



Responsible and Sustainable Investment Guidelines

Fixed Income and Listed Equity

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Responsible and Sustainable Investment Guidelines

Fixed Income and Listed Equity

1. Context

Credicorp Capital Asset Management is committed to generating superior returns for its clients as part of its fiduciary duty. Incorporating environmental, social, and governance (ESG) factors improves the assessment of risks and opportunities that may affect the financial performance of investments. Every company and investment project can be affected by ESG risks or enhanced by related opportunities. Likewise, each operation has intentional or unintentional impacts on the environment and society. The proper management of these risks, opportunities, and impacts is essential for the sustainability of the investees' companies and projects to ensure their ability to continue operating and generating value in the future for investors and their other stakeholders.

Credicorp Capital Asset Management recognizes the opportunity and responsibility it has to contribute to the sustainable development of Latin America, promoting good corporate sustainability practices among the companies and projects in which it invests and the financial industry in general. A responsible and sustainable investment approach contributes to the generation of integral value for our customers, the investees' companies, and society.

These guidelines are aligned with the Credicorp Capital Asset Management Responsible and Sustainable Investment Policy and the corporate sustainability strategy of Credicorp Capital and the Credicorp group. Likewise, the design and implementation is in line with the values and practices endorsed by independent and globally accepted codes, including the Principles for Responsible Investing convened by the United Nations (UN PRI). Credicorp Capital Asset Management has been a PRI signatory since June 2020.

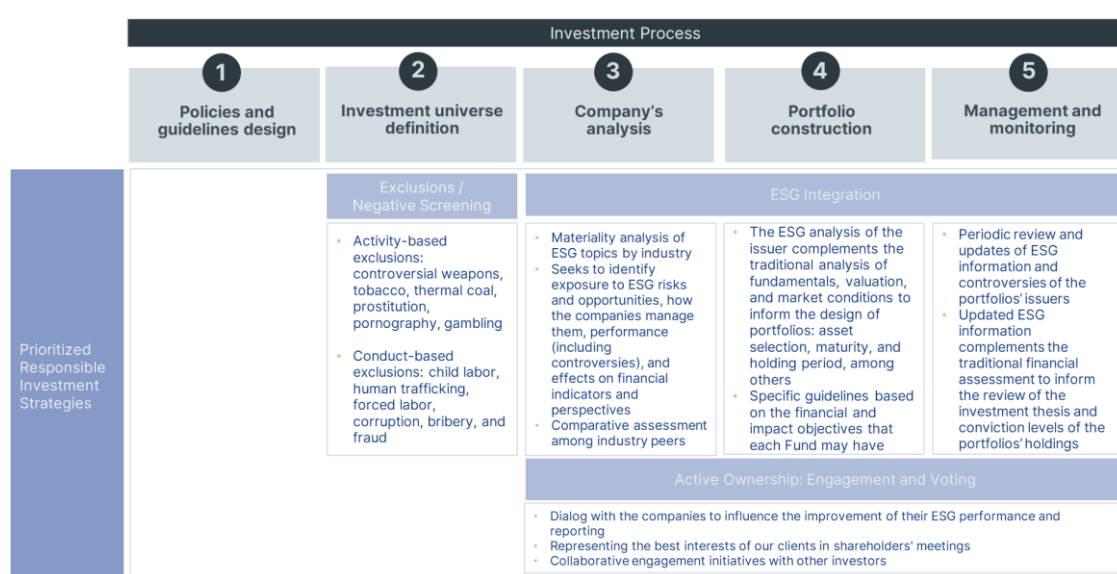
2. Scope

These guidelines apply to Credicorp Capital Asset Management and its operations through the local subsidiaries of Credicorp Capital Ltd. in direct investments in Fixed Income and Equity of listed corporate issuers for the actively managed proprietary Funds at Credicorp Capital Asset Management. The guidelines do not apply to passively managed funds or index products, structured products with fixed income or listed equity underlying assets, or fixed income or equity investments through third-party funds or ETFs. They neither apply to third-party non-discretionary portfolio mandates managed by Credicorp Capital Asset Management. However, may apply to discretionary portfolios at the request of clients.

3. Responsible and Sustainable Investment Approach

In direct management, which involves the selection of the underlying asset, Credicorp Capital Asset Management's responsible and sustainable investment approach prioritizes incorporating ESG factors to mitigate risks and preserve and promote value in the portfolio, in line with the fiduciary duty towards clients. Thus, the prioritized strategies are exclusions, ESG integration, and active ownership. However, subject to market conditions and regional opportunities, strategies focused on generating positive impacts, such as thematic or impact investing, could be pursued.

Figure 1. Responsible and Sustainable Strategies in the Investment Cycle



3.1. Exclusions

The exclusion strategy takes place in the definition of the investment universe from which the alternatives for analysis and portfolio construction are to be selected. Credicorp Capital Asset Management and the Credicorp group have identified activities and behaviors to be avoided in their investments. Further details for the implementation of this strategy can be found in the Credicorp Capital Exclusion Policy. There are two types of exclusions: conduct-based and activity-based.

Conduct-based exclusions are:

- Activities or companies involved in child labor, human trafficking, or forced labor, as defined in the ILO Conventions.
- Activities or companies that incur acts of corruption, bribery, or fraud, in accordance with the guidelines set forth by Credicorp and local regulation.

Exclusions based on economic activity include companies whose primary activity falls within the following ambits:

- Controversial weapons include cluster bombs, land mines, weapons containing depleted uranium, chemical and biological weapons, blinding laser weapons, weapons with undetectable fragments and incendiary weapons (white phosphorous).
- Tobacco cultivation and production.
- Extraction or commercialization of thermal coal and new thermal coal-fired power generation plants.
- Activities related to prostitution and pornography.
- Game of chance, casinos, other similar activities.

Besides, Credicorp Capital Asset Management may use additional exclusion strategies in different portfolios or products in line with their specific investment goals and restrictions. The criteria for exclusion and the scope of the guidelines should be documented and made available to clients and prospective clients.

3.2. ESG Integration

At Credicorp Capital Asset Management, ESG integration is the prominent strategy in assessing investment alternatives and portfolio construction. The ESG integration strategy complements traditional investment analysis (fundamentals, valuation, market, etc.) with the analysis of material ESG issues systematically and explicitly to contribute to better-informed investment decision-making.

ESG Analysis

ESG analysis takes place from a top-down and a bottom-up perspective in investment ideas generation. A top-down approach involves identifying ESG factors and trends that generate different risks, opportunities, and impacts among industries and geographies. The list of ESG topics is broad, and not all of these factors are equally relevant to all sectors. Environmental criteria include resource management, waste, emissions, and pollution, as well as systemic issues such as climate change and biodiversity loss, etc. Social factors refer to the company's relationship with consumers or customers, the community, its workers, and the supply chain, including human rights. Finally, corporate governance considerations involve executive compensation, board composition, audit processes, shareholders', and bondholders' rights, etc. The basis of the evaluation is the materiality analysis of ESG issues by industry. The traditional analysis of sectors and industries is also informed by long-term trends related to ESG issues such as climate change, resource scarcity, demographic, and social changes, etc.

From a bottom-up perspective, the analysis seeks to identify the issuers and its value chain exposure to ESG risks or opportunities, how these are managed by companies (through policies, systems, practices, commitments, and goals, etc.), and the effectiveness of this management through its impact or influence on the financial and sustainability performance. The analysis considers past evolution, current situation, and prospects. Also, the analysis has a comparative perspective among industry peers. The assessment includes a review of ESG controversies related to the portfolio issuers. ESG controversies are incidents or events with negative impacts on stakeholders, society, or the environment. The systemic sustainability themes are issues that affect stakeholders and financial interests of investments. These are risks transmitted through the economies and financial markets, involving the whole system with limited possibility of mitigation through asset diversification in portfolios.

Materiality Analysis Guidelines

Materiality is a criterion to prioritize ESG themes among the multiple ESG issues by industry considering the effects that risks and opportunities may have on the business activity or asset (financial materiality) and the impacts and effects that the companies' operations, products, or services may have on the other stakeholders and the planet. This perspective is known as double materiality, and it is promoted by global organizations and standards like the Global Reporting Initiative (GRI). Analyzing materiality includes the short, medium and long term, considering that materiality is dynamic. In other words, the relevance of financial effects and socio-environmental impacts change over time. Thus, a given ESG issue that may not have financial or impact implications currently, may have them in the future. This approach allows us to have a forward-looking assessment of financial prospects and sustainability performance by industry, geography, and company.

The materiality analysis is performed by the Buyside Research team, composed by analyst specialized by industry and sector, with the support with the Sustainable Investment team. The team uses global standards and third-party methodologies and information. For the companies in the industries under their coverage, the Buyside Research team seeks to have a robust understanding of their value chain, stakeholders, and the ESG issues that affect or may be affected by them. The team adapts the existing materiality frameworks to identify the ESG issues to be prioritized in the Latin American region by industry, taking into account the availability of public and reliable information, local practices and regulations in the countries of the region, among other particularities.

The process follows these guidelines:

- Financial materiality (the effect on the business operations, revenues, expenses, investment needs, assets value, liabilities, etc.) is the basis of the assessment. This perspective is supported by empirical evidence and is aligned with the fiduciary duty to generate superior financial returns consistently for clients.
- Incorporating the environmental or social impact generated by the companies to accomplish a double materiality perspective that captures the view of multiple stakeholders, to know if the companies incurred in significant harm for the society and planet.
- Financial and impact materiality are dynamic and change over time. The materiality assessment seeks to identify the material issues that may take place during or beyond the investment horizon or the asset holding period. Also, it allows to identify potential changes in the investment thesis or conviction levels. Furthermore, the analysis is updated with changes in the available information or in the global and local ESG trends.

The ESG analysis for the portfolio companies is conducted by the Buyside Research team or by the Portfolio Managers. They complete proprietary questionnaires denominated ESG Scorecards. The Sustainable Investment team is consulted regarding ESG best practices when in doubt. The investment team uses public information from the issuers (sustainability reports, integrated reports, annual reports, website information, corporate policies, among other), public information from regulators, non-profits, news, research providers, among others. Also, the investment team contact the companies with specific questions about ESG topics when information is not available. The ESG analysis includes qualitative components as well as quantitative ones when these are available.

The inclusion of effects related to ESG issues in the financial modeling or valuation takes place in circumstances in which the analysts or portfolio managers can estimate with certain level of confidence the monetary flows or impacts associated to the financial accounts. If there is not a relevant level of confidence, the ESG analysis is qualitative and the potential impacts from the materialization of ESG risks and opportunities in the credit

or risk profile of the issuer and the probability of occurrence. The identified ESG risk events are monitored to perform a quantitative assessment when it is feasible and recalibrate the probability of occurrence for the event to present this information to the investment committees or relevant forums. The relevant committees may veto an investment proposal due to qualitative ESG matters, as with financial matters.

Analysts and Portfolio Managers use ESG analysis to complement the traditional assessment of economic and financial fundamentals, valuation, and market drivers to formulate investment theses and recommendations. The ESG issues identified as risks that may affect the investment thesis or conviction level are informed in the relevant investment forums and committees.

ESG in Portfolio Construction

Based on the ESG analysis integrated to fundamentals, valuation and market assessment, the portfolio managers design structural positions for the funds and portfolios, as well as deviations from the benchmarks when it applies. As a result of this integrated process, the investment team determines the assets to be included in the portfolios, the maturity (for fixed income securities) or holding period of the assets, the weight in the portfolio in absolute terms as well as relative to the benchmark, and other adjustments that reflect changes in the level of conviction of investment alternatives, such as maximum weights for certain issuers or certain ESG risks aggregated at a portfolio level. Guidelines for ESG integration in portfolio construction may also vary depending on the investment objectives and restrictions of each specific fund or portfolio. These objectives and restrictions may be related to financial or sustainability (environmental or social impact) considerations depending on the specific fund's nature.

Monitoring and Portfolio Management

During the assets' holding period, the investment team performs continued reviews of financial, market and ESG information of the issuers in the portfolios. When changes in the information or market conditions take place, the analysts or portfolio managers update the investment thesis and conviction levels for the portfolios' holdings. The ESG analysis is updated annually, to reflect changes in the exposure to ESG risks, the adoption of new practices and sustainability strategies, and related performance, including the appearance of new controversies and the evolution of on-going controversies. In the case of positions in corporate issuers of Money Market funds, the review and update of the ESG analysis will be carried out every two years. Depending on the context, the update of the ESG analysis of an issuer may have a higher frequency to discretion to the investment team. In addition, the information of the issuers is aggregated at the portfolio level to identify the fund's exposure to ESG risks and opportunities.

In this phase, the Risk team at Credicorp Capital Asset Management monitors the compliance of the responsible and sustainable investment guidelines specified in the Credicorp Capital Asset Management policies.

3.3. Active Ownership

Credicorp Capital Asset Management's active ownership seeks to contribute to the improvement of corporate sustainability practices, maximize overall value to clients and society, and build a long-term relationship with the issuers. The general and specific

objectives, prioritization criteria, and other guidelines for the active ownership practices are presented in the Credicorp Capital Asset Management Responsible and Sustainable Investment Policy. The active ownership practices take place across the investment cycle, before the investment is made and during the holding period (during ESG analysis, portfolio construction and monitoring).

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