JPMorganChase

Energy Supply Financing Ratio (“ESFR”)

November 2024

JPM designed its ESFR to provide insights into how our financing supports Low-Carbon[1] energy supply versus that which supports High-Carbon[2]

For the year ended December 31, 2023, **our ESFR of 1.29x** shows that for each dollar that supported High-Carbon energy supply, $1.29 dollars supported Low-Carbon energy supply. We relied on the following key principles to develop the ESFR:

INVESTMENT FOCUSED

- The primary objective of the ESFR is to provide insight into the relative flow of capital supporting investments in Low-Carbon versus High-Carbon energy supply
- To achieve this, we have designed our methodology to:
  - Rely on forward-looking investment-related information to estimate how our financing is apportioned between Low-Carbon and High-Carbon investments; and
  - Approximate the amount of our financing that supports investments in energy supply and exclude financing that is used for other corporate purposes

ROBUST AND CONSISTENT DATA

- Our calculations rely on the use of a combination of internal and external data sources
- This includes detailed internal information on financing transactions and subsidiary/corporate structure information, as well as well-reported and standardized data from credible external sources

INSIGHTFUL

- A well-designed ESFR should have informational value for internal and external stakeholders
- For example, through careful selection of boundaries for included sectors and financing instruments, we have sought to align the ESFR with the specific nature of our energy-related financing business and with how we seek to address climate issues more broadly

TRANSPARENT

- We disclose relevant details of the ESFR methodology approach, intending to be clear and credible to interested stakeholders
- We may make enhancements over time as a result of evolutions in our strategy, metrics, targets, and frameworks; availability of new data; industry best practices; stakeholder feedback; or other external factors

[1] Low-Carbon-intensive and zero-carbon energy supply
[2] High-Carbon-intensive and unabated fossil-based energy supply

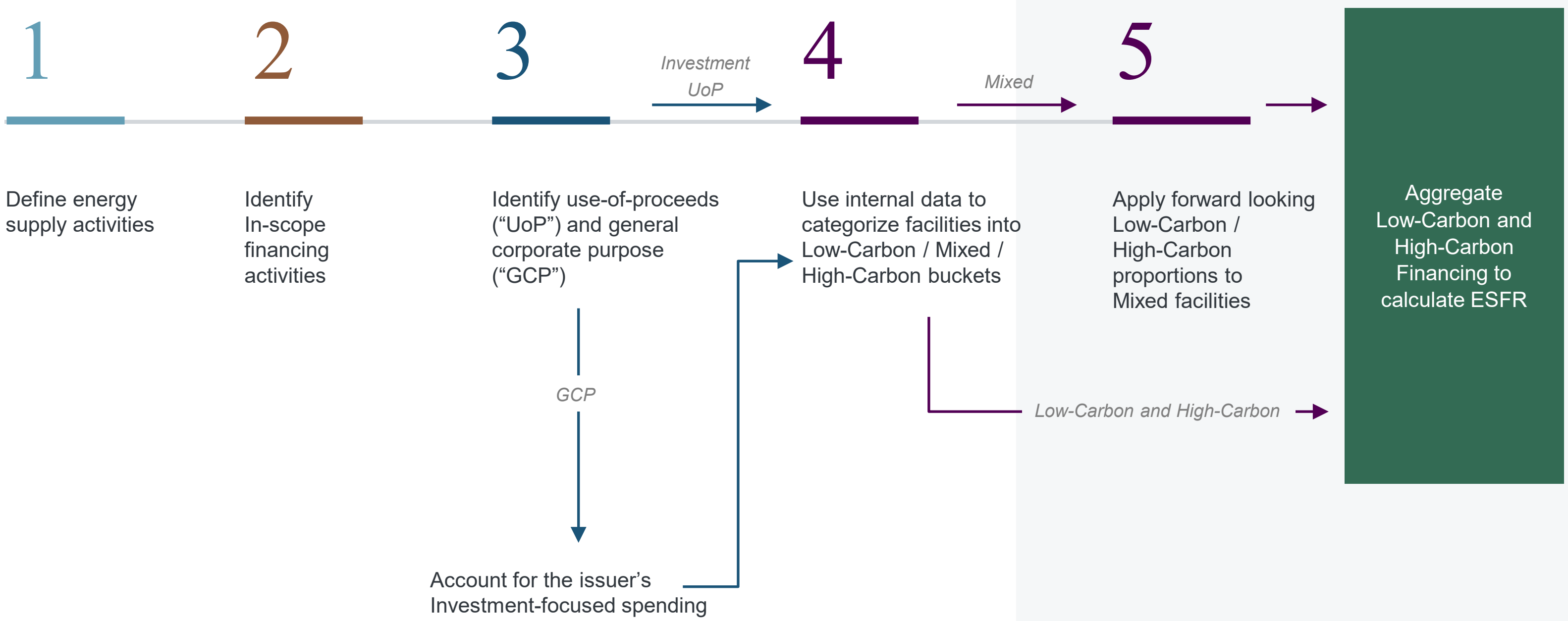
Our approach aims to construct an insightful metric for our stakeholders that is also consistent with how we make financing decisions

OUR APPROACH

- We developed our methodology and disclosed the ratio following engagement with the New York City Comptroller, which serves as the Trustee for each of the New York City Public Pension Funds
- We leverage internal and external data, enabling us to include relevant financing, identify the investment-focused portion of financing and better allocate shares of Mixed financing facilities to either the Low-Carbon or High-Carbon portions of the ratio

SHAREHOLDER RESPONSIVENESS

- With respect to shareholder proposals, we carefully consider each proposal. The Board remains focused on its fiduciary duty to advance long-term financial interests of shareholders; we engage with proponents to understand their views
- When evaluating shareholder proposals, we weigh the relevance of the subject matter of the proposal in the context of our business and its value to long-term shareholders. We consider the potential costs and benefits and importantly, when a proposal does make a pragmatic and well-evidenced case, we have a strong track record of agreeing
- The ESFR is an excellent example of what ongoing engagements and pragmatic and reasonable requests can accomplish



We summarized the key elements of the design choices to the ESFR to provide further insight into how we developed the ratio

		Design Choice	Notes
1 Energy Supply Boundary Definition	Low-Carbon Energy Supply	Zero- and low-carbon power generation, low-carbon fuels, carbon capture, utilization and storage, electricity networks, energy storage	Consistent with boundary used in the International Energy Agency's World Energy Investment analysis[1]
	High-Carbon Energy Supply	Oil & Gas upstream, midstream, and refining (including integrateds), coal mining and transportation, coal-, oil-, and natural gas-based power generation	
2 Scope of Financing Activities	Lending Products	Syndicated lending[2], bilateral lending, project finance, green loans	JPMC's share of these financing and facilitation activities during the calendar year ("CY") for which the ratio is being calculated[3]
	Facilitation Activity	Debt underwriting, green bonds, equity underwriting, private capital underwriting	
	Investment Types	Tax-oriented investments	
3 Investment-Focused Portion of Financing	Low-Carbon Investment/ Use-of-Proceeds Financing	Tax-oriented investments, green bonds, and green loans are treated as investment-specific financing and credited to the ratio as 100% Low-Carbon	These financings can be tied directly to capital investment in energy supply activities
	Project Financing	Project financing is treated as investment-specific financing and either 100% Low-Carbon or 100% High-Carbon based on the underlying asset	
	General Corporate Purpose Financing	For GCP instruments, we only include the pro-rata share of the company's overall capital spending that was allocated toward capital expenditure (capex) and cash-based mergers and acquisition activity (i.e., investments) during the CY	We estimate the investment-related portion of financing, given that not all proceeds raised are allocated exclusively to making investments
Low-Carbon / High-Carbon Allocation Approach	4 Low-Carbon / High-Carbon Bucketing	North America Industry Classification System codes determine which lending facilities should be treated as 100% Low-Carbon or 100% High-Carbon	We leverage internally available information on the issuer and UoP to bucket facilities If financing is provided directly to a subsidiary solely focused on one or more energy supply activities, it is included in its entirety as either 100% Low-Carbon or 100% High-Carbon
	5 Mixed Bucketing	Lending facilities without a clear investment focused UoP and all facilitation activities (excluding green bonds) are treated as Mixed facilities. The issuer's capex and assets under development are used to determine the Low-Carbon % / High-Carbon % split to be applied to our financing	We leverage external data to estimate the proportion of our financing that is reflective of issuers' Low-Carbon and High-Carbon energy supply activities. This is especially relevant for financing provided to power companies with zero- or low-carbon and fossil-based generation, integrated Oil & Gas companies, diversified companies, conglomerates and holding companies

For additional details on our approach, methodology and resulting metric, please refer to our [ESFR Methodology paper]

[1] IEA World Energy Investment 2024
[2] Represents retained credit exposure from loan syndications
[3] New originations and refinancings between Jan 1 and Dec 31 of the calendar year

We believe our methodology's design choices reflect how our financing relates to the investment flows across global energy supply

THE UNDERLYING COMPONENTS

1 Define Energy Supply Activities and In-scope Financing

- 2 Tax-oriented Investments: $7bn
- Lending: $33bn
- Capital Markets: $37bn

3 Identify UoP and GCP Instruments

- Investment UoP: $17bn
- GCP: $60bn → Investment-focused GCP: $38bn

Only include investment % of GCP

Categorized Facilities into Low-Carbon / Mixed / High-Carbon Buckets

- Low-Carbon: $20bn
- 4 High-Carbon: $9bn
- 5 Mixed: $25bn

Aggregate Low-Carbon and High-Carbon Financing to Calculate ESFR

- Low-Carbon: $30bn
- High-Carbon: $23bn

CY 2023 ESFR: $1.29x

- **The ESFR disclosure can provide insight into capital formation in the real economy, but it also has limitations:**
  - First, it is a disclosure metric, not a mechanism to drive energy transition. Banks operate in competitive markets and do not control the absolute or relative levels of financing opportunities available for energy supply
    - Rather, the energy transition is driven by a range of factors outside of an individual bank's control, including the implementation of policy mechanisms, technological advancements and changing consumer preferences
  - Second, while this metric can provide further insight into financing that we are providing, it is not a direct proxy for decarbonization activity happening in the economy, or for total energy supply investment dollars
    - Financing provided by banks only reflects a portion of the total capital being deployed by companies engaged in the supply of energy to power the global economy
  - While this disclosure metric can provide more insight into the finance that we are providing, we are not targeting a specific ratio with which to align our financing

We aim to support the energy transition, while recognizing the need to continue supporting traditional energy sectors to help their decarbonization efforts and promote global energy security, availability, affordability and accessibility

Disclaimer

The information provided in this document reflects JPMorgan Chase's approach to calculating its Energy Supply Financing Ratio (ESFR) as at the date of this document and is subject to change without notice. We do not undertake to update any of such information in this document and may not publish or update an ESFR in the future. While this report describes events and information that may be insightful to stakeholders, such discussion does not necessarily equate to the level of financial materiality requiring disclosure under law, including U.S. federal securities law.

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