

# 22.6 Pre-contractual disclosure for the financial products EDM International – Inversion/Spanish Equity

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 – Inversion/Spanish Equity (the “Sub-Fund”)

Legal entity identifier: 549300YL3W3O5541F039

## Environmental and/or social characteristics

**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.

Does this financial product have a sustainable investment objective	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="radio"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="radio"/> No
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective:</b> ____% <ul style="list-style-type: none"> <li><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> </ul>	<input checked="" type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of <span style="border: 1px solid red; padding: 2px;">10%</span> sustainable investments <ul style="list-style-type: none"> <li><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input checked="" type="checkbox"/> with a social objective</li> </ul>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective:</b> ____%	It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



### 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 will promote E/S characteristics by including ESG considerations in securities analysis and portfolio construction. At least 50% of the Sub-Fund’s assets will be dedicated to the promotion of these aspects following the strategy described along the document.

The Sub-Fund promotes certain minimum environmental and social safeguards through applying exclusion criteria with regards to products and business practices that EDM believes

are detrimental to society and incompatible with sustainable investment strategies, such as gambling, adult entertainment and the manufacture and delivery of controversial weaponry.

EDM has put in place an ESG scoring process based on its own proprietary analysis to measure sustainability indicators and the specific risks that an investment company could address.

An ESG score is determined for each issuer based on specific metrics within ESG factors. The weights applied to the ESG factors to arrive to the overall ESG score will depend on the economic sector the company operates in.

The Sub-Fund limits investing in companies with an elevated sustainability risk based on ESG risk scores whereas all such investments require separate approval of a dedicated committee that oversees that all investments are substantiated and eligible based on a fundamental review on the sustainability risk.

EDM also follows engagement processes coupled with controversies analysis to ensure the promotion of these E/S characteristics and to prevent E/S damaging events and, in the case of past events, the Sub-Fund reviews the measures taken to repair the damage and avoid another event. Additionally, the Sub-Fund will maintain a minimum proportion of 10% of sustainable investments, which will comply with the Do Not Significant Harm (DNSH) principle and good governance practices.

No reference benchmark has been designated to attain the environmental and social characteristics promoted.

● ***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 E/S characteristics promoted by this Sub-Fund, the investment manager considers various sustainability and ESG metrics. Key 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. The threshold is when it accounts more than 10% of total revenues.
2. The percentage of the portfolio with an ESG score >50. This is the minimum required ESG score established for a company to be included in the investment universe of the Sub-Fund.
3. The number of companies that are in violation of the UNGC or OECD guidelines for Multinational Enterprises.
4. The percentage of holdings with an elevated sustainability risk profile.

These metrics are sourced directly by the investment team or from external ESG data providers.

All holdings in the Sub-Fund must comply with its ESG policies unless they fall outside of the scope of those policies (for example cash or cash equivalent holdings).

The investment manager seeks to ensure that in the case of a passive breach is presented to the Risk and Sustainability Committee for assessment. An engagement process is followed to

assess the severity and any actions that might be taken. Finally, if after the engagement process controversies or the exposure to controversial activities are still relevant for the Committee, the investment is excluded from the investment universe of the Sub-Fund.

- ***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?***

While the Sub-Fund does not have sustainable investment as its objective, it will invest at least 10% of its assets in sustainable investments which contribute to environmental and/or social objectives.

To qualify as a sustainable investment, an investee company must contribute to environmental and/or social objectives, must not significantly harm any of those objectives and must operate good governance practices.

Environmental objectives include (i) climate change mitigation, (ii) climate change adaptation, (iii) sustainable use and protection of water and marine resources, (iv) transition to a circular economy, (v) pollution prevention and control, and (vi) the protection and restoration of biodiversity and ecosystems.

Social objectives include (i) the promotion of gender diversity, (ii) the provision of decent working conditions, and (iii) sustainable communities and societies.

The Investment Manager will use proprietary analysis and rely on internal and external sources to identify companies which it considers contribute to one or more of these environmental and/or social objectives.

As part of this identification, the Investment Manager will only consider investee companies that fulfil at least one of the criteria listed below in order to contribute to an environmental or social objective:

1. **PAI contribution:** we consider as contributing to social or environmental objectives if there is a positive contribution through relative performance on PAIs (at least 2 PAIs in the top quartile).
2. **Sustainable Revenue alignment** with Sustainable Development Goals (SDGs): Companies with revenue that aligns the Sustainable Development Goals are considered to contribute to sustainable objectives (at least 20% UN SDGs revenue alignment).
3. **EU Taxonomy Alignment:** Companies with Taxonomy aligned revenue are considered to contribute to sustainable objectives (higher than 0% alignment).

- ***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?***

The Sub-Fund will justify not causing significant harm to any environmental or social sustainable investment objectives by considering the principal adverse impacts on sustainability factors under Appendix 1 of the RTS Regulation (2022/1288).

This process will be carried out during the investment selection process. This analysis is done

**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.

using information from the ESG data provider.

- *How have the indicators for adverse impacts on sustainability factors been taken into account?*

EDM sets out its approach to identifying and prioritizing principal adverse impact, and how principal adverse impacts are considered as part of EDM's investment due diligence process and procedures relating to research and analysis, exclusions and restrictions and/or voting and engagement. For sustainable investments, the PAI indicators have been taken into account by ensuring that the investments do no significant harm to any environmental or social objective.

- *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Sub-Fund will follow the alignment of its investments with the OECD Guidelines for Multinational Enterprises or the UN Guiding Principles on Business and Human Rights. In order to do this, the Sub-Fund will use indicators provided by the ESG data provider. The information obtained from the ESG data provider is complemented with active dialogue with the investee companies to obtain an in-depth understanding of their governance.

Company controversies and violations of international norms are also reviewed and monitored before classifying an investee company as a sustainable investment. Where the Investment Manager's assessment concludes that an investee company does not align with these Guidelines and Principles it will not be considered a sustainable investment.

*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 principal adverse impacts on sustainability factors as referred to in Annex I of the SFDR Delegated Regulation.

These impacts are considered by analysing the evolution of the “mandatory” indicators established in Appendix 1, Table 1 and any relevant ones from Tables 2 and 3 (such as the companies with a policy to reduce carbon emissions) of the RTS regulation (2022/1288).

The Investment Manager uses external data where available and may rely on information directly from the company or its own research and knowledge of the relevant industry or sector to assess the 14 mandatory principal adverse impact indicators. The Investment Manager updates information on the indicators on a regular basis in order to monitor for any changes in its initial assessment. Environmental, social and governance-related harm identified may be mitigated through exclusion policies, engagement with investee companies, voting and advocacy.

More information regarding the principal adverse impacts on sustainability factors can be found in the 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 invests more than 75% of its total exposure in equity assets and 90% of the equity will be invested in equity in Spanish markets and assets from Spanish issuers listed in other markets across all capitalizations and sectors.

The Investment Manager incorporates ESG considerations in the selection of investments by applying exclusion lists on a pre-investment and ongoing basis.

The Sub-Fund applies the Responsible Investment policy to exclude investment in companies with negative social and environmental characteristics and invests in companies that have an ESG score >50 using its proprietary ESG scoring tool.

The environmental or social characteristics and the sustainability indicators are monitored on a regular basis as part of the investment process.

Following the initial investment, the environmental or social characteristics continue to be monitored by the Investment Manager in order to update the initial ESG assessment, identify alerts and controversies and to carry out engagement with the company on ESG areas identified for improvement.

Specifically, to evaluate the sustainability performance of the investments, EDM assesses the following aspects:

- Environmental criteria: companies' environmental policies and carbon emission controls.
- Social criteria: companies' social policies, the percentage of female board members, efforts to eradicate child labour in the retail sector, risks derived from the sustainability practices of suppliers, etc.
- Good governance criteria: annual monitoring of the number of board members, percentage of independent board members, compliance with UNGC Principles and OECD Guidelines and codes of ethics and conduct.

From this information an ESG ranking is obtained (from 0 to 100) that serves as a reference when investing. Only those assets with a score  $\geq 50$  will be directly eligible for investment.

Additionally, any relevant controversial cases identified through the process described in previous sections will be presented to the Risk and Sustainability Committee, which will be responsible for making a decision relative to these investments. If the Committee considers this situation to be relevant, an engagement process is followed in order to assess the severity and any actions that need to be taken regarding the situation. Finally, if after the engagement process controversies are still relevant for the Committee, the investment is excluded from the investment universe of the Sub-Fund.

● ***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 binding elements of the investment strategy are:

1. The Fund's portfolio complies with EDM's exclusion policy, that is based on exclusion criteria with regards to products and business practices that EDM believes are detrimental to society and incompatible with sustainable investment strategies.
2. The Fund avoids investment in companies that are in breach of UNGC or OECD Guidelines for Multinational Enterprises. Companies that suddenly fail to comply with international norms will need an in-depth analysis and presented to the Sustainability Committee to make a final decision.
3. All equity holdings have a granted right to vote according to EDM's Involvement Policy, unless impediments occur (e.g. share blocking or when not consider cost efficient). EDM's Involvement Policy can be found at <https://www.edm.es/en/esg/nuestras-politicas/?pagina=k93pi5>

Investments with an elevated sustainability risk are defined by EDM as companies with an ESG score below 50. The Fund avoids investments with an ESG score below 50 according to our internal methodology otherwise requires separate approval by the Sustainability Committee, compliance and risk management that oversees the bottom-up sustainability analysis.

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

The Fund does not commit to a minimum rate to reduce the scope of investments prior to the application of the investment strategy.

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

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

EDM engages in active dialogue with investee companies to monitor their ESG risk management and ensure their good governance. The Investment team engages with the investee companies through onsite visits, conferences, meetings, and a policy of active dialogue with CEOs, CFOs, and investor relations to monitor the businesses. During these engagements, any good governance issues as well as other issues will be raised and discussed during governance calls, members of EDM Gestion, S.A.U., S.G.I.I.C.' investment team discuss with companies planned governance changes, upcoming proxies and ESG-related risks.

EDM will analyse annually metrics such as:

1. Minimum percentage of independent members in the board of directors: 30%.
2. Existence of a remuneration policy with sustainability considerations.
3. Compliance with UNGC and OECD guidelines.
4. Code of ethics and conduct to mitigate reputational risk.

EDM believes exercising the right to vote gives companies the opportunity to consider and respect governance, the environment, and best social practices. EDM will exercise the right to vote whenever possible, provided the relevant ESG criteria in the SRI policies and in the acquired commitments are met.



**Asset allocation** describes the share of investments in specific assets.

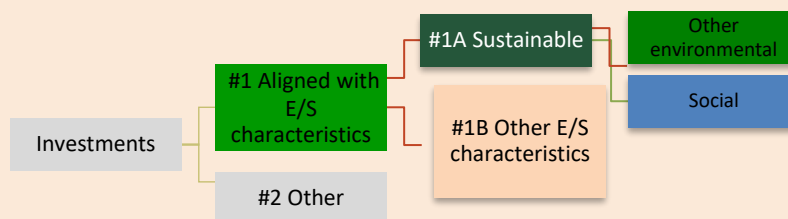
#### **What is the asset allocation planned for this financial product?**

At least 50% of the investments are used to meet the environmental and social characteristics promoted. This includes minimum 10% of sustainable investments. Up to 50% of assets may not be aligned with the environmental or social characteristics.

The Fund is primarily invested in direct holdings of listed equities. The planned asset allocation is monitored and evaluated on a yearly basis.

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.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

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

The Fund does not make use of derivatives to attain the environmental or social characteristics promoted by the financial product.



### **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 any “sustainable investment” within the meaning of the Taxonomy Regulation, but only within the meaning of the SFDR regulation.

It cannot be excluded that among the Sub-Fund's holdings certain investments are Taxonomy aligned. The Sub-Fund will report on Taxonomy-aligned investment in the periodic disclosures. The position will be kept under review as the underlying rules are finalised and the availability of reliable data increases over time. EDM currently relies on third-party data, including data in relation to companies that do not disclose on the EU Taxonomy alignment of their activities.



- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>7</sup>?

☐ Yes:

☐ In fossil gas

☐ In nuclear energy

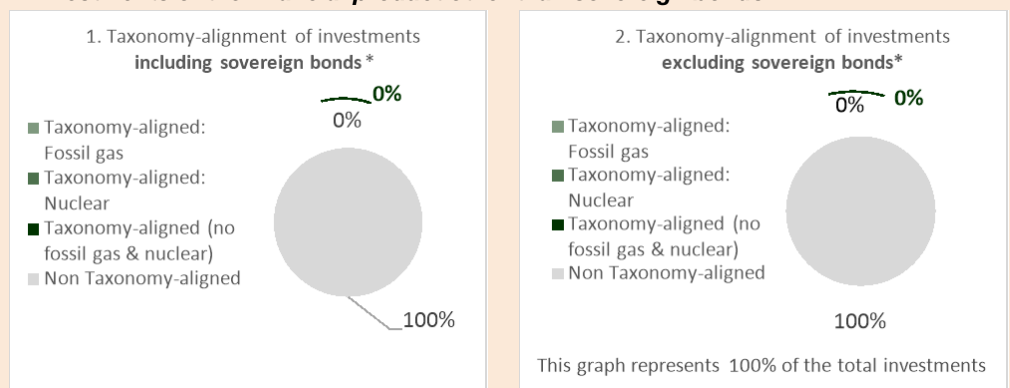
☒ No

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.

*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.*



\* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

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

As the Sub-Fund does not commit to invest any "sustainable investment" within the meaning of the Taxonomy Regulation, the minimum share of investments in transitional and enabling activities within the meaning of the Taxonomy Regulation is therefore also set at 0%.

<sup>7</sup> 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 intends to make sustainable investments, to ensure that all securities defined as sustainable investments contribute to a sustainable objective and subsequently pass both Do No Significant Harm (DNSH) and Good Governance checks.

The Fund does not commit to a minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy. It only commits to an overall minimum proportion of sustainable investments that may be socially or environmentally sustainable investments.



### What is the minimum share of socially sustainable investments?

0%. The Fund does not commit to a minimum share of socially sustainable investments and only commits to an overall minimum proportion of sustainable investments that may be socially or environmentally sustainable investments



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

The type of instruments under “other investments” portion will consist of ancillary liquid assets, cash equivalent fixed-income assets, and money market assets with maturities of less than one year. These assets do not redirect capital flows toward sustainable investments, as they have no minimum environmental and/or social guarantees.



### 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-inversion-spanish-equity>