Pre-contractual disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Espiria SDG Solutions **Legal entity identifier:** 5299003AK8NV14B44W83

Sustainable investment objective

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.

Does this financial product have a sustainable investment objective?

☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective:** 10%	☐ It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☒ It will make a minimum of **sustainable investments with a social objective:** 10%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

What is the sustainable investment objective of this financial product?

The Sub-Fund's objective is to generate a positive social and environmental impact and achieve significant capital appreciation over the long-term through investing in companies that contribute to one or several of the UN's Sustainable Development Goals (UN SDGs) in their offering of products and services. Contribution will be measured via revenue, capital expenditure, operating expenditure and/or research and development linked to the UN SDGs and should exceed 20%.

To achieve the investment objective, the Sub-Fund focuses on the most urgent sustainable transition needs in connection with the 12 UN SDGs and 48 investable UN SDG targets, grouped under five themes: sustainable food and ecosystems, circular economy, health and empowerment, energy transition, and connectivity and infrastructure. Each of these five themes has specific UN SDG related objectives as its focus (see examples below). Each UN SDG target can be categorised as either an environmental or a social objective, depending on whether the expected positive impact primarily relates to environmental or social outcomes.

Theme	Sustainability Objectives (examples)
Sustainable Food and Ecosystems	• Increased food productivity (for small-scale producers) • End all forms of malnutrition • Sustainable, resilient, climate smart practice in food production
Circular Economy	• Water pollution reduction, untreated wastewater minimised • Natural resources (raw materials) being efficiently used and sustainably managed • Reduced waste generation through prevention, reduction, recycling and reuse
Health and Empowerment	• End epidemic and communicable diseases • Non-communicable disease prevention to reduce premature mortality and improved mental health • Access to financial risk protection, essential healthcare services, medicines and vaccines that are affordable • Access to basic education for all, effective learning outcomes
Energy Transition	• The share of renewable energy in the global energy mix substantially increased • Energy efficiency significantly increased
Connectivity and Infrastructure	• Sustainable, affordable, safe and accessible transport system • Upgraded infrastructure and more efficient and sustainable industrial retrofit • Integration of SMEs into value chains and markets

No reference benchmark has been designated for the purpose of attaining the sustainable investment objective for the Sub-Fund.

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?

The Sub-Fund defines SDG Solution companies as companies that through their products and services contribute to at least one identified material UN SDG target.

The contribution is measured on a set of pre-determined qualitative and quantitative criteria, referencing both financial thresholds and impact-related measures covered by the proprietary Espiria Impact Assessment (EIA) framework implemented by the Investment Manager. The use of the EIA aims to ensure the contribution of each holding is both *justifiable* – with an impact thesis, and *measurable* – with selected outcome KPIs that are monitored over time.

The sustainability indicators (outcome KPIs in the EIA framework) used to measure SDG contribution of each investment are selected based on the associated impact thesis, therefore the sustainability indicators are case-specific and may vary from one investment to another. However, common indicators may also be used – especially for investments under the same theme. The below table shows examples of such common indicators. The Investment Manager aims to continuously monitor the percentage of investees' revenues directly addressing primary SDG targets.

Theme	**Sustainability Indicators (Outcome KPIs)**
Sustainable Food & Ecosystem	• Improved farming productivity, e.g. in terms of saved farming inputs per output (fertiliser, water, crop protection etc.) • Reduced customer environmental impact, e.g. in terms of GHG emissions (absolute and intensity), pollution • Cost saving for farmers
Circular Economy	• Avoided CO2 equivalent (mn tonnes) • Reduced water consumption (mn m^3) • Reduced waste sent to landfills (mn tonnes)
Health & Empowerment	• Number of patients reached with medical products or services • Number of drugs in portfolio and in R&D (phase 1-3) • Number of people covered with access to medicine program • % change in: (1) average list price and (2) average net price across U.S. product portfolio compared to previous year • Number of people reached with digital education access
Energy Transition	• Renewable energy directly produced, managed or enabled (MW), by type (e.g. wind, solar, green hydrogen)

	• Total energy saved, through more efficient solution adopted • Avoided CO2 equivalent (mn tonnes) • Energy consumption efficiency enhanced
Connectivity & Infrastructure	• Total energy saved, through more efficient technology adopted • % of clean energy or sustainable product by volume or sales • Avoided CO2 equivalent (mn tonnes) • % of SME integrated into the value chain

How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?

The Investment Managers ensures that the sustainable investments do not cause significant harm to any environmental or social sustainable investment objective in two main ways:

1. EQSS Do-No-Significant-Harm (DNSH) Assessment

The Investment Manager has implemented a proprietary sustainability integrated framework, the Espiria Quality & Sustainability Score (EQSS), to assess the quality and sustainability profile of each company at the holding level. EQSS includes principal adverse impacts (PAI) indicators and a set of Red Flag (RF) questions, covering the ESG topics deemed most critical by the Investment Manager. The Red Flag Analysis consists of a set of questions which the Investment Manager deems to be crucial to consider for ensuring that investments do not cause significant harm. The questions are related to corporate governance, ethics, and corruption, and also covers international norms and standards, as well as severe and/or systematic environmental or social controversies. The Investment Manager has introduced one question specifically addressing the Principal Adverse Impact (PAI) indicators, which are outlined in Annex I of Regulation (EU) 2019/2088. In order to assess this, the Investment Manager uses a tool from an external service provider that compares the PAI indicators for each company with a range of peer companies.

These tools are also part of the "Three-Step-Test" applied by the Investment Manager for defining sustainable investments, described in detail in the section about binding elements of the investment strategy.

2. EIA Net Positive Impact Assessment

As part of the EIA framework, the primary negative impact identified for the company shall not significantly harm the expected contribution towards environmental or social objectives. Potential negative impacts must either be actively mitigated by the company, or the Investment Manager should have conviction that the active engagements on behalf of the Sub-Fund with the company will meaningfully contribute to mitigating the negative impacts identified.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Indicators for adverse impacts are included in the EQSS framework and in the norms-based screening process. The Investment Manager periodically reviews the adverse indicators for the portfolio holdings and will discuss where clear outliers are identified. More information on how the Investment Manager considers principal adverse impacts on sustainability factors can be found in the section on PAI below.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?

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.

As part of the controversy (norms-based) screening, the Investment Manager assesses companies in terms of compliance with international norms and standards. This screening, provided by an external service provider, captures severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. Assessments are underpinned by references to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions.

Upon new investment, the Investment Manager shall check and confirm the status of a new holding in regard to norms and controversies as part of the Red Flag Analysis. Fund portfolios are also checked quarterly by the Investment Manager’s ESG function, which highlights any company that is on the Watchlist or has become assessed as Non-Compliant. The review is based on the results in the norms-based screening, information that has been publicly disclosed by issuers, as well as other relevant information that may have come to the attention of the Investment Manager.

The Sub-Fund will not invest in or hold any company that is deemed Non-Compliant with the above-described norms and standards.

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 (PAI) on sustainability factors.

Upon a new investment, the Investment Manager checks and confirms the status of new holdings in regard to norms and controversies. This norms-based (controversy) screening covers PAI indicators such as: violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, or lack of processes and compliance mechanisms to monitor compliance with those regulations, and exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons).

Furthermore, all 14 mandatory PAI indicators, as stated in Annex I in Regulation (EU) 2018/2088, are currently assessed at holding level to the extent that data are available, in both absolute terms and in comparison with industry peers, as part of the investment process and the holistic assessment of company quality. The analysts review the most up to date PAI data extracted from service providers' databases and ensure that selected investments are not outliers in any of their actual PAI performances.

Following the requirements of Regulation (EU) 2019/2088, and the information to be disclosed pursuant to Article 11(2) of that Regulation, the Investment Manager will publish the information on principal adverse impacts on sustainability factors in the annual report referred to in Article 69 of Directive 2009/65/EC in due course and in line with regulatory requirements.

No

What investment strategy does this financial product follow?

The Sub-Fund has as its objective to generate a positive social and environmental impact and achieve significant capital appreciation over the long-term through investing in companies which contribute to one or several of the UN's Sustainable Development Goals (SDGs) in their offering of products and services.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?

1. The EQSS Framework

To ensure the attainment of the environmental and social characteristics that are promoted by the Sub-Fund, the Investment Manager has implemented a harmonised proprietary quality assessment framework for all Espiria strategies, including for the Sub-Fund, refered to as the Espiria Quality and Sustainability Score (EQSS). The EQSS Sustainability section covers the sustainability related binding elements for the Sub-Fund, which include to:

- *Identify alignment to Net Zero climate targets*, as part of the Investment Manager's commitment as a Net Zero Asset Managers (NZAM) signatory;
- *Assess EQSS Red Flags*, including biodiversity risks and lacking board gender diversity;
- *Ensure minimum environmental or social safeguards*, the Sub-Fund will not invest in or hold any companies which are deemed Non-compliant in the norms-based screening;

- *Make sector exclusions*, the Sub-Fund will not invest in companies that derive >5% of their revenues from weapons, fossil fuels, pornography, gambling, alcohol or tobacco;

- *Have a minimum proportion of AUM in Sustainable Investments,* based on the "Three-Step-Test" process (see below).

2. Minimum proportion of sustainable investments

The Investment Manager has committed to ensure a minimum proportion of 90% sustainable investments in the Sub-Fund portfolio. The Investment Manager has developed a "Three-Step-Test", based on the definition of sustainable investments in Article 2(17) in Regulation (EU) 2019/2088[1], to test if an investment should be classified as sustainable or not. To be classified as a "Sustainable Investment", the investment should pass each of the below outlined steps.

Three-Step-Test for Sustainable Investments

Step 1: Significant contribution to E/S objective(s)

Companies which contribute to one or several of the UN SDGs in their offering of products, services, and technologies. The contribution will be measured via revenue, capital expenditure, operating expenditure and/or research and development linked to the UN SDGs and should exceed 20%.

The Investment Manager relies on the EIA to ensure that significant contributions to SDG Targets are made. The EIA includes the below components:

(i) *Identification of expected Impact Outcome (IO),* i.e. which UN SDG Target that is financially material to the company in its offering of products, services and technologies.

(ii) *Significant contribution to the expected IO,* through a developed impact thesis and measurable outcome KPIs (sustainability indicators) to quantify the expected outcome for each investment. The level of significance of the contribution must fulfil one of the below financial thresholds:

Type of SDG Solution Company	**Financial Threshold**
Pure Play	80%+ of revenue directly addressing 1 or 2 IO
Decisive Play	Between 50-80% revenue directly addressing 1 or 2 IO

[1] Sustainable investment, as defined in Article 2(17) in Regulation (EU) 2019/2088, means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

Critical Play	20%-50% revenue directly addressing 1 or 2 IO, AND with unique solution or high market share
Transitional Play	Financing of improvement measures (CAPEX or OPEX, R&D if relevant) is made, so that it is likely to become a pure/decisive/critical play in the mid-term (3-5 years). Such financing should count for 20%+ of total (e.g. 20% CAPEX)

Step 2: No significant harm to other E/S objectives

As part of the EIA framework, the identified *primary negative impact for the company must not be expected to significantly harm* the contribution of the company towards environmental or social objectives. Potential negative impacts should either be actively mitigated by the company, or the Investment Manager should have conviction that active engagement with the company will lead to meaningful mitigation of identified impacts.

Furthermore, a sustainable investment should not have any Red Flags (RFs) related to environmental or social controversies; the Red Flag Analysis also requires consideration of principal adverse impacts (PAI). Finally, the investment must be compliant in the controversy (norm-based) and the sector-based screening.

Step 3: Good governance practices

The company should not have more than 2 RFs related to governance issues.

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?

Currently the Investment Manager relies mainly on the Red Flag Analysis under the EQSS framework to assess good governance practices, including high level of management integrity, board independence and diversity, accounting quality, sustainability reporting transparency, and no recurring significant governance controversies.

Going forward, the Investment Manager also intends to incorporate additional governance assessment topics into the EQSS framework, where scores are given on each topic, such as: management remuneration and incentive alignment, employee relationship, pay equality, sustainability strategy alignment, sustainability commitment/oversight, and engagement potential.

What is the asset allocation and the minimum share of sustainable investments?

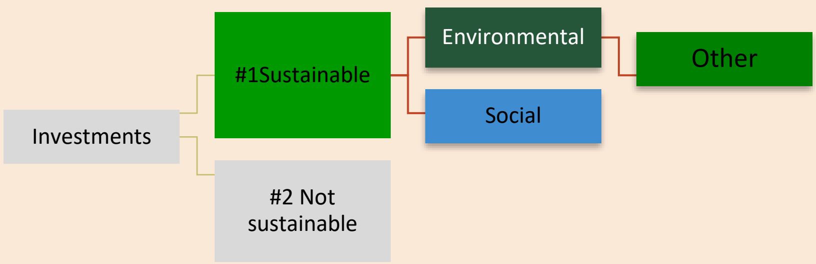
Asset allocation describes the share of investments in specific assets.

In line with the investment objective and the binding elements of the Sub-Fund, the minimum share of sustainable investments is 90%.

The Sub-Fund’s investment objective is directly linked to the UN SDGs, which outline a mix of social and environmental targets (with a higher number of SDG targets related to social than environmental outcomes). Accordingly, the Sub-Fund targets a dynamic mix of social and environmental objectives.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.
Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The purpose and minimum safeguards of other investments are described in detail in the section about investments classified as "#2 Not sustainable" below.



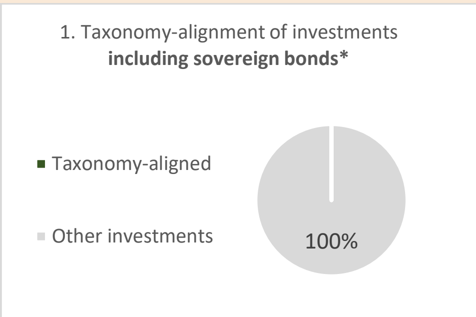
#1 Sustainable covers sustainable investments with environmental or social objectives.
#2 Not sustainable includes investments which do not qualify as sustainable investments.

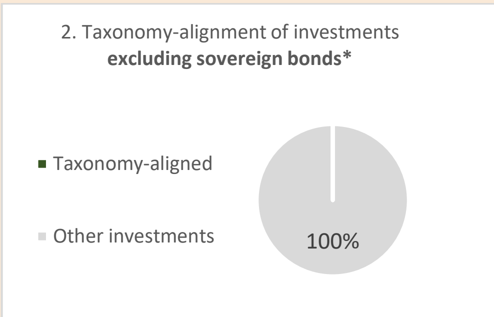
How does the use of derivatives attain the sustainable investment objective?

The Sub-Fund does not use derivatives to attain the sustainable investment objective.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

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***

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.

The EU Taxonomy is a classification system, the purpose of which is to establish common criteria for environmentally sustainable economic activities. According to EU regulations, financial market participants should disclose the proportion of investments that are Taxonomy-aligned. However, the Taxonomy is currently under development, and the criteria for all the environmental objectives have not yet been implemented. Further, there is not yet any clearly established model and/or standard for how to calculate the proportion of Taxonomy-aligned investments. Lastly, company disclosure related to the EU Taxonomy has yet to become widespread. Therefore, as of now, the Sub-Fund is committed to 0% as the minimum proportion of investments that are aligned with the EU Taxonomy for environmentally sustainable investments.

The Investment Manager follows the development and implementation of the EU Taxonomy closely, and will reassess this decision once all the criteria for the environmental objectives have been implemented and companies' Taxonomy disclosures have become more widespread. Having said this, it is expected that a significant proportion of the investments in the Sub-Fund will eventually be Taxonomy-aligned.

- ***What is the minimum share of investments in transitional and enabling activities?***

As the minimum share of investments in Taxonomy-aligned activities is 0%, the Investment Manager will likewise commit to 0% as the minimum proportion of investments in transitional and enabling activities, respectively.

are environmentally sustainable investments 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?

For reasons outlined above, the minimum proportion of investments in economic activities that are defined as environmentally sustainable according to the EU Environmental Taxonomy is 0%.

The Sub-Fund will invest at least 10% in sustainable investments with an environmental objective that are not aligned to the EU Taxonomy. Subject to this minimum, the Sub-Fund may flexibly allocate between the different types of sustainable investments based on availability and attractiveness of investment opportunities, whilst keeping the aggregate allocation to sustainable investments with environmental and/or social objectives to a minimum of 90%.

What is the minimum share of sustainable investments with a social objective?

The Sub-Fund will invest at least 10% in sustainable investments with a social objective. Subject to this minimum, the Sub-Fund may flexibly allocate between the different types of sustainable investments based on availability and attractiveness of investment opportunities, whilst keeping the aggregate allocation to sustainable investments with environmental and/or social objectives to a minimum of 90%.

What investments are included under "#2 Not sustainable", what is their purpose and are there any minimum environmental or social safeguards?

The purpose of the Sub-Fund’s investments included under "#2 Not sustainable" is to hold necessary ancillary liquidity, in accordance with guidance from the European Commission (SFDR EC Q&A 14/07/21). The Investment Manager is of the opinion that these investments do not hinder the Sub-Fund from delivering on its sustainable investment objectives on a continuous basis.

All investments must fulfill the minimum environmental or social safeguards criteria within the Investment Manager’s EQSS framework. For example, no investments will be made into certain sectors, and no investments will be made into holdings deemed Non-Compliant in the controversy (norms-based) screening. The safeguards criteria are reviewed on a monthly basis.

Is a specific index designated as a reference benchmark to meet the sustainable investment objective?

Since the Sub-Fund fully relies on the EIA and EQSS analysis frameworks, no specific index is designated as a reference benchmark to meet the sustainable investment objective for the Fund.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

Not applicable

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  Not applicable

- ***How does the designated index differ from a relevant broad market index?***

  Not applicable

- ***Where can the methodology used for the calculation of the designated index be found?***

  Not applicable

Where can I find more product specific information online?

More product-specific information can be found on the website: www.espiria.se

Further information is also found in the Investment Manager's Annual Sustainable Investment Report.

For specific questions regarding this pre-contractual disclosure, the East Capital Group ESG function can be contacted at esg@eastcapital.com.