

J.P.Morgan

PERSONAL INVESTING

Socially responsible investing

at J.P. Morgan Personal Investing



J.P. Morgan Personal Investing seeks to offer our clients a transparent and clear approach to understanding how their portfolios are invested, and how our socially responsible portfolios operate. We use environmental, social and governance (ESG) research and analytics to score our portfolios. Using this data, together with our own investment expertise, we've constructed ten portfolios with social responsibility at their heart, offering a way to invest responsibly without needing to compromise on any of our core investment principles.

Responsible investing

Responsible investment has become a major theme in global investment markets. There are many different labels associated with this theme: ethical, sustainable, green, values-based, community, mission-based, impact, to name but a few.

Responsible investment has gained significant momentum over the past decade. Despite shifting attitudes towards ESG in the US, global sustainable open-end and exchange traded funds (ETFs) recorded estimated net inflows of \$4.9 billion in the second quarter of 2025. Global sustainable fund assets increased by 10% to \$3.5 trillion.

We know that talking about values has the potential to trigger a broad spectrum of emotions for investors, because values are personal. The terminology used in ESG investing can at times be confusing.

At J.P. Morgan Personal Investing, we use the term 'socially responsible investing' (SRI). We believe this term fairly reflects our approach in limiting our clients' exposure to companies that engage in controversial activities while increasing exposure to companies that lead their peers in ESG.

We recognise that introducing ethics to investing elicits a range of responses, and that investors might want to know how SRI performance compares with non-SRI investments before deciding if it is right for them.

We think it's important to enable understanding of the measurement and scoring side of responsible investing, as well as ESG regulation, which is an important safeguard against greenwashing, the act of making misleading or false statements about the environmental characteristics of a product or practice.

The E, S and G

The term 'ESG' – short for environmental, social and governance – refers to three core categories of non-financial factors that investors typically seek to define, especially in relation to SRI. ESG encompasses a broad range of considerations within these three key pillars, seeking to recognise the factors that have the potential to present material risks and opportunities.

Environmental: includes topics such as greenhouse gases, pollution, deforestation, waste of resources, water stress, and climate change.

Social: includes topics such as working conditions, health and safety, community engagement, diversity, and child labour.

Governance: includes topics such as bribery, corruption, executive pay, leadership diversity, data security, and tax strategy.

Investors have increasingly begun to consider non-financial factors in their analysis of companies. The emphasis on ESG integration has moved from the either/or of purely social versus purely financial, to recognising that ESG integration can improve the long-term performance of portfolios while aligning them with long-term societal objectives, particularly through benefitting from the better governance of companies.

What you should expect from our socially responsible portfolios

No portfolio can be designed to avoid every controversy. However, we believe investors should have the choice to invest in a way that represents their personal values, with a fair and transparent understanding of how their investments make that alignment.

At J.P. Morgan Personal Investing, as part of our Socially Responsible Investing (SRI) investment style, we set out to offer a solution that encompasses everything we believe an investment proposition should offer our clients, yet with an explicit socially responsible focus.

We combine powerful ESG research with our investment expertise to construct socially responsible portfolios that remain true to the core investment principles that underpin our investment philosophy.

These portfolios do the following:

- Maintain a global focus, to maximise the opportunity set and investment universe
- Focus on diversification, to balance the medium-term rewards and risks
- Regularly rebalance, to keep portfolios aligned with their long-term objectives
- Explicitly focus on keeping costs proportionate, to help maximise your returns
- Recognise ESG considerations to help deliver sustainable, long-term results.

As always, we're transparent throughout the investment journey about how we construct and manage our portfolios, their holdings, and their performance. In addition, for each portfolio our clients can see:

- How the portfolio measures against a range of ESG criteria, including the portfolio's overall weighted ESG score, and how this compares to a similar portfolio without a socially responsible focus.
- The portfolio's current overall carbon impact and how this compares to a similar portfolio without a socially responsible focus.
- Regular updates about changes within the portfolio.

How we construct our SRI portfolios

Our team of investment experts builds our socially responsible portfolios using a range of different strategies. This is done to maximise the socially responsible focus of the portfolio while keeping this exposure subject to a brief that maintains diversification, liquidity, and low costs. This is crucial because, no matter our personal values, we all have investment goals to reach.

Our socially responsible portfolios follow the same actively managed approach as our Fully Managed portfolios. This means our investment team will actively change the mix of assets within the portfolio over time, based on its analysis of the prevailing economic environment.

The ETFs we use

To be allowed to use the term 'Socially Responsible Investing' in the investment style, the ETFs used by J.P. Morgan Personal Investing have to be measured against a Paris-Aligned Benchmark (PAB). A PAB sets revenue thresholds from fossil fuel-related businesses to allow the use of terms like 'sustainable', 'green', 'impact', and 'ESG'.

The rules around PABs are stricter than those for ETFs that refer to 'transition' or 'social' factors, which track a Climate Transition Benchmark (CTB). CTBs, at a minimum, require screens to filter for tobacco, controversial weapons and/or violations of social norms.

What investments do these portfolios exclude?

J.P. Morgan Personal Investing uses a range of sustainability-focused ETFs when constructing our socially responsible portfolios and the types of companies excluded will differ between funds. At a minimum you can expect the following securities to be excluded from ETFs held in J.P. Morgan Personal Investing's socially responsible portfolios:

- Businesses with significant exposure to the tobacco industry, either as a producer or distributor
- Companies involved in the production of nuclear weapons
- Companies involved in the production of controversial weapons such as landmines, cluster bombs, or chemical and biological weapons.

- Companies with significant exposure to the civilian firearms industry, either as a producer or through distribution
- Companies that derive significant revenue from activities involving genetic modification
- Companies with significant involvement in the nuclear power industry
- Companies with revenue derived from fossil fuel-related activities, including through reserve ownership, power generation, and production and extraction of thermal coal and unconventional and conventional oil and gas.

Details on the full exclusion criteria for funds potentially, historically and currently used within our socially responsible portfolios can be found in our Appendix.

We note that many of the exclusions employed by the funds utilised are typically much wider in remit and can prohibit:

- Companies that produce alcohol
- Companies that produce adult entertainment
- Companies with significant involvement in the gambling industry

Socially responsible investing has momentum and support from regulators

Capital Group's 2024 Global ESG Study notes an all-time high in ESG adoption with 94% of respondents from EMEA adopting ESG into their investing practices.

There has been a substantial push from European and UK regulators on ESG disclosures. The resulting changes from the European regulator, the European Securities and Markets Authority (ESMA), state that products which are domiciled in Europe and follow an ESG/SRI approach, which many of the ETFs listed in the UK do, must use either a CTB or a PAB to include certain terms in the fund's name. This framework aims to prevent greenwashing.

Asset managers that wish to use the labels of ESG and SRI must use a PAB, while those wanting to follow a lighter approach must use a CTB. Under both circumstances, a minimum of 80% of investments must meet environmental or social characteristics, or a sustainable investment objective with binding elements. J.P. Morgan Personal Investing meets this threshold.

Scoring our portfolios

We believe that our clients should feel empowered to make the best possible decisions when it comes to investing for their future. That's why we offer our clients insight into how each of our investment portfolios – across every investment style – measures against a range of ESG factors. Each of these scores provides you with a better perspective on how your capital is invested in line with ESG considerations.

Overall ESG Score

The overall ESG score measures the aggregate ability of the underlying companies held by the ETFs we invest in to manage key risks and opportunities arising from environmental, social, and governance factors. The individual scores for each of those categories are represented below.

Environmental Score

This measures how companies in the underlying ETFs are exposed to and manage key environmental risks and opportunities, such as emissions, climate change, pollution, and use of natural resources.

Water Stress

This score measures exposure to companies that proactively employ water-efficient processes, water recycling, and alternative water sources. Companies employing these practices will score higher.

Carbon Intensity

This score measures exposure to carbon-intensive companies. We'll also show you what this means in terms that are easy to understand – for example, the equivalent miles driven by an average petrol passenger car.

It measures how companies in the underlying ETF are exposed to and manage key environmental risks and opportunities, such as climate change, pollution, and use of natural resources.

Social Score

This score measures how companies in the underlying ETFs are exposed to and manage key social risks and opportunities, such as labour management, health and safety, and data security.

Labour Management

This score accounts for exposure to labour unrest and poor job satisfaction. Companies providing strong employment benefits, performance incentives, employee engagement, and professional development programmes score higher.

Privacy and Data Security

This score accounts for how companies in the underlying ETFs manage privacy and data security. Those with comprehensive privacy policies and data security management systems and business models not reliant on trafficking personal data score higher.

Governance Score

A governance score measures the holding's management of, and exposure to, key governance risks and opportunities.

Women Represent 30% of Directors

The proportion of the underlying ETF invested in companies where women comprise at least 30% of the board of directors. Board diversity is itself important and has been shown to contribute to a business's financial success.

Business Ethics and Fraud

This score evaluates industry-specific business ethics issues for the companies in the underlying ETF. Companies which have faced controversies with respect to anti-competitive practices, pricing fraud, insider trading, and controversial customer practices score lower.

When measuring SRI, we use ESG ratings and data from MSCI, one of the world's largest investment research and financial index businesses. MSCI provides [one of the largest standardised frameworks](#) for assessment of ESG factors

available globally, covering over 17,000 security issuers (including subsidiaries) and nearly one million equity and fixed income securities (as of 30 June 2024). [MSCI's ESG ratings](#) are designed to measure companies' resilience to financially relevant, industry-specific sustainability risks and opportunities. We update our scores in line with changes made to MSCI's framework. Other ESG ratings providers are available.

Our SRI portfolios apply a heavier focus than other investment styles on certain ESG factors, as we invest our SRI portfolios in ETFs that overweight towards companies with good governance profiles, while avoiding those that engage in controversial activities. However, across all of our investment styles – including SRI – we offer our clients insight into how each of our investment portfolios measures against a range of ESG factors.

Each of these scores provides you with a breakdown of how your capital is invested in line with ESG considerations.

How are different assets treated from a scoring perspective?

When analysing a portfolio, it's important to recognise how different assets are treated from an ESG perspective.

For example, some ESG factors are only relevant for corporations rather than governments, such as the percentage of the board of directors that are female. Where this is the case, portfolio holdings are re-weighted in order to calculate a score for only the corporate entities within the portfolio. This means the data isn't biased by large holdings in securities with no score.

Similarly, there are some companies that have not yet been analysed for their ESG credentials. These are limited and typically smaller companies where the holding is a small proportion of the overall portfolio. The number of companies held within our Fully Managed portfolios that we're able to analyse for ESG principles differs with investment style – as of May 2025, we're able to analyse an average of 99% of securities in Socially Responsible Investing

portfolios and Fully Managed portfolios, 98% in Fixed Allocation, 97% in Smart Alpha and 91% in Income Investing.

While we expect the remaining companies to be assessed in the future, where a portfolio holding is currently not analysed, we score this company 0 against each of the criteria.

How to compare J.P. Morgan Personal Investing's portfolios for social responsibility

We strive to be transparent on the sustainability of all our investment portfolios. There are a few ways to interpret the information we provide and compare our portfolios.

Asset allocation

Our socially responsible portfolios follow the same investment strategy as our Fully Managed portfolios, guided by the analysis of our expert in-house investment team.

The range of ETFs in which we can currently invest our socially responsible portfolios is fewer than for Fully Managed portfolios, and so over time there will be differences in the number of holdings in portfolios.

Additionally, there are still some assets for which an ESG investment offering isn't currently a reality and therefore these won't be found in our socially responsible portfolios either. The ESG market for ETFs is, however, growing every year and is regularly yielding new opportunities for investors.

Because of this difference in the available investment universe, it's often not appropriate to compare the sustainability of socially responsible portfolios against that of the Fixed Allocation and Fully Managed portfolios, as the mix of investments may be different at any point in time.

It's for this reason that we compare the ESG scores of our SRI portfolios against a simulated 'equivalent non-SRI portfolio': where the type of assets held (for example large company US equities) and the respective amounts and ratios invested (for example 30%) match our socially responsible portfolios, providing the fairest means for comparison.

It's also important to note that our socially responsible portfolios don't have an explicit objective to maximise their ESG scores. We don't build these portfolios by attempting to get the highest possible score. Rather, we aim to deliver a good improvement in ESG scoring while still ensuring that the portfolio is well diversified and holds the mix of assets that we believe will deliver the best returns adjusted for risk.

Costs and charges

We feel strongly that our clients should be able to make the choice to invest in our socially responsible portfolios without the bias of cost. That's why our management fee structure for these portfolios is the same as our Fully Managed portfolios, so whatever an investor's personal choice, the J.P. Morgan Personal Investing fee for any of our managed portfolios will remain the same. However, we do expect the average fund costs in these portfolios to be slightly higher than the funds used in our Fully Managed and Fixed Allocation portfolios. This is primarily due to two reasons:

Sustainable investment strategies rely on high quality data, much of which can be qualitative as well as quantitative. Qualitative research typically requires specialist analysis which can incur greater cost. That's why the underlying indices on which the funds are based are typically costlier than market capitalisation (size) weighted indices.

There are currently fewer funds available incorporating sustainable investment themes and these funds tend to be newer, meaning there has been less historical price competition. However, our investment team works hard to lower the cost

of investing for our clients and will continue to seek to do so for all our client portfolios. In fact, since launch the fund costs for our socially responsible portfolios have fallen significantly.

You can find our current costs and charges on our [website](#).

A review of the historical performance of socially responsible investing

Some investors may wonder whether their desire to invest in a socially responsible way could come at a cost to the performance of their portfolio.

Contrary to what some investors believe, based on the data we've seen, portfolios with a socially responsible focus perform similarly to those without one in terms of returns. Our studies used the same established SRI investment strategies that underpin many of the SRI-focused ETFs in our portfolios. These returns can be seen below, from the date of inception of the socially responsible indices.

Equity Market Performance and Risk, Local Currency: October 2007 to June 2025

Country / Region	Annualised Returns (%)		Annualised Volatility (%)	
	Market Index	SRI Index	Market Index	SRI Index
United States	9.71%	10.24%	17.22%	17.51%
Canada	5.87%	5.16%	15.40%	15.77%
Japan	5.02%	5.28%	18.53%	19.27%
Pacific ex Japan	4.74%	4.66%	15.42%	15.75%
UK	5.44%	5.61%	15.09%	15.09%
Eurozone	3.95%	4.93%	17.51%	17.51%
Emerging markets (in US\$)	4.23%	5.96%	13.34%	13.34%
Global (in US\$)	7.19%	7.60%	13.37%	13.37%

Source: J.P. Morgan Personal Investing calculations using data from Macrobond. MSCI indices used for each country /region. Annualised Returns measure how much an investment has increased on average each year during a specific period. Annualised Volatility - which measures the variability of returns scaled to a yearly time horizon - is based on monthly return data. These figures refer to past performance, which is not a reliable indicator of future performance.

Overall, we expect our SRI portfolios to deliver performance over the long-term that is similar to that of an equivalent portfolio without an SRI focus, so we don't expect there to be a performance trade-off for investors, although this can never be guaranteed.

Performance of J.P. Morgan Personal Investing's portfolio styles

When it comes to the difference in performance between J.P. Morgan Personal Investing portfolio styles, we expect any divergence to come from the difference in asset allocation.

Despite following the same investment strategy and process, the range of available asset classes that embed an SRI focus is currently more limited than that available to our Fully Managed portfolios. With a different investment universe available to each portfolio type, the portfolios won't carry an exact like-for-like exposure, but they will remain close and the divergence should reduce over time as new SRI strategies are launched, broadening our ability to run like-for-like portfolios.

This means that we expect there to be deviations in performance between portfolio types over time, and our historical simulations have demonstrated a divergence in calendar year performance.

[A review of performance](#) between our SRI portfolios and their corresponding benchmarks highlights that our SRI portfolios have largely outperformed their benchmarks since launch, and despite higher volatility have offered better risk-adjusted returns. Our SRI portfolios were launched in 2018, and while they've been around for a relatively short time frame to support relevant long-term conclusions, our SRI portfolios have, so far, achieved their goal in consistently outperforming the average wealth manager. It's worth remembering that past performance is not a reliable indicator of future performance.

Comparison of ARC Indices and J.P. Morgan Personal Investing SRI Portfolios Performance & Risk: November 2018 to June 2025

Indices/ Portfolios	Annualised Returns (%)		Annualised Volatility (%)	
	ARC	J.P. Morgan Personal Investing SRI	ARC	J.P. Morgan Personal Investing SRI
ARC Sterling Cautious/J.P. Morgan Personal Investing Risk Level 4	2.59%	3.40%	3.77%	6.27%
ARC Sterling Balanced/J.P. Morgan Personal Investing Risk Level 6	3.73%	5.09%	5.93%	8.60%
ARC Sterling Growth/J.P. Morgan Personal Investing Risk Level 8	4.62%	7.05%	7.90%	10.90%
ARC Sterling Equity/J.P. Morgan Personal Investing Risk Level 10	5.50%	8.77%	9.72%	13.00%

Source: J.P. Morgan Personal Investing calculations using data from Macrobond. Annualised Returns measure how much an investment has increased on average each year during a specific period. Annualised Volatility - which measures the variability of returns scaled to a yearly time horizon - is based on monthly return data. ARC Indices are provided by Asset Risk Consultants and J.P. Morgan Personal Investing SRI portfolio returns are internal calculations based on composite net of fees returns of J.P. Morgan Personal Investing's clients. These figures refer to past performance, which is not a reliable indicator of future performance.

Projected performance

We use the same methodology to calculate projected returns for all our portfolios. However, each projection is adapted to account for the difference in asset allocation and underlying investment style (in this case, a social responsibility focus).

You can explore the projected returns for all of our portfolios when [signing up with J.P. Morgan Personal Investing](#). Please remember that forecasts are not a reliable indicator of future performance.

Risk management

The socially responsible portfolios will benefit from the same level of risk management expertise as every J.P. Morgan Personal Investing portfolio. Each portfolio has a set of internal limits that are monitored continuously by dedicated risk managers within our investment team. Daily risk reports covering every aspect and risk of each portfolio are delivered to and reviewed by the investment team each morning, as well as being subject to oversight from independent risk teams.

Risk warning

As with all investing, your capital is at risk. The value of your portfolio with J.P. Morgan Personal Investing can go down as well as up, and you may get back less than you invest. Past performance and forecasts are not reliable indicators of future performance. This is not investment advice. Always do your own research.

Appendix

Here we detail the exclusions and screening applied to the exchange traded funds (ETFs) we intend to use within our socially responsible portfolios. Please note that because we intend to use a range of strategies within our portfolios, this list will be subject to change and is not exhaustive. In addition, the criteria detailed apply to the relevant underlying ETFs and not the overall J.P. Morgan Personal Investing portfolio. 'Any production' denotes where a security will be excluded from the portfolio if deemed a producer of any products precluded by our ESG ratings. Revenue thresholds denote the percentage of revenue from such products which, once exceeded, will result in a securities exclusion.

Index Name		Low Carbon SRI Leaders	SRI Low Carbon Select 5% Cap	SRI Select Reduced Fossil Fuels	SRI Filtered PAB
Index Provider		MSCI	MSCI	MSCI	MSCI
ETF Provider utilising Index		xTrackers	UBS	iShares	Amundi
Exclusion Criteria Applied					
Controversial Weapons		0%	0%	0%	0%
Nuclear Weapons		0%	0%	0%	0%
Conventional Weapons	Production	0%	5%	0%	5%
	Systems/Components/Other Revenue	5%	10%	10%	5%
Civilian Firearms	Production	0%	0%	0%	0%
	Distribution/Other Revenue	5%	5%	5%	5%
Predatory Lending		N/A	5%	N/A	N/A
Genetically Modified Organisms		5%	5%	5%	5%
Tobacco	Production	0%	0%	0%	0%
	Distribution/Retail & Supply/Licensing	10%	5%	5%	5%
Alcohol	Production	5%	5%	5%	5%
	Distribution/Retail & Supply/Licensing	15%	15%	15%	15%
Gambling	Ownership/Operation	5%	5%	5%	5%
	Related Activities	15%	15%	15%	15%
Adult Entertainment	Production	5%	5%	5%	5%
	Distribution	15%	15%	15%	15%
Nuclear Power	Aggregate Revenue	30%	15%	15%	5%
	Single-Source Power Generation	0%	0%	0%	0%
	Multi-Source Power Generation	30%	0%	5%	5%
	Capacity Installed	30%	0%	5%	5%
Thermal Coal	Mining & Distribution	10%	0%	1%	0%
	Power Generation	0%	0%	5%	5%

Index Name		Low Carbon SRI Leaders	SRI Low Carbon Select 5% Cap	SRI Select Reduced Fossil Fuels	SRI Filtered PAB
Oil & Gas	Unconventional Extraction (includes Artic)	0%	0%	0%	0%
	Conventional Extraction	10%	0%	0%	0%
	Single-Source Power Generation	0%	0%	0%	0%
	Multi-Source Power Generation	30%	0%	0%	30%
	Combined Oil & Gas Related Revenues (refining, processing, servicing, transport, distribution)	N/A	N/A	10%	N/A
	Gas Related Revenues (processing, servicing, transport, distribution)	10%	50%	N/A	50%
	Oil Related Revenues (refining, servicing, transport, distribution)	10%	10%	N/A	10%
Fossil Fuels	Reserve Ownership	0%	0%	0%	0%
	Power Generation	0%	0%	50%	50%

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