

## Summary for financial products that promote environmental or social characteristics

(Financial product 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: [MAGALLANES VALUE INVESTORS UCITS - Iberian Equity](#)

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

The Sub-fund promotes, among other characteristics, the following characteristics:

Environmental characteristics: adaptation to climate change, pollution prevention and control, as well as sustainable use and protection of resources.

Social characteristics: reduction of reputational risk, prevention of workplace accidents, human talent attraction and retention.

The Sub-fund promotes these characteristics by investing in companies with good Environmental, Social and Governance ratings, and rewarding, through the integration and monitoring of ESG factors into companies' analysis the internal valuation models (by adjusting the cost of capital), companies performing well in ESG terms and seeking to improve their ESG impact.

The investment strategy used to meet the environmental or social characteristics promoted by the Sub-fund is as follows:

The investment strategy aims at excluding companies not meeting the internal and subjective standards that the Investment Manager considers being the ESG requirements for a company to be included in the investable universe, following a qualitative internal analysis based on the Investment Manager's fundamental analysis and on the integration and monitoring of ESG factors into both company analysis and internal valuation models. Therefore, the investment process not only excludes companies presenting a weak ESG perception (understanding as weak ESG perception not a number but an opinion based on the preliminary analysis of the company which also includes financial and non-financial information, track-record, third-party research, company meetings, conference call ...) , but also rewards, through the integration in the valuation model (by adjusting the cost of capital), companies performing well in ESG terms and seeking to improve their ESG profile. By doing so, the Sub-fund's investment process brings together both the internal knowledge Magallanes has generated due to the fundamental analysis of the companies, and the scores and ratings introduced by renowned ESG analysis external suppliers such as Sustainalytics, Institutional Shareholder Services, Trucost, and Refinitiv. These suppliers bring expert and independent information to the analysis. These external and independent scores serve as the basis to a final internal ESG scoring for each company.

Within the investment process, special attention is paid to these companies whose valuation, from a fundamental point of view, seems appropriate to the Investment Manager, considering that they present a clear sustainable vocation with an intention of constant improvement.

In the same way, and intrinsic to the investment process, non-financial aspects, such as the degree of interaction with the environment, employee and social policies and good governance practices, among other variables are also considered.

The application of these ESG variables in the valuation method serves to complete the financial and fundamental information of a company.

The policy to assess good governance practices of the investee companies is as follows:

The Investment Manager looks at companies' management teams fully aligned with the objectives of all shareholders. Key variables considered by the Investment Manager are listed below.

Management Team and Board of Directors:

- Alignment of interests ("Skin in The Game"): percentage of "Insider Ownership" of the Management Team and Board of Directors.
- Track record as a company manager: what they did in the past, what positions they held, if they have pending causes, study of their reputation, etc.
- Skills and competences of the Management Team and Board of Directors. See if they are prepared for the development of their functions.
  
- Diversity of the Management Team Board of Directors. By age, nationality, gender.
- Companies must have sufficient checks on the proper functioning of the board and its strategy decisions (Existence of Audit, Remuneration or Professional Ethics Committees).
- The strategy should be medium-long-term with continuity and consistency in decisions taken.
- The Board must have enough independent directors.
- Board members should be renamed on a regular basis. Sufficient information should be available on the training and experience of the members.
- Litigation risks. Expenses and fines on filings, lawsuits related to anti-competitive behaviour, anti-trust and monopoly practices.
- Corruption.
- Quality of the Auditors.
- Audit companies of recognized prestige. Independence of the auditor
- The fees and payments made to the auditor must be clear, known and explained.

Structure and use of capital:

- Activity in terms of capital calls, debt, etc., correct use of the company's funding sources.
- The history of mergers, acquisitions, and sale of assets.
- Remuneration of the Management Team and the Board of Directors.
- The remuneration structure must be appropriate and aligned with the interests of shareholders.
- Variable incentives should be set clearly, publicly and the variables to be considered must be consistent with the interests of shareholders and the company itself.

In order to attain its promotion of environmental or social characteristics the Sub-fund will invest directly in the investee companies.

The environmental and social characteristics promoted by the Sub-fund and the sustainability indicators used to measure the attainment of each of those environmental or social characteristics promoted are monitored by the Investment Manager throughout the lifecycle of the fund by:

Environmental sustainability indicators: greenhouse gases emission, responsible water consumption, R&D investment, and environmental litigation.

Social sustainability indicators: equality and diversity, controversy ratios, employees' physical security, number of accidents and deaths, training and qualification, employee rotation and corporate social responsibility (CSR) policies.

The sustainability indicators used to measure the attainment of the environmental or social characteristics promoted are those associated with the characteristics we promote. We thus we monitor and follow them up on a regular basis.

Data sources used to attain each of the environmental or social characteristics promoted by the Compartment/Sub-fund are as follows:

- Sustainalytics
- Institutional Shareholder Services
- Trucost
- Clarity

In absence of ESG data available on an investee companies, no estimations or adjustments are made by the Investment Manager. Clarity would be the one to provide an estimate thanks to artificial intelligence, benchmarking and the large database managed by them.

To ensure data quality, the Investment Manager will only select reputable and high market standard data providers.

Data are not processed or re-worked by the Investment Manager.

The company does not estimate data.

All ESG assessments can be subject to limitations due to the variations in methodology between data vendors, the lack of corporate disclosure and the quality and robustness of the underlying data used to derive a score or calculate an environmental or social metric. In addition, data maturity varies based on industries and geographies. Low data maturity translates into lack of data and low reporting standardization. As such, main limitations of data translate into varying data availability and comparability.

Both methodologies and data depend on the quality of data provided by the investee companies and by data providers. Although there can be no guarantee that data used is complete and accurate, the Investment Manager applies a thorough assessments with various data sources involved to mitigate data limitation. Through a combination of internal and external assessments, the Investment Manager aims, and expects, to detect incomplete or inaccurate data and prevent it from affecting the environmental or social characteristics promoted by the Sub-Fund.

The Investment Manager is performing an in-depth analysis on all investee companies. This analysis includes Financial, Non-Financial and environmental or social characteristics. The result of this due diligence is incorporated into the investment process.

Engagement is not part of the environmental or social investment strategy.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.