

EDM

October 2021

Engagement Policy

EDM GESTIÓN S.A.U., SGIIC

DOCUMENT REGISTRY

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VERSION CONTROL

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CIRCULATION

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1. Background

Typically, institutional investors and asset managers—whether undertakings for collective investment (UCI) or individual client portfolios (discretionary portfolio management, “DPM”), a framework that applies to EDM GESTIÓN S.A.U., SGIIC (the “Entity” or “EDM”)—are major shareholders of listed companies, playing an instrumental role in their corporate governance and often influencing their long term performance and strategy.

The regulator highlights the connection between long-term investments and the social/environmental sustainability of companies in an effort to stress how the right management of sustainability risks can contribute to investors’ long-term objectives.

EDM maintains that the inclusion and integration of ESG (environmental, social, corporate governance) criteria in investment management can have a favourable impact on the financial results of companies and contribute to their economic and social progress.

It is therefore essential to ensure the transparency of engagement policies and investment strategies. This can have a positive effect on investor awareness, allowing beneficiaries to optimise their investment decisions, facilitating dialogue between companies and shareholders, and thus encouraging engagement, improving performance, and enhancing the sustainability profile of companies.

Regulation requires SGIICs to develop and post on their websites an Engagement Policy that describes the way in which they incorporate engagement into their investment strategies and the different activities they aim to carry out.

EDM considers a medium-/long-term investment strategy essential to managing assets responsibly and safeguarding the best interests of managed vehicles and end-clients.

Given the foregoing, and as part of EDM’s approach to responsibility, this document has been drafted in accordance with the applicable regulatory criteria, establishing an Engagement Policy for the management company.

2. Regulatory framework

This Engagement Policy has been drafted in accordance with the following regulatory framework:

- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, amending directive 2007/36/EC regarding the promotion of long-term shareholder engagement, the main purpose of which is to improve the transparency of investment strategies, engagement policies, and the voting process, especially when using proxy advisers.
- Royal Decree-law 3/2020 of 4 February, on urgent measures incorporating into Spanish Law various European Union directives in the field of public procurement in certain sectors; private insurance; pension plans and funds; taxation and tax litigation.
- Royal Decree 738/2020 of 4 August, amending Royal Decree 304/2004 of 20 February, approving the regulation of pension plans and funds, and Royal Decree 1060/2015 of 20 November, on the management, supervision and solvency of insurance and reinsurance entities.
- Law 5/2021 of 12 April, amending the revised text of the Corporate Enterprises Act, approved by Royal Legislative Decree 1/2020 of 2 July and other financial regulations, with regard to the promotion of long-term

shareholder engagement in listed companies. Among other regulations, it amends Law 35/2003 of 4 November on collective investment schemes (the UCI Act), to incorporate the norms derived from the transposition into Spanish legislation of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, known as “SRD II”.

- Royal Decree 288/2021 of 20 April, amending Royal Decree 1060/2015 of 20 November, on the regulation, supervision and solvency of insurers and reinsurers. It redrafts article 34 of the regulation on the Organisation and Supervision of Private Insurance, approved by Royal Decree 2486/1998 of 20 November, and amends the regulation for the application of Law 87/1978 of 28 December, on Combined Agricultural Insurance, approved by Royal Decree 2329/1979 of 14 September.

3. Purpose and scope of application

The Policy defines and regulates EDM’s engagement as a shareholder of the companies in which it invests in its role as UCI and discretionary portfolio manager, provided these are company shares admitted to trading on a regulated market located or operating in the European Union.

The Policy describes how EDM:

- ◆ Incorporates shareholder engagement into its investment policy;
- ◆ Monitors the companies in which it invests in terms of strategy, financial and non-financial performance, capital structure, corporate governance, and the environmental and social impact of activity;
- ◆ Engages in active dialogue with companies;
- ◆ Exercises voting rights;
- ◆ Cooperates with other shareholders and stakeholders;
- ◆ Manages conflicts of interest stemming from engagement activity.

The purpose of the Policy is, therefore, to comply with the applicable regulations and govern the conditions under which EDM conducts its engagement activity.

This Policy will apply in matters of company shares admitted to trading on a regulated market located or operating in the European Union.

This Policy applies to EDM, given its UCI and DPM activity.

EDM’s DPM activity includes the management by delegation of FPE and FPI portfolios, insurance-based investment product portfolios, and certain insurers’ own portfolios. Such cases also fall within the scope of this Policy.

Going forward, this Policy will discuss managed portfolios and vehicles in a general way.

4. Engagement activity

4.1. Criteria applied to the exercise of voting rights inherent to securities

The right to vote will be exercised for the exclusive benefit of UCIs and DPM clients.

How votes are cast will be based on optimising profitability and containing the (financial or non-financial) risk of the investment. Voting must be consistent with the objectives and investment policies of the managed vehicles and end-clients.

In the event that EDM (including all managed vehicles and portfolios) holds a combined stake in an issuer of at least 1% of the capital that is older than one year, EDM will be required to exercise the right to vote at general meetings.

When exercising the right to vote, the procedure is as follows:

- ◆ The Back-office department (Treasury) will inform the Analysis department when upcoming shareholders meetings are announced.
- ◆ Analysts will then review the resolutions to be put to the vote and decide whether to exercise the right to vote. If the decision is made to exercise this right, these analysts, in conjunction with the head of the Investment department and the managers, will decide how the vote(s) will be cast.
- ◆ The Investment department will regularly inform the Investment Risk Committee about the votes cast and their outcome.

The Regulatory Compliance unit will keep the registry of potential conflicts of interest updated in order to notify the head of the Investment department of any such conflicts that may exist. If, according to this Policy, any such conflict is identified, the Investment department will analyse whether the vote is consistent with the Investment Risk Committee's guidelines and the recommendations issued by intermediaries (with whom analysis contracts exist) and adjust the decision accordingly.

The foregoing will apply unless reasons exist for not exercising these rights. Any such instance will be cited in the corresponding annual report.

With regard to SICAVs (open-ended investment funds), voting rights will be exercised provided the competent body (the management body, for example) has not reserved the exercise of such rights or opted to delegate them to a third party.

EDM may decide not to exercise these rights if they are considered immaterial given the subject of the vote or when it determines the matter irrelevant to the evolution and development of the investment.

In cases where the stake in a company's capital is less than 1%, no older than 12 months, and there is neither i) an attendance premium, or ii) an extraordinary general meeting whose agenda includes significant points or resolutions that could jeopardise the interests of the managed vehicles or end-clients, EDM is not required to exercise the right to vote or to delegate this right to the management body of the security issuers.

4.2. Company monitoring

EDM monitors companies before making investment decisions by conducting analyses based on qualitative and quantitative criteria, including business strategies, financial and non-financial performance, corporate governance strategies, and various risks, for example, those derived from ESG matters in line with EDM's Responsible Investment Policy.

EDM takes into consideration all the information a given company publishes through various means (Relevant Facts, regular reporting, general meetings, etc.). The Entity also obtains information from different data suppliers and

investment analysts, in addition to applying its own valuation and analysis models in accordance with its purpose and investment strategies.

When the Investment department makes a decision about a certain asset, EDM conducts systematic monitoring to guarantee the investment, ensuring it remains consistent with the criteria and principles established by EDM's policies, and that these are in the best interest of the managed vehicles and management company's clients.

Engaging in dialogue with companies is a fundamental feature of EDM's investment activity. It helps to enhance internal knowledge of companies, improve management of ESG risks, and resolve potential conflicts of interest that may interfere with an investment.

As such, in cases where EDM believes that active dialogue may have a real, favourable impact on the management of a company and may help improve the return on investment—especially with regard to the management of ESG criteria—EDM will establish a direct relationship with the management teams, including the company's finance and sustainability areas.

EDM will carry out these engagement tasks through its Investment department, which will communicate directly with the company. On ESG issues, direct dialogue is common among Spanish companies and more accessible for EDM. There may also be indirect communication with companies through qualified representatives in the case of foreign entities where access may be more limited.

4.3. Cooperation with other shareholders and communication with stakeholders

In general, EDM does not cooperate with the other shareholders of the companies in which it invests, nor does it communicate in any way with the stakeholders of these companies.

4.4. Management of potential conflicts of interest stemming from engagement

EDM has a Conflict of Interest Management Policy, compliance with which is mandatory for all employees, executives, and managers of the management company.

Engagement activity, including exercising voting rights, may give rise to potential conflicts of interest, which must be identified, managed, and, to the extent possible, avoided by the management company so as not to jeopardise the managed vehicles and end-clients.

EDM will analyse the potential interests of managed vehicles and DPM clients and take strides to ensure its engagement activity does not create conflicts of interest among its employees and executives or those of the issuers in which it invests.

5. Information about engagement activity

In compliance with the regulatory framework, each year EDM will post on the corporate website (www.edm.es) information about how it has applied the Engagement Policy during the period in question.

Information will include specifics about the exercise of voting rights, including a description of the most important votes cast, and, where appropriate, the use of proxy adviser services. EDM may exclude any votes that it deems immaterial due to the subject of the vote or the size or duration of the stake in the company.

In turn, EDM may add further information on other engagement activities carried out during the period, which may be relevant to clients, such as interactions with the various companies or the measures implemented in the event that active dialogue fails to have the intended effect.

On an annual basis, the Regulatory Compliance unit will prepare this information based on engagement activity data provided by the Investment department.

6. Governance responsibilities

To follow are those responsible for drafting, implementing, approving, and reviewing this Policy.

6.1. Board of Directors

The EDM Board of Directors (as the highest authority in these matters) ensures compliance with the regulations governing long-term shareholder engagement. To that end, it establishes the necessary policies, procedures, and measures and provides EDM with sufficient resources.

The EDM Board of Directors is responsible for approving the Policy and, to ensure its effective control, receiving regular information about the degree of compliance with the engagement obligations. The Board of Directors is also responsible for ensuring that all competent parties are informed of the existence and the obligations contained in this Policy.

6.2. Investment Risk Committee

The Investment Risk Committee is responsible for issuing EDM's general guidelines on shareholder engagement, particularly with regard to voting rights.

The Committee is likewise responsible for receiving information about EDM's activity and Policy compliance, in addition to other data that may be relevant. It is also tasked with making decisions and implementing the measures necessary to ensure compliance with the Policy and other internal procedures.

To that end, it receives information from the Investment department and the Regulatory Compliance unit at regular meetings.

6.3. Investment department

The Investment department is directly responsible for carrying out engagement activities at all times and in the best interest of the managed vehicles and DPM clients, in accordance with the guidelines contained in the Policy and in the related internal procedures.

It also provides the Regulatory Compliance unit with information on the engagement activities carried out over the course of the year, so it can prepare an annual report about the Engagement Policy, as required by regulation.

6.4. Regulatory Compliance unit

As the body tasked with preparing this Policy, the Regulatory Compliance unit (RCU) is responsible for its periodic review and modification, as needed.

The RCU will also conduct periodic reviews of compliance with the Policy; it will implement the controls necessary to verify fulfillment with the engagement activities and report directly to the Investment Risk Committee.

The RCU is also responsible for preparing the annual report detailing how the Engagement Policy has been applied, as required by regulation and based on the information provided by the Investment department.

Lastly, it continually keeps the EDM Board of Directors informed about the degree of compliance with the Policy.

7. Policy review, update, and amendment

The EDM Board of Directors must approve this policy, which will enter into force on the approval date.

EDM's Regulatory Compliance unit will conduct a review—at least annually—of this Policy.

The Policy may be updated and/or amended when there are substantial changes at EDM, when regulatory changes affect its content, or when changes are proposed by supervisory bodies.

8. Publication and transparency

Once approved by the Board of Directors, this Policy will be made available (via email) to all EDM personnel. Likewise, the Policy will be posted on EDM's corporate website, thus promoting the entity's commitment and transparency as regards the aforementioned points.

Annually, EDM, through the Regulatory Compliance unit, will publish information detailing how the Engagement Policy has been applied, including a general description with respect to voting rights, an explanation of the most important votes cast, and, where appropriate, the use of proxy adviser services.

Also on an annual basis, EDM will publish how it has voted, except when this obligation is legally exempted or when votes are immaterial due to the subject of the vote or the size of the stake in the company.