



MONEDA®
ASSET MANAGEMENT

Environmental, Social and Governance

POLICY

OUR INVESTMENT PHILOSOPHY

We are a Latin American specialist Asset Manager, investing in the region since 1994. We are management-owned, and asset management is our sole business.

We invest in companies across their capital structure, searching for investment ideas throughout the region with a country and industry agnostic approach. Our mission is to create value for our clients through higher-than-market returns over the long term. To accomplish it, we base our investment decisions on fundamental bottom up company analysis with a long-term approach.

ESG AS PART OF OUR INVESTMENT FRAMEWORK

As long-term equity owners, our company analysis involves in-depth knowledge of companies, their economics, industry dynamics, ownership structure and management, as well as an understanding of the competitive environment in which firms conduct their business.

Given our long term approach, we take into consideration a broad base of risks and opportunities in our investment analysis. This is why we consider ESG aspects to contribute to generate a solid conviction when making an investment decision.

The results of the analysis are summarized in our proprietary investment analysis framework, which favors companies with sustainable competitive advantages over long periods of time. Overlooking ESG-related corporate practices may eventually

deteriorate the economics of the underlying business.

We incorporate ESG factors in our investment analysis as we believe that a company's social impact, environmental practices, and governance are key to protect, and potentially enhance, its profitability over the long run. Moreover, we consider that ignoring these factors implies overlooking risks and opportunities that may significantly affect long term growth and cash flow predictability.

DYNAMIC APPROACH

Long-term, fundamental analysis has always been imbedded in Moneda's investment research process, and we are continuously making improvements and adding new tools to the way we conduct it. Investment analysis is an every-day learning experience, particularly in a constantly changing world.

Likewise, our ESG analysis evolves in order to incorporate new aspects and concerns that may appear in time. Initially, this analysis was centered mainly on governance issues. The focus was to protect our interests as minority shareholders, which is key in Latin America, where many companies have large controlling shareholders. However, our experience has showed us that there were areas where we could further enhance our practices, so we have broadened the criteria to include environmental and social issues. We believe this is a dynamic process, so it will continue to evolve.

The investment team is responsible of integrating ESG standards in the

investment policies as part of the investment analysis process, and also of incorporating new trends and updates to the framework.

The currently low availability of information related to ESG policies in Latin American companies is a substantial challenge to this analysis. To ensure a more complete analysis, we gather information from different sources, including sustainability reports if available, company management meetings, and site visits.

CASE SPECIFIC ANALYSIS

Our approach to ESG practices doesn't imply a preliminary exclusion of any sector or company, but it does take into account

- the degree in which the company has policies to tackle these issues (or the inexistence of them), and
- our clients' exclusion lists (when applicable).

The strength of each policy is evaluated qualitatively by the research team. For instance, a documented corporate policy signed by the company's Board of Directors takes the firm's ESG commitment a step further than a plain management verbal comment.

We materialize our ESG-related findings by completing Table 1 when presenting an investment idea. This work is included in the discussion during the Investment Committee as part of the company's strategic approach.

Currently, the aspects analyzed in the framework are: Environment, Social, Character of the Controlling shareholder & Alignment of interests, and Governance. We strongly believe these are key attributes to the long term sustainability of business and may become relevant risks or opportunities for the companies where we invest.

CONCLUSION

ESG is at the core of Moneda's investment analysis because we believe that sustainable competitive advantages are drivers for long term value creation, cash flow predictability, and better returns for the companies.

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Table 1

		GREAT	OK	BAD
BUSINESS	ROI vs WACC ROE vs K_e	ROI >> WACC ROE >> K_e	ROI = WACC ROE = K_e	ROI << WACC ROE << K_e
	Competitive Advantages	Identifiable & Sustainable	Identifiable but fading	Not detected
	Business Model	Pricing power	Market pricing	Price taker
	Growth prospects	Value Additive	Neutral	Value destroyer
	Capital Structure	Efficient	Average	Inefficient
	Cash Flow Volatility	Low	Medium	High
	Refinancing /Liquidity	Low Risk	Medium Risk	High Risk
VALUATION	Events	Low dependency	Dependant	High dependency
	Valuation	Fair	Discount	Avoid / Large Discount
	Assets Disposal	Good Value	Ok Value	Large impairment
SECURITY	Seniority	Senior / Secured	Unsecured	Subordinated
	Covenants	Appropriate	Average	Poor
	Collateral	Over collateralized	Partially Collateralized	None
ESG	Environment	Friendly	Neutral	Unfriendly
	Social	Positive impact	Minor Impact	Negative Impact
	Character / Alignment of Interests	Superior	Average	Poor
	Governance	Good practices	Standard Practices	Bad Practices