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1 For the broader Arctic region, JPMorgan Chase utilizes the definition according to the Arctic Monitoring and Assessment Programme.

It remains our view that certain operators in the palm industry have accepted the societal concerns regarding the ongoing expansion of the industry. JPMorgan Chase will continue to engage, support and work with operators who can provide evidence that management commitment is translating into improved E&S practices on the ground, particularly with respect to 'upstream' segments of the supply chain. We will continue to monitor the sector closely and review our analytical framework to accommodate developments that can help our clients strengthen their performance.

ii. **Soy:** We require companies involved in soy production to conform to the Roundtable on Responsible Soy (RTRS).

iii. **Timber:** We prefer Forest Stewardship Council (FSC) certification when we finance forestry projects that impact high conservation value forests, unless a comparable assessment process underpins a conservation plan. For operations that are not already certified, we require certification within five years and will introduce operators to credible experts who can help establish a rigorous, time-bound, step-wise approach to achieve this goal. We periodically review the merits of the different internationally accepted forestry certification standards to better understand evolving best practices.

See also Section IV. A. Transactions Pertaining to Forests and Enhanced Review.

3. Escalation Process

In cases where significant issues are identified, GESRM may escalate companies and transactions to one of the firm's Reputation Risk Committees.

III. Climate Change

Climate change is a critical challenge that has presented, and will continue to present, risks for businesses and communities around the world. To curb the most significant negative impacts of climate change, businesses, governments, civil society and consumers must work together to facilitate the transition to a lower-carbon economy. The latest research from the Intergovernmental Panel on Climate Change (IPCC), the leading international body of climate change scientists, found that climate change will have far more severe consequences, especially for the world's most poor and vulnerable populations, if temperatures rise more than 1.5°C above preindustrial levels.

As a global financial institution, we lend to, raise capital for and invest in companies operating in a diverse array of industries. These include clean energy and technology companies developing low-carbon products, companies that produce fossil fuels and companies that rely heavily on such fuels for energy or as inputs for other products. The world will need to continue to use fossil fuels for the foreseeable future — even as efforts are made to increase market penetration of lower-carbon energy sources and to develop new technologies that can advance deep decarbonization. Our objective is to support companies that are thinking strategically about this transition and that are positioning themselves to decarbonize over time. We also aim to expand our financing for those companies focused on renewables and other low-carbon technologies and solutions.

A. Perspective on Climate Policy

Although the private sector has a significant role to play, public-sector leadership is needed to drive substantial carbon emission reduction on a global scale. Governments will need to work together to foster new technology innovation, protect underserved communities and implement long-term policy solutions that are market based and flexible. For this reason, JPMorgan Chase is a member of the Climate Leadership Council, a think-tank that promotes a bipartisan roadmap for a revenue neutral tax and dividend framework for the United States.

B. Thought Leadership on Climate-Related Risks

We engage with our peers and civil society in the ongoing dialogue about climate-related risks. JPMorgan Chase serves on the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), which has developed recommendations for the voluntary disclosure of information pertaining to the risks that may be driven by climate change. In May 2019, JPMorgan Chase published its first report on climate related risks and opportunities, informed by the TCFD recommendations.

IV. Forests and Biodiversity

Forests are home to more than half of all terrestrial species and support the livelihoods of millions of people. They are sources of food, medicine, lumber, tourism, recreation and aesthetic benefits. They sequester carbon, cleanse water and cycle nutrients. In spite of their critical importance, many forests around the world are under threat.[1] In addition, the decline in high ecological-value forests and protected areas results in the loss of critical biodiversity as natural habitats are destroyed.

A. Transactions Pertaining to Forests and Enhanced Review

Transactions where we are able to identify that the client has operations in one of the following locations, or transactions where the use of proceeds is designated for assets to be developed in one of the following locations, will be subject to Enhanced Review (See Section II. E. Transaction Reviews):

- **Internationally recognized areas:** Internationally recognized areas are defined as UNESCO Natural World Heritage Sites, UNESCO Man and the Biosphere Reserves, Key Biodiversity Areas and wetlands designated under the Convention on Wetlands of International Importance (the Ramsar Convention).
- **Legally protected areas:** Legally protected areas are clearly defined geographical space that is recognized, dedicated and managed, through legal means, to achieve the long-term conservation of nature with associated ecosystem services and cultural values. This covers the International Union for Conservation of Nature Protected Area categories I-VI.[2]
- **Critical habitats:** Critical habitats are areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

1 https://www.un.org/sustainabledevelopment/biodiversity/
2 https://www.iucn.org/theme/protected-areas/about/protected-area-categories

V. Human Rights

Across all our lines of business and in each region of the world in which we operate, JPMorgan Chase supports fundamental principles of human rights. Our respect for the protection and preservation of human rights is guided by the principles set forth in the United Nations Universal Declaration of Human Rights, as outlined in our Human Rights Statement. Further, we acknowledge the Guiding Principles on Business and Human Rights (also known as the Guiding Principles) as the recognized framework for corporations to respect human rights in their own operations and through their business relationships. We are actively engaging with stakeholders, peer financial institutions and others in developing guidance on how to most appropriately apply the Guiding Principles to the financial sector.

JPMorgan Chase believes it is the role of government in each country to protect human rights. We also believe that our company has a role to play in promoting respect for human rights. We have a range of policies, procedures and training that pertain to human rights issues, including modern slavery, across our business and supply chain.

A. Indigenous Peoples

The identities and cultures of Indigenous Peoples are linked to the ancestral lands on which they live and the natural resources (such as fresh water or forest products) on which they depend. These lands and natural resources are often traditionally-owned or under customary use. We recognize that Indigenous Peoples, as social groups with identities that are distinct from mainstream groups in national societies, are often among the most marginalized and vulnerable segments of the population.

For transactions where we can identify that the use of proceeds may have the potential to impact Indigenous Peoples, we expect our clients to demonstrate alignment with the objectives and requirements of IFC Performance Standard 7 on Indigenous Peoples, including with respect to circumstances requiring Free, Prior and Informed Consent. These objectives include:

- Working to maintain the full respect for the human rights, dignity, aspirations, culture and natural resource-based livelihoods of Indigenous Peoples throughout the development process;
- Anticipating and avoiding adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts;
- Promoting sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner;
- Establishing and maintaining an ongoing relationship based on informed consultation and participation with the Indigenous Peoples affected by a project throughout the project's life- cycle;
- Securing the Free, Prior and Informed Consent of the Affected Communities of Indigenous Peoples when the circumstances described in Performance Standard 7 are present; and
- Respecting and preserving the culture, knowledge and practices of Indigenous Peoples.

B. Modern Slavery and Child Labor

We recognize that modern slavery issues, such as forced labor and human trafficking, are a significant global challenge. The global economy has seen marked shifts in the labor migration, and we are mindful of the need to understand where the patterns and practices of labor recruitment present risk to our business.

As outlined in this document, we have a robust E&S Risk Management process that analyzes the potential social impacts of our corporate lending, advisory and capital markets transactions. The process prohibits any transactions where there is evidence of the use of modern slavery or child labor (see Section II. D. Prohibited Transactions). For additional information on our business and operations, see our U.K. Modern Slavery Act Group Statement.