

22.5 Pre-contractual disclosure for the financial products EDM International – EDM High Yield Short Duration

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: EDM International – EDM High Yield Short Duration (the “Sub-Fund”)

Legal entity identifier: 549300VK4H1XHG7RG846

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

☒ ☒ ☐ **Yes**

☐ It will make a minimum of **sustainable investments with an environmental objective:** ____%

- ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ It will make a minimum of **sustainable investments with a social objective:** ____%

☒ ☐ ☒ **No**

☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ____% of sustainable investments

- ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- ☐ with a social objective

☒ It promotes E/S characteristics, but **will not make any sustainable investments**



What environmental and/or social characteristics are promoted by this financial product?

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

The Sub-Fund promotes certain environmental and/or social criteria within its portfolio through the application of an industry exclusion list and certain conduct-related criteria following to the methodology specified in the investment strategy section of this document.

The Sub-Fund also adheres to a weighted average carbon intensity target to ensure that it remains at least 10% lower than that of the Sub-Fund’s reference index. Moreover, the portfolio investments are also required to take account of good governance practices.

The reference benchmark used by the Sub-Fund for comparison purposes is a mainstream index. The mainstream index does not consider ESG factors and is therefore not consistent with the environmental and / or social characteristics promoted by the Sub-Fund.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

To measure, monitor and ensure the attainment of the environmental and social characteristics that are being promoted by this Sub-Fund, the Investment Manager considers various sustainability and ESG metrics. Three key sets of metrics used are:

- 1) The percentage of an individual issuer's revenue which may be derived from specific business activities (e.g. controversial weapons production) to determine whether they meet the Sub-Fund's industry exclusion criteria, and
- 2) The share of companies in the investment universe that fall under the scope of the exclusion criterion;
- 3) The percentage margin between the weighted average carbon intensity of the portfolio and that of the reference index.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

Not applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

☒ Yes,

The Sub-Fund considers PAIs by integrating relevant ESG factors alongside traditional financial factors as part of its due diligence, research and ongoing monitoring of individual issuers and via engagement with those issuers. The Investment Manager’s consideration of PAIs is guided by monitoring the mandatory indicators established in Appendix 1, Table 1 of the RTS regulation (2022/1288), relating to Regulation (EU) 2019/2088.

As a result of assessing PAIs at an issuer and Sub-Fund level, the Investment Manager may decide to engage with certain issuers, set restrictions and targets at the Sub-Fund level, and ultimately may exclude certain issuers from being eligible for investment on the basis of PAI metrics.

More information regarding the principal adverse impacts on sustainability factors can be found in the Sub-Fund’s periodic reports pursuant to Article 11(2) of the SFDR.

☐ No



What investment strategy does this financial product follow?

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

The Sub-Fund promotes environmental and social characteristics through the application of an exclusion criteria, which will reduce the scope of the investment universe.

This exclusion criteria will indeed focus on each of the environmental and social characteristics by excluding from the investable universe companies that are involved in the end manufacturing or in the manufacture of core essential components intended to be used in controversial weapons. Furthermore, any issuer deriving more than 10% of its annual revenues from the tobacco industry as well as issuers involved in the mining or extraction of thermal coal and/or the production of energy from thermal coal, will equivalently be excluded.

Regarding the latter, it is subject to an allowance for entities which the Investment Manager deems to have a credible transition plan to reduce their reliance or exposure to thermal coal in

favour of less carbon intensive forms of energy such as renewable energy. For an issuer's decarbonisation plans to be credible, it must have made a public commitment to reduce exposure to below the 10% threshold by 2025.

The Sub-Fund is also bound by a carbon efficiency target. Such carbon intensity is based on the emissions by companies of greenhouse gases (tons CO₂e) that contribute to global warming and environmental pollution. In order to determine the carbon footprint relative to the size of a Sub-Fund and allow comparison between portfolios of different sizes, the volume of carbon emissions per unit of sale (per US\$ 1 million) generated by issuers over a specified timeframe is calculated according to each security's weight in a portfolio. This measure is known as the "Weighted Average Carbon Intensity" of a portfolio.

This policy is therefore binding for holdings when aggregated at the Sub-Fund level but does not necessarily require restrictions for specific issuers. The Investment Manager seeks to achieve this target through analysis of data relating to an issuer's carbon intensity relative to any corresponding data of the issuer constituents of the reference index through an optimization process.

Finally, the social and governance pillars are considered through the exclusion of issuers that have been found to be in breach of international standards, such as the UN Global Compact, ILO conventions or UN Guidelines on Business and Human Rights.

● ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The Sub-Fund shall not invest in issuers that have been identified by the Investment Manager as having:

- (i) corporate Involvement in the end manufacture of controversial weapons or manufacture of core essential components intended to be used in controversial weapons;
- (ii) direct involvement in the manufacture of tobacco products, being entities which derive more than 10% of their annual revenues from such activities;
- (iii) direct involvement in the mining or extraction of thermal coal and/or the production of energy from thermal coal, being entities which derive more than 10% of their annual revenues from such activities and that did not publicly committed to reduce their exposure to such industries below the 10% threshold by 2025.
- (iv) breached, or to be at severe risk of breaching, certain recognised norms and/or international standards relating to respect for human rights, labour relations, protection from severe environmental harm, and fraud and/or gross corruption standards such as the principles which underly the UN Global Compact, ILO conventions or UN Guidelines on Business and Human Rights.

Additionally, in order to attain the carbon efficiency characteristic of the Sub-Fund, the Investment Manager seeks to maintain a Weighted Average Carbon Intensity for the Sub-Fund which is at least 10% lower than that of the reference index.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Not applicable

- ***What is the policy to assess good governance practices of the investee companies?]***

The Investment Manager considers good corporate governance practices to be fundamental to the ongoing success and resilience of the businesses it invests in and, as an investor in corporate credit, it therefore believes such consideration to be essential to its investment due diligence, research and ongoing monitoring of potential and realized investments. In the Investment Manager's Responsible Investment Policy, it commits to considering and integrating important ESG factors into its investment decisions and to engage companies with the expectation that they enhance their ESG disclosures.

Furthermore, the Investment Manager sources data from external service providers to assess companies' governance and alignment with principles, standards or conventions such as those which underly the UN Global Compact, the ILO Convention, the UN Guiding Principles on Business and Human Rights as they relate to human rights, labour rights, environmental considerations and business integrity matters such as anti-corruption and corporate transparency.

The Investment Manager has appointed an internal ESG Eligibility Committee to determine whether it may invest in a company deemed to have severely breached, or to be at high risk of breaching, these principles.



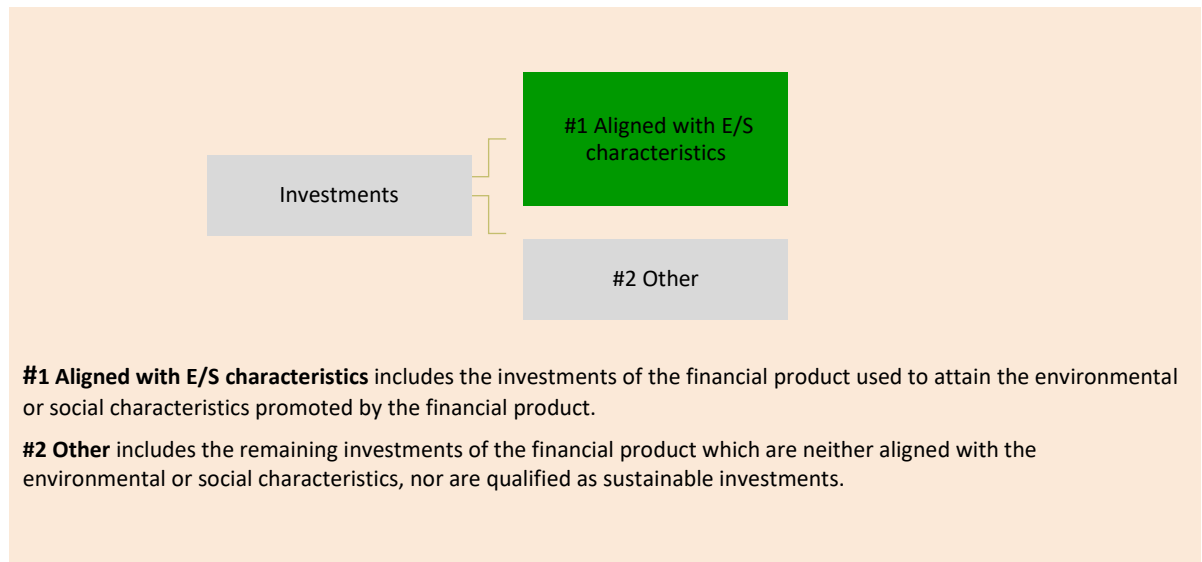
Asset allocation describes the share of investments in specific assets.

What is the asset allocation planned for this financial product?

The minimum proportion of investments used to meet the environmental and social characteristics of the Sub-Fund will comprise 80% of the positions within the Sub-Fund, while the other 20% will include any securities which fall outside of relevant ESG policies such as cash and derivative holdings.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



- ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

Not applicable.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Sub-Fund does not currently commit to invest in sustainable investments within the meaning of the EU Taxonomy. However, it is however not excluded that the Sub-Fund could incidentally invest in taxonomy-aligned environmentally sustainable investments which contribute to climate change mitigation and/or climate change adaptation.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy⁵?

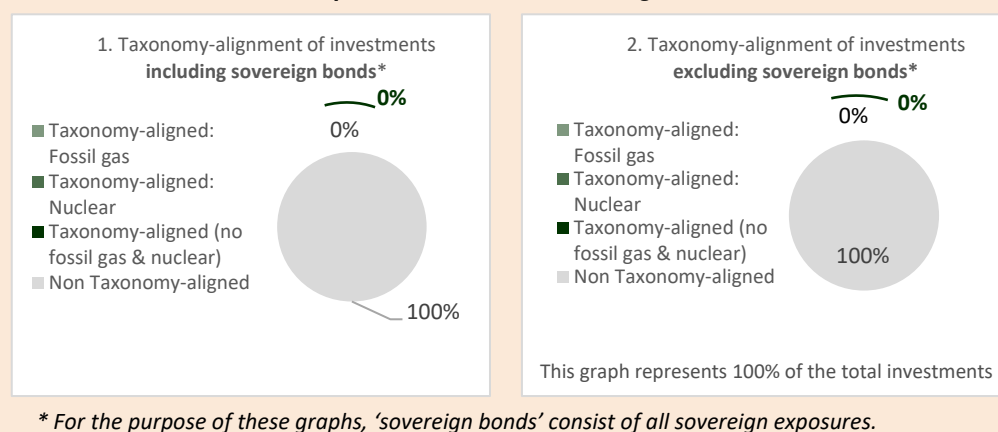
☐ Yes:

☐ In fossil gas

☐ In nuclear energy

☒ No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.*



- What is the minimum share of investments in transitional and enabling activities?

The Sub-Fund has not specified a minimum allocation to sustainable investment therefore the minimum allocation to investments in transitional and enabling activities within the meaning of the EU Taxonomy is 0%.

⁵ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left-hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Sub-Fund has not committed to making sustainable investments that are not aligned with the EU Taxonomy. Therefore, the minimum allocation to sustainable investments with an environmental objective that are not aligned with the EU Taxonomy is 0%.



What is the minimum share of socially sustainable investments?

Not applicable.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The “other investments” held by the Sub-Fund and described herein comprises cash and cash equivalents, money market instruments and certain hedging instruments including derivatives. The Investment Manager believes that these holdings do not relate directly to a specific issuer and therefore do not relate to the attainment of the environmental and social characteristics and/or principal adverse sustainability impacts. The Investment Manager does not believe therefore that it would be possible to make a meaningful determination on considerations relating to minimum environmental or social safeguards, in part due to the lack of relevant data relating to such instruments.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Where can I find more product specific information online?

More product-specific information can be found on the website:
<https://www.edm.es/fondos/edm-high-yield-short-duration-r/>