



BESTINVER TORDESILLAS SICAV MEGATRENDS SUB-FUND

SUSTAINABILITY INFORMATION

**PROMOTION OF ENVIRONMENTAL AND SOCIAL
CHARACTERISTICS – ARTICLE 8 (SFDR)**

BESTINVER GESTIÓN S.G.I.I.C., S.A.

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Summary

Bestinver Tordesillas SICAV - Megatrends, sub-fund of Bestinver Tordesillas SICAV, (hereinafter, the "Fund"), managed by Waystone Management Company (Lux) S.A that has delegated their management to Bestinver Gestión S.G.I.I.C, S.A. (hereinafter, "Bestinver" or the "Investment Manager"), promotes environmental or social characteristics (Article 8 of Regulation (EU) 2019/2088) by investing in companies whose activities are involved in climate change mitigation and adaptation.

The Fund builds its investment universe by identifying companies involved in, at least, one of the following themes: improvement of quality of life, digitization and automation of the economy and decarbonization of the economy. Once the investment universe has been defined, specific exclusion criteria are applied to ensure that the Fund does not invest in companies whose activities are detrimental to climate change mitigation and/or adaptation. Lastly, the investment team uses an internal proprietary methodology through which it assigns an ESG rating to each company, using for such purpose both information obtained directly by the investment team and information from first-tier external ESG data providers. This ESG rating may be Gold, Green, Amber or Red. Also, in addition to the analysis of the Fund companies' environmental and/or social indicators, the investment team takes good governance practices into account as an essential part of the ESG analysis when assigning an ESG rating to the portfolio companies.

Furthermore, Bestinver has an active ownership policy through which it regulates the Investment Manager's engagement and voting actions. The aim of this Policy is, on the one hand, to understand how ESG risks are managed and how they leverage the business opportunities associated with sustainability challenges and, on the other, to promote changes to improve, mainly, the strategy, management and/or transparency and reporting of ESG criteria.

In order to measure the degree of achievement of the environmental or social characteristics promoted by the Fund, a series of sustainability indicators are used, which will be applied at least to 50% to the Fund's investments:

- In the case of companies in which the Fund invests through its "Decarbonization of the economy" megatrend, the Fund requires that at least 30% of said companies' income be related to solutions for climate change mitigation and/or adaptation solutions.
- Additionally, the Fund applies exclusion criteria to avoid investing in companies with substantial involvement in activities considered detrimental to climate change mitigation and adaptation.
- Lastly, the Fund invests at least 50% of its exposure to equities in companies with internal ESG ratings in the Gold or Green category.

This product does not take Principal Adverse Impacts on sustainability factors into account (PAI, as defined in SFDR regulation). Bestinver considers that the information currently available in the market, both in terms of quantity and quality and standardization, prevents us from measuring the impact of our investment decisions on sustainability factors in a sufficiently rigorous manner.

In order to achieve each of the environmental or social characteristics it promotes, the Fund makes use of specific resources and external ESG data and analysis providers of renowned prestige. This enables the Fund's investment team to identify the financial and non-financial risks incurred when investing in a business. Although the Investment Manager trusts the quality of the data it works with, there could be limitations insofar as some of these ESG databases are currently in the development phase, due to which there could be modifications in the methodologies used by said external providers to calculate the data supplied.

Lastly, the due diligence procedure applied to the Fund is proportional to the risk and nature of the products in which it invests and is applied continuously and systematically in the investment and control process with the participation of both the investment managers and Risks and Regulatory Compliance teams.



No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have a sustainable investment objective.

The Fund does not assume a minimum investment commitment in sustainable investments, as defined in Article 2.17 of Regulation (EU) 2019/2088 (SFDR).

Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics by investing in companies involved in climate change mitigation and adaptation. Said promotion is carried out in three ways:

- The Fund invests in companies whose activities provide solutions aimed at climate change mitigation and/or adaptation, through the "Decarbonisation of the economy" megatrend (defined in the prospectus).
- Additionally, those other companies whose activities do not directly provide solutions aimed at climate change mitigation and/or adaptation, the Fund requires said companies to integrate climate change holistically in their strategies and operations. Thus, the Fund requires companies to implement plans to align their business activities and models with the goals of the Paris Agreement and effectively manage the risks associated with climate transition. The Fund also encourages companies to transparently and reliably disclose information on their climate footprint and progress towards the climate targets they have set.
- Lastly, the Fund applies specific exclusion criteria with the aim of avoiding investing in companies with substantial involvement in activities considered detrimental to climate change mitigation and adaptation.

Investment strategy

The Fund's investment strategy follows a thematic approach and applies ESG exclusion and integration criteria.

■ THEMATIC APPROACH

First and foremost, the Fund invests in companies exposed to trends with great long-term growth potential. In order to identify said trends and relate them to those with greater growth potential, the Fund has a three-dimensional approach (or megatrends):

- **People.** Improving quality of life and its implications for consumer habits, driven mainly by the following themes: health, knowledge, living standards and economic well-being and leisure.
- **Companies.** Companies are essential for innovation and technological progress, both considered drivers of a sustainable economy. In this connection, the digitization and automation of the economy are especially relevant, since they serve as catalysts for the progress and improvement of productivity.
- **Planet.** The greatest challenge faced by humanity is climate change. For this reason, those activities that contribute to decarbonizing the economy, the adoption of sustainable production processes and the effective management of natural resources are considered critical to the future of the planet.

Therefore, the definition of the Fund's investment universe implies identifying those companies which are involved in, at least, one of the following themes:

- Improving quality of life.
- Digitalisation and automation of the economy.
- Decarbonisation of the economy.

■ EXCLUSION CRITERIA

The Fund applies exclusion criteria to certain activities and/or sectors considered detrimental or that can cause significant damage to the environment and to society (detailed later in the document).

The exclusion criteria applied to the Fund defined in the Sustainability Appendix of the Fund Prospectus integrate additional, more stringent criteria than Bestinver's general policies, which apply to all the funds managed by Bestinver.

■ INTEGRATION OF ESG CRITERIA

Once the eligible universe is defined after selecting the companies involved in the three megatrends and after applying the Fund's exclusion criteria (defined in the Sustainability Appendix of the Fund Prospectus later in the document), the opportunities identified that are considered potential additions to the portfolio are subject to a fundamental analysis. Consequently, complementing the analysis of the financial information of the companies, the investment team evaluates their sustainable performance, in addition to the main environmental, social and good governance risks and

opportunities. In order to carry out this evaluation, the investment team uses both its own knowledge of the companies and the sectors and activities in which it operates and the information on external ESG providers of renowned prestige. The information supplied by the providers includes both specific indicators, ESG risk analyses, participation in non-sustainable activities and sectors, involvement in controversies (at both environmental and social and corporate governance level) and non-compliance with the main international Human Rights agreements (UN Global Compact, OECD guidelines, etc.).

Based on this analysis and all the information gathered by the investment team, Bestinver has developed a proprietary methodology that enables it to assign an internal ESG rating to each of the assets in the portfolio. This rating classifies companies into four categories: Gold, Green, Amber and Red.

- **Gold category:** This category includes the companies with best ESG performance and which are particularly sensitive regarding the sustainable impact of their activities. These companies do not only represent a financial investment opportunity, but rather are considered the most holistically sustainable by Bestinver's investment team.
- **Green Category:** After analysing the inputs of the ESG factors (both external and internal) in depth and assessing their risks, the investment team considers that the potential profit from investing in said companies is significantly greater than the risks identified, being of low impact or having high mitigation potential.
- **Amber Category:** The investment team considers that certain aspects of the company's ESG activity or management could be improved, but they do not pose a material risk to people and/or the natural environment and neither do they put their potential profit at risk.
- **Red Category:** Companies with a Red rating are excluded from the Fund portfolio. Their analysis includes the identification of severe environmental, social or good governance risks. They are considered unacceptable and/or, in any case, higher than the potential profit from investing in them.

These categories may vary depending on the relevance of the information available to the Investment Manager of the data providers and on the information provided by the issuers, due to which it may be the case that, at some point, an investment may not have been assigned a rating or the rating is in the process of being reviewed.

The integration of ESG criteria in the investment decision-making process is binding for the Fund, due to which the companies included in its portfolio must be analysed and assigned an internal ESG rating. In the event that material risks or deviations are identified in the application of the ESG criteria integration policy, they are reported and notified to the managers at the Risk Committee meeting (held on a monthly basis) and a specific action plan is defined for each case.

■ EVALUATION OF GOVERNANCE GOOD PRACTICES

The investment team takes good governance practices into account as part of the ESG analysis conducted on all the companies in which it invests. To this end, the investment team bases its analysis on the information provided by multiple external ESG information providers, focused mainly on (but not limited to) the following factors: quality, integrity and independence of the Board and/or management team, Board structure, diversity, shareholder ownership and rights, remuneration policies and plans, auditing, financial reporting and tax transparency, business ethics and stakeholder management, amongst others.

Investment allocation

The asset allocation expected for the Fund is as follows:

■ INVESTMENTS THAT PROMOTE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The minimum proportion of the Fund's investments used to meet the environmental or social characteristics promoted by the Fund in accordance with the binding elements will be 50% of its portfolio.

■ OTHER INVESTMENTS THAT DO NOT PROMOTE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The remaining 50% of the Fund portfolio can be invested in the following instruments and/or in compliance with the following criteria:

- Instruments that, due to their nature, cannot be considered eligible to apply the Fund's investment strategy and ESG analysis process. These instruments are mainly, but not limited to, current account balance, deposits, derivatives, etc.
- Companies that do not comply with the Fund's binding elements. However, these companies will be required to comply with the Bestinver Group's Responsible Investment Principles and Policies, which are mandatory for all Bestinver's funds and are available at the following link: <https://www.bestinver.es/wp-content/uploads/principios-políticas-inversion-responsable-Bestinver-1.pdf>

Monitoring of the environmental or social characteristics

The Fund continuously monitors the evolution of indicators of sustainability in the companies of its portfolio, mainly via two channels:

- The information obtained directly from the issuers by the investment team is regularly updated through direct and constant dialogue with the management teams and senior management of the companies (as defined in Bestinver's active ownership policy).
- The information supplied by the external ESG analysis providers is incorporated into an internal platform developed by the Bestinver. This information is updated on a daily basis, establishing an internal alerts system that informs both the investment team and the Regulatory Compliance and Risks team about relevant changes in the portfolio companies' ESG data.

Additionally, the Regulatory Compliance and Risks team conducts regular reviews with the aim of monitoring compliance with the responsible investment policies and procedures. In the event that material risks or deviations are identified in the application of the ESG criteria integration policy, they are reported and notified to the investment managers at the Risk Committee meeting (held on a monthly basis) and a specific action plan is defined for each case.

Lastly, any relevant ESG decision and any change in current policies and procedures must previously be approved prior to being implemented by the ESG Board (highest decision-making body for policies relative to responsible investment at Bestinver). Said committee is composed of members of Bestinver's Senior Management and meets at least every six months.

Environmental or social characteristics approach

With the aim of measuring the achievement of the environmental characteristics promoted by the Fund (in this case, the promotion of climate change mitigation and/or adaptation), the Fund uses a proprietary analysis methodology, jointly developed by the investment team and by the ESG Data Specialist. Bestinver has developed an internal platform that integrates the information obtained by the investment team from external ESG providers, the issuer or from any other source, which enables the investment team to carry out multiple analyses, apply ESG ratings to the companies and monitor the sustainability indicators. Additionally, it makes it possible to report and manage the engagement actions carried out by the investment team in order to complement the analysis and assign an ESG rating to the companies.

Through this analysis methodology, the Fund makes use of the following indicators to measure the degree of fulfilment of the environmental or social characteristics promoted by the Fund:

- In the case of companies in which the Fund invests through its "Decarbonization of the economy" megatrend, the Fund requires that at least 30% of said companies' income be related to solutions for climate change mitigation and/or adaptation solutions. In order to measure their involvement in said activities, the Fund uses RBICS (Reverse Business Industry Classification System), which makes it possible to map the sub-industries that engage in said activities and relate them directly to the activities carried on by the companies analysed.
- The Fund does not invest in companies with substantial involvement in activities considered detrimental to climate change mitigation and adaptation. To this end, in addition to applying Bestinver's general exclusion policy (described in Bestinver's Responsible Investment Principles and Policies), the Fund applies additional more stringent policies, as follows:
 - Companies with more than 0% of income derived from or involved in the following activities: thermal coal mining and extraction of unconventional oil and gas (shale gas and oil sands).
 - Companies with more than 0% of income derived from or involved in the use of thermal coal as a source of energy for electricity generation, except if income arising from the use of thermal coal currently represents less than 5% and the company undertakes to shut down all its power plants by 2025 with targets verified and validated by the "Science Based Targets initiative" (Initiative promoted by the CDP, UN Global Compact, World Resources Institute (WRI) and World Wide Fund for Nature (WWF), which defines and promotes science-based best practices in the establishment of emission reduction targets in companies) compatible with limiting climate change to 1.5°C. The CDP is an NGO whose members are investors, companies, cities, states and regions aimed at promoting the transparency and measurement of environmental risks, particularly climate change, and has added water and forests and recent years.
 - Companies with more than 0% of income derived from or involved in extraction, production and adjacent services related to fossil fuels (gas and oil). However, the following cases can be considered exceptions:
 - Companies with less than 10% of income derived from oil extraction, production and adjacent services and with emission reduction targets based on and validated by the "Science Based Targets initiative" (SBTi).
 - Companies with less than 15% of income derived from natural gas extraction, production and adjacent services and with emission reduction targets based on and validated by the "Science Based Targets initiative" (SBTi).

- Companies with more than 10% of income derived from or involved in the following activities: oil and gas extraction in Arctic regions and palm oil production.
- In the case of the other companies not related to climate change mitigation and/or adaptation, the Fund will apply Bestinver's general exclusion policies (defined in Bestinver's Responsible Investment Principles and Policies).
- The Fund will invest at least 50% of its exposure to equities in companies with internal ESG rating in the Gold or Green category (following the categorisation methodology described in the Sustainability Appendix of the Fund prospectus).

Data sources and processing

In order to achieve each of the environmental or social characteristics it promotes, the Fund has specific resources and external ESG data providers of renowned prestige. Said providers complement the team's in-depth knowledge of the Fund portfolio companies. This enables the Fund's investment team to identify the financial and non-financial risks incurred when investing in a business.

The external information providers use proprietary data and analysis and third-party data for issuing reports and analyses on the companies consulted by the Fund. Said external information is based mainly on Companies' public information (regular reports, sustainability reports, annual reports), on the access to specialized data and on media research (both global and local).

All the information, both that obtained from external providers and that obtained directly by the investment team, is incorporated and integrated into an internal ESG analysis platform. In order to guarantee data quality, regular controls on said tool have been carried out, making it possible to compare the ESG information and implement automated alerts in case of modifications in ESG qualifications or, in the event that relevant situations are identified that may influence the companies' analysis (controversies, non-compliance with policies, new relevant information, etc.).

Methods and data limitations

The Investment Manager obtains information, among other sources, from external data providers of renowned prestige, in accordance with the methodology described in the "data sources and processing" section. In addition, the Investment Manager expects the issuers to provide relevant information on ESG aspects for its business and which it can use to analyse the companies.

Although the Investment Manager trusts the quality of the data it works with, there could be limitations insofar as some of these ESG databases are currently in the development phase, due to which there could be modifications in the methodologies used by said external providers to calculate the data supplied. These modifications may arise from changes in the regulation applicable thereto (which is also in the development phase), or adaptations made by the provider itself.

In the event that the Investment Manager does not have sufficient ESG information about the issuers in which it invests, an in-depth analysis is conducted that will include, insofar as possible, direct engagement actions with the provider and meetings with the external providers to review the improvement in the degree of coverage of the information about the assets that form part of the Fund's investment universe.

The Investment Manager has incorporated the ESG criteria into its investment process, which is regularly supervised by monitoring compliance with the Fund's ESG requirements, both by the management team itself and by the Risks and Regulatory Compliance team. In the event that deviations are identified with respect to said criteria, an action plan adequate to the situation is defined which may include, among other actions, internal monitoring, monitoring by data providers, engagement activities, etc.

Bestinver has internal control policies for ensuring compliance with the policies and procedures applicable to the Fund. In particular, the Risks and Regulatory Compliance Department carries out daily controls to detect any deviations from the established requirements, report them to the managers and, as appropriate, propose corrective measures that will be submitted to the Risks Committee and, if necessary, to the ESG Board.

The due diligence procedure is proportional to the risk and nature of the products in which the Fund invests and is applied continuously and systematically in the investment and control process with the participation of both managers and Risks and Regulatory Compliance.

Active Ownership Policies

The Investment Manager has an active ownership policy that regulates the engagement and voting actions it carries out. The aim of this Policy is, on the one hand, to understand how ESG risks are managed and how companies leverage the business opportunities associated with sustainability challenges, without forgetting the other factors that affect the company's management, such as financial or legal. And, on the other, to promote change to improve the strategy, management and/or disclosure and reporting, mainly, of ESG criteria. Engagement seeks to influence a change in conduct of companies that culminates in the creation of value for the company. This active dialogue process starts when the engagement needs are identified.

The Investment Manager has a proxy adviser, Institutional Shareholder Services Europe, S.A. (ISS), which makes recommendations on the direction of the vote that the Investment Manager can accept or modify. When the Investment Manager does not follow the recommendation of the adviser's vote, it escalates the decision to the ESG Board, where it has to be approved prior to the date of the Annual General Meeting.

The Investment Manager's engagement policies are available at the following link: https://www.bestinver.es/wp-content/uploads/211217_Politica_de_Implicacion_Bestinver-Gestion_SGIIIC_EGFP_Publicar.pdf



Designated benchmark index

A specific index has not been designated as a benchmark index to determine whether the Fund is aligned with the environmental or social characteristics it promotes.

Additional sustainability information

Additional sustainability information can be found on Bestinver's website, via the following links:

- General information about the investment manager Bestinver, at the following link: <https://www.bestinver.es/>
- Responsible investment as part of Bestinver's investment philosophy, at the following link: <https://www.bestinver.es/filosofia-de-inversion/inversion-responsable/>
- Bestinver's Responsible Investment Principles and Policies, at the following link: <https://www.bestinver.es/wp-content/uploads/principios-politicas-inversion-responsable-Bestinver-1.pdf>
- Non-consideration of Principal Adverse Impact indicators, at the following link: <https://www.bestinver.es/wp-content/uploads/no-consideracion-de-las-principales-incidencias-adversas.pdf>

Bestinver Gestión, S.A. S.G.I.I.C

Madrid

C. Juan de Mena, 8
planta 1
28014 Madrid

Teléfono +34 900 878 280 bestinver@bestinver.es www.bestinver.es



[linkedin.com/company/bestinver](https://www.linkedin.com/company/bestinver)



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