Sustainable Finance Disclosure Regulations (SFDR), Article 6 Pre-contractual Disclosure of Sustainability Risk: J.P. Morgan Bank Luxembourg S.A.

J.P. Morgan Bank Luxembourg S.A. (“JPMBL”) has integrated sustainability risks into its discretionary investment decision-making process. For agency securities lending, JPMBL’s policies on the integration of sustainability risks into its investment decision-making rely on the JPMC Environmental and Social Policy Framework Link, and this has been incorporated into specific procedures across the business. Sustainability risk would not in itself prevent JPMBL from making an investment. Instead, sustainability risk forms part of JPMBL’s overall risk management processes, and is one of many risks which may, depending on the specific investment opportunity, be relevant to JPMBL’s determination of risk.

“Sustainability risk” is defined in the EU’s Sustainable Finance Disclosure Regulation (2019/2088) as an environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

Examples of sustainability risks which are potentially likely to cause a material negative impact on the value of an investment, should those risks occur, are as follows:

- environmental sustainability risks may include climate change, carbon emissions, air pollution, rising sea levels or coastal flooding or wildfires;
- social sustainability risks may include human rights violations, human trafficking, child labour or gender discrimination; and
- governance sustainability risks may include a lack of diversity at board or governing body level, infringement or curtailment of rights of shareholders, health and safety concerns for the workforce or poor safeguards on personal data or IT security.

The likely impacts of a sustainability risk may be numerous and can vary depending on the specific risk and asset class. To the extent that a sustainability risk materialises, or materialises in a manner that is not anticipated by JPMBL, there may be a sudden, material negative impact on the value of an investment.