

Report of Sustainability 2023 Union Capital AFAP

July 2023



Mission

To be the leading pension savings fund administrator in terms of sustainable fund profitability, recognized for its ethics and professionalism, standing out for its motivated work teams, committed to the satisfaction of members, the community and the creation of competitive differences.

Vision

To increase market share in terms of members and pension savings funds in a sustained and sustainable manner.

For UniónCapital, sustainability is a fundamental pillar, so much so that it is part of its mission and vision. In line with the policy of its shareholder group, Itaú Unibanco Holding.



Investment Policy

Responsible

In 2020, the first Responsible Investment policy was created, establishing the responsible investment management governance of the assets under management, observing current regulations and best market practices.

The governance covered by the policy includes the definition of responsible investment, purpose, scope, legal and regulatory factors, excluded activities, socio-environmental clauses, asset allocation, active management and voting policy, roles and responsibilities, implementation, reporting and review.

This is part of the company's long-term vision. To achieve this, it is vitally important to invest in profitable companies and projects that are sustainable from an environmental, social and governance perspective. The policy is updated annually.

Below is a link to access it:

[Responsible Investment Policy](#)

Main milestones achieved



Since March 6, 2020, UniónCapital is a signatory of PRI (Principles for the Responsible Investment).



In 2021, UniónCapital reached *Carbon Neutral International Standard Certificate*, awarded by the *One Carbon* organization *World*. It implies the measurement, reduction and offsetting the footprint of carbon of the administrator.



In 2022, he publicly declared joining the Climate Initiative LATAM Investors (ICIL) and is supported the Paris Agreement and the Working Group on Financial Disclosures Climate-Related (TCFD) (for its acronym in English).



2020

2021

2022



Joining the PRI



PRI (“Principles for Responsible Investment”) is an initiative global, led by financial institutions with the support of the United Nations Organization (UN), which promotes the incorporation of environmental, social and environmental factors Corporate Governance (ESG factors in Spanish, ESG in English) in the evaluation and decision-making processes of investment. Its objective is to disseminate the implications of sustainability for investors and supporting their signatories. The following 6 principles must be complied with:

- Incorporating ESG factors into investment analysis and decision-making processes.
- Carry out active management and incorporate the ESG issues to policies and procedures.
- Request from the entities in which you invest a transparent disclosure of ESG issues.
- Promote acceptance and application of the Principles in the investment industry.
- Working together to improve efficiency in the implementation of the Principles.
- Report progress in the implementation of the Beginning.

PRI Evaluation



In 2021, the first evaluation as PRI signatories was carried out. It covers various areas of analysis such as direct investment in corporate fixed income, indirect investment in *Real Estate*, Infrastructure, etc. The evaluation scale ranges from 1 to 5 for each area.

The results are presented below:

- Investment and Administration Policy: 5 5 5 5 5
- Direct investment in listed equities, passively (incorporation): 5 5 5 5 5
- Direct investment in listed equities, passively (voting): 5 5 5 5 5
- Direct fixed-income investment in international organizations, sovereigns and agencies: 5 5 5 5 5
- Direct investment in corporate fixed income: 5 5 5 5 5
- Indirect investment in *Real Estate*: 5 5 5 5 5
- Indirect investment in Infrastructure: 5 5 5 5 5

ICIL membership

The Investors Climate Initiative LATAM (ICIL) was launched to support PRI signatories in LATAM (ex-Brazil) to strengthen their commitment and advance the development of climate action plans.

To achieve this, 4 actions are carried out:

- Align with TCFD methodology.
- Identify risks and opportunities related to climate change.
- Use scenario analysis to assess risks and opportunities related to climate change.
- Establish metrics to monitor and manage risks of climate change.





Adhering to TCFD means being in line with high standards of transparency in information disclosure. TCFD is a set of recommendations on how to present information across 4 main areas, Governance, Strategy, Risk Management and Metrics and Objectives. Through widespread adoption, financial risks and opportunities related to climate change will become a natural part of companies' risk management and strategic planning processes. As this happens, companies' and investors' understanding of the potential financial implications associated with the transition to a low-carbon economy and the physical risks related to climate will grow.



The Paris Agreement is an international agreement that sets out measures to reduce greenhouse gas (GHG) emissions. It was adopted by 196 parties at COP21 in Paris on 12 December 2015. The agreement seeks to keep the increase in average global temperature to well below 2°C above pre-industrial levels, and to pursue efforts to limit the increase to 1.5°C.

The agreement states that this should be achieved by reducing greenhouse gas emissions as quickly as possible, in order to achieve a climate-neutral planet by mid-century.

The Agreement became applicable in 2020, following the end of the Kyoto Protocol.

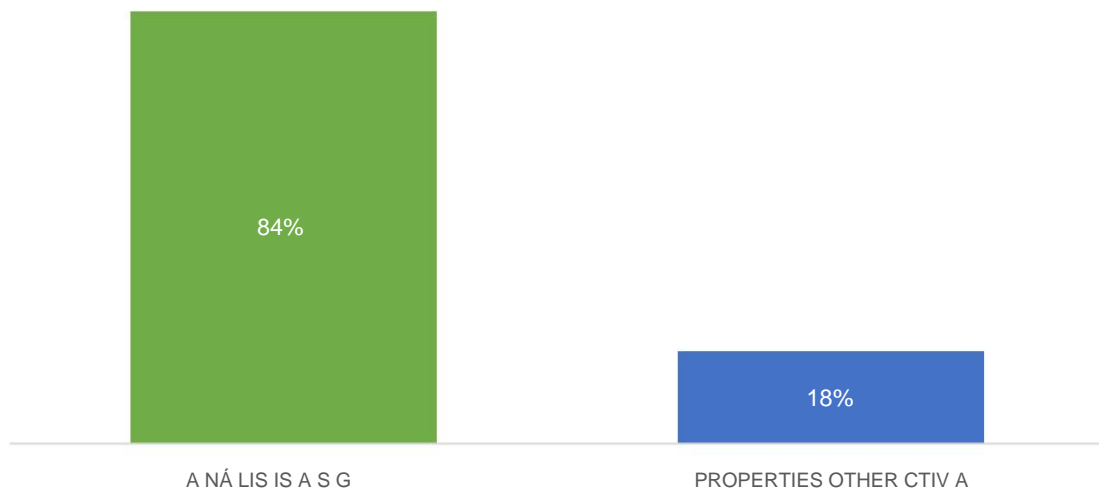


Main results

84% of the pension savings fund is analyzed incorporating ESG factors.

ESG ANALYSIS (% FAP)

■ With ESG analysis ■ Active Property



18% of the FAP corresponds to projects in which there is active ownership. That is, work is done collaboratively with project issuers to achieve sustainability objectives.



Active Property

Active ownership is exercised in projects in which it is possible to influence the behavior of administrators through commitments (*engagement*) and voting in assemblies.

Questionnaires

In 2022, a *due diligence* questionnaire on ESG issues was prepared in conjunction with other local market players to assess the performance of the different companies and projects in which the funds are invested.

There are different versions of the questionnaire according to the particularities of each associated sector (agricultural, forestry, real estate, infrastructure, etc.).

Differentiation occurs both in the questions and in the weighting of the different factors (environmental, social and governance).

The questionnaire was designed to be updated annually.

After awarding an ESG score, we work with counterparties to improve the score and meet medium- and long-term objectives.

Voting

Attendance by UniónCapital is mandatory at all meetings of holders (shares, trusts, negotiable obligations and mortgage credit notes).

The relevant matters to be discussed are analyzed and decided by the Investment Management together with the collaboration of the Risk Area. When voting on behalf of the funds it manages, UniónCapital supports the proposals that lead to a better valuation of the assets.

In those aspects related to environmental, social and governance issues, UniónCapital exercises the right to vote seeking that companies comply with the best sustainability standards. With this objective, the companies or funds in which it invests are encouraged to publish complete financial and sustainability reports that are relevant for decision-making.

In line with PRI recommendations, the voting data began to be published on the administrator's website. The information is updated monthly. The access link is detailed below:

[UnionCapital Votes 2023](#)

