

## 22.3 Pre-contractual disclosure for the financial products EDM International – Sustainable Global Equity Fund

**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.

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 – Sustainable Global Equity Fund (the “Sub-Fund”)

**Legal entity identifier:** 549300NA0YVM2ZSGM538

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? <span style="color: red;">!</span>	
<span style="color: green;">● ●</span> Yes	<span style="color: green;">●</span> <span style="color: white;">●</span> <span style="color: red;">✗</span> 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 will make a minimum of <b>sustainable investments with a social objective: ____%</b>	<span style="color: red;">✗</span> 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 <span style="border: 1px solid red; padding: 2px;">50</span> % 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><span style="color: red;">✗</span> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</li> <li><span style="color: red;">✗</span> with a social objective</li> </ul> <p>It promotes E/S characteristics, but <b>will not make any sustainable investments</b></p>



### 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, 80% of the Sub-Fund’s assets will be dedicated to the promotion of these aspects.

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 a weighted average of 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 50% of sustainable investments, which will comply with the Do Not Significant Harm (DNSH) principle and good governance practices.

There is no reference benchmark designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

● ***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.
- 2) Compliance with UNGC or OECD guidelines for Multinational enterprises.
- 3) The percentage of the portfolio with an ESG score >50. A minimum ESG score of 50 is required for a company to be included in the investment universe of the Sub-Fund.
- 4) The percentage of the Portfolio which aligns to its key sustainability themes.
- 5) Held companies' revenue alignment with the targets which underpin the Sustainable Development Goals (SDGs).

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 Sustainability and Risk 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?***

EDM states that sustainable investments are those made in economic activities that contribute to environmental and social objectives, do not significantly harm other objectives, and investee companies should follow good governance practices.

Investment decisions will be based on company-specific research and financial analysis (such as valuation, strength of earnings, quality of balance sheet, cashflow trends) to identify and select the investments that, in the opinion of the Investment Manager, have the potential to produce attractive long term returns across “Impact Themes” which are mapped to the UN SDGs.

The Sub-Fund will aim to diversify its investments across companies that have an impact on people and the planet across themes including, but not limited to, financial and digital inclusion, health and well-being, efficiency, electrification and digitalisation, green energy, innovation, materials, water and waste.

To qualify as a sustainable investment, an investee company must contribute to one or more of the following 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) Health and well-being, (ii) gender diversity and reduced inequalities, (iii) promotion of sustainable economic growth

The sustainable investments aim to contribute to a range of environmental and/or social objectives which may include but are not limited to, renewable energy, energy efficiency, materials, waste, water, sustainable infrastructure, technological innovation and medical innovation, and the UN Sustainable Development Goals (“environmental and social objectives”).

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:

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:** 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).

To meet the necessary requirements of the EU Taxonomy an activity must comply three criteria

- Make a substantial contribution to one environmental objective
- Do not significant Harm (DNSH) to the other objectives within the EU Taxonomy framework
- Good governance - meet minimum social safeguards referenced in the SFDR regulation

In addition, the Sub-Fund must comply with ESMA thresholds to ensure that underlying investments comply with the PAB/CTB exclusion criteria by using 'sustainability'-related terms referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818.

**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?***

The Sub-Fund will justify not causing significant harm to any environmental or social sustainable investment objectives by analysing the 14 "mandatory" principal adverse impacts on sustainability factors under Appendix 1 of the RTS Regulation (2022/1288) and aligning with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. This process will be carried out during the investment selection process. This analysis is done 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).

Pre-investment, the following principal adverse impacts on sustainability factors are considered:

- Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons (PAI 14, Table 1)
- Violations of the UN Global Compact Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (PAI 10, Table 1)
- Exposure to companies active in fossil fuel sector (PAI 4, Table 1)

Via the ESG integration process, as part of the investment procedure, the following PAIs are considered:

- All indicators related to GHG emissions, as part of the required Climate Risk analysis (PAI 1-3, Table 1; PAI 4, Table 2)
- Board gender diversity (PAI 13, Table 1)

Post-investment, the following principal adverse impacts on sustainability factors are taken into account:

- All indicators related to Climate and other environmental-related indicators
- Violations of the UN Global Compact Principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- In addition, based on a yearly review, holdings of the Fund that cause adverse impact might be selected for engagement.

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.

EDM International Sustainable Global Equity Fund is an actively managed fund that invests in stocks in developed countries across the world. The selection of these stocks is based on fundamental analysis as described in the Investment policy strategy paragraph in the Investment objective paragraph of this prospectus. The strategy integrates sustainability indicators on a continuous basis as part of the stock selection process. Amongst others, the Sub-Fund applies norms-based and activity-based exclusions, good governance practices and considers Principal Adverse Impacts in the investment process.

The Sub-Fund promotes environmental and social characteristics and will additionally have a minimum proportion of sustainable investments. In addition, it takes into consideration the Principles of Responsible Investment. Due to this, it has introduced into its investment strategy ESG considerations with the objective of contributing to the sustainable objectives the Sub-fund intends to accomplish.

When selecting investments, the Sub-Fund relies on a Proprietary ESG Scoring Model that assesses the companies' environmental, social, and governance aspects. 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 OCDE Guidelines and codes of ethics and conduct.

From this information an ESG Scoring 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 the 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 Sub-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. This means that the Sub-Fund has 0% exposure to excluded activities or sectors and complies with ESMA thresholds by using 'sustainability'-related terms.
2. The Sub-Fund complies with UNGC or OECD Guidelines for Multinational Enterprises.
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>
4. 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 Sub-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. Minimum number of members in the board of directors: 12 in the case of traded companies whose market cap is >5Bn and 8 for the rest.
3. Existence of a remuneration policy aligned with sustainability considerations.
4. CSR policy aligned with sustainability objectives (metric provided by the ESG data provider).
5. Code of ethics and conduct to mitigate reputational risk (metric provided by the ESG data provider).



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.



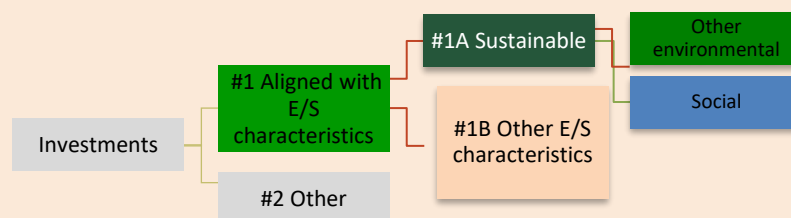
**Asset allocation** describes the share of investments in specific assets.

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

At least 80% of the investments are aligned with E/S characteristics of the Fund. The remaining 20% will consist primarily of ancillary liquid assets, cash equivalent fixed-income assets, and money market assets with maturities of less than one year. The Sub-Fund plans to make a minimum of 50% sustainable investments, measured by positive SDG alignment. 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 Sub-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?

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



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 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>4</sup>?**

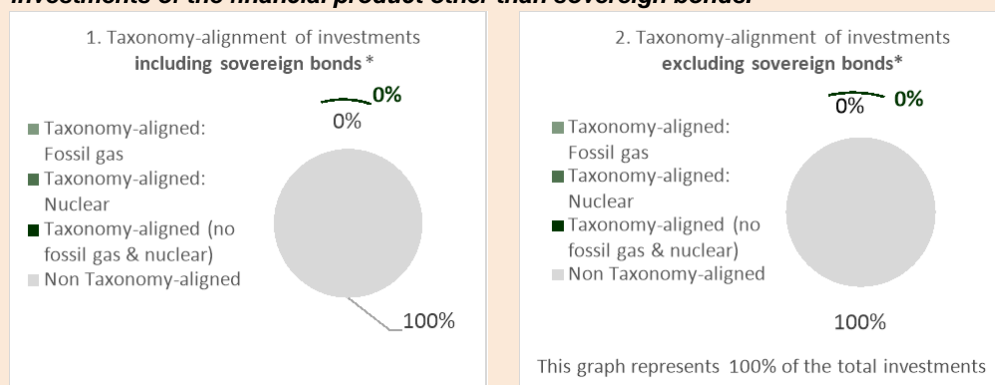
☐ Yes:

☐ In fossil gas

☐ In nuclear energy

☒ No

**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.

<sup>4</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.

● **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%.

 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.

Among those could be investments with environmental objectives that do not qualify as Taxonomy-aligned. The environmental objectives of the Sub-Fund are attained by investing in companies that have a positive alignment with SDGs (Sustainable Development Goals) – SDG 6 (Clear water and sanitation), SDG 7 (Affordable and clean energy), SDG 12 (Sustainable consumption and production), SDG 13 (Climate action), SDG 14 (Life below water).

The sum of sustainable investments with an environmental objective and socially sustainable investments always adds up to the Fund’s minimum proportion of 50% sustainable investments, we commit to a minimum share of 10% sustainable investments with an environmental objective aligned with the Fund’s investment strategy.



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

The Sub-Fund intends to make sustainable investments, the social objectives of the Sub-Fund are attained by investing in companies that have a positive alignment with SDGs (Sustainable Development Goals) – SDG 3 (Good health and well-being), SDG 5 (Gender equality), SDG 8 (Decent work and economic growth), SDG 9 (Industry, innovation and infrastructure), SDG 10 (Reduced inequalities).

While the sum of socially sustainable investments and sustainable investments with an environmental objective always adds up to the Fund’s minimum proportion of 50% sustainable investments. The minimum share of socially sustainable investments is 10%.



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

The “other investments” portion will consist of ancillary liquid assets, cash equivalent fixed-income assets, and money market assets with maturities of less than one (1) year. Because these assets do not redirect capital flows toward sustainable investments, they have no minimum environmental and/or social guarantees.

Financial instruments providing an exposure to at least one company are subject to the Paris Aligned Benchmark exclusion criteria referred to in Article 12(1)(a) to (g) of CDR (EU) 2020/1818.



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-sustainable-global-equity--fund/>