

Principal Adverse Sustainability Impact Statement

How we deal with adverse impacts of our investments to sustainability

We price and manage financially material sustainability risks and opportunities with the help of ESG integration, as part of ZCH AM SICAV responsible investment strategy. But sustainability risks do not only influence the valuation of assets. Investments may also enable economic activities that can have negative impacts on our environment and society.

In fact, every investment, whether into a company or a project and regardless of asset class, has an impact on communities, people's lives and the environment. Companies or assets such as buildings and infrastructure are built and operated, and in the process, jobs are created or lost; products are introduced, sold and consumed, or services delivered; natural resources harvested and processed; energy produced and consumed; waste and emissions created or mitigated. Accordingly, every investment has a "footprint", both positive and negative, that affects the real economy, our environment and our communities. Tools have become increasingly available to measure such impacts. Examples are carbon emissions, environmental pollution, or the share of 'green' and 'brown' revenues generated by companies. We refer to this concept, when measure these impacts of companies we are invested in, as the investment portfolio's "footprint". More intangible footprints are closely related to a company's principles of good governance: respect for human rights, anti-corruption and anti-bribery matters or the way in which they deal with social and employee matters.

The majority of the harmful impacts companies or real assets can have on the environment, their employees or communities they operate in, may result in direct or indirect financial risks, the risk of losing the license to operate, competitive disadvantages or the loss of customer or community support.

Zurich uses various third-party data providers that understand these relations and provide information on the most material ESG risks and opportunities, as well as adverse impacts and ongoing controversies per company in the context of the sector they operate in.

In order to manage these adverse impacts we apply a variety of tools anchored in our responsible investment approach:

- Avoiding the risk and adverse impacts by refraining from an investment opportunity
- Translating a negative footprint into ESG risks, and integrating those by pricing the risk and/or underweighting the investment as per our ESG integration approach
- Supporting shareholder proposals, voting against management or engaging in accordance with our proxy voting policy and engagement approach
- Excluding specifically harmful activities through Zurich's exclusion policy
- Working towards a fully Paris-aligned portfolio as part of Zurich's net-zero 2050 commitment
- Monitoring exposure: Zurich applies a process that analyses and discusses security holdings with the lowest ESG ratings or highest controversy scores on a quarterly basis

Exposure to the following indicators is monitored with the aim of avoid or reduce the PAI where feasible:

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATOR

ADVERSE SUSTAINABILITY INDICATOR	Metric
GHG EMISSIONS	Scope 1
	Scope 2
	Scope 3
	Total GHG emissions
CARBON FOOTPRINT	Carbon Footprint
GHG INTENSITY	GHG intensity
EXPOSURE TO COMPANIES ACTIVE IN THE FOSSIL FUEL SECTOR	Share of investments in companis active the fossil fuel sector
SHARE OF NON RENEWABLE ENERGY CONSUMPTION AND PRODUCTION	Share of non -renewable energy consumption and non - renewable energy production of investee companies from non - renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy source
ENERGY CONSUMPTION INTENSITY PER HIGH IMPACT CLIMATE SECTOR	Energy consumption in GWh per US\$m revenue of investee companies per high impact climate sector
ACTIVITIES NEGATIVELY AFFECTING BIODIVERSITY-SENSITIVE AREAS	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
EMMISSIONS TO WATER	Tonnes of emmission to water generated by investee companies per US\$m invested, expressed as weighted average
WASTE	Tonnes of hazardous waste end radioactive waste generated by investee companies per US\$m invested, expressed as weighted average
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS	
ADVERSE SUSTAINABILITY INDICATOR	Metric
VIOLATIONS OF UN GLOBAL COMPACT PRINCIPLES AND OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
LACK OF PROCESSES AND COMPLIANCE MECHANISMS TO MONITOR COMPLIANCE WITH UN GLOBAL COMPACT PRINCIPLES AND OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
UNADJUSTED GENDER PAY GAP	Average unadjusted gender pay gap of investee companies
BOARD GENDER DIVERSITY	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members
EXPOSURE TO CONTROVERSIAL WEAPONS	Exposure to controversial weapons

The Sub-Fund's investment manager will aim to minimize exposure to these adverse impacts and when not feasible, will translate into a negative footprint into ESG risks and ratings, pricing the risk or decreasing exposure to the potential investee company following our ESG integration approach. At the extreme, the Sub-Fund will refrain from investing in companies that would result in a high exposure to adverse impacts. In those investee companies where the Sub-Fund does hold a position, it will exercise its voting powers to pursue and foster policies that could reduce adverse impacts in the future.