

## 22.7 Pre-contractual disclosure for the financial products EDM International – Latin American Equity Fund<sup>12</sup>

Template 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 - Latin American Equity Fund (the “Sub-Fund”) **Legal entity identifier:** 549300N0AOCZ3PV7DH26

### 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?	
●● Yes	●●✘ 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 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 ___% of 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 type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><input 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>	<input checked="" type="checkbox"/> 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?

The Sub-Fund promotes environmental and social characteristics by selecting financial securities on the basis of an ESG scoring methodology and of exclusion criteria. Furthermore, the Investment Manager will also actively engage with investee companies. Details on all three of these elements are provided under the “strategy” section further along this document.

<sup>12</sup> This “Annex ESG – EDM International – Latin American Equity Fund” has to be considered as part of this Prospectus as from 22 February 2023.

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

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

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

The following sustainability indicators are used to measure the attainment of the environmental and social characteristics promoted by the Sub-Fund:

- The share of investments in companies falling under the scope of the exclusion criteria;
- The share of investments in companies having a lower ESG score than 10 [from 0 to 100];
- The share of investments for which an active engagement process has been undertaken.

- ***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,

EDM engages in active dialogue with the companies in which it invests to monitor the indicators it considers relevant and obtain an in-depth understanding of their policies regarding ESG and how these companies intend to address the evolution of the PAIs, if needed.

According to an established procedure, EDM also exercises its right to vote in investee companies. EDM considers this right fundamental to ensure the proper management, not only of financial matters, but of environmental, social, and governance aspects as well.

Among the additional indicators cited in Annex 1, Table 1 of the RTS regulation (2022/1288), this Sub-Fund takes into account the indicator on GHG emission through favouring companies with polices to reduce carbon emissions.

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 promotes environmental and social characteristics by selecting financial securities on the basis of an ESG scoring methodology and of exclusion criteria. Furthermore, the Investment Manager will also actively engage with investee companies.

All potential investments go through the ESG Scoring Process and the ESG due diligence questionnaire to measure the issuer's attainment of environmental and social characteristics promoted by the Sub-Fund, while ensuring that the issuer follows good governance practices. Both individual assets or a portfolio of assets can be assessed through this process depending on the potential investment and its structure.

In particular, the following indicators are assessed through the questionnaire and the ESG Scoring Process:

### ENVIRONMENTAL INDICATORS

- Energy & Carbon:
  - Weighted Average Carbon Intensity: It measures the Sub-Fund's exposure to carbon intensive companies. The figure is the sum of security weight (normalized for corporate positions only) multiplied by the security Carbon Intensity. At the issuer level, Carbon Intensity is the ratio of annual scope 1 and 2 carbon emissions to annual revenue. The result is categorized as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525), and Very High (>=525).
  - Fossil Fuel Reserves (%): The percentage of portfolio's market value exposed to companies that own fossil fuel reserves.

- High Impact Fossil Fuel Reserves (%): The percentage of portfolio's market value exposed to companies that own high impact fossil fuel reserves. High impact fossil fuel reserves include Thermal Coal, Oil Sands, Shale Oil and Shale Gas.
- Water use and consumption:
  - Exposure to High Water Intensity Activities (%): The percentage of portfolio's market value exposed to companies with operations in lines of business that are typically highly water intensive.
  - Exposure to High Water Risk (%): The percentage of portfolio's market value exposed to companies with a Water Stress Exposure Score > 6.6. Scores combine the geographic and business segment components and range from 0 to 10.

#### SOCIAL INDICATORS

- Respect of UN Global Compact Principles
  - Global Compact Compliance Violation (%): The percentage of portfolio's market value exposed to companies in violation of the UN Global Compact principles.
  - Global Compact Compliance Violation or Watch List (%): The percentage of portfolio's market value exposed to companies in violation of the UN Global Compact principles, or on MSCI's "Watch List" for potential violations.
- Respect of Human Rights Norms
  - Human Rights Norms Violation (%): The percentage of portfolio's market value exposed to companies in violation of international norms around human rights.
  - Human Rights Norms Violation or Watch List (%): The percentage of portfolio's market value exposed to companies in violation of international norms around human rights, or on MSCI's "Watch List" for potential violations.
- Respect of Labor Norms
  - Labor Norms Violation (%): The percentage of portfolio's market value exposed to companies in violation of the International Labour Organization's broader set of labor standards.
  - Labor Norms Violation or Watch List (%): The percentage of portfolio's market value exposed to companies in violation of the International Labour Organization's broader set of labor standards, or on MSCI's "Watch List" for potential violations.

By applying these indicators, an overall ESG Score is determined. The ESG score of the Compartment results from the weighted average of the ESG scores of each company in the portfolio. The ESG score of each company is based on MSCI's methodology, which assesses the availability and quality of a set of the sustainability indicators listed above for each company and weights them based on the industry it operates according to a materiality analysis for each sector.

Moreover, the Sub-Fund reviews the commitment of the companies to prevent environmental damaging events and, in the case of past events, the measures taken to repair the damage and avoid another event.

On a continuous basis (and at least annually), the Sub-Fund will assess the compliance of the investment with the ESG score and report the evolution and any change thereof in the annual report against such score. The Investment Manager shall actively engage with the underlying issuers in maintaining and improving the ESG score by ensuring promotion of the environmental and social characteristics identified as being relevant to such issuer. The non-compliance by the

issuer with the requirements imposed to it, the loss of the ESG Score and the non-attainment of the ESG objectives will lead to the divestment of the Sub-Fund from such issuer.

Finally, the Investment Manager will exclude from the investment universe, any company that is deemed to be involved in a multitude industries such as tobacco, controversial weapons, spirits, adult entertainment industry or gambling. Additionally, companies that generate more than 30% of their revenues from from coal fired power or from thermal coal mining, will equivalently be excluded from the Sub-Fund's investable universe.

● ***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?***

At due diligence, the Investment Manager applies with respect to the Sub-Fund the following Exclusion Criteria:

- Energy & Carbon:
  - Coal fired power generation: 30% exclusion threshold (% of the energy mix);
  - Thermal coal mining: 30% exclusion threshold (% of the energy mix).
- Respect of UN Global Compact principles/Respect of Human Rights Norms/Respect of Labor Norms. It excludes investments in companies whose activity (percentage threshold per activity based on total revenue) involves the the following goods and/or services:
  - Military Armament - Controversial weapons – 5%
  - Tobacco – 5%
  - Spirits – 60%
  - Civilian firearms – 5%
  - Adult entertainment – 5%
  - Gambling – 5%

On top of the exclusions, the Investment Manager will make use of the following binding elements to select the investments in order to attain each of the environmental or social characteristics promoted by the Sub-Fund:

- The Sub-Fund will not invest in companies that fall under the scope of the exclusion criteria;
- The Sub-Fund will not invest in companies that have a lower ESG score than 10 [from 0 to 100];
- The Sub-Fund will actively engage with investee companies.

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

Not applicable.

**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?**

The ESG questionnaire used by the Sub-Fund includes a section where questions on good governance are included and these scores impact the scoring for assessment of whether to proceed with making an investment in the issuer. The questionnaire covers the following good governance practices:

- **Board Flag (%)**: The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of board structure and effectiveness.
- **Lack of Independent Board Majority (%)**: The percentage of portfolio's market value exposed to companies lacking an independent board majority.
- **No Female Directors (%)**: The percentage of portfolio's market value exposed to companies with no female directors.
- **Female Represent 30% of Directors (%)**: The percentage of portfolio's market value exposed to companies where women comprise at least 30% of the board of directors
- **Ownership and Control Flag (%)**: The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of ownership structure and risks.
- **Pay Flag (%)**: The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of executive pay practices.
- **No Pay Performance Link (%)**: The percentage of portfolio's market value exposed to companies flagged for executive pay /performance gaps.
- **Lack of Internal Pay Equity (%)**: The percentage of portfolio's market value exposed to companies facing a lack of internal pay equity.
- **Executive Pay Non-Disclosure (%)**: The percentage of portfolio's market value exposed to companies flagged for executive pay non-disclosure.
- **Accounting Flag (%)**: The percentage of portfolio's market value exposed to companies ranking "below average" relative to global peers on MSCI's assessment of accounting aggressiveness.



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

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

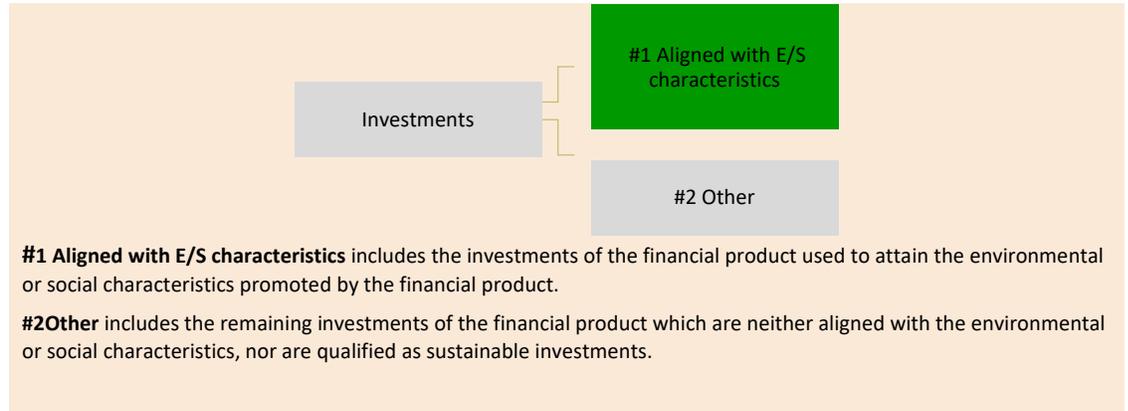
The Sub-Fund expects to allocate a minimum of 80% of its assets to investments adjusted to environmental and/or social aspects. The remaining 20% will consist primarily of cash amount for liquidity purposes that does not consider environmental and social safeguards.

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.

**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.



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

Not applicable

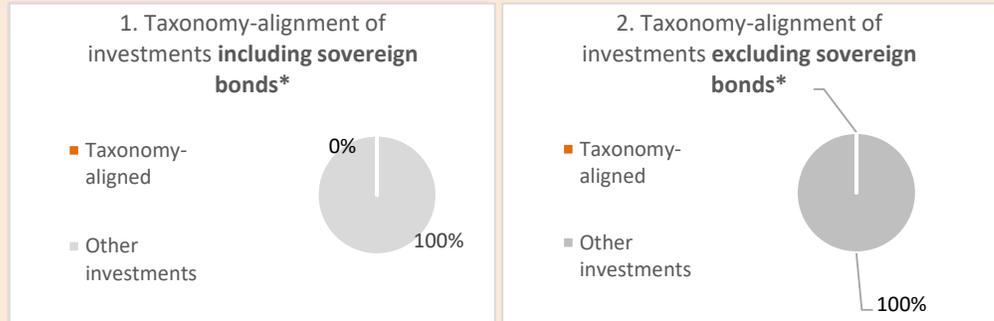


**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Sub-Fund does not currently commit to invest in any sustainable investment within the meaning of the EU Taxonomy. However, the position will be kept under review as the underlying rules are finalized and the availability of reliable data increases over time.

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

*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 EU Taxonomy, the minimum share of investments in transitional and enabling activities within the meaning of the EU Taxonomy is therefore also set at 0%.



**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” will consist primarily of cash amount for liquidity purposes that does not consider environmental and social safeguards.



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-latin-american-equity-fund-class-r/>