

Summary of the Methodology for the analysis and evaluation of the ESG and climate profile

This document is a summary of the original document.

December 2022

Version 3



Tabla de contenido

Introduction	3
Definition of risks and opportunities	3
Methodology to determine the ESG and climate profile: private investments	3
Methodology to determine the ESG and climate profile: public investments..	3



Introduction

Nowadays the trend in responsible investment considers environmental, climate, natural capital, social and governance (ESG) factors as important measures for the financial assessment, reputational risk and risk of a company's business.

Therefore, this manual becomes an important tool for Capital + SAFI to ensure an adequate analysis and assessment of ESG as well as climatic factors, and thus to manage risk proactively and effectively.

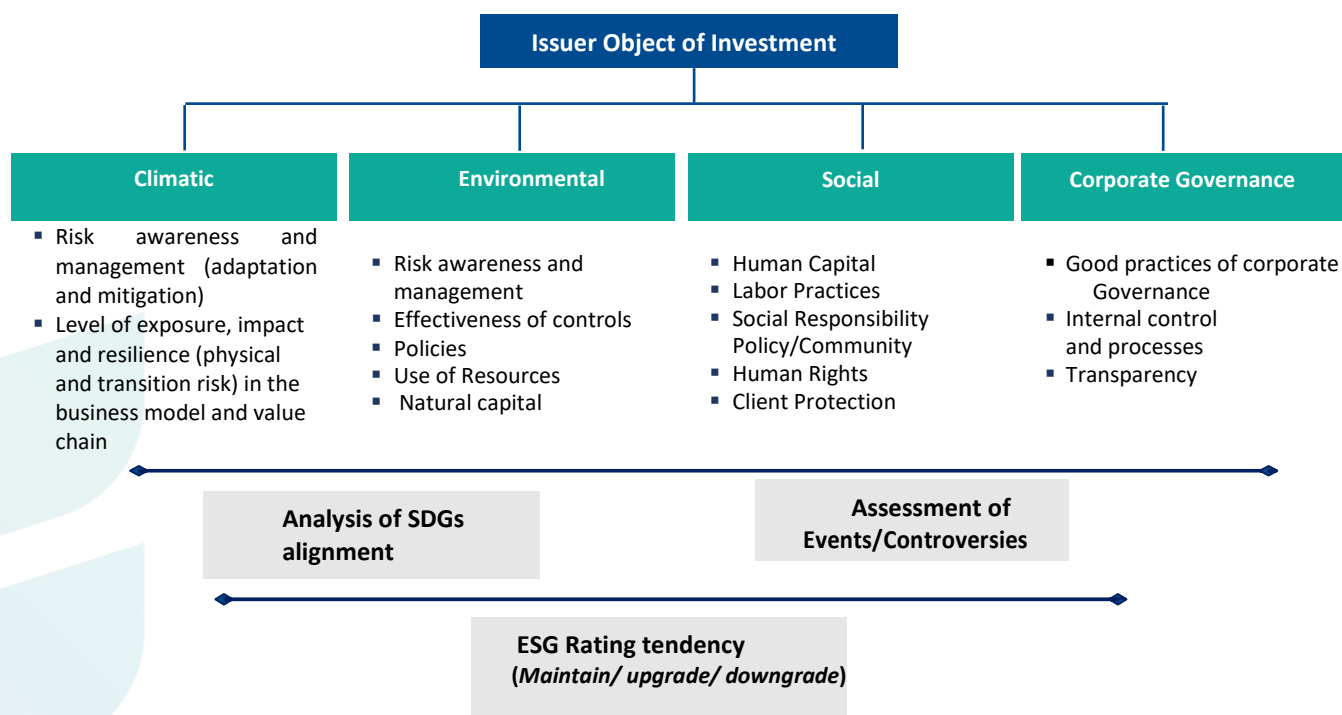
Definition of risks and opportunities

A risk is defined as material when the company of a given industry is likely to incur substantial costs (e.g., regulatory prohibition of a key chemical input requiring reformulation, fines for non-compliance with environmental regulation). An opportunity is material when there is a probability that a company can capitalize on it and generate profits.

This document aims to establish the methodology guidelines to incorporate ESG and climate factors in order to determine an adaptive capacity for local public investments and private investments. The purpose is to know and analyze the risks to which the investees are exposed and if these would have a material impact (financial, reputational or other). It is important to emphasize that it is not a question of excluding a company due to a risk profile, but rather of obtaining a comprehensive vision of the possible risks of the business model of a given investment. Notwithstanding the foregoing, the purpose is to observe how the companies (public and private) subject to investment are heading to improve their sustainability profile over time.

Methodology to determine the ESG and climate profile: private investments

The present methodology consists of evaluating specific factors that weigh qualitative and/or quantitative variables through a matrix that allows identifying and assessing the ESG and climate profile of each private issuer during the maturity of the investment. From these inputs, it will be obtained the final rating of the issuer. Thus, in the following diagram are detailed the variables of each ESG and climate pillar that can be considered:



The variables for the environmental, social and corporate governance pillars will be turned into a matrix that will have qualitative and/or quantitative descriptions. Each variable and/or category will be assigned a weighting to arrive to an overall rating. For the climate pillar, the variables to be used will be quantitative and/or qualitative according to the "Climate Risk and Opportunity Assessment" guidelines developed for different sectors. Likewise, controversies and/or events that have materialized will be investigated as far as possible. Additionally, and under our commitment to the achievement of the Sustainable Development Goals, it will be carried out an analysis of the level of contribution and/or alignment of the issuer to reach them. Finally, the final rating can be classified into an ESG risk profile that could be: (i) "Low" (Very good), (ii) "Moderate" (Good), (iii) "High" (Under observation) and (iv) "Extreme" (Risk).

Based on the above, the procedure may include the following activities:

1. Identify the issuers in thematic sectoral heat maps
2. Collect ESG and climate information from the issuers
3. Identify potential climate, environmental, social and corporate governance, risks
4. Assess ESG and climate factors and analyze the alignment to SDGs
5. Investigate controversies/events
6. Apply the sectoral guide to climate risks and opportunities, if appropriate
7. Apply the ESG and Climate Factor Matrix
8. Verify prioritization criteria for active management and create an action plan where appropriate
9. Adjust financial estimates and future cash flow using the issuer's ESG and climate performance
10. Reporting to the Investment Committee
11. Once the investment is approved, it is proposed to the issuer the action plan where appropriate and/or based on the recommendations of the Investment Committee.
12. Follow-up and monitoring of the assessment of the ESG and climate factors

Methodology to determine the ESG and climate profile: public investments

For this type of asset, the techniques to be used will be based on publicly available information. The underlying criteria of each sustainability pillar (climate, environmental, social and corporate governance) will be based on considerations regarding the availability of data, the relevance of the industry and the materiality of a specific event. This analysis is performed once a year and any events that may affect the issuer's ESG profile are periodically monitored.

For the evaluation of the ESG and Climate profile in public assets, sectoral ESG and climate evaluation methodologies will be used. If there is no methodology available for the issuer's sector, it will be evaluated based on these factors:

Environmental and climate:

- Climate factors
- Environmental impact

Social

- Clients, relationship and protection
- Diversity, equity and inclusion
- Social programs aimed at stakeholders

Corporate governance

- Corporate management and strategy
- Risk management

The results of the ESG and climate evaluation of public investments will be thrown into a second matrix where it will be considered on one hand the ESG and climate rating and on the other hand the credit profile of the issuer. With these values, we proceed to differentiate the potential investments in four quadrants within which it is intended to limit the investments in companies with a risky credit and ESG and climate profile.

Based on the above, the procedure may include the following activities:

1. Identify the issuer in thematic sectoral heat maps.
2. Analysis of the public information available.
3. Assess the climate, environmental, social and corporate governance factors and analyze the alignment to SDGs.
4. Investigate controversies/events.
5. Apply the sectoral guide to climate risks and opportunities, if appropriate.
6. Apply the matrix of ESG factors.
7. Determine the long-term trend of ESG and climate rating.
8. Rate the credit position.
9. Consolidate both profile dimensions (ESG and credit profile).
10. Reporting to the Investment Committee.