

Principal Adverse Impact Statement

1. Introduction

One of the main aims of EDM GESTION SGIIC (“EDM” or the “Management Company”) is to maximise its contribution to sustainable development by striving to ensure its activities have a positive impact. At EDM we have a fiduciary duty to act responsibly in the interests of our clients.

EDM applies socially responsible investment criteria when managing its investments, based on the principles for responsible investment (PRI) and transparency in management. In this context, EDM is aware that certain investment activities may cause adverse sustainability impacts and will seek to minimise these wherever possible through the environmental, social and governance (ESG) integration strategies detailed in the EDM policies available on the web page [Responsible investments | EDM](#):

- The Socially Responsible Investment (SRI) policy, which defines the principles governing the management of ESG risks and opportunities in investment decision-making, through the implementation of strategies for sectoral exclusion, as well as ESG integration and assessment for the assets we invest in and the internal methodology applied.
- The Engagement Policy, describing the principles followed by EDM in relation to ESG dialogue activities with investee companies and the exercise of voting rights with respect to listed investee companies.
- Procedures that will address specific points in the above policies.

This statement describes how we take into account our investment decisions’ principal adverse impacts on sustainability (PAIS).

Identifying and taking into account these adverse impacts allows us to mitigate them where possible, increasing the likelihood of long-term returns.

This document may be reviewed and, if necessary, amended or updated at any time, in order to adapt to any changes in the Entity’s management of sustainability risks or the applicable legislation.

2. Identification and description of the principal adverse impacts on sustainability

EDM recognises that there are a number of areas where investments can have an adverse impact (e.g. biodiversity, natural resources, human rights, etc.). EDM prioritises climate change as the main

challenge due to international consensus on the targets to be achieved, tracking alignment with the Paris Agreement and analysing commonly accepted metrics.

At EDM, we strive to manage the risk associated with potential adverse impacts on sustainability factors through ESG integration strategies, including general screening criteria, controversy assessments and our internally developed ESG scoring system.

EDM funds with environmental and/or social characteristics track several PAIS indicators:

Climate and environment-related indicators

- Total greenhouse gas (GHG) emissions
- Carbon footprint
- Carbon intensity
- Exposure to companies operating in the fossil fuel sector
- Share of non-renewable energy consumption and production
- Energy consumption intensity by high-impact climate sector
- Activities with adverse impacts in sensitive biodiversity areas
- Emissions to water
- Hazardous waste ratio

Environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery

- Violations of the principles of the UN Global Compact and the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- Lack of compliance processes and mechanisms to monitor observance of the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises
- Unadjusted gender pay gap
- Gender diversity on the board
- Exposure to controversial weapons (anti-personal mines, cluster munitions, chemical weapons and nuclear weapons)

Indicators applicable to investments in sovereign bonds

- Carbon intensity
- Countries in which investments are subject to social violations

Depending on the availability of data, our ESG team uses an internally developed monitoring system supported by external data providers in order to detect and mitigate the principal adverse impacts on sustainability arising from its activity. This procedure applies to all EDM investments and is provided to investment teams for their consideration as an additional source of information in making investment decisions. For funds with environmental and/or social characteristics and products with sustainable objectives, the analysis of the principal adverse impacts is particularly important and is a decisive factor in investment decisions.

This procedure allows for an assessment of the context, relevance and mitigation actions to be taken. To this end, EDM performs the measurement and reporting exercise based on a quantification of the indicators described above (provided by external data providers).

Issuers with a high adverse impact on several indicators are identified on the basis of data obtained from external providers or internal analysis. These issuers are subject to further assessment by our ESG team, which will present relevant cases to the Investment Risk Committee. Actions to be carried out in relation to the monitoring of PAIS indicators:

- Engagement: This may be due to several reasons, including low data coverage. The ESG team therefore initiates an engagement activity with the issuer and monitors key metrics related to the relevant PAIS.
- Exclusion: The issuer is considered ineligible for investment in our managed portfolios. It is added to our exclusion list.
- No action: Principal adverse impact indicators are acceptable and will continue to be assessed on an ongoing basis.

3. Engagement activities

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. All this is described and detailed in the EDM engagement policy [politica-de-implicacion-v1-octubre-2021-final.pdf \(edm.es\)](#).

It is therefore crucial to have adequate transparency in engagement policies and investment strategies, which can have a positive effect on investor awareness, enabling beneficial owners to optimise their investment decisions, thus facilitating appropriate dialogue between companies and their shareholders and thereby fostering shareholder engagement, improving performance and the sustainability profile of the companies in question.

Engagement and voting activities are key for detecting potential adverse impacts on sustainability, as well as establishing escalation processes in the event of insufficient response on the part of the companies.

Engagement and voting

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

4. Consideration of principal adverse impacts on sustainability for sustainable products

Assessing principal adverse impacts is important for managing sustainable and responsible investment products. In addition to the above, with these sustainable EDM products impacts are monitored more thoroughly and exclusion criteria are applied to certain sectors, while possible controversies are also assessed and monitored in relation to evaluated companies, as these could lead to significant impacts resulting from non-compliance with regulations/standards.

The exclusion criteria for sectors/activities give rise to lists of banned companies that are built in to our management tools, meaning investments in these companies are not permitted. The process is monitored by the compliance teams, who ensure it is correctly implemented.

To identify controversies the investment team analyses and discusses them, while also determining the action plan to be followed, which usually involves monitoring through data providers. If after a certain period of time no adequate response from the company has been obtained, a decision may be taken to divest from the company.

Products with ESG features implement strategies that allow managers to have a more complete view of the assets in which they invest. We incorporate the integration of ESG factors into our internal process, complemented by Best-in-class strategies,

Measurement of principal adverse impacts is primarily based on data obtained from external providers. EDM is committed to ongoing work to align with current regulations, in terms of identifying and applying due diligence to minimise the principal adverse impacts of its investments. This requires continuous monitoring of regulatory developments, adaptation of procedures and policies, as well as the technical capacity to integrate this into investment processes.