

PUBLIC ENVIRONMENTAL POLICY STATEMENT

SUSTAINABILITY COMMITMENT

JPMorgan Chase recognizes that balancing non-financial factors such as environmental and social issues with financial priorities is an essential part of good corporate citizenship, in addition to being fundamental to risk management and the protection of investors.

We have a direct impact on the environment through our daily consumption of energy and paper resources. We also potentially have an indirect effect on the environment through the provision of financial services to projects in environmentally sensitive areas.

Protecting the natural systems upon which all life depends while lifting people out of poverty and advancing economic development are among the greatest challenges confronting humanity. These three pillars of sustainable development are central to the UN Millennium Development Goals adopted in 2000. We recognize that the policies and practices we adopt today will shape not only our lives but also those of future generations. We therefore have an opportunity to make a positive contribution to environmental and social concerns by enacting policies designed so that our business operations do not degrade the environment or cause social harm. Such policies not only indicate positive environmental stewardship, but also present business opportunities such as innovative financial products and investments in sustainable forestry and renewable energy. This will help us better manage our risks, attract and retain critical talent, develop expertise, and provide clients with solutions to evolving exposures.

To demonstrate our commitment, JPMorgan Chase is adopting a comprehensive environmental policy. The policy will be implemented with an Environmental Management System that includes planning, training, implementation, measurement, reporting and review, and will apply to new business and existing business that comes up for renewal or extension after September 1, 2005. Specifically, we will integrate environmental and social awareness into the credit analysis and financing decision process, and incorporate it, where appropriate, as part of our due diligence review. We will train relevant employees to take responsibility for and implement these policies. Finally, we will publish an annual sustainability report using the Global Reporting Initiative¹ framework.

Our Environmental Commitment

The policy and commitments are structured as follows:

- ***Section A: Environmental Risk Management Policy***
- ***Section B: Climate Change Policy, Products and Research Commitments***
- ***Section C: Forestry and Biodiversity Policy and Commitments***
- ***Section D: Indigenous Communities***
- ***Section E: Internal Resource Management***
- ***Section F: Implementation and Reporting***

A: ENVIRONMENTAL RISK MANAGEMENT POLICY

Equator Principles and Beyond

- JPMorgan Chase is adopting the Equator Principles for business in our Investment Bank and Commercial Bank. Based on the policies of the World Bank and its private sector arm, the International Finance Corporation, the Equator Principles serve as a framework for determining, assessing, and managing environmental and social risk in project financing. These principles apply to projects with a total capital cost of \$50 million or more. The specific procedures including categorization of projects and application of safeguards can be viewed at www.equator-principles.com.
- In addition, JPMorgan Chase will apply the Equator Principles to all loans, debt and equity underwriting, financial advisories and project-linked derivative transactions where the use of proceeds is designated for potentially damaging projects. For transactions in the mining, forestry, oil and gas industries, the threshold for applying the Principles will be \$10 million.

Private Equity Investments

Our private equity divisions conduct an environmental review as part of their investment decision process for direct investments in companies in environmentally sensitive industries. The review process analyzes our prospective portfolio companies' compliance with applicable environmental laws, regulations and international norms. The environmental review process is an integral part of our private equity area's thorough due diligence review of companies and their management.

Once an investment is made, through their membership on a portfolio company's board of directors, our private equity divisions monitor their portfolio company's operations with respect to environmental compliance issues.

B: CLIMATE CHANGE POLICY AND COMMITMENTS

The scientific evidence provided by the Intergovernmental Panel on Climate Change (IPCC), a body created by the United Nations and the World Meteorological Organization, concludes that climate change is linked largely to the emissions of greenhouse gases caused by human activity, from the burning of fossil fuels, and deforestation. While there remains uncertainty regarding the severity of impacts, we believe that it is appropriate to adopt a precautionary approach to climate protection by working to reduce greenhouse gas emissions today.

JPMorgan Chase will assume a leadership role in the financial services industry by helping to reduce greenhouse gas emissions in our value chain and internally, as described in Section E. We believe we cannot accomplish significant reductions alone; we need the support of our clients, as well as public policy that establishes certainty for investors and allows significant investments in greenhouse gas mitigation. We will therefore work with our industry, clients and policy makers to establish a policy framework for direct and indirect greenhouse gas emissions reductions.

The following policy is applicable to our Investment Bank and Commercial Bank.

I. Risk Management Policy

Carbon Mitigation

JPMorgan Chase will encourage clients that are large greenhouse gas emitters to develop carbon mitigation plans. The plans will include measurement and disclosure of greenhouse gas emissions and descriptions of plans to reduce or offset emissions. We will add carbon disclosure and mitigation to our client review process beginning by year end 2005.

In project transactions in the power sector, we will quantify the financial cost of greenhouse gas emissions and integrate them into financial analysis of the transaction. Internalizing the cost of carbon in this way may alter investment choices, and we will encourage clients to evaluate alternative energy technologies. We will develop these new models by end of year 2005.

II. Supporting Commitments

a. Advancing the Public Discourse

JP Morgan Chase will arrange meetings with other financial institutions to advocate for reductions of greenhouse gas emissions. We will work with these peers, the electric utility industry, climate policy experts in NGOs and academia, states, and the US government. This dialogue will focus on specific projects to alter the emission trajectory of the US economy. The projects will include:

- A policy dialogue to advocate that the US government adopt a market-based national policy on greenhouse gas emissions, which includes all sources of emissions and is fair. Options include either a cap-and-trade or tax policy to reduce greenhouse gas emissions at the lowest possible cost. This process will commence by end of year 2005.
- Seek to form a coalition to explore financing the greenhouse gas mitigation of coal-fired generating capacity. We expect this coalition to commence by early 2006.

b. Products and Research to Address Climate Change

- ***Carbon Reduction***

We will work with clients to develop favorable financing solutions to fund development of relatively lower carbon emitting technology solutions and investments in greenhouse gas reduction. These solutions will be created by mid 2006.

- ***Research***

JPMorgan Chase will use its leadership position in corporate research to explore the business risks associated with climate change and opportunities for greenhouse gas reductions. Our corporate research will explore the potential financial liabilities of carbon emissions to large direct emitters. We will re-examine valuations in the oil, gas, power and transport sectors in light of the operating constraints posed by limits on carbon emissions, and the emergence of alternative clean technology. Conclusions of our research should encourage disclosure, mitigation and new business development of affected companies. In specific sectors, we will also explore the possibility of having our JPM analysts incorporate climate risk into their regular research. We will do this by end of year 2005.

We will research the financial implications of higher costs of carbon emissions to the electric power industry. Particularly for coal-fired electricity generation, investment choices could be materially influenced by carbon-constrained future scenarios.

- ***Carbon Reporting***

JPMorgan Chase will annually report the aggregate greenhouse gas emissions from our power sector projects beginning in 2006.

- ***Renewable Energy Investment***

As part of its energy practice, our private equity group has invested in renewable energy generation projects and will continue to consider other investments in profitable renewable energy generation and technology.

- ***Energy Efficient Mortgage***

In our mortgage loans products, we will accommodate higher debt to income ratios for homes that are considered energy efficient.

- ***“Green” Housing***

We will continue to seek investments in low-income “green” housing that conserves energy and natural resources, promotes health, and provides easy access to jobs, schools, and services.

C: FORESTRY AND BIODIVERSITY POLICY AND COMMITMENTS

Forests are home to more than half of all terrestrial species and support the livelihoods of millions of people. They are sources of food, medicine, lumber, and aesthetic benefits. They sequester carbon, clean water and cycle nutrients. In spite of their critical importance, forests are under threat; half of the world's forests are gone and well over 30 million acres more are lost each year. In addition, the decline in our high ecological value forests results in the loss of critical biodiversity as natural habitats are destroyed.

To address this decline, we will apply the following policy to our Investment Bank and Commercial Bank.

Risk Management Policy

a. No Go Zones

JPMorgan Chase believes that there are certain places on earth with cultural and natural values so great that we as a global citizen must take extra precautions to protect them. JPMorgan Chase prefers to only finance preservation and light, nonextractive use of forest resources for projects in forests whose high conservation values are endangered.² In addition, we will not finance extractive projects or commercial logging in World Heritage sites.³

Further, as part of our implementation of the Equator Principles:

- JPMorgan Chase will not finance commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests.⁴
- JPMorgan Chase will finance plantations only on nonforested areas (including previously planted areas) or on heavily degraded forestland.
- JPMorgan Chase will not finance projects that contravene any relevant international environmental agreement which has been enacted into the law of, or otherwise has the force of law in, the country in which the project is located.

b. Global Endangered Zones

JPMorgan Chase will not finance any project or provide loans where the use of proceeds is designated within critical natural habitats,⁵ unless the sponsor or borrower, as appropriate, has demonstrated to JPMorgan Chase's satisfaction the following:

- They have considered economic and technically feasible alternatives to avoid such areas and have addressed these issues in a publicly available Environmental Assessment;
- The project will not significantly convert⁶ or degrade⁷ the critical natural habitat;
- Project management has adequate capacity and willingness to ensure biodiversity protection and respect for the rights of indigenous communities whose livelihoods or cultural integrity could be adversely impacted;
- Indigenous peoples and local communities⁸ affected by the project, whether directly or by induced impact, have the opportunity and if needed, culturally appropriate representation, and have access to relevant information, to engage in informed participation;

- The governmental authorities at the local, regional or national level have provided mechanisms for the affected communities to be represented or consulted, and international, national and local laws have been upheld;⁹ and
- An Environmental Assessment has been prepared that takes into account such consultations and is publicly available.

c. Sustainable Forest Management

- JPMorgan Chase will adopt specific policies to protect the highest conservation values in forests. The process of protecting high conservation values includes scientific assessment of species, cultural assessment, and conservation plans to protect species or cultural sites that are unique, rare, threatened or endangered. The Forest Stewardship Council (FSC)¹⁰ is one of the most robust high conservation value assessment processes. We prefer FSC certification when we finance forestry projects that impact high conservation value forests, unless a comparable assessment process underpins a conservation plan. For operations that are not already certified, we will introduce them to credible experts who can help establish a rigorous, time-bound, step-wise approach to achieve certification.
- We will review and understand the merits of the different internationally accepted forestry certification standards to better understand best practices.

d. Illegal Logging

- We will not finance companies or projects that collude with or are knowingly engaged in illegal logging.¹¹ Clients that process, purchase, or trade wood products from high risk countries¹² will have certifiable systems in place to ensure that the wood they process or trade comes from legal sources. Due diligence will include company representations as to its practices, monitoring and, by 2007, chain of custody certification (e.g. FSC controlled wood standard) for illegal logging.
- We will not finance companies or projects that do not have an explicit policy against the uncontrolled and/or illegal use of fire in their forestry, plantation or extractive operations.

e. Land Conservation

If JPMorgan Chase acquires significant amounts of environmentally sensitive land as a result of a default or debt work-out situation, we will work with conservation groups and local stakeholders to consider conservation alternatives, including donation, environmental management plans or protective easements.

D. INDIGENOUS COMMUNITIES:

JPMorgan Chase recognizes that the identities and cultures of indigenous peoples are inextricably linked to the lands on which they live and the natural resources on which they depend. We recognize the rights of these communities regarding issues affecting their lands and territories, traditionally owned or otherwise occupied and used.

JPMorgan Chase prefers to only finance projects in indigenous areas where free, prior informed consultation results in support of the project by the affected indigenous peoples. Such projects will include measures to: (a) avoid potentially significant adverse effects on the indigenous peoples' communities; or (b) when avoidance fails, minimize, mitigate, and compensate for such affects. JPMorgan Chase's due diligence will include an assessment of the impact on indigenous peoples, as follows:

For such projects, which impact indigenous people in sensitive areas, whether directly or by induced impact, the project sponsor or borrower, as appropriate, will have demonstrated the following:

- They have given indigenous people the opportunity and, if needed, culturally appropriate representation to engage in informed participation and collective decision-making;
- Provided information on the ways in which the project may have a potentially adverse impact on them in a culturally appropriate manner at each stage of project preparation, implementation and operation;
- Given adequate time to study the relevant information; and
- Provided access to a grievance mechanism.

In addition, the project sponsor or borrower, as appropriate, will have demonstrated the following:

- Consultation approaches that rely on existing customary institutions, the role of community elders and leaders, and the established governance structure for tribal and indigenous communities;
- Governmental authorities at the local, regional or national level have provided mechanisms for the affected communities to be represented or consulted, and international and local laws have been upheld; and
- Major indigenous land claims are appropriately addressed.

E. INTERNAL RESOURCE MANAGEMENT:

a. Internal greenhouse gas reductions

JPMorgan Chase will assess its greenhouse gas footprint based on our 2005 US baseline, and set a goal of a 5-7% reduction by 2012.

We will enhance existing energy management programs to include best practices across various facilities.

b. Paper Procurement

JPMorgan Chase is working to maximize the use of environmentally friendly paper, such as post-consumer waste recycled content paper. Our first focus is on copier and office printer paper. We have recently begun to utilize duplex printing on copiers and office printers to help reduce the volume of paper consumed. We are investigating the use of environmentally friendly paper, including recycled paper, used in other types of printing. We will also examine using paper suppliers that source their products from independent third-party certified, well managed forests.

F. IMPLEMENTATION AND REPORTING:

a. Implementation and Capacity Building

JPMorgan Chase will take necessary steps to train staff and provide tools and resources, so that environmental objectives are met and that procedures, policies and standards are implemented.

b. Corporate Sustainability Reporting and Review

JPMorgan Chase will publish an annual sustainability report that includes JPMorgan Chase's sustainability profile. In addition to the implementation of its sustainability policies and objectives, JPMorgan Chase will use a common framework for sustainability reporting such as the Global Reporting Initiative. JPMorgan Chase aims to also perform periodic environmental policy reviews to ensure compliance with existing policies and assess the need for additions to, or changes in, such policies. The annual environmental and sustainability reports will set goals for the following year and report on progress made on achieving the previous year's goals.

c. Governance Structure

The Office of Environmental Affairs reports to a member of the Executive Committee and is overseen by the Public Responsibility Committee of the Board. In addition, a firm-wide Environmental Oversight Committee made up of key business leaders is responsible for guiding the Office's initiatives.

¹ Global Reporting Initiative (GRI) - The Global Reporting Initiative (GRI) is a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services.

² In implementing this policy, we will take guidance from the major conservation groups, the Wye River Process and the World Bank's Critical Forest Areas. Our policy will include the following conservation values: rare, endemic, threatened and endangered species, legally protected areas and forests that house vulnerable or threatened cultural sites.

³ There are currently 788 World Heritage sites that were nominated by the member countries and selected by independent review panels for their natural and cultural values.

⁴ Tropical moist forest is generally defined as forest in areas that receive not less than 100 mm of rain in any month for two out of three years and have an annual mean temperature of 24°C or higher. Also included in this category, however, are some forests (especially in Africa) where dry periods are longer but high cloud cover causes reduced evapotranspiration.

Primary forest is defined as relatively intact forest that has been essentially unmodified by human activity for the previous 60 to 80 years.

⁵ Critical natural habitats are:

i) existing protected areas and areas officially proposed by governments as protected areas (e.g., reserves that meet the criteria of the World Conservation Union [IUCN] classifications), areas initially recognized as protected by traditional local communities (e.g., sacred groves), and sites that maintain conditions vital for the viability of these protected areas (as determined by the environmental assessment process); or
ii) sites identified on supplementary lists prepared by the World Bank or an authoritative source determined by IFC's Environment Division. Such sites may include areas recognized by traditional local communities (e.g., sacred groves); areas with known high suitability for biodiversity conservation; and sites that are critical for rare, vulnerable, migratory, or endangered species. Listings are based on systematic evaluations of such factors as species richness; the degree of endemism, rarity, and vulnerability of component species; representativeness; and integrity of ecosystem processes.

⁶ Significant conversion is the elimination or severe diminution of the integrity of a critical or other natural habitat caused by a major, long-term change in land or water use. Significant conversion may include, for example, land clearing; replacement of natural vegetation (e.g., by crops or tree plantations); permanent flooding (e.g., by a reservoir); drainage, dredging, filling, or channelization of wetlands; or surface mining. In both terrestrial and aquatic ecosystems, conversion of natural habitats can occur as the result of severe pollution. Conversion can result directly from the action of a project or through an indirect mechanism (e.g., through induced settlement along a road).

⁷ Degradation is modification of a critical or other natural habitat that substantially reduces the habitat's ability to maintain viable populations of its native species.

⁸ Local Communities - describes the broad group of people living in or near a forest or plantation, with some significant level of dependence on it. The term includes forest dwellers, indigenous forest-adjacent populations, and recent immigrants.

⁹ Including those laws related to the ratification and implementation of "Convention 169 Concerning Indigenous & Tribal Peoples in Independent Countries" of the ILO.

¹⁰ The Forest Stewardship Council (FSC) is an international organization devoted to encouraging the responsible management of the world's forests. FSC sets high standards that ensure forestry is practiced in an environmentally responsible, socially beneficial, and economically viable way. According to the UK government, FSC is one most stringent forest certification programs and is widely accepted by conservation

groups. Its standards protect streams, conserve endangered forests and species habitat, and require the involvement of indigenous communities. There are other credible, internationally recognized forest stewardship certification schemes that generally recognize that timber is produced legally and comes from broadly sustainable sources.

¹¹ Illegal logging takes place where timber is harvested in violation of local and national laws intended to stop illegal logging. Illegal logging includes: a) using corrupt means to gain access to forests, b) extraction without permission or from a legally unauthorized area, c) the cutting of protected species or the extraction of timber in excess of legal limits or in violation of legally approved forest management plans. Illegal logging has not yet been written into international law although issues relating to illegal logging have been addressed in some fashion by international treaties such as the Convention on Biological Diversity.

¹² The World Bank, World Wildlife Fund and others have published data on illegal logging. For JPMorgan Chase, a high risk country is one where greater than 50% of annual harvest is illegal.