



# **BESTINVER SICAV**

BESTINVER LATIN AMERICA 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

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Bestinver Latin America SICAV, sub-fund of Bestinver 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 characteristics (Article 8 of Regulation (EU) 2019/2088) by investing in companies whose activities are involved in climate change mitigation and adaptation and promotes social characteristics by investing in companies whose activities are involved in digitization and automation of the economy.

The Fund builds its investment universe by identifying companies involved in, at least, one of the following themes: 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:

- For the companies that are invested through the digitalization and automation theme, the Sub-Fund requires that at least 30% of the revenues are related to solutions for digitalization or automation. In order to measure this involvement, the fund uses the official quarterly info provided of their activities carried out by the invested companies.
- Additionally, for the whole portfolio, the Fund applies exclusion criteria to avoid investing in companies with substantial involvement in activities considered detrimental to climate change mitigation and adaptation.

This product does not take the main Principal Adverse Impacts on sustainability factors into account (PAI, as defined in SFDR regulation). We 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

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This financial product promotes environmental and 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

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

- The Fund invests in companies whose activities provides solutions aimed at climate change mitigation and/or adaptation, through the "Decarbonization of the economy" megatrend (defined in the prospectus).
- Additionally, those other companies whose activity does 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

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

## ■ THEMATIC APPROACH

The Sub-Fund invests in Latin American equities with a long-term investment horizon. The strategy mainly invests in Brazil, Mexico, Chile, Colombia and Peru. The strategy aims to be significantly different to the indices and rest of the investment alternatives within the region, which are commonly highly exposed to raw materials, infrastructures and large cap banks.

The objective of the strategy is to generate long-term returns by selecting attractive and sustainable businesses that are well managed and show considerable upside potential.

The strategy focuses mainly on activities related to the consumer through 5 main themes that the fund believes have great structural and sustainable long-term growth:

- improvement of the quality of life (such as health care, pharmaceutical companies, healthy food industries, bio pharma, leisure, sports, mobility)
- financial inclusion and formalization of workforce (community banks, fintechs, asset managers, payment methods)
- middle class growth (education, e-commerce, affordable housing)
- digitalization and automation of the economies: interconnectivity, innovation and high technology (such as companies involved in software or e-commerce, digital platforms, fintech, etc.)
- decarbonization of the economy (such as renewable energy, electric vehicles, improvement of transportation, cleaner environment and water).

## ■ EXCLUSION CRITERIA

To ensure that the companies in which the Sub-Fund invests contribute to a more sustainable world, the Sub-Fund will avoid investing in activities that can cause significant harm, for which it applies exclusion criteria to certain activities that we detail in this document.

## ■ INTEGRATION OF ESG CRITERIA

Once the eligible universe is established by means of applying the Sub-Fund exclusion policy (described in the Sub-Fund prospectus), the identified opportunities that are considered to be potential additions to the portfolio are subjected to detailed fundamental analysis. An exhaustive evaluation is carried out of the key environmental, social and corporate governance risks and opportunities, using both the investment team knowledge and the information provided by external ESG data providers. Based on this analysis, an internal ESG rating is assigned to each company, classifying them into 4 categories: Gold, Green, Amber and Red.

- Gold category: This category includes companies with the best ESG performance and that are especially sensitive to the sustainable impact of their businesses. These companies not only represent a financial investment opportunity, but they are also considered to be the most sustainable overall by the Bestinver investment team.
- Green category: After exhaustively analyzing the inputs of the ESG factors, both external and internal, and having evaluated their risks, the investment team considers that the potential benefit of investing in these companies is much higher than the identified risks, as these are of low impact and with a high potential of mitigation.
- Amber category: The investment team considers that certain aspects of the business or the ESG management of the company can be improved, but that they do not create a significant risk to people and/or the environment and do not endanger its potential profitability.
- Red category: The companies with a red rating have no place in the portfolio. Severe environmental, social or corporate governance risks are identified in their analysis. These are considered unacceptable and/or, in any case, greater than the potential profitability of investing in them.

These categories may vary depending on the relevance 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 analyzed 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

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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, currency 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-politicas-inversion-responsable-Bestinver-1.pdf>

# Monitoring of the environmental or social characteristics

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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

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With the aim of measuring the achievement of the environmental and social characteristics promoted by the Fund, 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 and social characteristics promoted by the Fund:

- For the companies that are invested through the Sub-Fund digitalization and automation theme, the Sub-Fund requires that at least 30% of the revenues are related to solutions for digitalization and automation. In order to measure this involvement, the fund uses the official quarterly info provided of their activities carried out by the invested companies.
- For the whole portfolio, the Sub-Fund will not invest in companies that have substantial involvement in activities that are considered to be detrimental to climate change mitigation and adaptation, using the following exclusion criteria:
  - Companies with any (more than 0%) of their revenues involved in extraction of thermal coal;
  - Companies with more than 10% of revenues involved in the following activities: thermal coal power generation, extraction of non-conventional oil and gas (shale gas and oil sands), fossil fuel exploration and exploitation in Arctic regions, palm oil production; and
  - Companies with more than 15% of their revenues involved in conventional oil and gas production.
- The Sub-Fund will apply additional exclusion criteria to all companies not related to climate change mitigation and adaptation:
  - Companies with any (more than 0%) of their revenues involved in the following activities: production and distribution (group 2) of tobacco, controversial weapons, production or distribution of assault weapons for use by civilians, production or distribution of adult entertainment (group 2);
  - Companies with more than 10% of revenues involved in the following activities: alcohol production and distribution, operation, production and distribution of specialized equipment and support services in the gaming and gambling sector; and
  - Companies involved in the operation and construction of nuclear energy plants if such company's activities are carried out in any other country that does not comply with any of the following three conditions:
    - the host country must be a member of the IAEA (International Atomic Energy Agency),
    - the host country must have ratified the Convention on Nuclear Safety, the Convention on the Physical Protection of Nuclear Material and the Joint Convention on the Safety of Spent Fuel Management and on

the Safety of Radioactive Waste Management (or have adopted adequate measures to comply with the requirements included in said conventions), and

- the host country must have ratified the Non-Proliferation of Nuclear Weapons Treaty and the International Convention for the Suppression of Acts of Nuclear Terrorism.

# Data sources and processing

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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

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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 analyze 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.

# Due diligence

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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

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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](https://www.bestinver.es/wp-content/uploads/211217_Politica_de_Implicacion_Bestinver-Gestion_SGIIIC_EGFP_Publicar.pdf)





# Designated benchmark index

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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

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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/Responsible\\_Investment\\_Principles\\_Bestinver.pdf](https://www.bestinver.es/wp-content/uploads/Responsible_Investment_Principles_Bestinver.pdf)
- Non-consideration of Principal Adverse Impact indicators, at the following link: <https://www.bestinver.es/wp-content/uploads/no-consideracio%CC%81n-de-las-principales-incidencias-adversas.pdf>
- Bestinver's Active Ownership Policy, at the following link: [https://www.bestinver.es/wp-content/uploads/211217\\_Politica\\_de\\_Implicacion\\_Bestinver-Gestion\\_SGIIIC\\_EGFP\\_Publicar.pdf](https://www.bestinver.es/wp-content/uploads/211217_Politica_de_Implicacion_Bestinver-Gestion_SGIIIC_EGFP_Publicar.pdf)

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