

# Second-Party Opinion

## JPMorgan Chase & Co. Sustainable Bond Framework



### Evaluation Summary

Sustainalytics is of the opinion that the JPMorgan Chase & Co. Sustainable Bond Framework aligns with the Green Bond Principles (2018), the Social Bond Principles (2020) and the Sustainability Bond Guidelines (2018), as applicable. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds – Green Buildings, Renewable Energy, Small-Business Lending, Affordable Housing, and Access to Essential Services – Health and Education – are aligned with those recognized by the Green Bond Principles, and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 11, 7, 8, 3, and 4.



**PROJECT EVALUATION / SELECTION** JPMC has defined an internal process wherein different groups within the Bank are responsible for selecting eligible projects. Final selection will be documented with a framework for attestation, controls and governance managed by JPMC's Risk Controller organization. Sustainalytics considers this project selection process to be aligned with market practice.



**MANAGEMENT OF PROCEEDS** JPMC has existing internal processes and mechanisms to track allocation of proceeds towards Eligible Projects and intends to allocate all bond proceeds within one year from date of issue. Sustainalytics considers this to be aligned with market practice.



**REPORTING** JPMC intends to report on allocation as well as impact via KPIs which demonstrate impact of financing on an annual basis until full allocation. This report will be made publicly available and may be accompanied with an attestation from an independent accountant or ESG consultant. Sustainalytics considers this to be in line with market practice.

<b>Evaluation date</b>	July 10, 2020
<b>Issuer Location</b>	New York, United States

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## Introduction

JPMorgan Chase & Co. (“JPMC”, or the “Bank”) is a leading global financial institution based out of New York, United States that generated \$115.6B in total net revenue in 2019 from its businesses, including investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing and asset management, and currently employs over 250,000 people.<sup>1,2</sup>

JPMC has developed the JPMorgan Chase & Co. Sustainable Bond Framework (the “Framework”) under which it intends to issue green, social or sustainability bond(s) and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that advance environmentally or socially beneficial projects. The Framework defines eligibility criteria in six areas:

1. Green Buildings
2. Renewable Energy
3. Small-Business Lending
4. Affordable Housing
5. Access to Essential Services – Health
6. Access to Essential Services – Education

JPMC engaged Sustainalytics to review the JPMorgan Chase & Co. Sustainable Bond Framework, dated July 2020, and provide a second-party opinion on the Framework’s environmental and social credentials and its alignment with the Green Bond Principles (2018), the Social Bond Principles (2020) and the Sustainability Bond Guidelines (2018), as applicable.<sup>3</sup> This Framework has been published in a separate document.<sup>4</sup>

### Scope of work and limitations of Sustainalytics Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent<sup>5</sup> opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2018, Social Bond Principles 2020, and Sustainability Bond Guidelines 2018, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and,
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.4, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with representatives of JPMC to understand the sustainability impact of JPMC’s business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. JPMC representatives have confirmed (1) that they understand it is the sole responsibility of JPMC to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Framework and should be read in conjunction with that Framework.

<sup>1</sup> JPMC Annual Report 2019: <https://www.jpmorganchase.com/corporate/investor-relations/document/annualreport-2019.pdf>

<sup>2</sup> JPMC website at: <https://institute.jpmorganchase.com/about>

<sup>3</sup> The Sustainability Bond Guidelines are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/sustainability-bond-guidelines-sbg/>

<sup>4</sup> The JPMorgan Chase & Co. Sustainable Bond Framework is available on JPMorgan Chase & Co.’s website at: [www.jpmorganchase.com/sustainablebondframework](http://www.jpmorganchase.com/sustainablebondframework)

<sup>5</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and JPMC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. Any measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the intended allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that JPMC has made available to Sustainalytics for the purpose of this SPO.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the JPMorgan Chase & Co. Sustainable Bond Framework

Sustainalytics is of the opinion that the JPMorgan Chase & Co. Sustainable Bond Framework is credible, impactful and aligns with the core components of the Green Bond Principles 2018 (GBP 2018) and Social Bond Principles 2020 (SBP 2020). Sustainalytics highlights the following elements of JPMC's Sustainable Bond Framework:

- Use of Proceeds:
  - The eligible categories – Green Buildings, Renewable Energy, Small-Business Lending, Affordable Housing, Access to Essential Services – Health and Education – are aligned with those recognized by the GBP 2018 and SBP 2020.
  - The Framework's criteria for green buildings relies on credible and robust third-party certifications, namely LEED. Sustainalytics views the selected levels of Gold and Platinum to be aligned with market practice.
  - Sustainalytics considers the Framework's criteria for renewable energy to be aligned with market practice, noting positively the emissions threshold on geothermal projects<sup>6</sup> and the dam height and installed capacity<sup>7</sup> restrictions on hydropower.
  - The Framework allows for the financing of small businesses in low- and moderate-income (LMI) geographies. Sustainalytics views this category to be aligned with market practice, noting the following:
    - By specifying that small business lending will be restricted to those operating in LMI areas, JPMC has defined a clear target population.
    - JPMC will rely on definitions from the US Bureau of the Census in determining LMI regions.
    - The Framework further states an intention that the financing provided will support employment generation, and prevent or alleviate unemployment from socioeconomic crises, such as the COVID-19 pandemic.
  - Within the area of affordable housing, the Framework contemplates both project-based lending to developers of affordable multi-family rental housing and mortgages to LMI individuals.
    - The Framework describes eligible rental housing developments as those where a majority of the units are restricted to those earning 80% or less of area median income

<sup>6</sup> The Framework specifies that only facilities with direct emissions of less than 100 gCO<sub>2</sub>/kWh are eligible. This threshold is aligned with those of the Climate Bond Initiative and the EU Taxonomy for sustainable finance.

<sup>7</sup> The Framework specifies that only facilities under 20MW in size and with dam heights of less than ten metres are eligible. Sustainalytics views the maximum capacity to be aligned with market practice, and further views positively the commitment to avoiding large dams.

(AMI), or less than 120% of AMI in high-cost areas.<sup>8</sup> JPMC has disclosed that the majority of this financing would be provided to projects which are receiving Low-Income Housing Tax Credits, which generally include additional qualifications regarding affordability (such as rent stabilization and income certification).

- Regarding lending to LMI individuals, this financing is intended to provide affordable and accessible mortgages, and is part of the Bank's initiatives related to promoting inclusive neighborhoods and expanding home ownership. Sustainalytics recognizes the benefits of providing affordable home ownership options, in particular to LMI individuals and in LMI geographies.
  - Within the categories of access to education and health care, JPMC intends to finance projects which improve access to key services in LMI geographies, such as investing in community health and education facilities in regions where barriers currently exist. Sustainalytics notes positively that this lending will be provided to non-profit or public sector organizations, which is viewed as being indicative of improved accessibility and aligned with market practice.
  - As part of the SME Lending and Access to Services categories, the Framework also allows for allocation towards projects that are intended to address the direct or indirect effects of a socioeconomic crisis, such as the COVID-19 global pandemic.<sup>9</sup> Sustainalytics recognizes the social benefits of such financing, and considers individuals and small business affected by COVID-19 and the related socioeconomic crisis to be vulnerable populations in the context of the Social Bond Principles and Sustainability Bond Guidelines, and therefore this financing to be aligned with market practice.
- Project Evaluation and Selection:
  - JPMC has defined an internal process wherein different groups within the Bank are responsible for selecting eligible projects, including the Sustainability team within the Bank and the Global Environmental and Social Risk Management (GESRM) group.
  - Final selection will be documented with a framework for attestation, controls and governance managed by JPMC's Risk Controller organization.
  - Based on the presence of defined processes for project evaluation and selection, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - JPMC intends to allocate the net proceeds from any green, social or sustainability bond towards new and existing Eligible Projects financed up to 24 months prior to the date of issuance. For the allocation process, JPMC will be relying on internal processes to track proceeds that are already in place within the Bank's infrastructure.
  - JPMC has disclosed that it intends to allocate the bond proceeds within one year from the date of issue. Any unallocated proceeds will be held in cash, cash equivalents and/or other high quality liquid assets.
  - Based on the existence of internal tracking mechanisms to allocate proceeds in a timely manner and the disclosure on temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - JPMC intends to report within one year after issuance and if needed, on an annual basis thereafter until full allocation, the impact and allocation reporting of each green, social or sustainability bond issuance. The format of the report is being developed and is intended to contain key sections such as (i) management's assertion of compliance with the Framework, (ii) amount of proceeds allocated to each eligible category, (iii) examples and general details of the assets where feasible, (iv) balance of unallocated net proceeds, and (v) impact reporting.
  - Impact reporting may include,<sup>10</sup> where feasible, qualitative and quantitative environmental performance indicators such as, but not limited to, annual GHG emissions reduced/avoided (tCO<sub>2</sub>e). Sustainalytics encourages the Bank to follow a similar approach with regards to reporting on key performance indicators for investments in social categories as well.

<sup>8</sup> Sustainalytics notes positively that JPMC will use the U.S. Department of Housing and Urban Development's definition of "high-cost areas".

<sup>9</sup> These disbursements will be following the March 2020 WHO declaration of COVID-19 as a global pandemic and will not include loans extended under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act passed by the US government.

<sup>10</sup> JPMC has shared with Sustainalytics, in draft, its intended template for reporting.

- The report may be accompanied with an attestation from an independent accountant or ESG consultant.
- Based on JPMC's commitment to make publicly available allocation and, where feasible, impact reporting, Sustainalytics considers the reporting process to be in line with market practice.

### **Alignment with Green Bond Principles 2018, Social Bond Principles 2020 and Sustainability Bond Guidelines 2018**

Sustainalytics has determined that the JPMorgan Chase & Co. Sustainable Bond Framework aligns to the Sustainability Bond Guidelines (2018) and the four core components of the Green Bond Principles (2018) and Social Bond Principles (2020), as applicable. For detailed information please refer to Appendix 1: Sustainability Bond/Sustainability Bond Programme External Review Form.

## **Section 2: Sustainability Strategy of JPMC**

### **Contribution of Framework to JPMorgan Chase & Co.'s strategy**

Sustainalytics notes that JPMC has established a sustainability strategy in which it intends to leverage its expertise in financial markets to promote sustainable business. Climate change is a significant strategic issue for the Bank and senior management is identifying ways to expand efforts with respect to lower-carbon economies, policy engagement and climate risk management.<sup>11</sup>

The Bank has also set measurable sustainability targets for its business and operations and demonstrated strong progress on the same. In its 2019 ESG report, the Bank reported that it had achieved three-quarters of its target of facilitating \$200 billion in clean financing by 2025 and built on and expanded this target to now facilitate the flow of \$200 billion to advance the SDGs by 2020 with approximately \$50 billion dedicated towards green initiatives that will also fulfill the above clean financing target. Key sectors that received investments included renewable energy, water quality, clean transport, and green buildings, coinciding with eligible green projects highlighted in the Framework.<sup>12</sup>

From an operational perspective, the Bank is aiming to source renewable energy for 100% of its global power needs by the end of 2020. In 2019, it has achieved 22% of this target through various initiatives such as on-site renewable energy plants, promoting energy efficiency, and executing renewable power purchase agreements and is on-track to fulfill this target by the end of 2020.<sup>13</sup>

JPMC is actively involved in initiatives focused on policy engagement and promoting industry best practices regarding climate change. The Bank is a founding member of the policy advocacy group- Climate Leadership Council- and actively extends its philanthropic support to leading nonprofit organizations.<sup>14</sup> Through these activities, the Bank demonstrates a sound track record of integrating climate considerations into its business, strong performance against measurable sustainability targets, and active involvement in key policy and research initiatives.

JPMC has also made significant progress in delivering positive social impact through targeted strategic programs and investments. In 2019, the Bank had originated over \$2 billion in loans for the construction of affordable housing projects<sup>15</sup> and continued to successfully run its *AdvancingCities* initiative, a program committed to facilitating the flow of \$500M of business and philanthropic capital to create greater economic opportunities in communities around the world. The program's focus areas include neighborhood development, jobs and skills, small business expansion, and financial health. These program focus areas are implemented across multiple cities globally including key cities such as Detroit, Chicago, Paris, Bay Area and Greater Washington Area.<sup>16</sup>

JPMC also recognizes small business expansion as one of its four pillars for inclusive growth and is one of the leading players in small business banking. During 2019, the Bank originated approximately \$18.4 billion in loans to over 1.1 million businesses, a 19% increase over the previous year.<sup>17</sup> JPMC also runs targeted

<sup>11</sup> JPMC website, "Understanding our Climate-Related Risks and Opportunities" report, published May 2019 at:

<https://www.jpmorganchase.com/corporate/Corporate-Responsibility/document/jpmc-cr-climate-report-2019.pdf>

<sup>12</sup> JPMC website, "Environmental, Social and Governance Report 2019 at: <https://institute.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-cr-esg-report-2019.pdf>

<sup>13</sup> Ibid

<sup>14</sup> Ibid

<sup>15</sup> JPMC website, "2019 Annual Report" published at: <https://www.jpmorganchase.com/corporate/investor-relations/document/annualreport-2019.pdf>

<sup>16</sup> JPMC website, "Return on Community" report, published April 2019 at: <https://reports.jpmorganchase.com/corporate-responsibility/2018/final-jpmc-cr-2019.pdf>

<sup>17</sup> JPMC website, ESG Report 2019 published at: <https://institute.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/jpmc-cr-esg-report-2019.pdf>

philanthropic programs focused on improving access to capital, providing business support, and promoting incubators to be more inclusive and diversified across sectors and communities, for example Small Business Forward, a \$150M philanthropic initiative active since 2014 focused on providing support and resources and working actively for inclusion of female, minority, and veteran entrepreneurs.<sup>18</sup>

The Bank sees the imperative in transitioning to a lower-carbon and more sustainable economy and through the above programs and initiatives, demonstrates strategic intent to facilitate the same. Accordingly, Sustainalytics is of the opinion that the JPMorgan Chase & Co. Sustainable Bond Framework is aligned with the company's overall sustainability strategy and initiatives and will further the company's action on its key environmental and social priorities.

### **Well positioned to address common environmental and social risks associated with the projects**

While Sustainalytics recognizes that the use of proceeds from the Framework will be directed towards eligible projects that are recognized by the Green Bond Principles (2018) and Social Bond Principles (2020) to have positive environmental and/or social impacts, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Key environmental and social risks include occupational health and safety concerns, land use and biodiversity issues associated with large-scale infrastructure development, ESG risks associated with activities carried out by businesses financed as well as predatory lending and expansion of debt burden on vulnerable individuals. Although JPMC has a limited role in the execution and development of the individual projects financed, Sustainalytics considers the following mechanisms that the Bank has devised and placed to be effective in mitigating the abovementioned E&S risks.

- The GESRM group has established an E&S Policy Framework that lays the framework for governance requirements related to identification, escalation and management of activities that present higher E&S risks. GESRM also prescribes procedures at an individual transaction level to analyze clients' track record, commitment and capacity to manage E&S risks.<sup>19</sup>
- The Bank is a signatory to the Equator Principles that applies to transactions linked to financing a specific asset and provides a minimum standard for E&S diligence. It is also a signatory to other internationally-recognized principles of best practice such as UN Universal Declaration of Human Rights, Wolfsberg Principles on anti-money laundering and the Soft Commodities Compact.<sup>20</sup>
- JPMC also takes an active approach to mitigating E&S risks by applying exclusionary criteria to clients and projects with the most significant and potentially irreversible environmental and social impacts. This includes financing restrictions relating to coal mining companies, coal-powered projects, oil & gas development in the Arctic, and any transactions where there is evidence of the use of modern slavery amongst others listed in their E&S Policy Framework.<sup>21</sup> Additionally, for the purposes of its green, social or sustainability bonds, JPMC will exclude other sectors which are known to be exposed to higher environmental and social risk, such as fossil fuel-related businesses. Sustainalytics considers the presence of the E&S Policy Framework and reliance on an exclusionary list to be indicative of a proactive approach to mitigating environmental risk in the context of the financing provided.<sup>22</sup>
- The risk of unfair outcomes for a client may be associated with conduct risk by the Bank. JPMC has designed policies and governance procedures to identify, monitor, escalate, and manage these risks in each individual line of business with oversight being shared by multiple Board committees. Employees are bound by JPMC's Code of Conduct that delineates responsibility to employees to ensure ethical business practices including treating customers fairly and in good faith.<sup>23</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that JPMC has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

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<sup>18</sup> JPMC website, "Return on Community" report, published April 2019 at: <https://reports.jpmorganchase.com/corporate-responsibility/2018/final-jpmc-cr-2019.pdf>

<sup>19</sup> JPMC website, Environmental and Social Policy Framework, published February 2020 at: <https://institute.jpmorganchase.com/content/dam/jpmc/jpmorgan-chase-and-co/documents/environmental-and-social-policy-framework.pdf>

<sup>20</sup> Ibid

<sup>21</sup> Ibid

<sup>22</sup> JPMorgan website, JPMorgan Chase & Co. Sustainable Bond Framework published: [www.jpmorganchase.com/sustainablebondframework](http://www.jpmorganchase.com/sustainablebondframework)

<sup>23</sup> JPMorgan website, Code of Conduct 2019 published at: <https://www.jpmorganchase.com/corporate/About-JPMC/document/code-of-conduct.pdf>



### Section 3: Impact of Use of Proceeds

All six use of proceeds categories are aligned with those recognized by the GBP or the SBP. Sustainalytics has focused below where the impact is specifically relevant in the operational context of the Bank.

#### Role of financial institutions in building climate resilience and facilitating the green transition

Over the last few years, the frequency and severity of weather-related events has increased substantially. Such disasters cause devastating economic losses and could be destabilizing for systemically large financial institutions. Banks are directly exposed to credit losses from damage to asset values and disruptions in business cycles as they constrain borrowers' ability to repay lenders. Further, rising sea-levels expose real estate portfolios to a risk of significant devaluation as an estimated 6-foot rise by 2100 could lead to ~\$900B write-off of real estate. Banks are also exposed to losses from related economic outcomes such as outmigration, changing real estate patterns, and stranded carbon-intensive assets due to policy changes amongst others.<sup>24</sup> Accordingly, financing initiatives that mitigate environmental risk is aligned with the business objectives of financial institutions and, as such, they have been actively investing towards mitigating the impact of climate change.

During the five years leading up to 2018, annual investments in climate finance surpassed half a trillion for the first time, increasing 60% from 2013 levels to \$546 billion. Public investments made by development financial institutions and governments were spread out across a variety of use cases such as green transport, energy, climate adaptation, and land-use projects. However, private investments outpaced public finance accounting for the majority of annual climate finance investments (~56%) and were mostly focused on renewable energy.<sup>25</sup> Despite the significant increase in climate finance investments, research suggests that this falls significantly short of the estimated \$1.6–3.8 trillion annual investment required between 2016-50 for transition to a low-carbon economy with temperature increases restricted to 1.5 degrees above pre-industrial levels.<sup>26</sup> Targeted investments such as those intended under this Framework contributed towards closing this gap and accelerating the transition to a low-carbon economy. In this context, Sustainalytics views positively investment in renewable energy and green buildings as per JPMC's Sustainable Bond Framework.

#### Importance of affordable housing investments in the US

The lack of affordable housing is a significant problem in the United States with about 568,000 people experiencing homelessness in 2019, a 3% increase over the previous year. More than 18.5 million households spend greater than 30% of their income on rent, with about 10.8 million households spending over 50%.<sup>27</sup> Lack of affordable housing further leads to negative social outcomes across multiple dimensions as families and individuals are compelled to make trade-offs between spending on rent and on other essentials such as food, healthcare, and transportation.

Solutions to address this severe shortage are multi-faceted and amongst others include state-sponsored solutions such as (i) the National Housing Trust Fund ("HTF"), an annual grant to states for creation, preservation, or rehabilitation of rental housing for low-income renters; and (ii) the Low-Income Housing Tax Credit ("LIHTC"), a tax incentive to construct or rehabilitate affordable rental housing for low-income households. The government has announced allocation of \$326 million towards the HTF in 2020, an increase of over 30% versus last year<sup>28</sup>, and the LIHTC costs about \$9 billion per year making it the largest federal program for low-income housing.<sup>29</sup>

In addition to state-sponsored support, housing development at the scale required will also require significant private-sector investment. In this context and considering the thresholds which are used by JPMC to determine eligibility, Sustainalytics views positively investment in affordable housing projects.

<sup>24</sup> Center for American Progress, "Climate Change threatens the Stability of the Financial System" article, published November 2019 at:

<https://www.americanprogress.org/issues/economy/reports/2019/11/21/477190/climate-change-threatens-stability-financial-system/>

<sup>25</sup> Climate Policy Initiative website, Global Landscape of Climate Finance 2019 published at: <https://climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2019/>

<sup>26</sup> IPCC website, "Mitigation Pathways Compatible with 1.5° C in the Context of Sustainable Development" report published at:

[https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15\\_Chapter2\\_Low\\_Res.pdf](https://www.ipcc.ch/site/assets/uploads/sites/2/2019/02/SR15_Chapter2_Low_Res.pdf)

<sup>27</sup> National Low Income Housing Coalition (NLIHC), The Gap: A Shortage of Affordable Homes, (2020), at:

[https://reports.nlihc.org/sites/default/files/gap/Gap-Report\\_2020.pdf](https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2020.pdf)

<sup>28</sup> NLIHC article, FHFA Authorizes \$326.4 Million Disbursement for National Housing Trust Fund for 2020, (2020), at: <https://nlihc.org/resource/fhfa-authorizes-3264-million-disbursement-national-housing-trust-fund-2020>

<sup>29</sup> Tax Policy Center, What is the LIHTC and how does it work?, (2020), at: <https://www.taxpolicycenter.org/briefing-book/what-low-income-housing-tax-credit-and-how-does-it-work>

### Access to affordable healthcare in the United States

The problem of affordability of healthcare in the United States continues to be one of significant proportion and political discussion. Despite spending almost twice as much per capita on healthcare as other high-income countries, almost 27.5M Americans had no insurance coverage throughout 2018, representing an increase of 1.9M Americans over the previous year and representing 8.5% of the total population.<sup>30</sup> Further, high healthcare costs were found to be linked with higher costs for labor and goods e.g. pharmaceuticals and devices, and administrative expenses<sup>31</sup>. Research suggests that two-thirds of the people who file for bankruptcy in the US cite medical issues as one of the key contributors to their financial problems<sup>32</sup> with any major illness posing the threat of bankruptcy-inducing costs for the millions of uninsured Americans.

Studies show that Americans at all income levels are less healthy than those in higher income brackets indicating a strong linkage between income and health.<sup>33</sup> A survey published in December 2019 noted that almost 25% of the population in the country are delaying medical treatment because of associated medical costs.<sup>34</sup> Accordingly, the problem of affordability of healthcare is one of particular relevance and significant scale in the local context.

Government response to this problem has been passing of the Affordable Healthcare Act in 2010 that has helped by extending insurance coverage to over 20M Americans over the past 10 years<sup>35</sup> and in 2018 led to reduction in premiums for key plans extended under the program for a second year in a row.<sup>36</sup> In line with these initiatives, any private investments in affordable healthcare will help bridge the gap and lead to social benefits to target populations. Sustainalytics views positively JPMC's investments in promoting access to healthcare services in low- and moderate-income areas and believes that these could have significant positive social impact.

### Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. Any green, social or sustainability bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG target
Green Buildings	11. Sustainable Cities and Communities	11.3 By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Small-Business Lending	8. Decent work and economic growth	8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

<sup>30</sup> United States Census Bureau, "Income, Poverty and Health Insurance Coverage in the United States: 2018" published September 2019 at: <https://www.census.gov/newsroom/press-releases/2019/income-poverty.html>

<sup>31</sup> JAMA Network, Healthcare Spending in the United States and other High-Income Countries, published March 2018 at: <https://jamanetwork.com/journals/jama/article-abstract/2674671?redirect=true>

<sup>32</sup> CNBC article, "This is the real reason most Americans file for bankruptcy" published February 2019 at: <https://www.cnbc.com/2019/02/11/this-is-the-real-reason-most-americans-file-for-bankruptcy.html>

<sup>33</sup> Braveman, Cubbin, "Socioeconomic Disparities in Health in the United States: What the Pattern Tells Us, published April 2010 at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2837459/>

<sup>34</sup> The Guardian, "The Americans dying because they can't afford healthcare" article, published Jan 2020 at: <https://www.theguardian.com/us-news/2020/jan/07/americans-healthcare-medical-costs>

<sup>35</sup> Center on Budget and Policy Priorities, Chart Book: Accomplishments of Affordable Healthcare, published March 2019 at: <https://www.cbpp.org/research/health/chart-book-accomplishments-of-affordable-care-act>

<sup>36</sup> Politico report titled "Premiums for popular Obamacare plans to drop 4 per cent" published October 2019 at: <https://www.politico.com/news/2019/10/22/obamacare-premiums-drop-054262>



## JPMorgan Chase & Co. Sustainable Bond Framework

Affordable Housing	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing, and basic services and upgrade slums
Access to Essential Services - Health	3. Good Health and Well-being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
Access to Essential Services - Education	4. Quality education	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes

### Conclusion

JPMC has developed the JPMorgan Chase & Co. Sustainable Bond Framework under which it may issue green, social or sustainability bonds and use the proceeds to finance Green Buildings, Renewable Energy, Small-Business Lending, Affordable Housing, Access to Essential Services – Health and Education, and/or projects intended to address the direct or indirect effects of a socioeconomic crisis, such as the COVID-19 global pandemic. Sustainalytics considers that the projects funded by the green, social or sustainability bond proceeds will provide positive environmental and social impact.

The JPMorgan Chase & Co. Sustainable Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the JPMorgan Chase & Co. Sustainable Bond Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 11, 7, 8, 3, and 4. Additionally, Sustainalytics is of the opinion that JPMC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds.

Based on the above, Sustainalytics is confident that JPMorgan Chase & Co. is well-positioned to issue green, social or sustainability bonds and that the JPMorgan Chase & Co. Sustainable Bond Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2018), Social Bond Principles (2020), and the Sustainability Bond Guidelines (2018), as applicable.

## Appendices

### Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

#### Section 1. Basic Information

<b>Issuer name:</b>	JPMorgan Chase & Co.
<b>Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:</b>	JPMorgan Chase & Co. Sustainable Bond Framework
<b>Review provider's name:</b>	Sustainalytics
<b>Completion date of this form:</b>	July 10, 2020
<b>Publication date of review publication:</b>	

#### Section 2. Review overview

##### SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBPs and SBPs:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds        | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting                                    |

##### ROLE(S) OF REVIEW PROVIDER

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 <sup>nd</sup> opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification   | <input type="checkbox"/> Rating        |
| <input type="checkbox"/> Other ( <i>please specify</i> ):                       |  |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

##### EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

#### Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

## 1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds Green Buildings, Renewable Energy, Small-Business Lending, Affordable Housing, and Access to Essential Services – Health and Education are aligned with those recognized by the Green Bond Principles and Social Bond Principles. Sustainalytics considers that the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 11, 7, 8, 3, and 4.

### Use of proceeds categories as per GBP:

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Renewable energy   | <input type="checkbox"/> Energy efficiency   |
| <input type="checkbox"/> Pollution prevention and control  | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation   | <input type="checkbox"/> Clean transportation  |
| <input type="checkbox"/> Sustainable water and wastewater management   | <input type="checkbox"/> Climate change adaptation   |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes                             | <input checked="" type="checkbox"/> Green buildings  |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the environmental taxonomy, if other than GBPs:

### Use of proceeds categories as per SBP:

- |  |  |
|--|--|
| <input type="checkbox"/> Affordable basic infrastructure   | <input checked="" type="checkbox"/> Access to essential services                                   |
| <input checked="" type="checkbox"/> Affordable housing   | <input checked="" type="checkbox"/> Employment generation (through SME financing and microfinance) |
| <input type="checkbox"/> Food security   | <input checked="" type="checkbox"/> Socioeconomic advancement and empowerment                      |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBPs | <input type="checkbox"/> Other (please specify):   |

If applicable please specify the social taxonomy, if other than SBPs:

## 2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

JPMC has defined an internal process wherein different groups within the Bank are responsible for selecting eligible projects. Final selection will be documented with a framework for attestation, controls and governance managed by JPMC's Risk Controller organization. Sustainalytics considers this project selection process to be aligned with market practice.

### Evaluation and selection

- |   |   |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer's social and green objectives                                 | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories               |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available                           | <input type="checkbox"/> Other (please specify):  |

### Information on Responsibilities and Accountability

- |  |  |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify):   |  |

## 3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

JPMC has existing internal processes and mechanisms to track allocation of proceeds towards Eligible Projects and intends to allocate all bond proceeds within one year from date of issue. Sustainalytics considers this to be aligned with market practice.

### Tracking of proceeds:

- |   |
|---|
| <input checked="" type="checkbox"/> Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other (please specify):  |

### Additional disclosure:

- |   |   |
|---|---|
| <input type="checkbox"/> Allocations to future investments only | <input checked="" type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input type="checkbox"/> Allocation to a portfolio of disbursements                     |

- Disclosure of portfolio balance of unallocated proceeds  Other (please specify):

#### 4. REPORTING

Overall comment on section (if applicable):

JPMC intends to report on allocation as well as impact on KPIs which demonstrate impact of financing provided on an annual basis until full allocation. This report will be made publicly available and may be accompanied with an attestation from an independent accountant or ESG consultant. Sustainalytics considers this to be in line with market practice.

##### Use of proceeds reporting:

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (please specify):

##### Information reported:

- Allocated amounts  Sustainability Bond financed share of total investment
- Other (please specify):

##### Frequency:

- Annual  Semi-annual
- Other (please specify):

##### Impact reporting:

- Project-by-project  On a project portfolio basis
- Linkage to individual bond(s)  Other (please specify):

##### Information reported (expected or ex-post):

- GHG Emissions / Savings  Energy Savings
- Decrease in water use  Number of beneficiaries
- Target populations  Other ESG indicators (please specify):

##### Frequency:

- Annual  Semi-annual
- Other (please specify):

##### Means of Disclosure

- Information published in financial report  Information published in sustainability report





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