

# ESG Explained

## 7 Essentials You Need to Know

From consumers to policymakers, many economic actors are backing sustainability—creating a powerful portfolio opportunity.



### What is ESG?

*The use of environmental, social, and governance factors to inform investment decisions*

In just a few years, ESG investing has grown in prominence. How can investors capitalize on this trend?

69%

of retail investors are interested in ESG

Yet only 10% actually invest in products that incorporate ESG factors

Source: CFA Institute | June 18, 2020

To properly invest in E



it's important to first fu  
understand it.

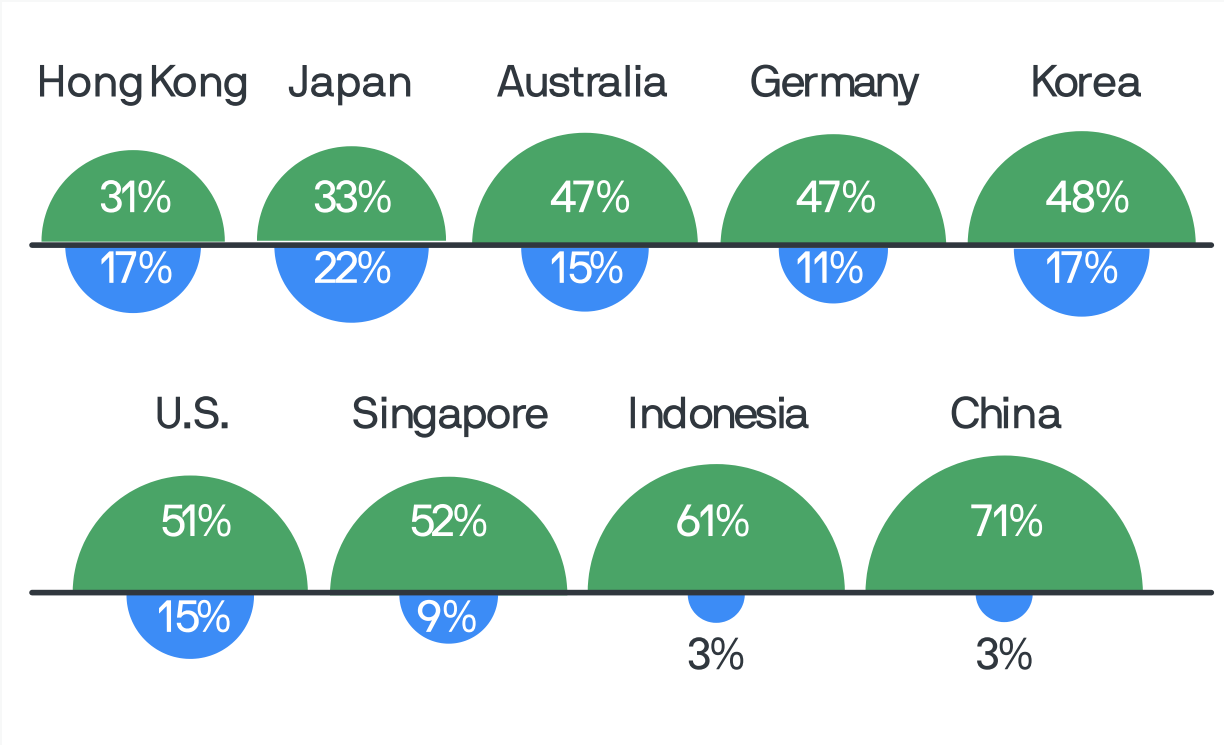
Here are seven essential reasons that help i  
understand the growing importance of ESG



ESG considerations are affecting cons  
preferences and public attitudes.

“I buy from companies that are conscious of protecting the environment.”

% of respondents    ● Agree    ● Disagree



Source: J.P. Morgan Asset Management; PwC. PwC's June 2021 Global consumer insights pulse survey was conducted in March 2021. It polled 8,681 consumers across 22 territories. The respondents were at least 18 years old and were required to have shopped online at least once in the previous year. Data reflect most recently available as of June 30, 2021.



Why it matters  
Consumers are making  
decisions with sus  
in mind, and they're  
with their wallets.



This change has ripple effects,  
and is expanding from the individ

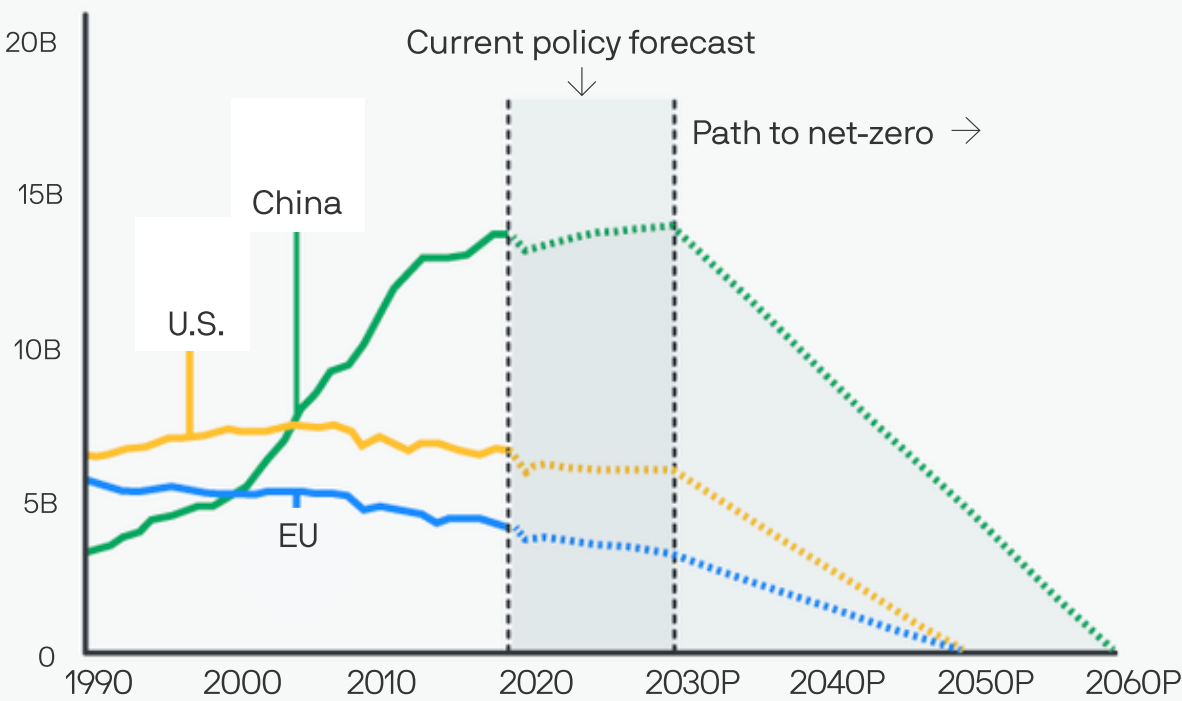
2

## Policymakers are setting environmental and social goals.

Governments of the world’s top greenhouse gas (GHG) emitters are working towards a net zero future, in which emissions are reduced or offset.

### GHG Emissions (1990-2060P)

Tonnes per year, CO<sub>2</sub> equivalent



Source: J.P. Morgan Asset Management; Climate Action Tracker. Current policy forecast is the post-Covid forecast provided by Climate Action Tracker. Data reflect most recently available as of June 30, 2021.

Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.

### Why it matters

Altogether, around 100 countries and regions representing over 90% of global GHG emissions have set ambitious emissions targets for the coming decades.

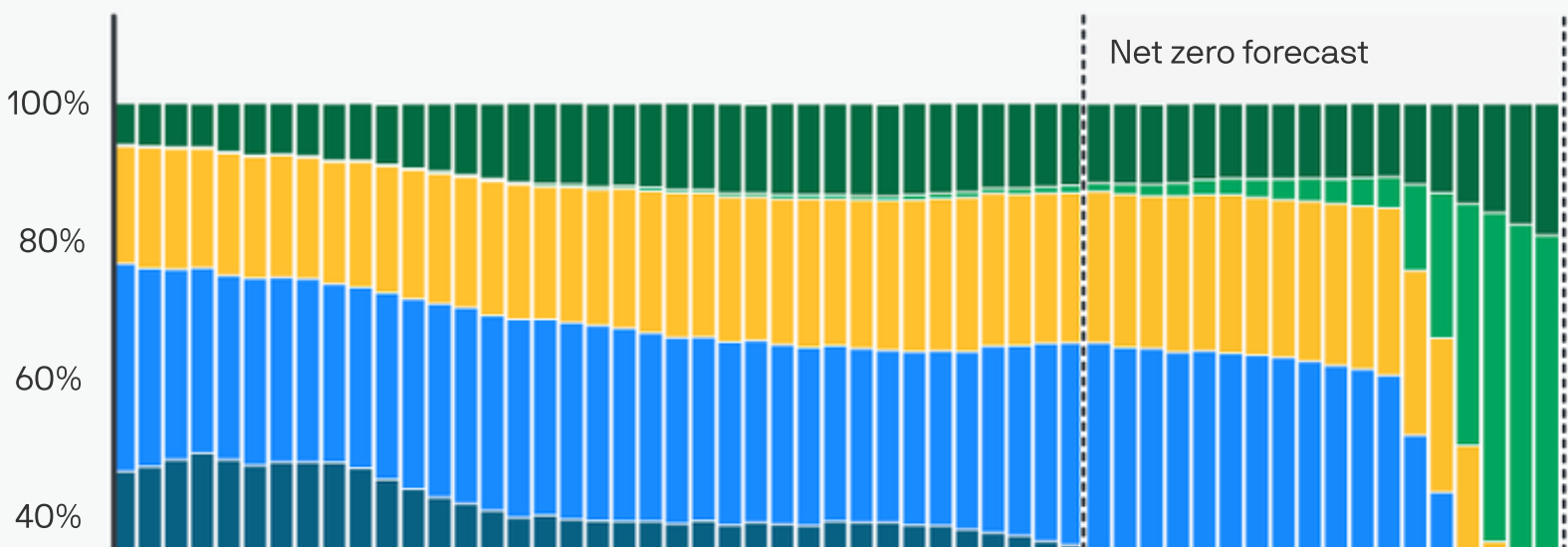
3

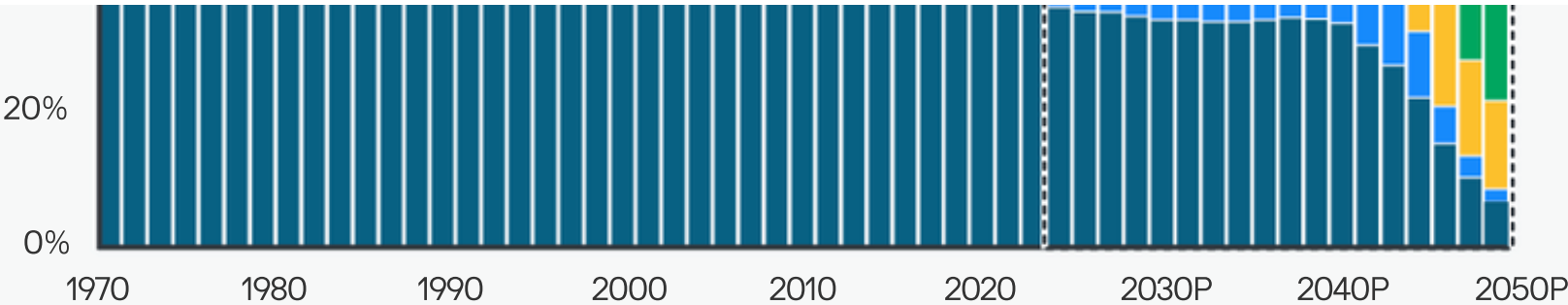
## For some, the shift to sustainability may be a headwind

To achieve net zero emissions by 2050, traditional energy needs to account for a much smaller proportion of the global energy mix.

### Global Energy Mix % of primary energy consumption

● Oil ● Coal ● Gas ● Renewables ● Nuclear and Hydro





Source: J.P. Morgan Asset Management, BP Energy Outlook 2020. Forecast is based on BP’s scenario for global net zero emissions by 2050. Data reflect most recently available as of June 30, 2021.

Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.



Why it matters

The shift to renewable energy may pose a challenge for industries reliant on fossil fuels. Fortunately, it is not too late for companies to transition.

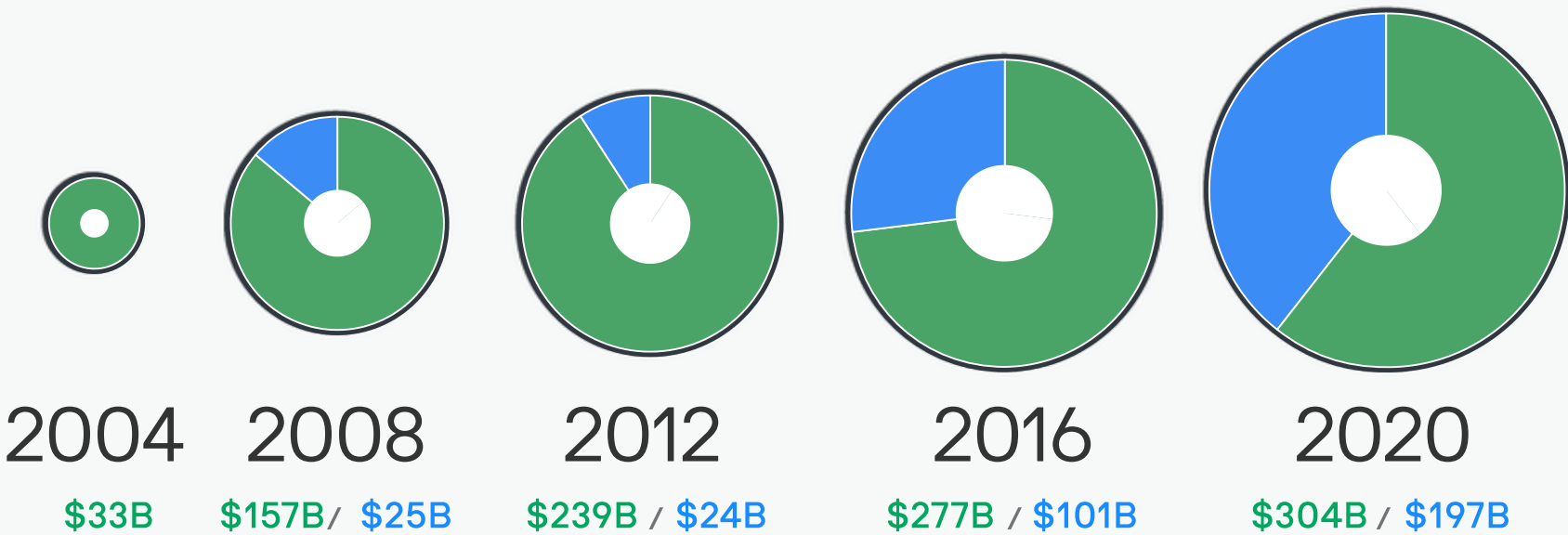


ESG creates significant opportunities for those at the forefront of change.

Billions of dollars are flowing into the energy transition.

Global Investment in Energy Transition

US\$, nominal ● Renewables ● Storage, electrification, carbon capture, other

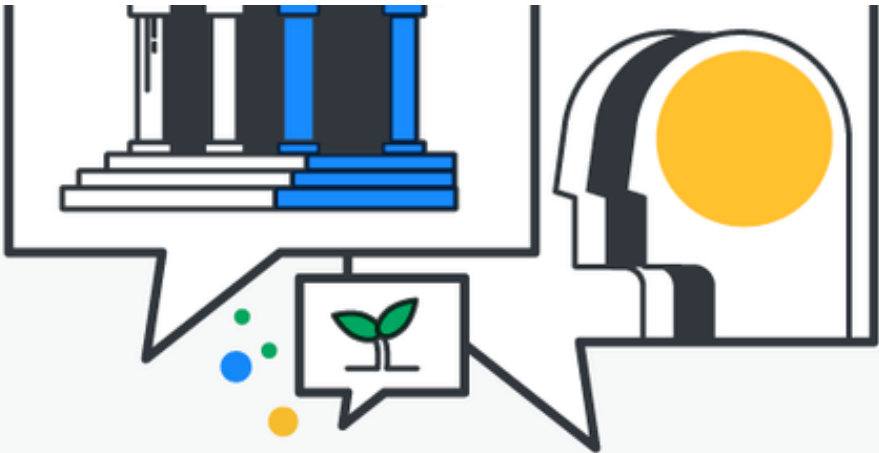


Source: Bloomberg NEF, BP Statistical, Eurostat, Lazard, METI, J.P. Morgan Asset Management. Storage, electrification, carbon capture and storage, energy storage, electrified transport and electrified heat. Data are as of June 30, 2021.





5



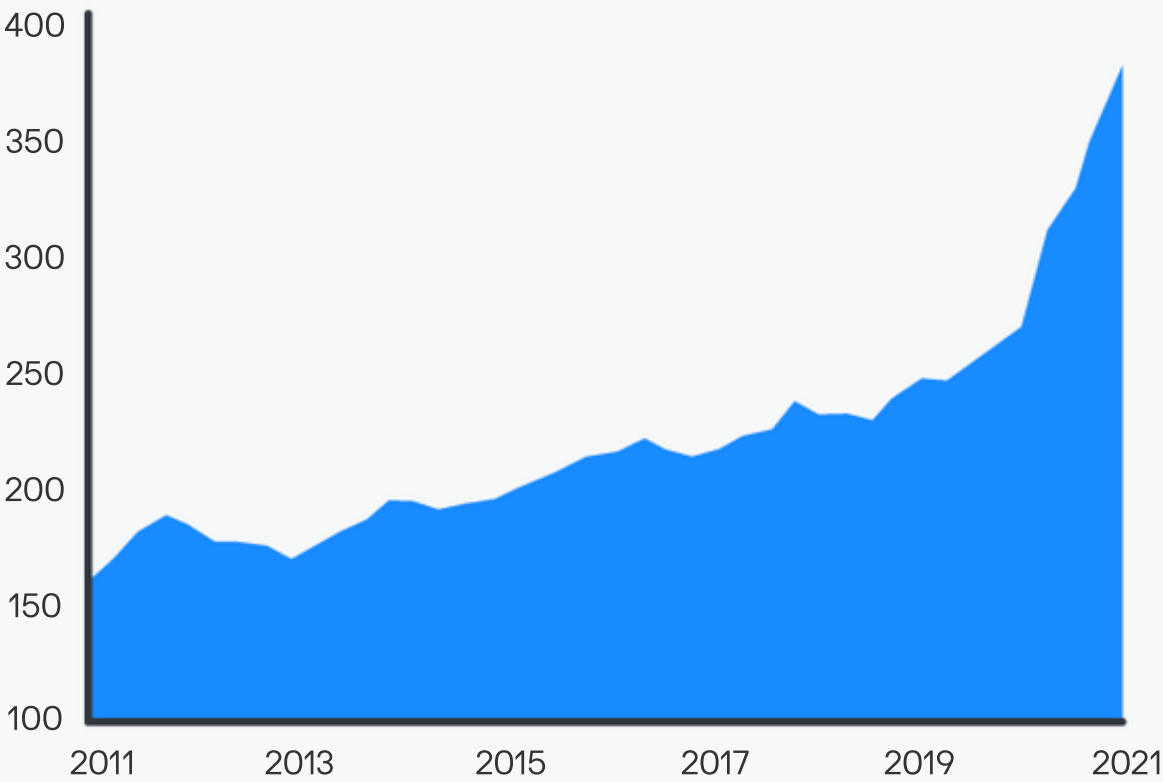
Why it matters

Sustainability is propelling opportunities with return p

ESG covers more than climate—the focus on Social and Governance is growing too.

Corporate Mentions of Diversity/Inclusion in Earnings Calls

Number of mentions for MSCI ACWI companies, four-quarter moving average



Source: J.P. Morgan Asset Management, MSCI. Data as of June 30, 2021.



Why it matters

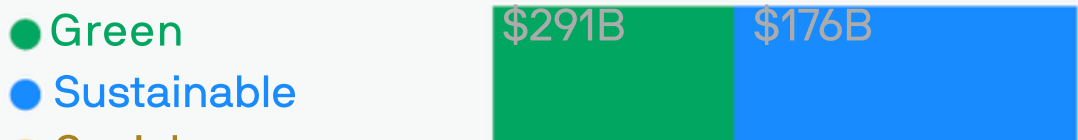
The recent jump in mentions of social i signals rising interest regulatory pressure

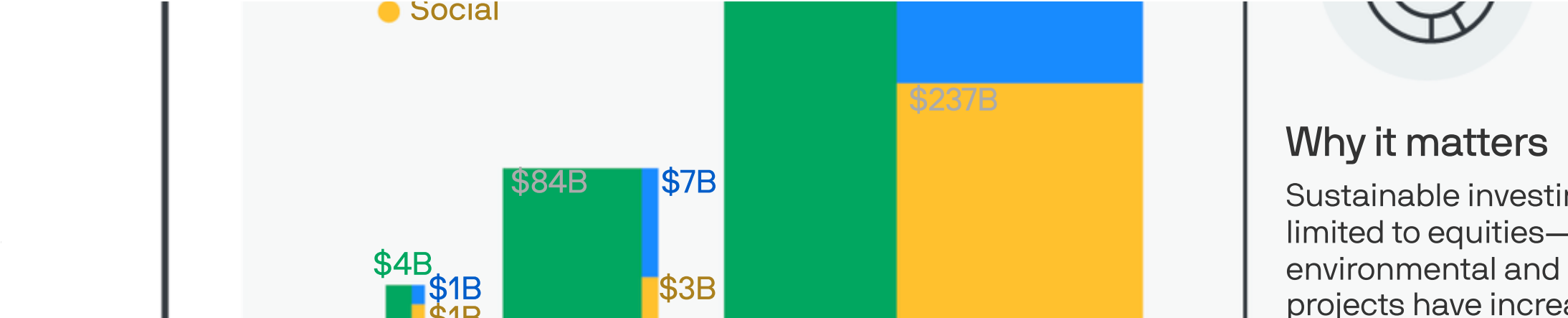
6

ESG is affecting the investment landscape.

The demand for sustainable fixed income strategies is also growing rapidly, with sustainable bond issuance doubling in 2020.

Global Sustainable, Social and Green Bond Issuance





For the purposes of this document, the J.P. Morgan Market Insights and Portfolio Insights programs are marketing communications and are not in scope for any mind of investment requirements specifically related to investment research. Furthermore, the J.P. Morgan Asset Management Market Insights and Portfolio Insights programs, as non-independent research, have not been prepared in accordance with legal requirements designed to promote the independence of investment research, nor are they subject to any prohibition on dealing ahead of the dissemination of investment research. This document is a general communication being provided for informational purposes only. It is educational in nature and not designed to be taken as advice or a recommendation for any specific investment product, strategy, plan feature or other purpose in any jurisdiction, nor is it a commitment from J.P. Morgan Asset Management or any of its subsidiaries to participate in any of the transactions mentioned herein. Any examples used are generic, hypothetical and for illustration purposes only. This material does not contain sufficient information to support an investment decision and it should not be relied upon by you in evaluating the merits of investing in any securities or products. In addition, users should make an independent assessment of the legal, regulatory, tax, credit, and accounting implications and determine, together with their own financial professional, if any investment mentioned herein is believed to be appropriate to their personal goals. Investors should ensure that they obtain all available relevant information before making any investment. Any forecasts, figures, opinions or investment techniques and strategies set out are for information purposes only, based on certain assumptions and current market conditions and are subject to change without prior notice. All information presented herein is considered to be accurate at the time of production, but no warranty of accuracy is given and no liability in respect of any error or omission is accepted. It should be noted that investment involves risks, the value of investments and the income from them may fluctuate in accordance with market conditions and taxation agreements and investors may not get back the full amount invested. Both past performance and yields are not a reliable indicator of current and future results. J.P. Morgan Asset Management is the brand for the asset management business of JPMorgan Chase & Co. and its affiliates worldwide. To the extent permitted by applicable law, we may record telephone calls and monitor electronic communications to comply with our legal and regulatory obligations and internal policies. Personal data will be collected, stored and processed by J.P. Morgan Asset Management in accordance with our privacy policies at <https://am.jpmorgan.com/global/privacy>. This communication is issued by the following entities: In the United States, by J.P. Morgan Investment Management Inc. or J.P. Morgan Alternative Asset Management, Inc., both regulated by the Securities and Exchange Commission; in Latin America, for intended recipients' use only, by local J.P. Morgan entities, as the case may be.; in Canada, for institutional clients' use only, by JPMorgan Asset Management (Canada) Inc., which is a registered Portfolio Manager and Exempt Market Dealer in all Canadian provinces and territories except the Yukon and is also registered as an Investment Fund Manager in British Columbia, Ontario, Quebec and Newfoundland and Labrador. In the United Kingdom, by JPMorgan Asset Management (UK) Limited, which is authorized and regulated by the Financial Conduct Authority; in other European jurisdictions, by JPMorgan Asset Management (Europe) S.à r.l. In Asia Pacific ("APAC"), by the following issuing entities and in the respective jurisdictions in which they are primarily regulated: JPMorgan Asset Management (Asia Pacific) Limited, or JPMorgan Funds (Asia) Limited, or JPMorgan Asset Management Real Assets (Asia) Limited, each of which is regulated by the Securities and Futures Commission of Hong Kong; JPMorgan Asset Management (Singapore) Limited (Co. Reg. No. 197601586K), this advertisement or publication has not been reviewed by the Monetary Authority of Singapore; JPMorgan Asset Management (Taiwan) Limited; JPMorgan Asset Management (Japan) Limited, which is a member of the Investment Trusts Association, Japan, the Japan Investment Advisers Association, Type II Financial Instruments Firms Association and the Japan Securities Dealers Association and is regulated by the Financial Services Agency (registration number "Kanto Local Finance Bureau (Financial Instruments Firm) No. 330"); in Australia, to wholesale clients only as defined in section 761A and 761G of the Corporations Act 2001 (Commonwealth), by JPMorgan Asset Management (Australia) Limited (ABN 55143832080) (AFSL 376919). For all other markets in APAC, to intended recipients only. For U.S. only: If you are a person with a disability and need additional support in viewing the material, please call us at 1-800-343-1113 for assistance. Copyright 2022 JPMorgan Chase & Co. All rights reserved.

## EXPLORE MORE

### On the Minds of Investors

What investment questions are on the minds of investors? Explore the questions investors ask frequently and find answers.

[Read more >](#)

### Guide to the Markets

Our Guide to the Markets illustrates a comprehensive array of market and economic histories, trends and statistics through clear charts and graphs.

[Read more >](#)

### Asset Class Views

Get quarterly commentary and in-depth analysis on equities, fixed income and other asset classes, written by our senior investment teams.

[Read more >](#)

Article Tags: [Environmental Social And Governance](#)