

EDM

June 2024

STATEMENT RELATING TO THE MAIN ADVERSE INCIDENTS OF
INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

EDM INTERNATIONAL-AMERICAN GROWTH

EDM GESTIÓN SA SGIIC



Table 01

Statement on principal adverse impacts of investment decisions on sustainability factors



Financial market participant

- Name: EDM INTERNATIONAL- AMERICAN GROWTH
- LEI Code: 549300YFHIEB6ER9Y680
- Constitution date: 10/01/2001

Summary

EDM INTERNATIONAL-American Growth (549300YFHIEB6ER9Y680), takes principal adverse impact statement (PAIs) into account in its investment decisions on sustainability factors. Identifying and taking into account these adverse incidents allows us to mitigate them where possible, increasing the chances of obtaining long-term returns.

This report on the main adverse impacts on sustainability factors covers data as of 31 December 2023 and is compared with data from 31 December 2022.

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 Investment | 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.



The analysis of main adverse incidents is relevant in the management of Sustainable and Responsible Investment products, which is why funds classified as Article 8 SFDR incorporate mandatory and some optional PAIs indicators into their investment strategy.

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.

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.

EDM is committed to ongoing work to align with current regulations, in terms of identifying and applying due diligence to minimize 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.

Description of the principal adverse impacts on sustainability factors

EDM recognizes that there are different areas where investments can have an adverse impact (e.g., biodiversity, natural resources, human rights, etc.). EDM prioritizes climate change as the main challenge due to the international consensus on the objectives to be achieved, monitoring the alignment with the Paris Agreement and the analysis of 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.

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.

Table 1
INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Action taken	
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1.- GHG emissions	Scope 1 GHG emissions	133,99 T CO ₂ e	109,26 T CO ₂ e	Coverage 100%. Information disclosed in relation to PIA 1 includes direct and indirect investments. Incorporated into EDM's ESG analysis	Fund classified as Article 8 SFDR. Disclosure of information and periodic review. Actions taken - Throughout 2023, the Fund has focused on the various actions to mitigate adverse impacts relating to GHG emissions. ESG procedure that applies to the fund integrates climate-related criteria such as the measurement of carbon intensity. We consider GHG emissions using a monitoring system through the ESG data provider. Integration in investment decision-making - Further embedding material climate-related risks and opportunities into the analysis of companies and the investment decision making process. Investment decisions are made in the interests of clients and take into account all financial and risk factors. PIAs do not automatically prevail over other relevant factors.
		Scope 2 GHG emissions	162,76 T CO ₂ e	91,10 T CO ₂ e		
		Scope 3 GHG emissions	8.920,4 T CO ₂ e	4.233,1 T CO ₂ e		
		Total GHG emissions	6.299,5 T CO ₂ e	4.451,8 T CO ₂ e		
	2. Carbon footprint	Carbon footprint	20,77 T CO ₂ e / EUR M invested	20,17 T CO ₂ e / EUR M invested	Coverage 100%. The total scope 1, 2 and 3 (calculated above PAI 1. GHG emissions per million EUR invested.	
	3. GHG intensity of investee companies	GHG intensity of investee companies	168,20 T CO ₂ e / EUR M revenue	169,80 T CO ₂ e / EUR M revenue	Coverage 100%. Incorporated into EDM's ESG analysis and ESG scoring model. The weighted average of investee companies' GHG intensity (scope 1, 2 and 3 GHG emissions per EUR million revenue).	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0,00%	0,00%	Coverage 100% and incorporated into EDM's ESG analysis and ESG scoring model. PAI 4 - Captures investee companies which are active in fossil fuels related activities.	

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	Consumption: 42,27%	Consumption: 46,62%	Coverage of 95,05%. Weighted average of investee companies' energy consumption and/or production from nonrenewable sources as a percentage of total energy use and/or generation.
Greenhouse gas emissions	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Total: 0,0527 GWh / EUR M revenue Sector C: 0,02827 GWh / EUR M revenue	Total: 0,0306 GWh / EUR M revenue Sector C: 0,02734 GWh / EUR M revenue	Coverage 100%. Weighted average of investee companies' energy consumption in GWh per million EUR of revenue, for companies classified within Nomenclature of Economic Activities (NACE) high impact climate sectors, including: A. Agriculture, Forestry, and Fishing, B. Mining and Quarrying; C. Manufacturing; D. Electricity, Gas, Steam, and Air Conditioning Supply, E. Water Supply, Sewerage, Waste Management, and Remediation activities, F. Construction, G. Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles, H. Transportation and Storage, L. Real Estate Activities.

<p>Biodiversity</p>		<p>Share of investments in investee companies with sites/operations located in or near to biodiversity- sensitive areas where activities of those investee companies negatively affect those areas</p>	<p>0,00%</p>	<p>0,00%</p>	<p>Coverage 100%. Captures investee companies that reported having operations in or near biodiversity sensitive areas and have been implicated in controversies with severe or very severe impacts on the environment. Data quality and coverage are not always optimal. They are not relevant data in the internal ESG analysis methodology. This assessment is based on controversy assessments as the Sustainable Finance Disclosure Regulation ("SFDR") regulation hasn't clearly defined 'negatively affecting biodiversity sensitive areas'.</p> <p>We consider biodiversity data using a monitoring system through the ESG data provider. These additional metrics assist company and ESG analysts to better assess investee companies' impact on biodiversity and their dependence on biodiversity. Data and metrics - EDM will continue to evolve its data sources to better assess biodiversity related risks and adverse impacts. EDM will continue to work on identifying further tools to better assess biodiversity risk.</p>
<p>Water</p>	<p>7. Actividades que afectan negativa- mente a zonas sensibles en cuanto a la biodiversidad</p>	<p>Tons of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average</p>	<p>0 T / EUR M invested</p>	<p>0 T / EUR M invested</p>	<p>Coverage 32,82%. Data quality and coverage are not always optimal. Currently companies don't report widely on this metric leading to a low data coverage. They are not relevant data in the internal ESG analysis methodology.</p> <p>We consider water data using a monitoring system through the ESG data provider.</p>

<p>Waste</p>	<p>7. Actividades que afectan negativa- mente a zonas sensibles en cuanto a la biodiversidad</p>	<p>Tons of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average</p>	<p>0,02 T / EUR M invested</p>	<p>0,03 T / EUR M invested</p>	<p>Coverage 100%. Data quality and coverage are not always optimal. Currently companies don't report widely on this metric leading to a low data coverage. Additionally, companies don't systematically distinguish data relating to hazardous waste and to radioactive waste. They are not relevant data in the internal ESG analysis methodology.</p>	<p>We consider waste data using a monitoring system through the ESG data provider. Actions taken - Engagement activities asking for greater transparency on waste and hazardous waste management. Actions planned - EDM will continue to participate in engagement.</p>
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Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Action taken	
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	11,06%	0,00%	Coverage 100%. Captures investee companies with severe violations of the UN Global Compact. Due to the lack of data from providers that directly address OECD guidelines, proxies have been used to assesses compliance with OECD guidelines.	EDM uses the UN Global Compact to identify and assess the responsible conduct of businesses and potential human rights violations. EDM reviews periodically companies involved in severe violations of the UN Global Compact. Action taken - When EDM identifies any company involved in violations of the UNGC a report must be presented to the Risk and Sustainability Committee in order to make a final decision. If severe violations persist without prospect for improvement, we must divest.
		Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,00%	0,00%	Coverage 100%	
		Average unadjusted gender pays gap of investee companies	5,46%	5,62%	Coverage 57,03%. Data quality and coverage are not always optimal. Currently companies don't report widely on this metric leading to a low data coverage. Additionally, companies don't report consistently on this metric (some reporting on the absolute or uncontrolled pay gap while others control for compensable factors such as role or location). They are not relevant data in the internal ESG analysis methodology.	Action taken - Diversity is one aspect of ESG criteria that ESG and company analysts examine when researching companies, because EDM believes that it is an important indicator of the potential for higher quality decision-making.

		Average ratio of female to male board members in investee companies	35,29%	34,31%	Coverage 100%. Incorporated into EDM's ESG analysis and ESG scoring model.	
Social and employee matters	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0,00%	0,00%	Coverage 100%. Negative / exclusion criteria from EDM's Socially responsible Investment Policy. Captures investee companies exposed to controversial weapons. In 2023, EDM used Clarity AI to assess companies' exposure to antipersonnel mines, cluster munitions, chemical weapons and biological weapons.	Disclosure of information and periodic review. At EDM we have established internal exclusion criteria by sector / activity. Companies whose main activity is the manufacture of controversial weapons, gambling or pornography are excluded from the Investment Universe and therefore cannot be included in the portfolios. The portfolio is reviewed on a regular basis for exposure to these sectors. Actions taken - Following its commitment to responsible investment and the integration of ESG factors, EDM has adopted an exclusion policy on controversial weapons to avoid investment in companies involved in anti-personnel mines, cluster bombs, biological/chemical weapons, depleted uranium, and nuclear weapons. Further detail on this exclusion policy can be found in the EDM's Responsible Investment Policy. Actions planned and targets for 2024 - EDM will continue to implement its exclusion policy

Adverse sustainability indicator	Metric		Impact (2023)	Impact (2022)	Explanation	Action taken
INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS						
Environmental	15. GHG intensity	GHG intensity of investee countries	N/A	N/A		The Fund makes no investments in sovereign bonds.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	N/A	N/A		

Adverse sustainability indicator	Metric		Impact (2023)	Impact (2022)	Explanation	Action taken
INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS						
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels	N/A	N/A		The Fund makes no investments in real estate assets.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A		

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

The SFDR defines Sustainability factors as environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. Principal adverse impact (PAI) is generally understood to mean the negative impact, caused by an investment decision or investment advice, on these factors. The SFDR includes a set of specific indicators that can be used to measure an issuer's or investee company's negative impact on sustainability factors, to enable identification of the principal adverse impact of investments by a financial market participant.

EDM applies socially responsible investment criteria when managing its investments, based on the principles for responsible investment (PRI) and transparency in management detailed in the Socially Responsible Investment Policy on the web page <https://www.edm.es/en/documents/politica-isr-angles.pdf> it was approved in July 2020 by the Board of Directors.

EDM funds integrate ESG analysis into decisions to ensure investments meet a minimum ESG standard and use specific processes and methodologies to identify and mitigate/manage major adverse impacts where possible. The internal ESG procedure includes exclusion criteria for certain sectors, as well as the evaluation and monitoring of possible controversies of the companies analysed that may lead to significant impacts due to non-compliance with regulations / standards and integrating the consideration of PAIs.

The exclusion criteria for sectors/activities give rise to lists of banned companies that are built into 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 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.

Selection of indicators

EDM's internal ESG analysis procedure prioritizes climate change as the main challenge due to the international consensus on the objectives to be achieved, monitoring alignment with the Paris Agreement and analyzing commonly accepted metrics.

Identification and assessment of principal adverse impacts

Depending on the availability of the data, our ESG team uses an internally developed monitoring system supported by external data providers with the aim of detecting and mitigating the main adverse impacts on sustainability derived from its activity.

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

Issuers with a high adverse incidence on several indicators are identified from data obtained from external providers or internal analysis. These issuers undergo a more thorough assessment by our ESG team, which will present the relevant cases to the Investment Risk Committee.

Actions to be carried out in relation to the monitoring of PAIS indicators:

- No action: Principal adverse impact indicators are acceptable and will continue to be assessed on an ongoing basis.
- 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. <https://www.edm.es/en/documents/informe-anual-de-voto-y-engagement-2022.pdf>
- Exclusion: The issuer is considered ineligible for investment in our managed portfolios.

Margin of error with our methodologies

The methodology for identifying the main adverse incidents is subject to the availability and quality of the data by both companies and ESG data providers. As far as possible, priority is given to the information reported by the companies themselves, contributing to improving the overall quality of the data we use in our analysis and investment processes. However, the measurement of the main adverse incidents is carried out primarily with data obtained from external suppliers.

The limitation in terms of data availability does not allow the optimal level of information on the impact of investments to be collected.

EDM is committed to continue working on alignment with current regulations regarding the identification and application of due diligence to minimize the main adverse impacts of its investments.

Engagement policies

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 <https://www.edm.es/en/documents/politica-de-implicacion-v1-octubre-2021-final-en.pdf> it was approved in October 2021 by the Board of Directors.

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.

References to international standards

UN Global Compact

References to international standards

A historical comparison of the period reported on with the previous reported period will be made as of 2024.

Table 02

Indicators related to climate change and other additional environment-related indicators

Table 2
Additional climate and other environment-related indicators

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Action taken	
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	25,51%		Coverage 100%. Captures investee companies without carbon emissions reduction targets.	Disclosure information and periodic review. Actions planned - EDM will continue to engage with companies which have not yet set decarbonisation targets and represent the largest proportion of the EDM's financed emissions.
Water, waste, and material emissions	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies	2,11%		Coverage 100%. Data quality and coverage are not always optimal. They are not relevant data in the internal ESG analysis methodology.	

Table 03

Additional indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption, and anti-bribery matters

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

Adverse sustainability indicator	Metric	Impact (2023)	Impact (2022)	Explanation	Action taken
Indicadores aplicables a las inversiones en las empresas					
Social and employee matters	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labor and forced labor)	8,09%		Disclosure information and periodic review. Actions taken - Generally, EDM expects companies it invests in to have a Code of Conduct. Actions planned - EDM will continue to encourage its investee companies to implement a supplier code of conduct.

