

# EDM

June 2022

## Socially Responsible Investment Policy

EDM GESTIÓN S.A.U., SGIIC

## DOCUMENTARY RECORD

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## VERSION CONTROL

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June 2022	04	Document amended	Regulatory adaptation

## LEVEL OF DISSEMINATION

DATE	ORGANISATIONAL UNITS						
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## Content

1. Introduction, regulatory context and objectives .....	4
2. General Policy Principles.....	4
2.1 Integration of ESG criteria at EDM.....	5
2.2 Grading criteria.....	5
2.3. Quality of ESG analysis.....	7
2.4. Investment policy criteria. Our ESG analysis model .....	7
• Department concerned .....	7
• ESG Team .....	7
• Monitoring Officers .....	8
• Voting and engagement.....	8
• Transparency .....	8
2.5. Assessment of principal adverse impacts (PAIs) .....	9
3. Policy Review and Assessment.....	9

## 1. Introduction, regulatory context and objectives

This document contains the Responsible Investment Policy of EDM GESTIÓN SGIIC (“EDM” or the “Management Company”), ensuring compliance with the requirements on disclosure of information regarding sustainable investments and sustainability risks in the financial services sector, in accordance with Regulation (EU) 2019/2088 (Disclosure Regulation) of the European Parliament and of the Council of 27 November 2019. With the approval of the Disclosure Regulation, one of the objectives set out in Action 7 of the EU Action Plan for Financing Sustainable Growth was met, namely “enhancing transparency of asset managers and institutional investors”. The Disclosure Regulation has also been amended by Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (Taxonomy) in order to align the two texts.

The inclusion of ESG (Environmental, Social and Governance) criteria and their integration into investment management can have a favourable effect on the long-term financial performance of companies and contribute to greater economic and social progress. EDM takes into account socially responsible investment criteria in the management of its investments, based on the principles for responsible investment (PRI) and transparency in management.

EDM has adhered to the United Nations Principles for Responsible Investment (UNPRI) since 2014. In line with our commitment, we have incorporated environmental, social and governance considerations into our investment criteria, in the firm belief that the financial sector is an important player that must contribute to the sustainable development of the economy, society and the environment. Through this commitment, by appropriately managing risks and opportunities (including those related to sustainability), we aim to generate long-term sustainable returns, delivering value to our investors and ensuring a positive impact on society.

The Management Company closely and continuously monitors the companies in which it invests, verifying the creation of long-term value for its investors and the alignment of interests with its shareholders. This implies regular monitoring of both economic and financial aspects and ESG elements. EDM takes as a reference the information published by the issuers of the assets in which it invests, and may supplement it with information obtained from external providers.

The Management Company’s purpose is to strive to maximise its contribution to sustainable development, promoting the positive impact of its activities, while being aware that these may generate adverse impacts on sustainability factors, which must be properly managed and minimised wherever possible, bearing in mind the objective of always acting in clients’ best interests.

This policy defines EDM’s sustainable and responsible investment (SRI) approach and outlines the criteria considered in the integration of ESG variables in the investment analysis and decision-making process. It also incorporates relevant aspects within SRI and as part of its fiduciary duty, such as the exercise of voting rights and engagement which, in turn, are developed in detail in the corresponding Engagement Policy available on the website.

## 2. General Policy Principles

The principles listed below are intended to guide EDM’s approach to integrating ESG risks into investment decision-making for asset management. These principles are as follows:

- ✓ Incorporate ESG issues into investment analysis and decision-making processes.
- ✓ Promote transparent disclosure of ESG issues involving EDM investments.
- ✓ Long-term outlook in the performance of its activity, compliance with regulations and adherence to the most recent recommendations on sustainability and consideration of ESG criteria within the business.
- ✓ Adaptation and development of policies, procedures and control systems that support the consideration and integration of ESG risks in investment decision-making and advice.
- ✓ Compliance with and adequate management of the risks to which the Management Company is exposed, including ESG risks.
- ✓ Report on EDM's activity and progress in implementing the Principles for Responsible Investment.

### 2.1 Integration of ESG criteria at EDM

- **Integrated investment team**  
At EDM we are known for having an integrated investment team. We have a dedicated ESG SRI team that is responsible for developing and implementing our own ESG analysis methodology. Fund managers and investment analysts are responsible for analysing ESG metrics in order to integrate them into investment analysis and decisions.
- **Conclusions drawn from the analysis**  
To be considered fit, investment teams must engage in dialogue about ESG risks and opportunities with the objective of proposing meaningful conclusions derived from the analysis or processing of data.
- **Involvement in portfolio management**  
Likewise, in order to keep the models up to date, the portfolio is reviewed annually, once the companies' annual reports have been published. This review process includes monitoring the ESG profiles of investees to keep abreast of ESG risk levels and the evolution of quantitative and/or qualitative variables defined in the internal process. In this way, portfolios can be adjusted to avoid a high level of ESG risk.

### 2.2 Grading criteria

EDM carries out an ESG assessment of the different assets in which it invests, allowing a broader view of the sustainability risks and opportunities they present.

There are various criteria or rating levels, within socially responsible investment strategies, which can be applied exclusively or jointly.

- **Negative/exclusion criteria.** This is the first level of grading. At EDM we have internally established exclusion criteria by sector/activity. Companies whose core business is the manufacture of controversial weapons, gambling or pornography are excluded from the investment universe and therefore cannot be included in the fund portfolios.
- **Evaluation criteria.** These are criteria that help the manager to invest in companies that contribute positively to the development of the ESG ideology. They include:

- Integration of ESG factors. Incorporation of ESG criteria into traditional financial analysis. This is the assessment of investment portfolios against social, environmental and corporate governance criteria, explicitly including ESG considerations in traditional financial analysis. ESG factors are taken into account in company presentations and monitoring. They are specifically addressed in the monitoring meetings for the different teams' companies. This analysis results in an internal ESG rating for each issuer.
- Voting and engagement activities that complement the integration of ESG criteria. The process behind these activities is described further in the following section.

The ESG assessment of companies takes into account the impact of ESG criteria on investments, as well as the impact of investments on sustainability factors. This assessment comprises general analysis criteria – common to all sectors – and specific criteria – depending on the specific sector.

Summary table of analysis application

Summary table of analysis application			All EDM products	SRI products
Exclusive analysis	Exclusion by activity	Exclusions arising from EDM policies in sensitive sectors.	✓	✓
	Other exclusions	Possible exclusions arising from the analysis of controversies and exclusions linked to specific SRI products.		✓
Evaluative analysis	ESG assessment	Analysis of issuers' performance in relation to different environmental, social and corporate governance criteria. Obtaining an internal score for each issuer.		✓
	Best-in-class analysis	Analysis that seeks to identify issuers with the best ESG performance.		✓
	Engagement	Active dialogue with management team or relationship with investors.	✓	✓
	Voting	Participation in General Shareholders' Meetings through voting or attendance.		✓
	Principal adverse impacts (PAIs)	Principal adverse impacts are identified and monitored in the investment decision-making process, in accordance with the Management Company's criteria.		✓

In the case of third-party funds, EDM engages with fund managers to assess their alignment with EDM's SRI approach.

An ESG rating is applied to all fixed income and equity issuers and is integrated with financial information so that data on the sustainability risks of assets can be assessed as part of investment decision-making processes.

### 2.3. Quality of ESG analysis

At EDM the two previous criteria (Exclusion and Assessment) are combined. We believe that this system is one of the **most effective in reducing risk, improving long-term profitability and driving positive change.**

In terms of engagement policy, we focus primarily on the following aspects essential to our role as responsible investors: obtaining information useful for rating companies in ESG terms, influencing the behaviour of the companies in which we invest, voting at general meetings (according to internal procedures) and engaging in prior dialogue in order to help them improve their practices.

EDM has its own engagement policy which regulates when voting rights must be exercised and defines EDM's approach to engagement with the companies in which it invests.

In order to assess the quality of the analysis and its ability to contribute to and inform the best investment decisions, EDM will take into account the following parameters:

- Ongoing review of portfolio companies
- At each annual preview/presentation of results, the analyst will conduct an analysis of the prescribed ESG criteria
- Maintain dialogue with companies (at least with the Investor Relations and/or Top Management team) in order to obtain/confirm data, as well as help and require companies to raise the bar on ESG issues
- Attend shareholder meetings and exercise voting rights as a shareholder in order to encourage active participation and align long-term objectives (as per EDM's Political Rights Procedure).

### 2.4. Investment policy criteria. Our ESG analysis model

- **Department concerned**  
Investment Department
- **ESG Team**  
Mariona Selva (Research Analyst & Fund Manager)  
Ignacio Hosta (Research Analyst)

**Responsible for** overseeing the ESG analysis of all EDM assets, as well as the development and update of methodologies and tools for this analysis. This team is also responsible for

developing and updating EDM's SRI policies, and actively monitors and participates in voting and engagement activities.

- **Monitoring Officers**

Adolfo Monclús (Head of Asset Management)

Ricardo Vidal (Chief Investment Officer)

In addition, there are SRI reporting lines to the EDM and Wealth Management governance bodies (senior management), which are responsible for approving and supervising compliance with the SRI strategy.

- **Voting and engagement**

EDM monitors the companies in which it invests in order to protect its clients' interests, promote long-term value creation, manage risks and promote good corporate governance. It therefore conducts engagement activities (voting and dialogue) which are underpinned by specific policies to this effect.

Voting. EDM's engagement policy sets out the guidelines to be considered in the voting process at investee companies' general (ordinary or extraordinary) shareholders' meetings. The policy is aligned with applicable legislation and voluntary codes that promote best practice and is consistent with the respective objectives of each portfolio. EDM aims to exercise its voting rights wherever possible and the information necessary to instruct the vote comes mainly from internal analysis.

Engagement (dialogue). Through dialogue and engagement with investee companies, EDM seeks to deepen its understanding of the companies' business models, risks and opportunities and to promote change in order to improve the strategies, management and reporting of environmental, social and governance issues for each company, which helps to protect the value of EDM's investments.

EDM combines the insights of the investment management teams with those of the ESG team to form a consensus view for its dialogue activities, which may be conducted bilaterally between EDM and companies or collectively through participation in collaborative engagement initiatives.

The engagement policy provides EDM's basis for these dialogue activities based on those aspects that are most relevant and have the greatest impact on asset value.

- **Transparency**

EDM seeks transparent disclosure of ESG issues by the companies in which we invest. Meanwhile, responsible investment involves being transparent about how EDM incorporates ESG aspects into its investment decisions. EDM is committed to promoting transparency so that all its stakeholders receive information on its sustainable and responsible investment management. To this end, it promotes the continuous improvement of reporting systems to enhance information on the incorporation of ESG criteria in investment processes, as well as in voting and engagement activities.



The client reporting policy is based on three pillars:

- Gathering information on the ESG performance of our securities universe.
- Assessment and monitoring of relevant ESG performance indicators and whether there is strict compliance with the requirements arising from adherence to voluntary initiatives or standards.
- The periodic information that clients receive on EDM's SRI products includes information on ESG analysis whenever deemed appropriate, always in compliance with applicable regulatory requirements.

#### 2.5. Assessment of principal adverse impacts (PAIs)

Funds with environmental and/or social features take into consideration the adverse impacts of investment decisions on sustainability factors (PAIs) according to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector (Disclosure Regulation). Detailed in the "Statement regarding principle adverse impacts on sustainability" [Responsible investment | EDM](#)

## 3. Policy Review and Assessment

This Socially Responsible Investment Policy was initially approved by the EDM Board of Directors on 22 July 2020, as recorded in the Board Minutes.

At least annually, the Investment Department (ESG team) and the Compliance Unit will review:

- (i) The content of the Policy and its compliance with regulatory requirements,
- (ii) The effectiveness of the measures adopted in the Policy
- (iii) Analysis, monitoring by the Investment Department.

The content of this policy involves a process of continuous improvement which will be reflected in periodic reviews of this document in parallel with the development and implementation of new ESG risk management principles and models.

In this context, the ESG team is responsible for reviewing this policy to ensure its alignment with European regulations and best practices in this area, as well as for reporting any revision or amendment of this policy so that it can be properly implemented.