

## EU Sustainable Finance Disclosure Regulation (the SFDR) – Zurich Invest ICAV (the ICAV)

### Zurich Climate Focus US Equity Fund (the Fund) – Sustainability Related Disclosures

Legal Entity Identifier: 635400IFBIFEGBGVAO73

#### 1 SUMMARY

The ICAV is authorised by the Central Bank of Ireland as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011, as amended and as an open-ended umbrella fund with segregated liability between sub-funds.

Investors should note the classification of the Fund as an Article 8 product under the SFDR.

The Fund promotes environmental characteristics by seeking to track, before fees and expenses, the return performance of the MSCI USA Climate Paris Aligned Ex Select Business Involvement Screens Index (the **Index**). The Index provides exposure to companies that are working towards a climate neutral economy by seeking to align with the climate goals of the Paris Agreement on carbon reduction and the recommendations of the Task Force on Climate-Related Financial Disclosures (**TCFD**). The Index is designed to exceed the minimum standards of the EU Paris Aligned Benchmark under Regulation (EU) 2016/1011 (as amended).

The Index is designed to align with a 1.5°C climate scenario using the Morgan Stanley Capital International (**MSCI**) Climate Value-at-Risk and a “self-decarbonization” rate of 10% year on year. The Index aims to reduce exposure to physical risk arising from extreme weather events by at least 50% and shift index weight from “brown” to “green” using the MSCI Low Carbon transition score and by excluding categories of fossil-fuel-linked companies. Furthermore, the Index also aims to increase the weight of companies which are exposed to climate transition opportunities and reduce the weight of companies which are exposed to climate transition risks. The Index also seeks to reduce the weight of companies assessed as high carbon emitters using scope 1, 2 and 3 emissions and increase the weight of companies with credible carbon reduction targets through a weighting scheme while achieving both a modest tracking error and a low turnover. Finally, the Index also applies a number of exclusions, including: companies gaining more than 5% revenue from the production and distribution of tobacco-related products, thermal coal power, genetically modified organisms, civilian firearms, adult entertainment, gambling, alcohol, or conventional weapons, companies with any tie to controversial weapons or deriving any revenue from the mining of thermal coal and any manufacturer of nuclear weapons. See below for further details of ESG Controversies Score and ESG Rating.

The Fund does not have as its objective sustainable investment. The Index methodology inputs are consistent with the “Do no Significant Harm” principle referred to in Article 2(17) of the SFDR. Indicators for adverse impacts on sustainability factors are taken into account within the monitoring process. The Index applies a number of exclusions which seek to align the Fund’s investments with the Organisation for Economic Cooperation and Development (**OECD**) Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The Index is constructed from the MSCI USA (NDR) Index (the **Parent Index**) by excluding, among others, securities of all companies which have faced very severe controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services, defined as companies with an MSCI ESG Controversy Score of 0. MSCI ESG Controversies is an MSCI ESG research product which is used in the construction of the Index. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Global Compact. It is also designed to reflect all areas of adverse impact covered by the OECD Guidelines for Multinational Enterprises general policies. MSCI ESG Controversies Score falls on a 0-10 scale, with “0” being the most severe controversy. Carne Global Fund Managers (Ireland) Limited (the **Manager**), in conjunction with the Investment Manager, also considers principal adverse impacts (**PAI**) on sustainability factors as set out in Annex 1 of Commission Delegated Regulation (EU) 2022/1288.

In addition to seeking to achieve the investment objective of the Fund as set out above, the ICAV will also seek to offset the estimated carbon footprint of the Fund's portfolio of investments (**Carbon Offsetting**) in respect of the share classes of the Fund identified as Carbon Offsetting Classes. Carbon Offsetting will not be implemented in respect of share classes of the Fund that are not Carbon Offsetting Classes.

The Fund's investment manager, DWS International GmbH (the **Investment Manager**) will aim to invest in the underlying equity and equity related securities of the Index in similar weighting given to such constituents in the Index. MSCI ESG research products and services are used in the construction of the Index.

The Fund invests at least 90% of its net assets in the Index which is aligned with the promoted environmental characteristics. At least 25% of the Fund's investments qualify as sustainable investments. Up to 10% of the Fund's investments are not aligned with these characteristics.

The Index is rebalanced semi-annually as of the close of the last business day of May and November each year. Existing constituents will be deleted from the Index if they have become ineligible.

The sustainability indicators used to measure the attainment of the environmental characteristics promoted by the Fund are: exposure to controversial sectors, involvement in controversial weapons, involvement in tobacco business, estimated carbon footprint and worst in class exposure.

The ability of the Fund to track the Index is dependent on information and data made directly available to it by MSCI. Where information is inaccurate or out of date the tracking error of the Fund will increase.

MSCI ESG research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide.

Direct engagement with constituents of the Index is not part of the Fund's environmental investment strategy.

## 2 NO SUSTAINABLE INVESTMENT OBJECTIVE

This financial product promotes environmental characteristics, but does not have as its objective sustainable investment.

The Index methodology inputs are consistent with the "Do no Significant Harm" principle referred to in Article 2(17) of the SFDR. The Index provides exposure to companies that are working towards a climate neutral economy by seeking to align with the climate goals of the Paris Agreement on carbon reduction and the recommendations of the TCFD on climate-related financial disclosures.

Indicators for adverse impacts on sustainability factors are taken into account within the monitoring process. The Index incorporates the principal adverse sustainability impact metrics set out below. Adverse impact indicators are collected from the Investment Manager or an external data provider to evaluate the Fund's attainment of its sustainable objective and evaluate if sustainable investments do not cause any significant harm.

The Index applies a number of exclusions which seek to align the Fund's investments with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

The Index is constructed from the Parent Index by excluding, among others, securities of all companies which have faced very severe controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services, defined as companies with an MSCI ESG Controversy Score of 0.

MSCI ESG Controversies is an MSCI ESG research product which is used in the construction of the Index. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Global Compact. It is also designed to reflect all areas of adverse impact covered by the OECD

Guidelines for Multinational Enterprises general policies. MSCI ESG Controversies Score falls on a 0-10 scale, with “0” being the most severe controversy.

The Manager, in conjunction with the Investment Manager, also considers the following PAI on sustainability factors as set out in Annex 1 of Commission Delegated Regulation (EU) 2022/1288:

1. Carbon footprint (PAI 2);
2. GHG intensity of investee companies (PAI 3);
3. Exposure to companies active in the fossil fuel sector (PAI 4);
4. Share of non-renewable energy consumption and production (PAI 5);
5. Activities negatively affecting bio-diversity-sensitive areas (PAI 7);
6. Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises (PAI 10); and
7. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) (PAI 14).

Third party data is used to assess alignment with these principles and guidelines.

### **3 ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT**

The Fund promotes environmental characteristics by seeking to track, before fees and expenses, the return performance of the Index. The Index provides exposure to companies that are working towards a climate neutral economy by seeking to align with the climate goals of the Paris Agreement on carbon reduction and the recommendations of the TCFD. The Index is designed to exceed the minimum standards of the EU Paris Aligned Benchmark under Regulation (EU) 2016/1011 (as amended).

In particular, through the application of the Index, the Fund aims to reduce the carbon footprint of its portfolio of investments by applying the following criteria:

- a minimum reduction in GHG Intensity (calculated using the latest Scope 1+2+3 carbon emissions and EVIC of a company) relative to the Parent Index of 50%; and
- a minimum average reduction (per annum) in GHG Intensity relative to the GHG Intensity at the base date (year-on-year self-decarbonization rate) of 10%, exceeding the EU Paris Aligned Benchmarks (within the meaning of the Benchmark Regulations) minimum requirement of 7% per annum.

Separately, through the application of the Index, the Fund aims to:

- avoid exposure to companies active in the fossil fuel sector; and
- pursue opportunities arising from the transition to a climate neutral economy ('green opportunities') by increasing investments in clean technology companies, i.e., companies deriving large parts of their revenues from environmentally beneficial products and services. The applicable MSCI business categories are alternative energy, energy efficiency, green building, pollution prevention, and sustainable water and agriculture.

### **4 INVESTMENT STRATEGY**

The Investment Manager will aim to invest in the underlying equity and equity related securities of the Index in similar weighting given to such constituents in the Index. In order to replicate the Index, the Fund may invest up to 20% of its Net Asset Value in shares issued by the same body. This limit may be raised to 35% for a single issuer when

exceptional market conditions apply (for example where the weighting of the issuer in the Index is increased as a result of the issuer's dominant market position, or as a result of a merger).

The following MSCI ESG research products and services are used in the construction of the Index:

- 1 MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating - a seven point scale from "AAA" to "CCC". In addition, MSCI ESG Ratings provides scores and percentiles indicating how well a company manages each key issue relative to industry peers.
- 2 MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. MSCI ESG Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

## 5 PROPORTION OF INVESTMENTS

The Fund invests at least 90% of its net assets in the Index which is aligned with the promoted environmental characteristics. At least 25% of the Fund's investments qualify as sustainable investments. The Fund may invest in equity and/or equity-related securities (being American depository receipts (**ADRs**) and/or global depository receipts (**GDRs**)) included in the Index or, where not included in the Index, if in the opinion of the Investment Manager such securities would achieve a risk and return profile (e.g. with reference to volatility, or systematic risk, of a security in comparison to the market as a whole and/or with reference to liquidity, yield) in similar proportions as the weightings applied to the constituents of the Index and for example may offer better liquidity, access and lower transaction costs. The Fund may also invest in futures which relate to the Index or constituents of the Index and in foreign exchange contracts.

Up to 10% of the Fund's investments are not aligned with these characteristics. These investments include companies generating a relatively small share of their revenue from products or services targeting one or more environmental and/or social objective which are used for diversification purposes as well as cash and liquid assets, such as short-term bank deposits and money market instruments which are used for efficient portfolio management purposes. There are no minimum environmental or social safeguards for these investments.

The Fund does not use derivatives to attain the environmental characteristics promoted by the Fund.

## 6 MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The Index is rebalanced semi-annually as of the close of the last business day of May and November each year. Existing constituents will be deleted from the Index if they have become ineligible.

## 7 METHODOLOGIES

The following are the sustainability indicators used to measure the attainment of the environmental promoted by the Fund:

1. Exposure to controversial weapons is used as an indicator for an issuer's involvement in controversial weapons. At rebalancing, the Index excludes all companies with involvement in controversial business activities as defined by the methodology of the MSCI SRI Indexes. Noting that the Index is semi-annually reviewed and rebalanced, there may be very small exposures to controversial business activities between Index rebalancing dates.
2. Involvement in controversial weapons is used as an indicator for an issuer's involvement in controversial weapons. At rebalancing, the Index excludes all companies involved in controversial weapons as defined

by the methodology of the MSCI Ex-Controversial Weapons Indexes. Noting that the Index is semi-annually reviewed and rebalanced, there may be very small exposures to controversial weapons between index rebalancing dates.

3. Involvement in tobacco business is used as an indicator for an issuer's involvement in tobacco business. At rebalancing, the Index excludes all companies with involvement in tobacco as defined by the methodology of the MSCI Global ex Tobacco Involvement Indices. Noting that the Index is semi-annually reviewed and rebalanced, there may be very small exposures to tobacco between index rebalancing.
4. Estimated carbon footprint calculated using historical estimated data sourced from MSCI is used as an indicator for an issuers carbon emissions. The threshold applied to this sustainability indicator is a minimum reduction of 50% relative to the Parent Index. The Index is constructed using an optimisation process that includes a minimum reduction in GHG Intensity (Scope 1+2+3) relative to its Parent Index of 50%.
5. Worst in class exposure is used as an indicator of a portfolio's market value exposed to companies with a low ESG rating. At rebalancing, the Index excludes all companies with an MSCI ESG Rating of 'B' or 'CCC'. Conversely, companies are required to have an MSCI ESG Rating of 'BB' or above to be eligible for inclusion in the Index. Noting that the Index is semi-annually reviewed and rebalanced, there may be very small exposures to ESG laggards between index rebalancing dates.

## **8 DATA SOURCES AND PROCESSING**

The ability of the Fund to track the Index is dependent on information and data made directly available to it by MSCI.

The Index is based on the Parent Index and includes equities and equity-related securities of large and mid-cap companies in the United States. Eligible underlying constituents are those US incorporated companies listed on NYSE, NTSE Arca, NYSE American LLC and NASDAQ (ex real estate investment funds). The Index is provided by MSCI.

The Index is constructed using MSCI's climate metrics and models, including forward-looking data from MSCI ESG Research's enhanced Climate Value-at-Risk Transition and Physical risk models with extensive emissions capture and green revenue data, Low Carbon Transition Score, Scope 3 emissions data and companies' carbon emission reduction targets. The Index is designed for investors looking to address climate change holistically and allocate in a way that supports the de-carbonization of the economy while being compatible with the Paris Agreement.

Data quality is ensured through the use of MSCI ESG research products and services which are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide. The following MSCI ESG Research LLC products are used in the construction of the Index: MSCI ESG Ratings and MSCI ESG Controversies.

In certain cases, MSCI ESG Research uses estimation methodologies when a company-disclosed figure is not available. These estimation methodologies typically rely on industry averages, regional criteria and extrapolation from company disclosures to derive more granular values.

## **9 LIMITATIONS TO METHODOLOGIES AND DATA**

Information from third party data providers and/or constituents of the Index may be incomplete, inaccurate or unavailable. This in turn may result in the incorrect inclusion or exclusion of a company from the Index. These limitations are mitigated by the rebalancing of the Index which takes place semi-annually as of the close of the last business day of May and November each year. Index changes are disclosed by the Index provider to the market in advance of implementation allowing the Investment Manager to rebalance the Fund's portfolio of assets concurrently with the Index change.

## 10 DUE DILIGENCE

MSCI ESG research products and services are provided by MSCI ESG Research LLC, and are designed to provide in-depth research, ratings and analysis of environmental, social and governance-related business practices to companies worldwide.

MSCI ESG Ratings provides research, analysis and ratings of how well companies manage environmental, social and governance risks and opportunities. MSCI ESG Ratings provides an overall company ESG rating - a seven point scale from "AAA" to "CCC". In addition, MSCI ESG Ratings provides scores and percentiles indicating how well a company manages each key issue relative to industry peers.

MSCI ESG Controversies provides assessments of controversies concerning the negative environmental, social, and/or governance impact of company operations, products and services. The evaluation framework used in MSCI ESG Controversies is designed to be consistent with international norms represented by the UN Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. MSCI ESG Controversies Score falls on a 0-10 scale, with "0" being the most severe controversy.

The Index also applies a number of exclusions, including: companies gaining more than 5% revenue from the production and distribution of tobacco-related products, thermal coal power, genetically modified organisms, civilian firearms, adult entertainment, gambling, alcohol, conventional weapons, or companies with any tie to controversial weapons, or deriving any revenue from the mining of thermal coal and any manufacturer of nuclear weapons.

## 11 ENGAGEMENT POLICIES

Direct engagement with constituents of the Index is not part of the Fund's environmental and social investment strategy. The MSCI ESG research products and services provided by MSCI ESG Research LLC and the exclusions applied by the Index ensure that Index constituents demonstrate both a robust ESG profile as well as a positive trend in improving that profile.

## 12 DESIGNATED REFERENCE BENCHMARK

The Index is based on the Parent Index and includes equities and equity-related securities of large and mid-cap companies in the United States. Eligible underlying constituents are those US incorporated companies listed on NYSE, NTSE Arca, NYSE American LLC and NASDAQ (ex real estate investment funds). The Index is provided by MSCI.

The Parent Index is a market-capitalisation weighted index calculated and maintained administered by MSCI and designed to measure the equity market performance of large and mid-cap companies in the above listed countries. The Parent Index covers approximately 85% of the free float-adjusted market capitalisation in each country.

The Index is designed to support investors seeking to reduce their exposure to transition and physical climate risks and who wish to pursue opportunities arising from the transition to a climate neutral economy while aligning with the climate goals of the Paris Agreement. The Index incorporates the TCFD recommendations and is designed to exceed the minimum standards of the EU Paris Aligned Benchmark (within the meaning of Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014, as amended by Regulation (EU) 2019/2089 of the European Parliament and of the Council amending Regulation (EU) 2016/1011 as regards EU climate transition benchmarks, EU Paris Aligned Benchmarks and sustainability-related disclosures for benchmarks (the **Benchmark Regulations**)).

The Index is built on the Parent Index following an optimization-based approach which aims to exceed the minimum technical requirements in the Benchmark Regulations while aligning with the recommendations of the TCFD and is designed to align with a 1.5°C climate scenario using the MSCI Climate Value-at-Risk and a "self-decarbonization" rate of 10% year on year. The Index aims to reduce exposure to physical risk arising from extreme weather events by at least 50% and shift index weight from "brown" to "green" using the MSCI Low Carbon transition score and by

excluding categories of fossil-fuel-linked companies. Furthermore, the Index also aims to increase the weight of companies which are exposed to climate transition opportunities and reduce the weight of companies which are exposed to climate transition risks. The Index also seeks to reduce the weight of companies assessed as high carbon emitters using scope 1, 2 and 3 emissions and increase the weight of companies with credible carbon reduction targets through a weighting scheme while achieving both a modest tracking error and a low turnover. Finally, the Index also applies a number of exclusions, including: companies gaining more than 5% revenue from the production and distribution of tobacco-related products, thermal coal power, genetically modified organisms, civilian firearms, adult entertainment, gambling, alcohol, or conventional weapons, companies with any tie to controversial weapons or deriving any revenue from the mining of thermal coal and any manufacturer of nuclear weapons.

The Index is constructed using MSCI's climate metrics and models, including forward-looking data from MSCI ESG Research's enhanced Climate Value-at-Risk Transition and Physical risk models with extensive emissions capture and green revenue data, Low Carbon Transition Score, Scope 3 emissions data and companies' carbon emission reduction targets. The Index is designed for investors looking to address climate change holistically and allocate in a way that supports the de-carbonization of the economy while being compatible with the Paris Agreement.

The Index follows a transparent and rules based optimized index methodology. The Index uses a wide variety of key climate metrics from the MSCI Climate Risk Centre in its construction and is designed with an aim to go beyond EU minimum standards to meet the needs of institutional investors seeking to address climate change risks and opportunities in a holistic manner.

Additional information about the Index is available at <https://www.msci.com/our-solutions/esg-investing/esg-indexes/climate-paris-aligned-indexes>.