

**Pre-contractual disclosure for the financial products 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:** Espiria 30

**Legal entity identifier:** 5299006008VJUZ9XXZ54

## Environmental and/or social characteristics

### Does this financial product have a sustainable investment objective?



Yes



No

It will make a minimum of **sustainable investments 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

It will make a minimum of **sustainable investments with a social objective:** \_\_\_%

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 5% of sustainable investments

- with an environmental objective in economic activities that 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 promotes E/S characteristics, but **will not make any sustainable investments**

**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 lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### What environmental and/or social characteristics are promoted by this financial product?

The investment objective of the Sub-Fund is to achieve a combination of income and long-term capital appreciation. By adopting a sustainability integrated investment process, the Sub-Fund also aims to promote environmental and social characteristics, including ensuring net zero alignment, reducing biodiversity risks, improving board diversity and strengthening alignment with the UN SDGs.

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

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

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. The EQSS

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

framework consists of five segments, Leadership, Market Growth & Opportunities, Business Strength & Resilience, Fundamentals and Sustainability, where each segment has multiple sub-topics that are scored 1 to 5. A higher (better) score will support a higher portfolio weight, all else equal. As ESG characteristics are included in all key segments of the framework, the Investment Manager is in this way actively promoting holdings with stronger environmental and/or social characteristics and sustainability footprint.

In addition to the EQSS framework, the Investment Manager has selected four sustainability indicators to further measure and promote environmental and social characteristics. None of these are mutually exclusive, and each holding may promote both E and S characteristics.

- *Net Zero Alignment (E) – Limit global warming to 1.5 degrees Celsius by achieving net zero emission by 2050 or sooner.* Espiria is part of the Net Zero Asset Managers initiative, a global international group of asset managers that commit to support the goal of net zero greenhouse gas (GHG) emissions by 2050, in line with global efforts to limit warming to 1.5°C (net zero emissions by 2050 or sooner). Through this commitment, the Investment Manager sets portfolio decarbonisation targets by which there is a target to achieve a 50% reduction in weighted average carbon intensity by 2030. The Investment Manager will engage with companies that are not aligned to promote environmental characteristics within this topic.
- *Low biodiversity risk (E) – Protect and restore biodiversity and ecosystems.* The Investment Manager maps deforestation risks, conducts analysis on all relevant holdings, and engages with companies to drive the progress towards a nature-positive economy. As a member of Finance Sector Deforestation Action (FSDA), the Investment Manager collaborates with other financial investors and institutions to promote environmental characteristics within this topic.
- *Board diversity (S) – Promote gender diversity on board level.* The Investment Manager believes that diversified boards reduce ESG related risks and drive long-term financial returns. A board is deemed as diversified when the share of the minority gender exceeds 30% and the Investment Manager will engage and/or actively vote against new board members when this criterion is not fulfilled to promote social characteristics within this topic.
- *Alignment with UN SDGs (E/S) – Companies with their offering of products and services directly contributing to one or several of the UN's Sustainable Development Goals (SDGs).* The Investment Manager applies a proprietary framework to assess and identify companies that contribute to one or several of the UN's Sustainable Development Goals (UN SDGs) in their offering of products and services. If contribution, as measured via revenue, capital expenditure, operating expenditure and/or research and development linked to the UN SDGs, is material and exceeds 20%, and the investment further meets impact-related measures and can be tied to an investible UN SDG target, the investment is considered as "Aligned with UN SDGs". 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.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

In addition to the Sub-Fund's objective of achieving a combination of income and long-term capital appreciation, the Sub-Fund also intends to achieve the following objectives with its sustainable investments:

- *Environmental objectives*, such as improved energy efficiency, increased use of renewable energy, reduced greenhouse gas emissions, and the promotion of a circular economy, as outlined in Article 2(17) of Regulation (EU) 2019/2088,
- *Social objectives*, such as tackling inequality, fostering social cohesion, social interaction and labour relations, or investments in human capital or economically or socially disadvantaged communities, as outlined in Article 2(17) of Regulation (EU) 2019/2088,
- *Other environmental and social objectives*, as outlined in the UN's Sustainable Development Goals (SDGs).

The sustainable investments contribute to the environmental and social objectives by directly addressing any of the objectives in their operations, by enabling such activities through their goods and services, or by themselves being part of the transition through changing their practices and policies (for example, by reducing greenhouse gas emissions).

Investments are classified as sustainable investments by meeting all criteria in the "Three-Step-Test", which is based on the definition of sustainable investments in Article 2(17) of Regulation (EU) 2019/2088 and is outlined in detail under the section on binding elements of the investment strategy.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

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 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, which is described in detail in the section about binding elements of the investment strategy.

- 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. The Investment Manager periodically reviews the key 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? Details:

As part of the controversy (norms-based) screening, the Investment Manager assesses companies in terms of compliance with international norms, standards and underlying conventions. The controversy (norms-based) screening is intended to capture severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. The 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 the new holding in regard to norms and controversies. The Sub-Fund's portfolio is also checked quarterly by the Investment Manager's ESG function, which highlights any company on the Watchlist or assessed as Non-compliant. This 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.

According to the Investment Manager's "Three-Step-Test", holdings that are classified as sustainable investments must not be assessed as Non-Compliant in the norms-based screening.

*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, principal adverse impacts (PAI) indicators are considered by the Sub-Fund.

Upon a new investment, the Investment Manager checks and confirms the status of new holdings in regard to norms and controversies. This norms-based

**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.

(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 of Regulation (EU) 2018/2088, are currently assessed at holding level to the extent that data is 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 team reviews the most up to date PAI data extracted from service providers' databases and ensures 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



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

## What investment strategy does this financial product follow?

The Sub-Fund's investment objective is to achieve a combination of income and long-term capital appreciation. The Sub-Fund is balanced and invests in both equity and fixed income. Within equities, the investment strategy is focused on quality companies exposed to structural trends led by innovation and sustainability. Within fixed income, the investment strategy is focused on Nordic fixed income instruments, mainly corporate bonds.

The Investment Manager selects investments based on an active and primarily bottom-up approach, including an assessment of each company's (or issuer's) quality and sustainability profile through the EQSS framework (described in detail below).

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

### ***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 this Sub-Fund, referred 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 Fund will not invest in new holdings which are deemed Non-Compliant in the norms-based

screening and will divest from Non-Compliant companies if the breach is based on events that occurred after the time of the first investment (or information about the events has been made available thereafter) and the company is not deemed as having taken or taking adequate measures;

- *Have sector exclusions*, the 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 classified as "Sustainable Investments"*, following the "Three-Step-Test" process (outlined below).

For investments where the EQSS Sustainability assessment identifies laggards in relation to the Sub-Fund's sustainability indicators, an active engagement will be pursued.

## ***2. Minimum proportion of sustainable investments***

The Investment Manager has committed to ensuring a minimum proportion of 5% sustainable investments in the Sub-Fund portfolio. While the EQSS framework is the primary framework used by the Investment Manager for assessing company quality, including sustainability related factors, the Investment Manager has also developed a "Three-Step-Test", based on the definition of sustainable investments in Article 2(17) in Regulation (EU) 2019/2088<sup>1</sup>, 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. The Investment Manager is planning on further integrating the EQSS framework with this Test over time.

### ***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's Sustainable Development Goals (SDGs) in their offering of products, services, and technologies. Contribution will be measured via revenue, capital expenditure, operating expenditure and/or research and development linked to the UN's SDGs and should exceed 20%.

*Or*

*Bonds* that are Sustainability Linked or where the use of proceeds contribute to environmental or social objectives, and where the bond follow the respective bond principles and guidances issued by International Capital Market Association (ICMA) and are verified by a third party.

- Green Bonds: enable capital-raising and investment for new and existing projects with environmental benefits.

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<sup>1</sup> 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.

- **Social Bonds:** use of proceeds bonds that raise funds for new and existing projects with positive social outcomes. For example, build-out of telecom infrastructure in developing markets, microfinancing to under-banked population such as women in low income countries
- **Sustainability Bonds:** proceeds will be exclusively applied to finance or re-finance a combination of both green and social projects.
- **Sustainability-Linked Bonds:** funding and encouraging companies that contribute to sustainability (from an environmental and/or social and/or governance perspective).

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

The 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). The investment must be Compliant in the controversy (norms-based) and the sector-based screening.

*Step 3: Good governance practices*

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

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

There is no committed minimum rate to reduce the scope of the investment universe. However, sector exclusions, norms-based considerations and ESG quality standards requirements do entail a significant reduction of the investment universe.

- ***What is the policy to assess good governance practices of the investee companies?***

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

Additional governance assessment topics in the EQSS framework will be applied over time, including management remuneration and incentive alignment, employee relationship, pay equality, sustainability strategy alignment, sustainability commitment/oversight, and engagement potential.

**What is the asset allocation planned for this financial product?**

The Fund is invested in global equities and fixed income with a focus on Nordic corporate bonds.

While the Sub-Fund does not have making sustainable investments as its objective, the Sub-Fund seeks to promote environmental or social characteristics, or a combination of those, provided that the companies in which the investments are made follow good governance practices. As such, a minimum proportion of 5% of total investments are classified as sustainable in the "Three-Step-Test", in accordance with the binding elements of the investment strategy.

The Investment Manager strives for a balanced distribution between environmental and social objectives for sustainable investments, since the UN SDGs address both of these factors and it is believed that both environmental and social characteristics must be promoted in order to achieve long term sustainable development. At least 15% of the investments of the Sub-Fund will be aligned with the environmental and social

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

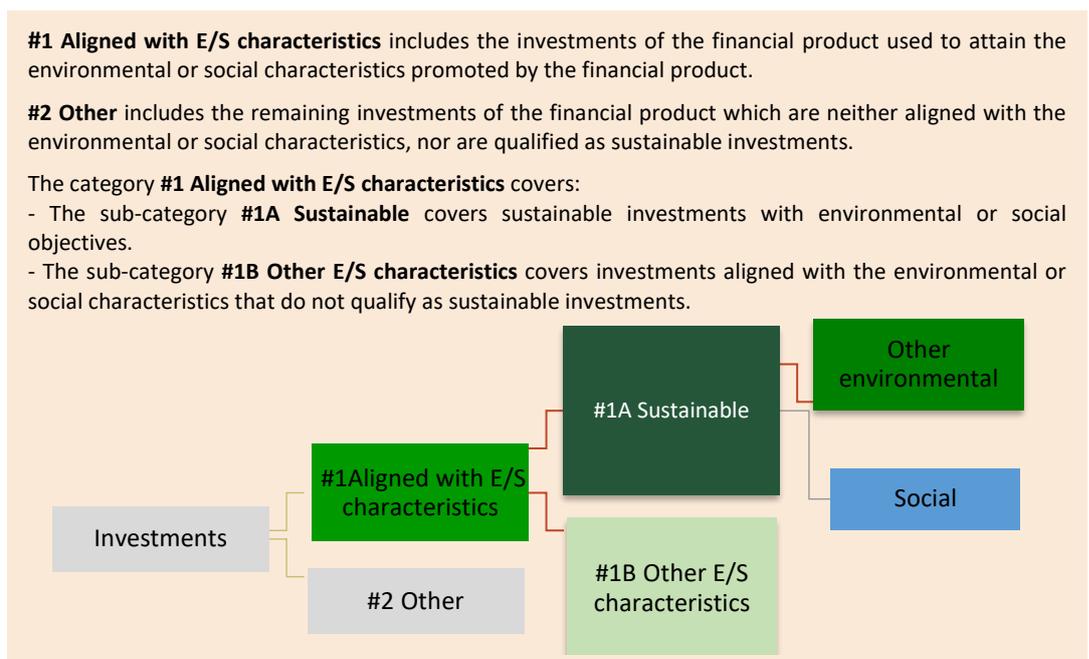


**Asset allocation** describes the share of investments in specific assets.

characteristics promoted. The minimum proportion of investments that promote environmental characteristics or social characteristics are, respectively, 2.5%.

Investments categorised as "#1B Other E/S characteristics" are defined as investments in companies which do not currently meet the criteria for sustainable investments (the "Three-Step-Test"), however, the company might be actively engaged with, and/or it is believed that the company has a reasonable chance of meeting the criteria for sustainable investments in the next few years. The Management Company and the Investment Manager believe that the active ownership efforts on behalf of the Sub-Fund can lead to a significant positive impact on ESG related objectives, for example by reduced carbon emissions, improved production processes, waste management and labour safety practices, and more transparent and accountable corporate governance.

The purpose and minimum safeguards of other investments ("#2 Other") are described in detail below.



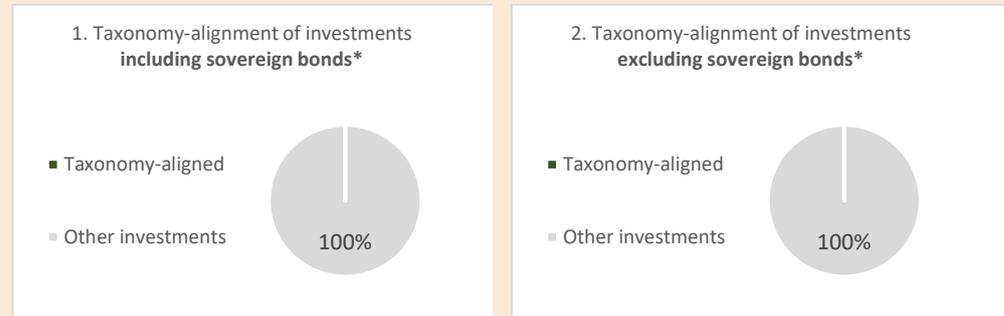
● ***How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?***

The Sub-Fund does not use derivatives to attain the environmental or social characteristics promoted by the Fund.



## 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

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.

However, the Investment Manager believes that making investments that are not yet classified as sustainable, but are aligned with E/S characteristics and show potential for improved ESG profiles and contributions to such characteristics (see #1B in the Sub-Fund's planned asset allocation), is consistent with the spirit of the Taxonomy's notion of transitional activities.

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.

**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.



are sustainable investments with an environmental objective 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 disclosure is therefore only focused on investments in environmental economic activities that are sustainable according to Article 2(17) in Regulation (EU) 2019/2088.

The Management Company and the Investment Manager will generally seek a balanced distribution between environmental and social objectives among the Sub-Fund's sustainable investments. The Sub-Fund is committed to a minimum proportion of 2.5% of total investments that are classified as sustainable investments with an environmental objective that are not aligned with the EU Taxonomy.



### **What is the minimum share of socially sustainable investments?**

The Sub-Fund is committed to a minimum proportion of 2.5% of total investments that are classified as sustainable investments with a social objective.



### **What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

There are two main purposes of investments included under "2# Other", i.e., investments that are not aligned with the E/S characteristics promoted by the Fund:

- The Fund generally maintains a varied level of cash allocation in order to manage necessary fund liquidity; and
- The Sub-Fund may consider certain investments with a *compelling investment rationale* that are not aligned with the environmental or social characteristics the Fund promotes. The Investment Manager does consider various ESG related risks that such companies are exposed to and favours companies that effectively manage ESG related risks.

All investments must fulfill the Investment Manager's minimum environmental or social safeguards criteria covered by the EQSS framework, as described above. For example, no investments will be made into certain sectors, and no new investments will be made into holdings deemed Non-Compliant in the controversy (norms-based) screening.



### **Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?**

Since the Sub-Fund fully relies on the EIA and EQSS analysis frameworks to attain the sustainable investment objectives, no specific index is designated as a reference benchmark to assess the alignment with the environmental and/or social characteristics that the Sub-Fund promotes.

**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](http://www.espiria.se).

Further information is also found in the 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](mailto:esg@eastcapital.com).