



Development Finance Institution

2020 ANNUAL REPORT



DANIEL PINTO

Co-President and Chief Operating Officer of J.P. Morgan; CEO of J.P. Morgan Corporate & Investment Bank

We created the J.P. Morgan Development Finance Institution (JPM DFI) to expand our activities in development finance and to attract much-needed private investment to developing countries. Combining J.P. Morgan’s global scale and resources with specialized knowledge and impact assessment capabilities, the JPM DFI supports a growing array of clients interested in the development impact of projects and transactions in emerging markets.

This first annual report underscores the potential of this approach. By reviewing and assessing transactions, designing tailored financing solutions and enhancing dialogue among stakeholders, J.P. Morgan is helping to mobilize capital in support of sustainable development.

My colleagues and I are pleased to present these results of the first year of operation of the JPM DFI. The first of its kind, the JPM DFI seeks to establish a model for private sector financial institutions to engage in development finance and, in turn, catalyze more private capital to advance sustainable development.

I want to extend my particular thanks and congratulations to Faheen Allibhoy, who joined J.P. Morgan in early 2020 as the DFI’s first Head. Faheen and her team have achieved promising early results, despite launching this new venture in a year of unprecedented public health and economic challenges. They demonstrate every day their commitment to the JPM DFI’s vital mission – to catalyze finance for the UN Sustainable Development Goals, in a manner that is relevant to J.P. Morgan’s clients.

The challenges of the past year, from COVID-19 to the increasing risks and impacts of climate change, however, show how far the world still has to go to achieve the promise of the SDGs. We look forward to continuing to collaborate with our partners, clients and other stakeholders to engage in this important work.



DANIEL ZELIKOW

Chair, J.P. Morgan Development Finance Institution Governing Board; Vice Chair, Public Sector and Global Co-Head of Infrastructure Finance and Advisory, J.P. Morgan Corporate and Investment Bank

EXECUTIVE SUMMARY



The J.P. Morgan Development Finance Institution (JPM DFI) was launched in January 2020 to mobilize capital towards emerging markets. By qualifying transactions with anticipated development impact, the JPM DFI seeks to expand the market for development finance and grow the pool of capital interested in transactions that offer both financial and development returns.

This debut annual report provides an overview of the JPM DFI's activities in 2020, including a summary of the Firm's transactions qualified as having anticipated development impact using our impact assessment methodology (the JPM DFI Methodology). The report also provides illustrative examples of qualified transactions and outlines priorities for 2021 and beyond.

Highlights of our work in 2020 include:

- Qualifying 437 transactions as developmental finance with a total combined amount of \$146 billion¹
- Acting as Development Finance Structuring Agent for a diverse set of corporate and sovereign transactions, including assisting clients with disclosures on the development impact of their transactions
- Identifying and working with sources of capital that have an interest in transactions with development impact
- Collaborating with the development finance community to advance best practices in impact measurement and in the mobilization of private capital towards development finance

Looking forward, we will continue to refine the JPM DFI Methodology and enhance our capabilities to support clients and capital providers² interested in pursuing development finance transactions. We also aim to explore mechanisms to support further impact measurement and monitoring, and to create additional platforms to mobilize investment towards specific development priorities.

PURPOSE & APPROACH



The United Nations Sustainable Development Goals (SDGs) define the agenda for all countries – developed and developing – to alleviate poverty and inequality, improve health and education and spur economic growth and employment, all while tackling climate change and working to preserve our natural ecosystems. Achieving these goals will

require unprecedented levels of investment across economic sectors, as well as in key areas of hard and soft infrastructure, particularly in emerging economies.

However, current levels of public and private investment in these markets are insufficient. The United Nations Conference on Trade and Development (UNCTAD)

has estimated that developing countries face an annual investment gap of \$2.5 trillion if the SDGs are to be met by 2030.³ Similarly, an analysis by the International Monetary Fund (IMF) identifies an annual gap of at least \$500 billion in low- and lower middle-income countries and \$2.1 trillion in emerging countries.⁴

The JPM DFI was created both to assist in addressing these gaps and to meet growing demand from capital providers seeking assets that provide financial and development impact returns. We do this in three ways:



Qualification

Using the JPM DFI Methodology to assess the anticipated development impact of transactions and assist clients in communicating their anticipated impact



Structuring

Integrating risk mitigation and other financial products offered by institutions with a development mission into the structure of qualified transactions



Distribution

Identifying sources of capital that seek investments with both financial returns and development impact

STRATEGY

The JPM DFI's strategy leverages the Firm's financial expertise and a systematic approach to measuring anticipated development impact in order to identify development-focused transactions and connect them with interested capital providers. The JPM DFI operates on a commercial basis, building off J.P. Morgan's strong network of bankers and product specialists in emerging markets and existing Corporate & Investment Bank (CIB) infrastructure.

Using these capabilities, we provide public and private sector clients with a

wide range of capital-raising and risk hedging solutions, across a variety of formats and instruments. We also explore innovative structures, such as identifying and incorporating sources of concessional funding that may enhance the commercial viability of an investment opportunity.

In addition, the JPM DFI seeks to partner with multilateral, regional and national development banks, and other mission-driven institutions with a focus on global development, to bring our complementary capabilities together to increase the

flow of finance supporting the SDGs. We also collaborate with these institutions to harmonize standards, advance best practices and co-develop solutions designed to increase the scope and effectiveness of development finance.

Through the work of the JPM DFI, the Firm hopes to demonstrate that development finance can be done commercially and sustainably, thereby encouraging capital providers to increase their participation in opportunities to finance sustainable development in emerging markets.

JPM DFI GOVERNING BOARD

The JPM DFI is overseen by its Governing Board, which is comprised of senior leaders across key J.P. Morgan businesses and functions. This structure was established to provide leadership and relevant subject matter expertise to support the JPM DFI team.

CHAIR

Daniel Zelikow - Vice Chair, Public Sector and Global Co-Head of Infrastructure Finance and Advisory - Corporate & Investment Bank

HEAD OF THE JPM DFI

Faheen Allibhoy - Managing Director - Corporate & Investment Bank

MEMBERS	FUNCTION / LINE OF BUSINESS
Miguel Anacoreta	Head of Latin America and Central & Eastern Europe, Middle East and Africa Sales and Debt Capital Markets - Corporate & Investment Bank
Matt Arnold	Global Head of Sustainable Finance - Corporate Responsibility
Joyce Chang	Chair of Global Research - Corporate & Investment Bank
Sjoerd Leenart	Global Head of Corporate Banking - Corporate & Investment Bank
Ashur Nissan	Co-Head Global Currencies & Emerging Markets Sales & Marketing and Head of Institutional Commodities Sales & Marketing - Corporate & Investment Bank
Jennifer Wu	Global Head of Sustainable Investing - Asset and Wealth Management
Steinar Zinke	Chief Risk Officer - Corporate & Investment Bank

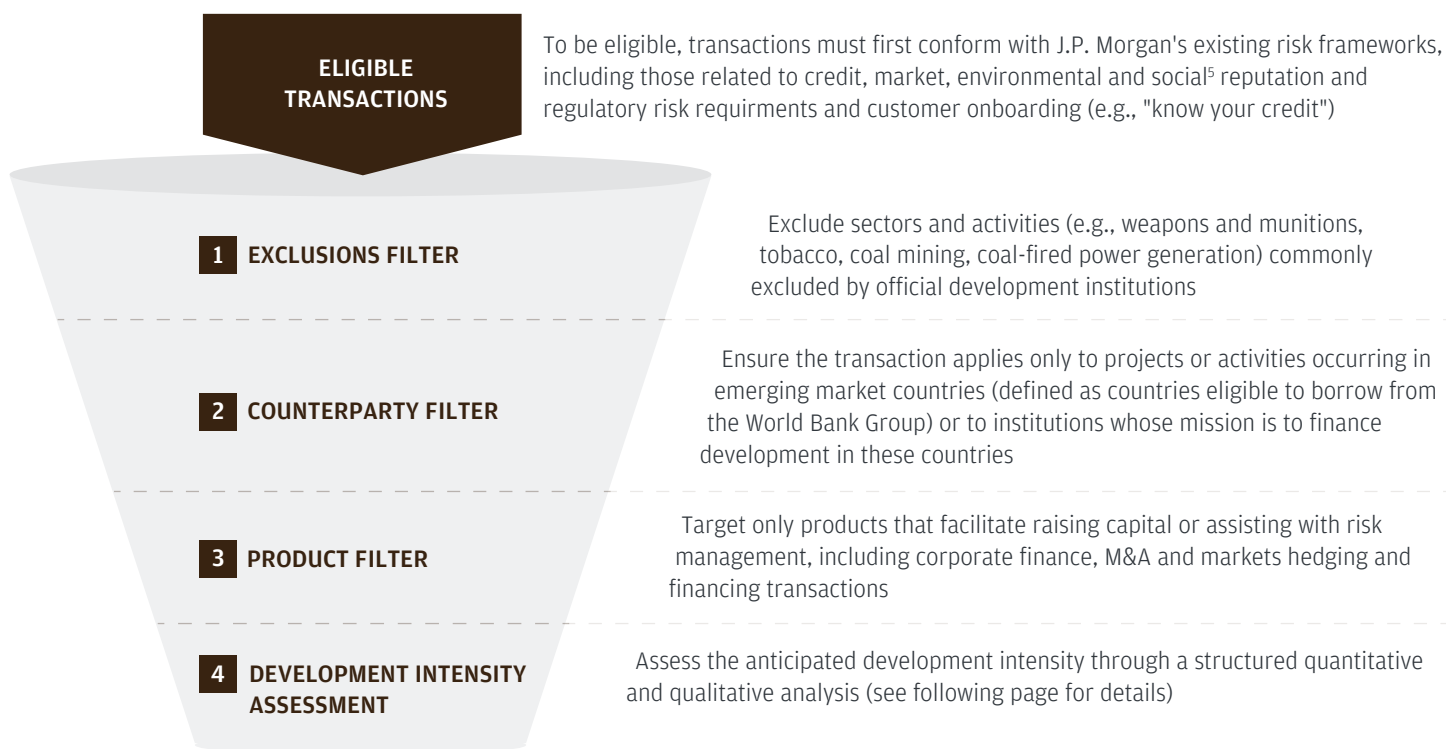
METHODOLOGY

The JPM DFI worked with leading official development finance institutions, particularly the International Finance Corporation (IFC), to create a methodology to measure the anticipated development impact of the Firm's banking and markets transactions. Our methodology, which is based on IFC's

Anticipated Impact Measurement and Monitoring (AIMM) framework, was further socialized with multiple development banks in order to incorporate the perspectives and guidance of the leading experts in the field.

The Methodology uses a structured process (summarized in the figure below)

to designate all eligible J.P. Morgan CIB transactions as "DFI qualified" with an anticipated development intensity of Low, Moderate, High or Very High. Each qualified transaction is then mapped to the specific SDG(s) it is anticipated to advance.



JPM DFI QUALIFIED TRANSACTIONS
Rated as Low, Medium, High, or Very High

5 MAP QUALIFIED TRANSACTIONS TO SDGs



Identify how the transaction is expected to support specific SDGs and their underlying targets and indicators

At the core of the JPM DFI Methodology is the Development Intensity Assessment, a step that combines an objective assessment of the Development Gap (i.e., the magnitude of the development challenge in the relevant sector in the country) with a subjective assessment of the Investment Contribution (i.e., the degree to which the client has provided specific and measurable targets on its intentions to sustainably address the development gap).

The figure below lays out the key steps of the assessment and how it is applied to an illustrative transaction with a commercial enterprise with specified use of proceeds. The full JPM DFI Methodology, including the process of assessing transactions with sovereigns and official development institutions – as well as transactions with unspecified use of proceeds, for banking and markets transactions, among others – can be found at jpmorgan.com/dfi.

Transactions qualified as development finance are a key contribution to J.P. Morgan's wider commitment to drive action on climate change and advance the SDGs. To learn more about the Firm's commitment, visit jpmorganchase.com/impact/sustainability.

EXAMPLE: BOND OFFERING FOR A HEALTHCARE COMPANY OPERATING IN BRAZIL

This example is hypothetical, does not cover the full spectrum of analysis under each of the investment contribution pillars, and has been provided for illustrative purposes only

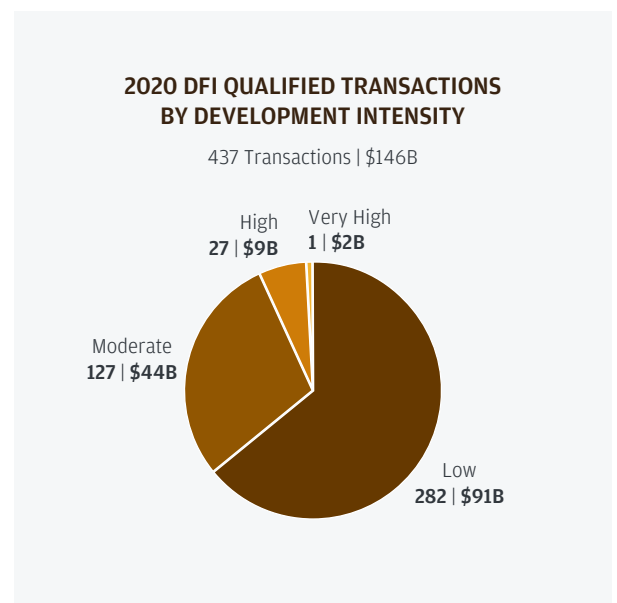
DEVELOPMENT GAP	INVESTMENT CONTRIBUTION			
<p><i>Brazil has 2.1 hospital beds per 1,000 people (a metric which falls in the 3rd quartile of the distribution of all developing countries), and 2.2 physicians per 1,000 people (a metric which falls in the 4th quartile of the distribution of all developing countries).⁶</i></p>	<p>ADDRESSING SECTOR GAPS</p> <p><i>Issuer discloses specific targets on the number of hospital beds to be built and the number of physicians to be hired.</i></p>	<p>CROSS-CUTTING CRITERIA</p> <p><i>Issuer expected to advance gender equality by increasing women's healthcare services; unclear how accessible these services will be to the bottom deciles of the income distribution.</i></p>	<p>MARKET CONTRIBUTION</p> <p><i>Issuer plans to invest in Research & Development as well as training their staff, but has not provided specific targets around the level of expected output in this area.</i></p>	<p>INNOVATIVE STRUCTURE</p> <p><i>The bond is a high grade corporate 144A/Reg S issuance, which is a very standard structure.</i></p>
	Score: Very High	Score: Moderate	Score: Moderate	Score: Low
DEVELOPMENT GAP SCORE: MODERATE	OVERALL INVESTMENT CONTRIBUTION SCORE: MODERATE			
OVERALL DEVELOPMENT INTENSITY SCORE: MODERATE				

RESULTS

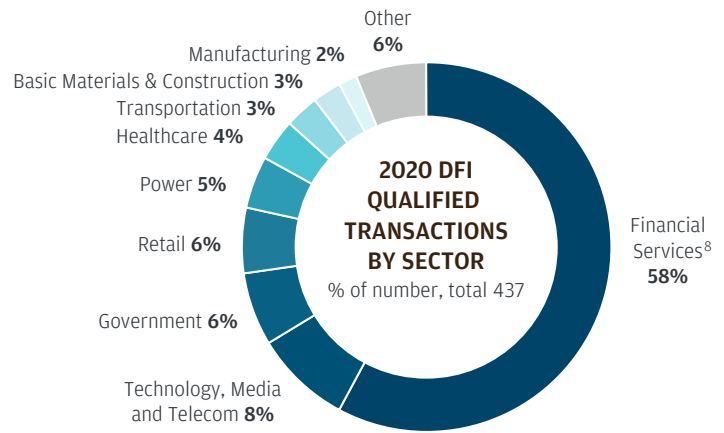


In 2020, the JPM DFI qualified a total of 437 transactions as development finance with a total combined amount of \$146 billion.⁷ This section summarizes the breakdown of transactions by development intensity, sector, geography and product.

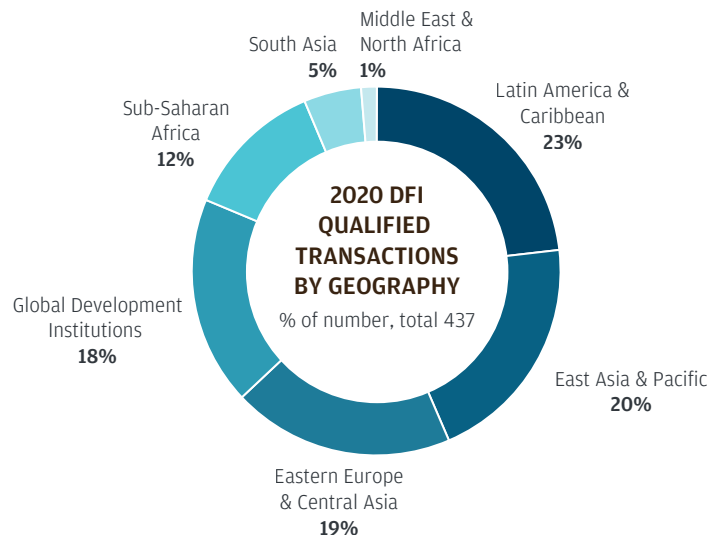
Qualified transactions had Development Intensity Scores – determined via application of the JPM DFI Methodology – that ranged from Low to Very High. Transactions with a score of Low were primarily with official development finance institutions and for risk management purposes. These typically received a lower development intensity score due to the lack of availability of specific information on the use of proceeds by the end-user. In contrast, transactions with higher scores were those with a specified use of proceeds, as well as those in countries and sectors with the greatest magnitude of development challenges, and where the client provided specific, measurable targets for their anticipated development impact.



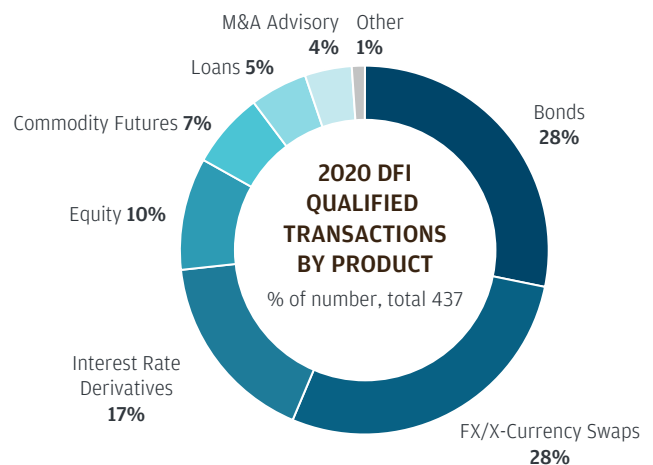
Across economic sectors, financial services represented the majority of DFI-qualified transactions, accounting for 58% of the total. A range of commercial sectors including technology, media and telecom; retail; power; healthcare; transportation; basic materials and construction and manufacturing accounted for most of the remainder, or 36% of total transactions. Lastly, transactions with governments represented 6% of the total number of qualified transactions.



Transactions were diversified across multiple emerging markets regions. The largest share occurred in Latin America and the Caribbean, representing 23% of the total number of transactions. East Asia and the Pacific was the next largest region, with 20% of the total, followed by Eastern Europe and Central Asia with 19%. Official international development finance institutions operating globally (i.e., not tied to a specific emerging market region) accounted for 18%. The remainder of the transactions were spread across Sub-Saharan Africa, South Asia, and the Middle-East & North Africa.



Transactions also represented diverse forms of financing, advisory, and risk management solutions, led by bond issuances and cross currency swaps, which each accounted for 28% of the total number of transactions. Interest rate derivatives and commodity futures transactions represented 24% of the total and equity-linked transactions represented 10%. Loans and mergers and acquisitions (M&A) transactions together comprised 9% of the total.



All charts are based on the use of proceeds of the transaction; in instances where the use of proceeds were unspecified, the industry and location of the client has been taken into account. Numbers may not amount to 100% due to rounding



ILLUSTRATIVE TRANSACTION

UZBEKISTAN LOCAL CURRENCY BOND ISSUANCE

In November 2020, J.P. Morgan underwrote the Republic of Uzbekistan’s dual-tranche bond issuance worth approximately \$750 million, which included an approximately \$200 million tranche denominated in its national currency, the Uzbek sum.

J.P. Morgan was appointed Development Finance Structuring Agent for the Uzbek sum tranche of the issuance. This was the

first local currency bond issued by the Central Asian nation and it represented an opportunity to disclose the anticipated development impact of the transaction. The offering memorandum disclosed the following anticipated development outputs during the maturity of the bond: building 15 new schools, constructing three new health institutions, constructing new transportation

and utility infrastructure and funding social welfare programs to support women and children. Based on these factors, the JPM DFI’s Development Finance Qualification (DFQ) assigned the transaction an overall Development Intensity Score of High. The DFQ was published by Uzbekistan’s Ministry of Finance, which intends to report progress toward the targets on an annual basis.

The JPM DFI mapped the issuance to relevant SDGs and associated targets, including:

 <p>TARGET 1.4 Ensure equal rights to economic resources</p>	 <p>TARGET 3.8 Achieve universal health coverage</p>	 <p>TARGET 4.A Build and upgrade inclusive education facilities</p>
 <p>TARGET 5.4 Recognize and value unpaid care and domestic work</p> <p>TARGET 5.A Give women equal rights to economic resources</p> <p>TARGET 5.C Adopt legislations to promote women empowerment</p>	 <p>TARGET 6.1 Achieve universal and equitable access to safe and affordable drinking water</p> <p>TARGET 6.2 Achieve access to adequate and equitable sanitation and hygiene</p>	
 <p>TARGET 8.3 Promote policies that support growth of micro-, small- and medium-sized enterprises</p> <p>TARGET 8.5 Achieve full and productive employment and decent work for all</p>	 <p>TARGET 9.1 Develop quality, reliable, sustainable and resilient infrastructure</p>	



ILLUSTRATIVE TRANSACTION

TURK TELEKOM EXPORT CREDIT AGENCY-COVERED LOAN

Türk Telekomünikasyon Anonim şirket (“Turk Telekom”) is an integrated telecommunications operator offering its customers mobile, internet, phone and TV products in Turkey. The company has a large service network and a wide range of products for both individual and corporate clients. In December 2020, J.P. Morgan participated in a \$189 million loan to finance purchases of mobile telecommunications equipment from Nokia Corporation. The loan has been guaranteed by Finnvera, the official export

credit agency (ECA) of Finland, demonstrating how complementary partners joined together to generate positive development impact.

The JPM DFI’s evaluation identified an overall moderate development gap in Turkey’s telecommunications sector, based on a high gap in the number of people with mobile cellular subscriptions and a low gap in the percentage of the population using the Internet. The loan was anticipated to allow Turk Telekom to address these gaps

by upgrading its technical infrastructure, improving voice call quality and expanding high-speed data coverage across the country, especially in rural and suburban areas, as well as in critical sectors (e.g., hospitals, universities and industrial zones). Through the transaction, the energy efficiency of the mobile telecommunications network is also expected to improve, and old equipment is expected to be recycled. As a result, the JPM DFI assessed this loan to have a Development Intensity Score of High.

The JPM DFI identified the transaction’s alignment with the following SDGs and associated targets:



TARGET 7.3 Double the global rate of improvement in energy efficiency



TARGET 9.C Provide universal and affordable access to the Internet



TARGET 12.5 Reduce waste generation through prevention, reduction, recycling and reuse

IMPACT ON THE SDGs

In 2020, JPM DFI qualified transactions had anticipated development impact across the majority of the 17 SDGs. The examples below illustrate the diversity of transactions in various emerging economies.

SDG	COUNTRY	SECTOR	TRANSACTION TYPE	IMPACT(S)
	India	Financial Services	Bond	Financing for commercial vehicle drivers who typically do not qualify for bank loans due to a lack of stable income, thereby improving financial inclusion for workers at the base of the pyramid
	South Africa	Manufacturing	M&A	Facilitating the acquisition of a local food and beverage company expected to bring advanced managerial practices to improve manufacturing processes and grow its footprint across Sub-Saharan Africa
	China	Healthcare	IPO	Supporting the expansion of an innovative commercial stage biopharmaceutical company focused on bringing transformative medicines for cancer, infectious and auto-immune diseases to patients globally
	Mongolia	Government	Bond	Funding the construction of over 400 schools nationwide, with particular attention to special schools, kindergartens and development centers for people with disabilities
	Peru	Financial Services	Bond	Raising funds for a local financial institution which on-lends to women entrepreneurs and companies that are anticipated to narrow the gender pay-gap amongst employees across various levels of their organizations
	Georgia	Water & Sanitation	Bond	Enabling a water and sanitation utility operator to make ongoing capital improvements to the water network infrastructure, metering equipment, water treatment plants, pumping stations and reservoirs
	Philippines	Power	Bond	Financing the development of battery energy storage systems, which are expected to improve reliability and stability of the transmission grid
	Morocco	Government	Bond	Raising funds to support companies affected by the COVID-19 crisis, with particular focus on workers in the tourism sector

SDG	COUNTRY	SECTOR	TRANSACTION TYPE	IMPACT(S)
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Colombia	Transportation	Infrastructure Finance	Participating in the financing for the construction of a highway designed to connect rural areas with commercial cities, improve interstate mobility and reduce travel time between destinations
 <p>10 REDUCED INEQUALITIES</p>	North Macedonia	Government	Bond	Enabling the provision of direct financial support to micro-, small- and medium-sized enterprises, as well as to employees affected by the COVID-19 crisis
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Poland	Real Estate	M&A	Facilitating the sale of a local property developer to a real estate fund, anticipated to promote sustainable construction including a focus on green buildings
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Belarus	Agribusiness	Bond	Raising capital for a company that contributes to food security with a strong focus on sustainable production, including implementing best practices in environmental protection such as using heating equipment with low greenhouse gas (GHG) emissions
 <p>13 CLIMATE ACTION</p>	Mexico	Manufacturing	Green Bond	Supporting a company in the beverage industry to reduce its GHG emissions in line with targets aligned to the Paris Climate Agreement
 <p>15 LIFE ON LAND</p>	Chile	Manufacturing	Bond	Enabling financing for a pulp and paper company with a strong focus on reforestation and afforestation and specific targets to conserve and restore 100,000 hectares by 2030
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Dominican Republic	Government	Bond	Enabling financing of the government's budget, including objectives intended to reactivate the economy and address the impact of COVID-19, drive public sector reform and control costs, and reinforce state institutions to enhance transparency and reduce corruption
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Brazil	Official Development Institution	Cross Currency Swap	Providing a long-dated cross currency swap, which enables a multilateral development bank – with a mandate to foster the economic and social development of its member countries – to hedge its local currency portfolio

LOOKING AHEAD

In 2020, the JPM DFI established a strong foundation and advanced its goal of mobilizing global capital markets in support of sustainable development. Looking ahead, our focus will be to expand our capabilities to support origination and distribution of development finance assets for clients.

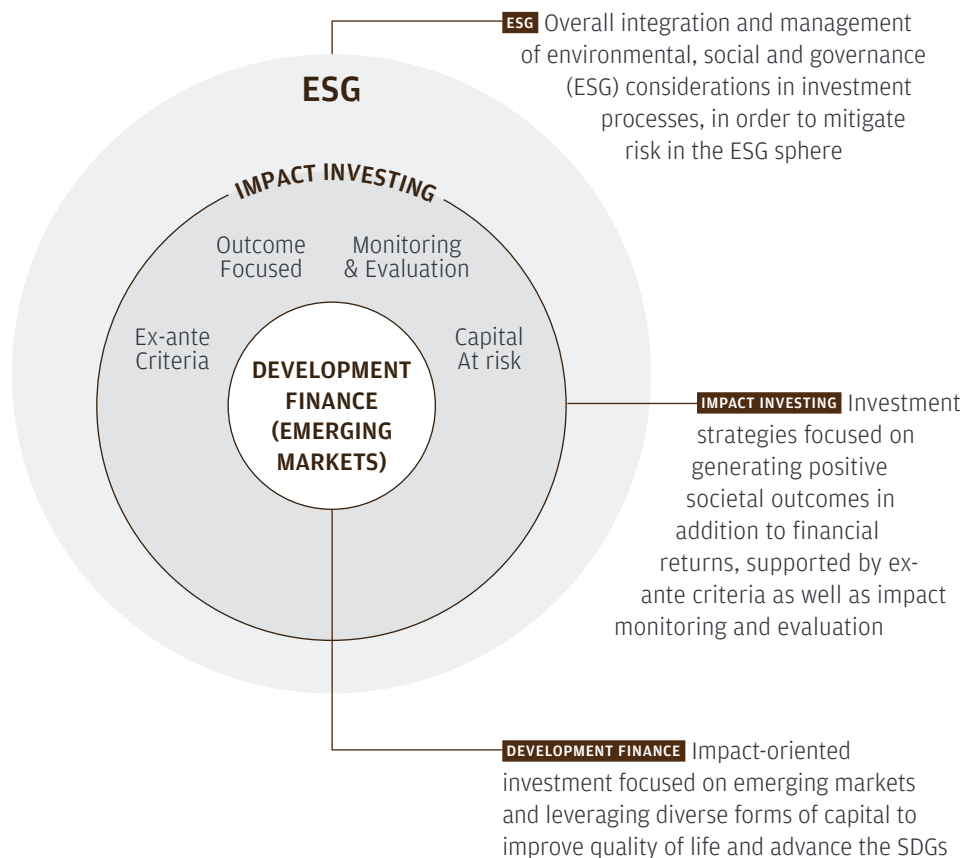
The JPM DFI will also work to enhance its efforts to deploy financing structures designed to address the needs of emerging markets-focused capital providers and leveraging blended financing models to spur investment to meet development needs. It also includes establishing platforms that channel participation toward key development finance opportunities, such as thematic bonds that address financing needs related to the achievement of specific SDG targets.

As we continue to assess transactions using the JPM DFI Methodology, we will look for opportunities to align our methodology with evolving industry practices in the public and private sectors, and to help define them. Any material changes to our methodology will be published in order to promote transparency and encourage feedback from clients, capital providers, and experts within the field.

In addition, we will continue collaborating with the development finance community on best practices in impact monitoring. This includes contributing to efforts to develop new standards and tools to meet the needs of diverse market participants. For example, the JPM DFI team participates in a working group with official development institutions focused on measuring the impact of investments on indirect and induced

jobs, as well as greenhouse gas (GHG) emissions. We also aim to help our clients explore alternatives for monitoring and evaluation of JPM DFI qualified transactions.

Finally, we aim to continue working with industry-wide stakeholders to harmonize standards and promote the role of development finance in the overall landscape of ESG and impact investing.



FAHEEN ALLIBHOJ

Head of J.P. Morgan
Development Finance Institution

As we look to 2021 and beyond, the JPM DFI team is focused on scaling its efforts and working with various partners to increase the participation of private capital in development finance.

NOTES

- 1 The JPM DFI adopted industry calculation conventions, including, amongst others, for debt capital markets and equity capital markets transactions, the full value of the transaction if J.P. Morgan is sole lead manager or sole global coordinator, in any other instances, J.P. Morgan's apportioned value as designated by Dealogic league tables; for loan transactions, if J.P. Morgan is the sole arranger, the entire facility size and in any other instances, J.P. Morgan's original commitment amount to the facility; for M&A transactions, the full announced transaction value; and for derivative transactions, their notional amounts. In the minority of cases where J.P. Morgan was involved in both the financing and the derivative transaction, both transactions were qualified independently.
- 2 For the purposes of this report, "clients" is used to refer broadly to issuers, borrowers, and counterparties to derivatives and financial sponsors / strategic buyers in mergers & acquisitions. "Capital providers" refers to both investors and lenders.
- 3 World Investment Report 2014. Investing in the SDGs: An Action Plan. United Nations Conference on Trade and Development. 2014.
- 4 Gaspar, Vitor, David Amaglobeli, Mercedes Garcia-Escribano, Delphine Prady, and Mauricio Soto. 2019. "Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs. IMF Staff Discussion Note.
- 5 For more information on JPMorgan Chase's environmental and social policies and risk management processes, see the Firm's [Environmental and Social Policy Framework](#).
- 6 The most recent statistics in the World Bank World Development Indicators available as of March 2021 were used in this illustration. "Developing countries" refer to the 144 countries eligible to borrow from the World Bank Group.
- 7 See Note 1.
- 8 Includes other official development finance institutions

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