

ZCH AM SICAV

ESG Factors – Integration Investment Policy



ESG Factors Integration Investment Policy

Our background

As part of the Zurich Group, sustainable investments are a core part of our investment decision process. As a global group, Zurich is committed to responsible investments and is a signatory to the UN Principles for Responsible Investment. Zurich Chile Asset Management and ZCH AM SICAV pursues this commitment and participates in group-wide practices in relation to Responsible Investments, actively integrating Environmental, Social and Governance (ESG) factors into our investment process to create financial value and promote best practices to foster sustainability in investments as a mainstream trend around the globe.

ESG Integration

We believe that proactively integrating environmental, social and governance (ESG) factors in our investing will help us to do our job well on a long-term basis. ESG integration – across asset classes, and alongside traditional financial metrics and state-of-the-art risk management practices – strengthen our investment process and helps us to achieve superior risk-adjusted, long-term financial returns.

The incorporation of Environmental, Social and Governance (ESG) factors into the investment process is a key element of the UN Principles for Responsible Investments (PRI), which the Group signed up to in 2012. These factors are assessed alongside more traditional financial metrics by Zurich Chile Asset Management and ZCH AM SICAV portfolio managers. In this sense, Zurich Chile Asset Management and ZCH AM SICAV has access to specific data, training and proprietary analysis to enhance and strengthen its investment decision process. Given the evolving nature of ESG, these data sources may for the time being be incomplete, inaccurate or unavailable, and involve a significant element of subjectivity. Neither the Company, the Management Company nor the Investment Manager make any representation or warranty, express or implied, with respect to the fairness, correctness, accuracy or completeness of such ESG assessment.

As part of our ESG integration methodology, analysis is conducted on an industry basis in order to identify E, S and G related risks and opportunities that are relevant for each sector beyond general definition of ESG factors. As such, the objective is to create a materiality framework, which will not only identify those factors but also will aim to assess its relevance in time: short term and long term potential impacts for the industry as a whole.

Once those relevant factors are identified, a cross check is performed through conversations with companies' management and industry participants, where once again, additional information on industry trends, risks and opportunities are identified and, if feasible, quantified based on the aforementioned feedback.

As a following step, a more detailed analysis is conducted on a company basis, having the previously mentioned materiality framework as the base for evaluating each company's positioning in terms of ESG factors. Also, for this purpose, a background check is carried for the sector's companies as to identify transparency, past controversies and the way analyzed companies have dealt with them in order to minimize recurrent risks in the future.

The output of such analysis will end up in a matrix where sector companies will be classified in terms of their management of ESG factors, and based on this output, an investment committee will be carried and an industry leader will be identified and used as reference for the rest of the sector's companies. As a result, the industry leader will not face any adjustments on its valuation (upside potential) while companies ranking below the leader will have valuation adjustments aiming to reach a more efficient pricing of environmental and social factors, thus resulting in a higher required return to bear with such additional risks.

Once the investment decision is made and executed (buy/sell, over/underweight/no position), there is a continuous ongoing monitoring process, where financial theses are continuously revised based on company releases, management discussion, additional research pieces, news flow, regulatory changes among other variables that could impact short terms and long term performance and sustainability of the investment.

This document is a summary and, therefore, does not aim to provide complete information on the topics addressed. More information available under request.

ESG Factors Integration Investment Policy

ZCH AM SICAV ESG LATAM Fund

The ZCH AM SICAV ESG Latam Fund's objective is to offer a competitive alternative to invest in the Latin American Equity market through those companies that outperform their peers in terms of relevant ESG factors identified for their industry. As such, the strategy allows investors to access different sectors within the investment universe while reducing potential negative impacts related to controversies and mismanagement of environmental, social and governance variables. This strategy is combined with the traditional financial approach, aiming to maximize value for investors by selecting those companies with higher upside potential among those that already meet the ESG leadership criteria within their industry, in those industries with attractive dynamics.

The ZCH AM SICAV ESG LATAM fund is an equity investment strategy which aims to provide an active management over the MSCI Emerging Markets Latin America ESG Leaders Index (GU145841 Index). This index, as stated by MSCI, target companies with the highest ESG rated performance in each sector of the parent index, the MSCI Emerging Markets Latin America Index. The funds' ex ante tracking error target is 5-7% and off-benchmark positions are allowed based on own integration methodology.

For comparison and transparency purposes, an ESG rating for the overall fund is provided on its monthly factsheet. This ESG rating is based on and provided by MSCI ESG ratings, which aims to assess "how well companies manage environmental social and governance risks and opportunities". "MSCI Ratings provides an overall company ESG rating – a seven point scale from AAA to CCC and provides scores and percentiles indicating how well a company manages each key issue relative to industry peers "

For more details on the fund's reference index please visit:
https://www.msci.com/eqb/methodology/meth_docs/MSCI_ESG_Leaders_Methodology_Nov2020.pdf

For more details on MSCI's ESG Ratings methodology:

<https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>

The portfolio management function has been delegated by the AIFM in relation to ZCH AM SICAV ESG Latam Fund to Zurich Chile Asset Management Administradora General de Fondos S.A which will apply this ESG policy in the investment decision making process.