

Environmental and Social Risk Assessment Policy

JPMorgan Chase recognizes that balancing non-financial factors such as environmental and social impacts with financial considerations is an essential part of both good corporate citizenship and sound risk management. While the firm has a direct impact on the environment through its daily use of energy and material resources, it may also have an indirect impact through its provision of financial services. To ensure it remains sensitive to the importance of these indirect impacts, JPMorgan Chase has adopted an **Environmental and Social Risk Assessment (ESRA) Policy** that integrates environmental and social impacts into its analysis and financing decision making process.

The key elements of the ESRA Policy (the Policy) are summarized below.

THE EQUATOR PRINCIPLES PROVIDE A FRAMEWORK FOR THE ESRA POLICY

Derived from policies of the World Bank and the International Finance Corporation (IFC), the [Equator Principles](#) were developed by banks to serve as a *framework* for determining, assessing, and managing environmental and social risk in project finance. While JPMorgan Chase does not engage in project finance, the firm has found the Equator Principles framework useful and generally follows the Principles when assessing certain non-project finance banking activities. Because JPMorgan Chase currently does not engage in project finance, the firm is an Associate Member of the Equator Principles Financial Institutions Group.

APPLICABILITY OF THE POLICY

The Policy applies to transactions meeting each of the criteria specified in Sections 1 through 3 below:

1. Transaction size

Transactions of \$10 million or larger are subject to the Policy.

2. Transaction use of proceeds

Transactions where the use of proceeds is designated for, or the advisory assignment involves, any activity with a potential significant adverse environmental, social or reputation impact are subject to the Policy.

3. Transaction product or service type

Transactions which take the following form are subject to the Policy:

- bilateral or syndicated lending transactions;
- debt or equity securities offerings;
- debt or equity private placement transactions;
- advisory assignments;
- carbon offset origination projects;
- physical trading of certain commodities;
- principal investment transactions outside the OECD.

TRANSACTIONS REQUIRING ENHANCED ASSESSMENT

Certain transactions assessed in accordance with the Policy may require enhanced assessment because of the nature and extent of their environmental and social impacts.

Transactions that may require enhanced assessment include those affecting or involving:

Primary Tropical Moist Forests: Primary Tropical Moist Forests are forests that are relatively intact and have remained essentially unmodified by human activity for the previous 60 to 80 years. Generally located in areas that receive not less than 100 mm of rain in any month for two out of three years, they have an annual mean temperature of 24°C or higher. Also included in this category are some forests where dry periods are longer, but high cloud cover causes reduced evapotranspiration.

Critical Habitats: Critical Habitats are areas with high biodiversity value. Examples of Critical Habitats include, but are not limited to sites with (a) rare, endemic, threatened, endangered or restricted-range species; (b) globally significant concentrations or numbers of individuals of congregatory species; (c) species associated with key evolutionary processes or that provide key ecosystem services; or (d) areas where migratory species, endangered species, or critically endangered species depend on the site for survival.

Protected Areas: An area that is legally designated for the protection of biodiversity or natural conservation purposes.

Other High Visibility, Controversial or Sensitive Locations: Projects that do not fall into the categories listed above but could be so sensitive or controversial, or present such a high risk, that JPMC participation could be precluded.

Transactions that may require enhanced assessment include those whose use of proceeds is designated for:

Plantations: Plantations will only be financed when there is evidence the plantations will be on currently non-forested areas or where the existing forestland is heavily degraded and sustainable forestry management practices are used.

Palm Oil: Where projects involve palm oil production, JPMC may require the project to conform to the [Principles and Criteria for Sustainable Palm Oil Production](#) of the Roundtable on Sustainable Palm Oil as a condition to JPMC involvement.

Mining, Oil, Gas, Forestry and other Extractive Industries: As a condition to JPMC financing, arranging financing for or advising companies involved in mining, oil, gas, forestry or other extractive activities, an enhanced assessment may be warranted.

Involuntary relocation: Any use of proceeds or advisory assignment that is associated with a project that requires the involuntary relocation of more than a limited number of persons, requires careful review.

Any other purpose that may have a significant adverse environmental or social impact.

“Enhanced Assessment” is defined as JPMC’s customary environmental and social impact review supplemented with expanded consideration of the project permitting process, the history of the project operator(s), the operator’s interaction with adjacent local communities as well as a thorough examination of the environmental and/or social impacts of the planned activity.

Transactions prohibited by the policy

Forced or Harmful Child Labor: Transactions where there is evidence of the use of forced or harmful child labor will not be financed.

World Heritage Sites: Natural resource extraction from United Nations Educational, Scientific and Cultural Organization (UNESCO) World Heritage Sites will not be financed unless there is prior consensus with government authorities and UNESCO that such operations will not adversely affect the integrity of the site.

Transactions impacting indigenous communities

JPMorgan Chase recognizes that the identities and cultures of indigenous peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. We recognize the rights of these communities regarding issues affecting their lands and territories, traditionally owned or otherwise occupied and used. JPMorgan Chase prefers to only finance projects in indigenous areas where robust, free, prior informed consultation results in support of the project by the affected indigenous peoples. Such projects will include measures to: (a) avoid potentially significant adverse effects on the indigenous peoples' communities; or (b) when avoidance fails, minimize, mitigate, and compensate for such affects. JPMorgan Chase's due diligence will include an assessment of the impact on indigenous peoples, as follows:

For those projects which impact indigenous people in sensitive areas, whether directly or by induced impact, the project sponsor or borrower, as appropriate, will have demonstrated the project affected indigenous people have been:

- Given the opportunity, and if needed, culturally appropriate representation, to engage in informed participation and collective decision-making;
- Provided information (in a culturally appropriate manner at each stage of project preparation, implementation and operation) on the ways in which the project may have a potentially adverse impact on them;
- Given adequate time to study the relevant information; and
- Provided access to a grievance mechanism.

In addition, the project sponsor or borrower, as appropriate, will have demonstrated that:

- Consultations with indigenous communities have relied on existing customary institutions, community elders and leaders, and the established governance structure for tribal and indigenous communities; and
- Governmental authorities at the local, regional or national level have provided mechanisms for the affected communities to be represented or consulted, and international and local laws have been upheld; and major indigenous land claims are appropriately addressed.