EMEA Remuneration Policy Disclosure

Pillar 3 Annual Disclosure Report

Performance Year ended 31.12.2018

31 May 2019

Contents

Background

This document sets out a summary of the compensation (remuneration) policy applying to J.P. Morgan's subsidiaries and branches located in Europe, the Middle East and Africa (the "**Legal Entities**", collectively the "**EMEA Business**") in respect of the performance year ending 31 December 2018.

This document fulfils the qualitative remuneration disclosures required under the Basel Pillar 3 requirements, including the information required under paragraphs 1 (a) – (f) of Article 450 of the Capital Requirements Regulation (the "**CRR**")[1] for relevant Legal Entities regulated in the European Union ("**EU**"), as well as the corresponding requirements in other EMEA jurisdictions.

The quantitative remuneration disclosures required under the Basel Pillar 3 requirements (including paragraphs 1 (g) – (i) of Article 450 of the CRR) are included in the individual Pillar 3 disclosures for each relevant legal entity[2]. These individual disclosures also contain any additional qualitative disclosures specific to that relevant legal entity.

In this document, the terms "**J.P. Morgan**" or "**Firm**" refers to the J.P. Morgan Chase & Co. group of companies, and each of the entities in that group globally, unless otherwise specified. As part of the Firm, the EMEA Business is governed by J.P. Morgan's global compensation philosophy and pay practices. This document should therefore be read together with the Firm's latest U.S. Proxy Statement (the "**Proxy Statement**")[3].

This document sets out general principles that are subject to specific provisions contained within the relevant plan terms and conditions as in force from time to time.

This policy statement was last updated in May 2019, with no material changes in policy from the 2018 version.

[1] Regulation (EU) No. 575 / 2013
[2] These disclosures are available at: http://investor.shareholder.com/jpmorganchase/basel.cfm
[3] Most recent Proxy Statement is available at: http://investor.shareholder.com/jpmorganchase/index.cfm

1. Governance and Oversight

Compensation & Management Development Committee

The Firm strongly believes that its firmwide compensation philosophy and its implementation fosters proper governance and regulatory compliance. That philosophy is subject to independent oversight and control by the Compensation and Management Development Committee ("**CMDC**"), a committee of the board of J.P. Morgan Chase & Co, the ultimate parent company of the Firm.

The CMDC is composed entirely of independent directors. The CMDC's charter and current membership can be found on the Firm's website[4].

The CMDC oversees the Firm's compensation programs on an ongoing basis throughout the year, which enables the programs to be proactive in addressing both current and emerging developments or challenges. The key oversight responsibilities of the CMDC pertaining to the Firm's compensation programs include:

- Periodically reviewing and approving a statement of the Firm's compensation philosophy, principles and practices, which guides how the Firm's compensation plans and programs are designed for the Operating Committee, as well as all other employees at the Firm
- Reviewing the Firm's compensation practices and the relationship among risk, risk management and compensation (including safety and soundness and the avoidance of practices that would encourage excessive risk taking)
- Adopting pay practices and approving any necessary formulas, performance metrics or pool calculations in compliance with applicable U.S. and global regulatory, statutory or governance requirements
- Reviewing and approving overall incentive compensation pools (including equity/cash mix)
- Reviewing the business-aligned incentive compensation plan governance, design and evaluation framework
- Reviewing and approving compensation for the Firm's Operating Committee and, for the CEO, making a compensation recommendation to the Board for consideration and ratification by the independent directors
- Reviewing compensation for employees who are material risk-takers identified under Federal Reserve standards ("Tier 1 employees") and/or Identified Staff (as defined below in the 'Regulatory Considerations' section)
- Reviewing and approving the terms of compensation awards, including recovery/clawback provisions

Additionally, the CMDC holds an annual joint session with the Directors' Risk Policy Committee to review the firmwide HR and compensation practices, including:

- The ways the Firm integrates risk, controls and conduct considerations into key HR practices including performance development, compensation, promotion and succession planning
- Compensation features and elements designed to discourage imprudent risk-taking (e.g., multi-year vesting, clawbacks, prohibition on hedging, etc.)
- Annual incentive pool processes for lines of business ("**LOBs**") and Corporate
- Regulatory updates which have impacted or may impact HR practices in the future

[4] CMDC Charter and current membership is available at: https://www.jpmorganchase.com/corporate/About-JPMC/ab-compensation-management.htm

The committees are also provided with information on the Firm's performance development process, a summary of risk, controls and conduct feedback for the year, and updates regarding HR Control Forum issues.

The CMDC met formally 7 times in the 2018 performance year. For that performance year, the CMDC and Board of Directors did not engage the services of a compensation consultant. Instead, the Firm's Human Resources department provided the CMDC and the Board with both internal and external compensation data and regular updates in an effort to comply with relevant rules and guidance from the Firm's regulators and applicable laws.

Compensation Philosophy

The Firm's well established compensation philosophy provides guiding principles that drive compensation-related decision-making across all levels of the Firm, including the EMEA Business. The Firm strives to clearly communicate its compensation philosophy to promote Firmwide fairness and consistency.

The table below sets forth a summary of the Firm's compensation philosophy:

Compensation philosophy	
Tying pay to performance and aligning with shareholders' interests	• In making compensation-related decisions, the Firm focuses on long-term, risk-adjusted performance (including assessment of performance by the Firm's risk and control professionals) and rewards behaviours that generate sustained value for the Firm. This means compensation should not be overly formulaic, rigid or focused on the short term.
Encouraging a shared success culture	• Teamwork should be encouraged and rewarded to foster a "shared success" culture. • Contributions should be considered across the Firm, within business units, and at an individual level when evaluating an employee's performance.
Attracting and retaining top talent	• The Firm's long-term success depends on the talents of its employees. The Firm's compensation system plays a significant role in its ability to attract, properly motivate and retain top talent. • Competitive and reasonable compensation should help attract and retain the best talent to grow and sustain the Firm's business.
Integrating risk management and compensation	• Risk management, compensation recovery, and repayment policies should be robust and disciplined enough to deter excessive risk-taking. • HR Control Forums should generate honest, fair and objective evaluations and identify individuals responsible for meaningful risk-related events and their accountability. • Recoupment policies include recovery of cash and equity compensation. • The Firm's pay practices must comply with applicable rules and regulations, both in the U.S. and worldwide.
No special perquisites and non-performance based compensation	• Compensation should be straightforward and consist primarily of cash and equity incentives. • The Firm does not have special supplemental retirement or other special benefits just for executives, nor does it have any change in control agreements, golden parachutes, merger bonuses, or other special severance benefit arrangements for executives.

Maintaining strong governance	• Strong corporate governance is fostered by independent oversight by the board of J.P. Morgan Chase & Co. of the executive compensation program, including defining the Firm's compensation philosophy, reviewing and approving the Firm's overall incentive compensation pools, and approving compensation for the Operating Committee, including the terms of compensation awards. • The Firm has a rigorous process in place to review risk,control and conduct issues at the Firm, line of business, function, and region level, which can and has led to impacts on compensation pools as well as reductions in compensation at the individual level, in addition to other employee actions.
Transparency with shareholders	• Transparency to shareholders regarding the Firm's executive compensation program is essential. In order to provide shareholders with enough information and context to assess its program and practices, and their effectiveness, the Firm discloses all material terms of its executive pay program, and any actions on the part of the Firm in response to significant events, as appropriate.

Alignment of pay practices with compensation philosophy

The Firm believes the effectiveness of its compensation program is dependent on the alignment of sound pay-for-performance practices with its compensation philosophy as illustrated in the table below.

Alignment of pay practices with compensation philosophy	
• **Principles-based compensation philosophy** Provides guiding principles that drive compensation-related decision-making across all levels of the Firm	• **Pay-at-Risk** Appropriately balanced short-, medium-, and long-term incentives that are linked to long-term, sustainable value, safety and soundness.
• **Strong Clawback Provisions** Comprehensive recovery provisions enable the Firm to cancel or reduce unvested awards and require repayment of previously paid compensation, if appropriate.	• **Robust anti-hedging/anti-pledging provisions** Strict prohibition on hedging and pledging of unvested awards and unexercised stock appreciation rights for all employees, as well as on shares owned outright by Operating Committee members.
• **Risk, Controls and Conduct impacts pay** In making pay decisions, the Firm considers material risk, controls and conduct issues and makes adjustments to compensation, when appropriate.	• **Robust Shareholder Engagement** Each year, the Board of J.P. Morgan Chase & Co is provided with feedback from shareholders on a variety of topics, including the Firm's compensation programs and practices.
• **Competitive Benchmarking** To make informed decisions on pay levels and pay practices, the Firm benchmarks itself against relevant market data.	• **Responsible use of equity** The Firm manages its equity program responsibly, using less than 1% of weighted average diluted shares in 2018 for employee compensation.

In addition, Operating Committee members are required to retain significant portions of net shares received from awards to increase ownership over the long-term. Further details on stock ownership and retention requirements are included in the Firm's Proxy Statement.

Regulatory considerations

As financial services businesses, the Legal Entities in the EMEA Business are subject to multiple regulations on compensation, particularly within the European Union ("**EU**").

Many of these regulations require the Firm to identify employees who, due to their role and / or responsibilities, are designated as "material risk takers" (also referred to as "**Identified Staff**"). Often Identified Staff are governed by more prescriptive rules in respect to their compensation, including the structure of their incentive (variable) compensation.

In relation to the Capital Requirements Directive IV ("**CRD IV**"), relevant Legal Entities in the EMEA Business designate individuals as Identified Staff based on the criteria set out by the European Banking Authority and any applicable local regulations ("**CRD IV Identified Staff**"). Under the Alternative Investment Fund Managers Directive ("**AIFMD**") and the latest iteration of the Undertakings for Collective Investment in Transferable Securities Directive ("**UCITS V**"), relevant Legal Entities in the EMEA Business are also required to identify individuals who, due to their role and / or responsibilities, could potentially have a material impact on their risk profile or that of the Alternative Investment Funds ("**AIFs**") and UCITS funds they manage. Individuals are designated as Identified Staff under AIFMD and UCITS V based on the guidance set out by the European Securities and Markets Authority and any applicable local regulations ("**AIFMD Identified Staff**" and "**UCITS Identified Staff"** respectively, together with CRD IV Identified Staff referred to as "**Identified Staff**").

Individuals classified as Identified Staff for the relevant entities may include (but are not limited to):

- Executive and Non-Executive members of the Board of Directors of relevant entities
- Senior management, including Senior Managers under the UK's Senior Manager Regime
- Heads of Risk, Compliance and Internal Audit and, if applicable, their relevant direct reports
- Heads of 'material business units' and, if applicable, their relevant direct reports
- Heads of key functions, including Finance, Human Resources, Technology and Legal
- Heads of Portfolio Management and other senior Portfolio Managers (depending on the size and materiality of the funds they manage)
- Individuals whose total compensation for the prior performance year was €500,000 or more and who are deemed to have a material impact on the risk profile, in accordance with the application of the RTS

The Identified Staff groups are reviewed on an ongoing basis and Identified Staff are notified of their status and any impact on their remuneration structure. An individual may be Identified Staff under one or more of CRD IV, AIFMD, and UCITS V.

Legal Entity governance

The Firm's compensation philosophy, and its implementation, are reviewed periodically by the CMDC to ensure that it remains aligned to the Firm's risk appetite, business strategy and long-term interests, and complies with the relevant requirements. The CMDC receives updates on material regulatory developments which may impact remuneration structure or practices to understand the Firm's obligations in this area, including in relation to the EMEA Business.

In addition, where applicable, the Board of Directors of the relevant Legal Entities in the EMEA Business are responsible for reviewing and adopting, at least annually, the terms of the applicable remuneration policy and overseeing its implementation, as it applies to the entity. In certain jurisdictions, these responsibilities may be delegated to a Remuneration Committee formed of non-executive members of the relevant Board.

Where applicable, the Legal Entity's Risk and Compliance functions are involved in the review of the applicable remuneration policy, including reviewing the approach to the identification of its Identified Staff. The Internal Audit function annually conducts independent testing that includes an evaluation of the design, implementation and effectiveness of the Firm's remuneration policies, including an assessment of compliance with regulatory requirements, and its findings are presented to the relevant Boards.

Measures taken to avoid conflicts of interest

The Firm's compensation governance practices contain a number of measures to avoid conflicts of interest, including the following:

- The CMDC is composed entirely of independent directors and provides independent oversight of the Firm's compensation philosophy
- The Firm conducts robust performance development reviews for all employees. For employees holding certain regulatory designations, including Identified Staff, part of this process includes soliciting additional feedback directly from Risk and Control professionals who independently assess the employee's risk and control behaviour
- All employees are prohibited from the hedging and pledging of unvested equity awards and unexercised options or stock appreciation rights. Operating Committee members are also prohibited from the hedging and pledging of shares owned outright or through deferred compensation
- There is active engagement, transparency and assessments of risk, control and conduct issues by control function heads, senior management and subject matter experts across the Firm
- Remuneration for the Control Functions is determined by reference to independent objectives and the incentive compensation allocations for these groups are managed separately from the LOBs that the Control Functions support
- The Firm's Chief Executive Officer, Chief Risk Officer, Chief Financial Officer and Director of Human Resources review incentive compensation pool recommendations which are then presented to the CMDC and the Directors' Risk Policy Committee in December. The CMDC make the ultimate decision on the appropriate incentive pool after discussions at the annual joint session meeting(s). meetings
- Individual compensation decisions are subject to oversight and governance, including HR review. Highly paid individuals are subject to review by the Firm's Operating Committee and the CMDC
- Strong clawback and recovery provisions cover all forms of incentive compensation combined with formal and disciplined processes for review and determinations
- Performance development and related compensation processes focus on delivering products and services to maintain a focus on safeguarding, developing and deepening long term and sustained client relationships based on client needs
- A portion of the variable remuneration for certain of the Investor population (including Portfolio Managers and Research Analysts) of the Asset and Wealth Management business are subject to a mandatory deferral in units that track the funds they manage/contribute to. The Firm has assessed the potential conflicts of interest arising from this arrangement and is satisfied that the best interests of clients are better served by aligning variable pay to the performance of the funds under management

2. Compensation Structure

The Firm's pay-for-performance framework focuses on Total Compensation – base salary and incentive pay - based on the performance of the Firm, the LOB or function and the individual. This includes a holistic evaluation of an employee's performance generally taking into account business results, client/customer/stakeholder, teamwork and leadership, and risk, controls and conduct.

Fixed compensation is set at a level which allows a fully flexible policy on incentive (variable) compensation, including the possibility to pay zero incentive compensation. Where applicable, the EMEA Business complies with limits on the ratio between fixed and variable compensation, in accordance with the applicable regulation. The Firm has obtained the relevant shareholder approvals in accordance with Article 94(1)g of CRD IV (and its local implementation) to pay CRD IV Identified Staff in the EMEA Business a maximum ratio of fixed to variable compensation of 1 : 2.

The following sections set out the components of compensation that may be available to staff of the EMEA Business.

Components of fixed compensation

Fixed compensation consists primarily of base salary. Many factors can influence an employee's base salary, such as the role, experience level, market pay levels, location of the job, and available talent. Base salary can be all, or a meaningful part, of an employee's Total Compensation, depending on the LOB/function and the employee's role. Base salary is typically reviewed annually as part of the year-end planning cycle, with any increases generally taking effect in February of the following year.

Individual salary increases are managed within the context of the Firm's annual salary budget. The Firm's overall annual salary budgets are determined after reviewing expenses, economic outlook, market competition, country-specific inflation and other relevant factors.

Base salaries are supplemented by benefits and pension contributions, provided in accordance with local market practice and company objectives. They include, but are not limited to, the provision of defined contribution pension plans (including certain matched employer contributions), medical coverage, life insurance and other routine employment benefits. In certain locations, employees may receive allowances reflecting their role, responsibilities or experience ("**Fixed Allowances**") or reflecting local costs of living ("**Local Allowances**"). Fixed Allowances and Local Allowances are not based on performance, and are generally paid in cash on a monthly basis.

In the case of employees on international assignments, other fixed allowances may be provided in addition to base salary taking into account living costs and applicable tax rates in their host country and/or the role to which the member of staff has been assigned ("**Assignment Allowances**"). Such staff may participate in the pension arrangements as are applicable to their home country and be eligible for tax/legal support.

The EMEA Business does not provide discretionary pension benefits based on performance.

Components of incentive (variable) compensation

In the EMEA Business, incentive (variable) compensation is primarily delivered through the Firm's Annual Incentive Compensation Plan, a discretionary compensation program that aligns with the key tenets included in the Firm's Compensation Philosophy. The plan serves to motivate and reward employees for delivering sustained results and demonstrating a heavy focus on risk, controls and the Firm's 'How We Do Business" principles.

Discretionary incentive compensation ("**IC**") delivered under this plan can be composed of the following:

- Cash Incentive
- Retained Stock (only awarded to Identified Staff)
- Restricted Stock Units ("**RSUs**")

- Performance Share Units ("**PSUs**") (only awarded to members of the Firm's Operating Committee)
- Deferred Cash (only awarded to Identified Staff)
- Mandatory Investor Plan ("**MIP**") (only awarded to certain employees in the Asset and Wealth Management LOBs)

Awards are subject to the Firm's right to cancel or reduce an unvested or unexercised award ("**Malus**"), and require repayment of the value of certain shares distributed under awards already vested ("**Clawback**") in certain circumstances, as further described below. Further details on these components of IC are set out below.

<u>Cash Incentive</u>

The portion of IC payable in cash is generally delivered shortly after the end of the relevant performance year. Generally, as employees become more senior or the impact of their role increases, a greater portion of IC will be awarded in deferred equity (see below).

<u>Retained Stock</u>

For Identified Staff, a portion of non-deferred IC may be delivered in immediately vested stock which is subject to a post-vesting retention period during which the shares acquired may not be sold, pledged, assigned or transferred to a private brokerage account. The length of this retention period and the proportion of IC delivered in Retained Stock is at least in line with the minimum required by the applicable regulations under which they are designated as Identified Staff.

<u>Restricted Stock Units</u>

The deferred equity portion of IC is awarded in the form of RSUs (each RSU represents a right to receive one share of JPMorgan Chase common stock on the vesting date). Dividend equivalents are paid on the RSUs at the time actual dividends are paid on common stock, other than where prohibited under local regulations.

The percentage of IC being deferred and awarded is higher for more highly compensated employees, thus increasing the aggregate value subject to the continued performance of the Firm's stock. All Managing Directors are subject to a 35% minimum deferral irrespective of their level of compensation.

Generally, 50% of the RSU portion of the award vests on the second anniversary of the grant date and 50% vests on the third anniversary of the grant date. For Identified Staff, the RSU portion may vest in equal annual tranches pro-rata over the deferral period, but no faster.

Also for Identified Staff, the RSUs may be subject to a post-vesting retention period during which the shares acquired may not be sold, pledged, assigned or transferred to a private brokerage account. The length of this retention period, the proportion of IC deferred in equity and the length of the deferral period is at least in line with the minimum required by the applicable regulations under which they are designated as Identified Staff.

<u>Performance Stock Units</u>

The Firm has a long-term incentive compensation program consisting of Performance Share Units ("**PSUs**"), which are currently only awarded to members of the Firm's Operating Committee. Further details are set out in the Firm's Proxy Statement.

<u>Deferred Cash</u>

For Identified Staff, deferred incentives may also be awarded in the form of deferred cash which vests over a multi-year period in line with RSUs awarded in respect of the same performance year. Interest is accrued on Deferred Cash and paid at, and subject to, vesting other than where prohibited under local regulations.

Mandatory Investor Plan

For staff in the Asset & Wealth Management LOB, deferred incentives may also be awarded in fund-tracking units under the Mandatory Investor Plan. Selected individuals in the "Investor" population (including Portfolio Managers and Research Analysts) are subject to a mandatory deferral of long-term incentive compensation under the MIP. Sales employees on a selective basis may also participate in the MIP on a voluntary basis.

MIP awards provide for a rate of return equal to that of the funds/strategies that the Investors cover. The goal of the MIP is to align the Investors' pay with that of their client's experience and to provide a direct long-term link between how the Investors perform and how they are paid. Subject to any minimum mandatory equity requirements for relevant Identified Staff, 100% of the Investors' deferred incentive compensation is eligible for the MIP of which 50% is required to be notionally invested in the specific fund/strategy they cover as determined by their respective Investment Team Head and approved by the relevant Investment Committee. The remaining portion of the overall amount is electable and may be notionally invested in other funds/strategies made available under the plan and/or can take the form of RSUs.

Other Compensation Plans

In addition to the Annual Incentive Compensation Plan described above, a small number of employees in the Asset & Wealth Management LOB may also participate in business aligned incentive compensation plans, tailored to the specific needs for their business and/or relevant market practice. All such local compensation plans are in line with the Firm's compensation philosophy described above.

Awards to new hires and leavers

The EMEA Business does not award guaranteed variable compensation except on an exceptional basis when hiring new staff and limited to the first year of employment. Such awards would not be made if the relevant Legal Entity did not have a sound and strong capital base.

The Firm may replace unvested awards forfeited by new hires from their previous employer ("**Buy-out Awards**") if such awards align with the long term interests of the EMEA Business. Buy-outs for Identified Staff will comply with the appropriate regulatory requirements.

All payments made on termination of employment must align with local legal and regulatory requirements and must be consistent with the Firm's aim of ensuring that individuals are not rewarded for failure or misconduct (this includes no "golden parachutes"). Identified Staff are reviewed prior to separating from the Firm to determine if they are associated with any risk, controls and conduct issues that may warrant consideration and/or monitoring for potential forfeiture or clawback of an award.

In cases of redundancy and similar situations, employees may be entitled to receive a payment and/or arrangements under relevant social plans, policies, practices, agreements or local laws, under which such payments and/or arrangements will be determined in accordance with formulae set out in the applicable social plans, policies, practices, agreements or local laws.

Compensation of Non-Executive Directors

Non-Executive Directors receive only fixed compensation, based on their experience, role (including Board Committee membership) and time commitment. Where a Non-Executive Director also performs an executive role within another part of the Firm, the individual's variable compensation reflects only their executive duties. Such Non-Executive Directors may still be eligible to receive a fixed annual fee based on their time commitment.

3. Link between Pay and Performance

As described in the Firm's Compensation Philosophy, in making compensation related decisions, the Firm focuses on long-term, risk adjusted performance (including assessment of performance by the Firm's risk and control professionals) and rewards behaviours that generate sustained value for the Firm. This means compensation should not be overly formulaic, rigid or focused on the short-term.

Given the diverse nature of the Firm, its evaluation does not lend itself to a simple formulation to determine a single "score" or outcome that is indicative of overall performance. The CMDC therefore utilizes a balanced and disciplined approach so that its performance assessment reflects Firm and LOB performance over a multi-year period, as well as individual performance.

Setting of incentive compensation pools

The LOBs and functions are allocated incentive compensation funding as part of the annual year-end compensation process.

These compensation pools are determined by executive management (subject to review and approval by theCMDC) based on a holistic review of the performance of the Firm and relevant LOB/function, and takes into consideration several key criteria including:

- Business results
- Risk, controls and conduct
- Progress against key strategic priorities (typically multi-year priorities)
- Market competition and trends
- Other factors, including major staffing decisions and other qualitative factors, including adherence to our business principles

A variety of financial measures are used to assess the Firm's business results, including but not limited to Revenue, Net Income, Return on Capital in excess of cost of capital, Common Equity Tier 1 capital ratio, and Return on Tangible Common Equity. Financial performance is measured at multiple levels where possible, including LOB and sub-LOB level..

Incentive compensation pools are determined in the context of the Firm's capital and liquidity considerations, and are set at a level that does not limit the ability of the Firm or LOB to strengthen its capital base. Each LOB incurs capital charges as if they were stand-alone businesses as part of the allocation process that underscores incentive accruals and pool determinations.

Performance Development

The Firm's performance development process actively manages the performance of its employees through the year, taking into account both what has been accomplished and how it was accomplished. To that end, the Firm uses both quantitative and qualitative criteria to assess performance and to then inform individual compensation determinations.

<u>Performance Dimensions</u>

All employees are evaluated against four performance dimensions:

- Business Results
- Client / Customer / Stakeholder
- Teamwork and Leadership
- Risk, Controls and Conduct

These performance dimensions appropriately consider short, medium and long-term goals that drive sustained shareholder value, while accounting for risk, control and conduct outcomes. To promote a proper pay-for-performance alignment, the Firm does not assign relative weightings to the above dimensions.

Priorities and expectations

The Firm has specific expectations under each performance dimension which differ depending on the employee's level and / or role. Demonstrating the expected behaviours consistent with the Firm's "How We Do Business" Principles is an important factor in the performance development process and these expectations are generally incorporated into these standard expectations which are available to employees in the Firm's performance development system. These also contain an expectation that our employees and managers will hire, train and retain great diverse employees, promote an inclusive work environment and engage in diversity initiatives.

Employees may set additional priorities against each performance dimension and collaborate with managers on career development plans. As priority setting is an ongoing and iterative process, employees and their managers may, through regular check-ins, discuss progress against priorities throughout the year.

The Risk, Controls and Conduct dimension is a key focus for the Firm and there currently are three expectations specific to this dimension: (1) Driving a robust risk/control environment, (2) Demonstrating expected risk, control and conduct behaviours, and (3) Identifying, escalating and remediating issues.

As described above, the compensation and performance development process for Control Functions is determined by reference to priorities that are independent from the LOBs that the Control Functions support.

Performance feedback

Managers and employees receive holistic performance feedback, including on Risk, Controls and Conduct, gathered in a number of ways, including from the employee's peers, managers, colleagues, direct reports and other team members. Where relevant, feedback may also be gathered on performance in respect of a specific legal entity. For all staff, Code of Conduct data in relation to written warnings is embedded in the Performance Development tool and requires managers to confirm they will consider those when completing the employee's performance assessment. Examples of control outputs for which impacts must be considered for an individual include receipt of certain disciplinary outcomes for Employee Relations or Code of Conduct issues and/or association with a HR Control Forum issue.

Performance ratings

The Firm operates a multiple ratings approach using a 3-point scale (with no overall rating) to assess employees of all grades against each of the performance dimensions, with the exception of the Risk, Controls and Conduct category.

Managers are required to record a performance rating against each performance dimension reflecting the employee's performance considering priorities, firmwide expectations by grade and any feedback received. The 3-point performance rating scale is as follows:

- Growth Area
- On Track
- Strong

For the Risk, Controls and Conduct assessment, a manager will assess all Managing Directors, Executive Directors and Identified Staff as either "As Expected" or "Less Than Expected" for the role. The manager's determination of an assessment is informed by their own direct knowledge of the employee's risk taking activities and risk outcomes, reported conduct issues, as well as feedback the manager has received from various sources of information, such as those noted above and in the following section.

Performance Development reviews for Identified Staff

For Identified Staff, part of the robust review process includes soliciting feedback directly from senior risk and control professionals who independently assess employees' risk, controls and conduct behaviour. This feedback is used to assess whether the employee is meeting the Firm's risk/control behaviour expectations and to provide input to managers to help hold individuals accountable for this aspect of their performance. The feedback from this process is intended to help identify individuals responsible for significant risk and control behaviour or conduct issues, supervisory issues (e.g., failure to appropriately supervise, reasonably anticipate a material issue, or take appropriate action when the issue arose), and other risk and control related issues that impact the individual's business unit and/or the Firm.

This input is used in managers' evaluations of the performance of Identified Staff and is considered in determining a manager's overall evaluation of the employee and the determination of the employee's Risk, Controls and Conduct Assessment, as well as determining annual compensation, and when appropriate, any recovery or clawback actions taken by the Firm.

Performance Development reviews for Investors

When conducting the balanced assessment of performance for the Investor population, regard is also given to the performance of relevant funds / strategies. Each Investor's performance is evaluated annually based on a number of factors, including, but not limited to:

- blended investment performance relative to the competitive indices or peers, with investment performance generally weighted more to the long term;
- individual contribution relative to the client's risk and return objectives; and
- adherence with the Firm's compliance, risk, regulatory and client fiduciary responsibilities.

An individual performance assessment using the criteria above, in addition to the overall performance of the relevant business unit and investment team, is integrated into the final assessment of IC for an individual Investor as part of the assessment of Business Results.

4. Risk Management

As described in J.P. Morgan's Compensation Philosophy, the Firm believes in rewarding behaviours that generate sustained value for the Firm and reinforcing personal accountability to promote a strong risk and control environment. To discourage excessive risk-taking, disciplined risk management is used, including capital-adjusted metrics and compensation recovery and repayment policies that allow for cancellation or recovery of both cash incentives and equity awards when warranted.

Risk, controls and conduct review process

The Firm's compensation program is designed to hold employees accountable, when appropriate, for meaningful actions or issues that negatively impact business performance in current or future years.

The Firm maintains review processes that serve to evaluate risk, controls and conduct issues and identify individuals who may be subject to remedial actions such as impacts to compensation and/or termination.

The HR Control Forums, which are constituted at LOB, Corporate and regional levels are used to discuss actual or potential misconduct of individuals involved in matters that create material risk and control concerns. Escalation may be from Risk Committees, Business Control Committees and other sources.

The Firmwide HR Control Forums review outputs from and provides feedback to LOB/Corporate/Regional HR Control Forums. The CMDC reviews a summary of outcomes of the Firmwide HR Control Forums and the outcomes of these Forums are factored into overall Firm/LOB bonus pools and individual incentive compensation, where appropriate.

Identified Staff are reviewed prior to separating from the Firm to determine if they are associated with any risk, controls or conduct issues that may warrant consideration and/or monitoring for potential forfeiture or clawback of an award.

To hold individuals responsible for taking risks inconsistent with the Firm's risk appetite and to discourage future imprudent behaviour, the Firm has policies and procedures that enable the Firm to take prompt and proportionate actions with respect to accountable individuals, including:

- Reduce or altogether eliminate annual incentive compensation
- Cancel unvested awards (in full or in part)
- Clawback/Recover previously paid compensation (cash and/or equity)
- Demotion, negative performance rating or other appropriate employment actions
- Terminate employment

The precise actions the Firm may take with respect to accountable individuals are based on the relevant circumstances, including the nature of their involvement, the magnitude of the event, the impact on the Firm, and local laws. A description of the relevant recovery provisions is set out below.

Malus and Clawback provisions

The Firm maintains Malus and Clawback provisions on both cash incentives and deferred awards, which enable the Firm to reduce or cancel unvested awards and recover previously paid compensation in certain situations. While incentive awards are intended and expected to vest according to their terms, strong recovery provisions permit recovery of incentive compensation awards in appropriate circumstances.

All incentive awards are subject to the Firm's Bonus Recoupment Policy, which is available on the Firm's website[5]. In addition, all incentive awards for Identified Staff are subject to the extensive

[5] Available at https://www.jpmorganchase.com/corporate/About-JPMC/ab-corporate-governance-principles.htm#recoupment

Malus and Clawback provisions summarised in the table below, as well as additional provisions where required by local regulations. In particular, all IC awards (upfront and deferred) made to relevant CRD IV Identified Staff regulated in the UK are subject to an extended clawback regime as required by local UK regulations.

LONGSTANDING EQUITY CLAWBACK PROVISIONS | AWARD TYPE

CLAWBACK TYPE	CLAWBACK TRIGGER	VESTED	UNVESTED
Restatement	• In the event of a **material restatement of the Firm's financial results** for the relevant period • This provision **also applies to cash incentives**	✓	✓
Misconduct	• If the employee engaged in **conduct detrimental** to the Firm that causes material financial or reputational harm to the Firm	✓	✓
	• If the award was based on a **material misrepresentation** by the employee	✓	✓
	• If the employee is terminated **for cause**	✓	✓
Risk-related and other	• If the employee improperly or with gross negligence **failed to identify**, **raise or assess**, in a timely manner and as reasonably expected, issues and/or concerns with respect to **risks material to the Firm**	✓	✓
	• If the award was based on **materially inaccurate performance metrics**, whether or not the employee was responsible for the inaccuracy	✓	✓
Protection Based Vesting [6]	• If a line of business in which the employee is employed or exercises responsibility **did not meet its annual line of business financial threshold or, in the case of an Operating Committee member, such trigger is exercised for a participant(s) in a line of business for which the Operating Committee member exercised responsibility**		✓
	• If **performance in relation to the priorities** for an Operating Committee member's position, or the Firm's performance in relation to the priorities for which they share responsibility as a member of the Operating Committee, **has been unsatisfactory for a sustained period of time**[7]		✓
	• If for any one calendar year during the vesting period, **pre-tax pre-provision net income is negative**, as reported by the Firm[7]		✓
	• If, for the three calendar years preceding the third year vesting date, the Firm **does not meet a 15% cumulative return on tangible common equity**[7]		✓

Culture and Conduct

The Firm strives for continuous improvement in the way it conducts its business, and aligns these efforts under its "How We Do Business Framework" (the "**Business Principles**")[8].

The Business Principles set forth four central corporate tenets for the Firm: exceptional client service; operational excellence; a commitment to integrity, fairness and responsibility; and a great team and winning culture. The Business Principles are embedded throughout the employee life

[6] Provisions apply to PSUs and to RSUs granted after 2011 and may result in the cancellation of up to a total of 50% of the award.
[7] These provisions only apply to members of the Firm's Operating Committee and the Firm's Corporate Controller.
[8] The full set of Business Principles is included in "How We Do Business – The Report" which is posted on www.jpmorganchase.com/governance .

cycle, starting with the onboarding process and extending to training, compensation, promoting and rewarding employees; and the Firm's performance development and compensation processes are designed to hold employees accountable for their conduct, where appropriate.

With the Business Principles serving as a guide for how employees are expected to conduct themselves, the Firm's Code of Conduct (the "**Code**") sets forth the Firm's expectation for each employee.The Code provides the principles that govern employee conduct with clients and customers, shareholders and one another, as well as with the markets and communities in which the Firm does business. All employees are required to complete Code training and annually reaffirm their compliance with the Code.

Alongside this framework is the Firm's Conduct Risk Program which is governed by the Conduct Risk Governance Policy and establishes the framework for ownership, assessment, managing and escalating conduct risk in the firm. It is the responsibility of each LOB, function and employee to consider whether actions or inaction could lead to unfair client/customer outcomes, impact the integrity of the markets in which the firm operates, or compromise the firm's reputation. The CMDC provides oversight of the Firm's culture, including reviewing updates from management regarding significant employee conduct issues.

The Firm's performance development and incentive compensation processes (see Section 3 above) are also developed to take into account requirements of this Conduct Risk Program, including the management of actual or potential misconduct of individuals who may be involved in material risk and control issues is escalated to the HR Control Forums (see Section 4 above).