

SFDR Website Product Disclosure

# **Espiria Sweden Small Cap**

## **Article 8**

## Summary

This Sustainability Related Disclosure concerns Espiria Sweden Small Cap (“the Sub-Fund”). It is prepared in accordance with Regulation (EU) 2019/2088 on Sustainability Related Disclosures in the Finance Sector (“the SFDR”). This Disclosure is compiled as of 30 July 2025. The following text is a summary of all the information contained in the different sections of the disclosure.

### **No sustainable investment objective**

The Sub-Fund promotes environmental or social characteristics, but does not have sustainable investment as its objective. We ensure that investments do not cause significant harm through our proprietary Espiria Quality and Sustainability Score (EQSS) analysis (including consideration of principal adverse impact indicators), norms-based (controversy) screening, and sector-based screening, which are all also part of the “Three-Step-Test” for defining sustainable investments. In addition, the SDG Value Chain Assessment (SDG VCA) is used to identify how portfolio companies contribute to, or potentially harm, the most material UN SDGs across their value chains, ensuring that their impact is justifiable and measurable.

### **Environmental or social characteristics of the financial product**

The Sub-Fund's investment objective is to achieve significant capital appreciation over the long term. By adopting a sustainability integrated investment process, the 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 United Nations Sustainable Development Goals (UN SDGs).

### **Investment strategy**

The investment strategy of the Fund is focused on quality companies exposed to structural trends led by innovation and sustainability. To ensure the attainment of the environmental and social characteristics that are promoted by the Fund, we have implemented a proprietary quality assessment framework for all Espiria holdings, referred to as the Espiria Quality and Sustainability Score (EQSS). The EQSS Sustainability section covers the sustainability related binding elements for the Fund. We have also developed a “Three-Step-Test” to assess whether an investment is classified as sustainable. The Test is based on the definition of sustainable investments in Article 2(17) of Regulation (EU) 2019/2088, and uses proprietary tools, predominantly based on in house research and primary company data.

We rely 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 disclosure transparency and no recurring significant governance controversies.

### **Proportion of investments**

A minimum proportion of total investments are classified as “Sustainable” in the “Three-Step-Test”, in accordance with the binding elements of the investment strategy. We consider ESG related risks for all investments and implement minimum safeguards (including sector-based and norms-based screening, and risk thresholds in the Red Flag analysis).

### **Monitoring of environmental or social characteristics**

Following investment, we monitor how our holdings (and hence the Fund) promote the intended environmental and social characteristics by updating our proprietary EQSS framework and impact assessment tool when new information has come to the attention of the investment team, for example when a company updates its sustainability disclosures, when there are news about the company, or when we have meetings with the management of the company or other stakeholders. Furthermore, the portfolio is annually reviewed by the

investment management team to confirm compliance with the sector-based exclusion criteria. The portfolio is reviewed by the investment management team on several metrics and aspects, and the results are reported to the Board and to the Investment Committee.

### **Methodologies**

The key analytical tools we use are:

1. The Espiria Quality & Sustainability Score (EQSS) is a proprietary framework used to assess each company's quality and sustainability. It includes Red Flag screening, Do-No-Significant-Harm and Principal Adverse Impact analysis, and an evaluation of governance practices. Companies with more than two red flags or poor ESG performance are excluded. The EQSS forms a key part of the Sub-Fund's Three-Step-Test for identifying sustainable investments.
2. SDG VCA Tool which identifies the two most material SDGs for a given company, and assesses how that company's activities impact those SDGs, and company dialogue.

### **Data sources and processing**

We adopt a combination of primary data collection by our own team and the use of service providers to collect data at scale. We rely mainly on primary source of data deemed relevant and material to assess the promotion of environmental and social characteristics. Such data are often disclosed by the investee companies themselves. The data may be processed in multiple ways, for reporting and analysis purposes mainly.

### **Limitations to methodologies and data**

One methodological limitation lies in the use of structured sustainability frameworks like EQSS, where assessments may involve an element of subjectivity. There could also be a question regarding to what extent a numerical assessment captures the real-world effect. We seek to mitigate such limitations mainly by providing clear definitions of the topics and indicators within the EQSS framework, as well as scoring guidelines. We also take notice to the fact that data quality and inconsistency exists with all data service providers. We can engage with both service providers and companies to improve the data quality and consistency.

### **Due diligence**

Espiria incorporates the sustainability aspects of the investment strategies into adequate investment due-diligence processes and procedures for the selection and monitoring of investments, amongst others considering sustainability risk and the Fund's risk appetite.

The Investment Committee and Board of Directors receive risk reports on a quarterly basis with the inclusion of sustainability risks.

### **Engagement policies**

There are several issues that we address as owners, including but not limited to: equitable treatment of all shareholders, compliance with international conventions and norms, board and management quality, capital issues, communication and disclosure practices, reporting and auditing, environmental and social risks and opportunities, and unethical business practices. We aim to be constructive and supportive in our dialogue with portfolio holdings. We have an Active Ownership Policy available on our website, which clearly sets out our approach towards active ownership.

### **Designated reference benchmark**

No specific index has been designated as a reference benchmark for the purpose of attaining environmental or social characteristics.

## No sustainable investment objective

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

### Principal adverse impacts

Principal adverse impacts (PAI) indicators are considered by the Fund. Upon a new investment, the investment team 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 of Regulation (EU) 2018/2088, are assessed at holding level to the extent that data is available, in both absolute terms as well as 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, East Capital Group, of which Espiria is a part, publishes 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 time according to the regulatory requirements.

### Alignment with international norms

As part of the controversy (norms-based) screening, we assess 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 team shall check and confirm the status of the new holding in regard to norms and controversies. The Fund's portfolio is also checked quarterly by our Group'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 our attention by the time of the review.

According to our "Three-Step-Test" for classifying investments as sustainable, based on the definition of sustainable investments in Article 2(17) of Regulation (EU) 2019/2088, holdings that are classified as sustainable investments must not be assessed as Non-Compliant in the norms-based screening.

## Environmental or social characteristics of the financial product

### The environmental and social characteristics promoted

By adopting an investment process which takes sustainability factors into consideration, the Sub-Fund aims to promote environmental and social characteristics.

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

### **Sustainability indicators**

We have 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 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, we are in this way actively promoting holdings with stronger environmental and/or social characteristics and sustainability footprint.

In addition to assessing the quality and sustainability profile of an investment, environmental and social characteristics are promoted through compliance with our sector and norms-based screening criteria. Our norms-based screening aligns with the UN Global Compact and OECD Guidelines for Multinational Enterprises, ensuring adherence to internationally recognized standards. The following sectors are excluded from our investment universe:

1. Unconventional (Controversial Weapons)
2. Conventional Weapons
3. Tobacco
4. Adult Entertainment
5. Gambling
6. Alcohol
7. Fossil fuels

## **Investment strategy**

### **Investment strategy used to meet the environmental or social characteristics promoted by the financial product**

The Sub-Fund aims to achieve significant long-term capital appreciation. Its investment strategy is built on three strategies: value, growth, special situations. The value strategy focuses on investing in companies that we believe are trading below their intrinsic value, while the growth strategy identifies businesses with strong potential for sustainable expansion. The special situations strategy captures opportunities arising from unique market conditions or corporate events. Additionally, ESG considerations play a significant role in the investment process.

### **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. *Ensure minimum environmental or social safeguards, the Sub-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;*

2. *Sector exclusions:*

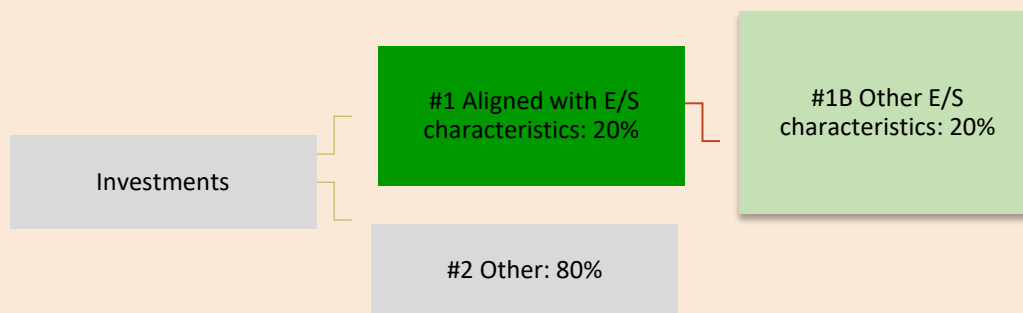
- a. The Sub-Fund will not invest in companies that generate >5% of their revenues from manufacturing weapons, fossil fuels, pornography, gambling, alcohol, or tobacco;
  - b. The Sub-Fund will not invest in companies that generate >5% of their revenues from distributing weapons, pornography, gambling AND >50% of their revenues from distributing alcohol, tobacco and fossil fuels;
3. *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 takes consideration of principal adverse impacts (PAI);*
4. *Good governance practices, the investment should not have more than 2 RFs related to governance issues. This is a requirement for investments that align with environmental and social (E/S) characteristics but is not necessary for investments categorized as "other."*

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sus



## Proportion of investments

The Sub-Fund invests in Nordic small- and midcap equities.

While the Sub-Fund does not have 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. At least 20% of the investments of the Sub-Fund will be aligned with the environmental and social characteristics promoted.

Investments categorised as "#1B Other E/S characteristics" are defined as investments in companies which do not meet the criteria for sustainable investments but meet our binding elements.

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

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 will likewise only commit to 0% as the minimum proportion of investments in transitional and enabling activities.

## Monitoring of environmental or social characteristics

Following investment, we monitor how our holdings (and hence the Sub-Fund) promote the intended environmental and social characteristics by updating our proprietary EQSS framework and impact assessment tool when new information has come to the attention of the investment team, for example when a company updates its sustainability disclosures, when there are news about the company, or when we have meetings with the company's management and other stakeholders.

The portfolio is reviewed quarterly by the ESG team, and the results are reported to the Board and to the Investment Committee. Furthermore, the risk team's quarterly review includes measurements of the proportion of sustainable investments and the proportion of investments that are aligned with other environmental or social characteristics, as to ensure compliance with the minimum proportion of sustainable investments

## Methodologies

To ensure the attainment of the environmental and social characteristics that are promoted by the Sub-Fund, several sustainability indicators are selected and assessed at the holding level.

- *Ensure minimum environmental or social safeguards*, the Sub-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;
- *Sector exclusions*:
  - a. The Sub-Fund will not invest in companies that generate >5% of their revenues from manufacturing weapons, fossil fuels, pornography, gambling, alcohol, or tobacco;
  - b. The Fund will not invest in companies that generate >5% of their revenues from distributing weapons, pornography, gambling AND >50% of their revenues from distributing alcohol, tobacco and fossil fuels.
- *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 takes consideration of principal adverse impacts (PAI);
- *Good governance practices*, the investment should not have more than 2 RFs related to governance issues. This is a requirement for investments that align with environmental and social (E/S) characteristics but is not necessary for investments categorized as "other."

## Data sources and processing

### Data sources used to attain the sustainable investment objective of the financial product

We adopt a combination of primary data collection by our own team and the use of service providers to collect data at scale. We rely mainly on primary source of data deemed relevant and material to the sustainable investment objective, often disclosed by the investee companies. The following data sources are used:

- The Sub-Fund's sustainability indicators at holding level are collected and processed by the investment team from a range of publicly available primary data sources, such as company's sustainability reports, financial reports, proxy statements, company website and press releases, white papers, and may be estimated given lack of corporate disclosure.
- Estimates will only be used when primary data are missing and when the estimates are based on a credible and broadly recognised methodology.
- The Sub-Fund's carbon footprint is calculated based on third party service providers datasets
- The norms-based screening process incorporates data from third-party data providers.
- The "do no significant harm" and "good governance practices" assessments are based on internal processes.

### Measures taken to ensure data quality

We recognise the potential for data quality and inconsistency issues in ESG datasets at the holding level. To address these concerns, we carefully review and analyse the data to identify any potential deficiencies. Additionally, we can engage with both companies and service providers to improve the quality and consistency of the data.

### How data are processed

The data may be processed in multiple ways, for reporting and analysis purposes mainly. For example, primary sourced data may be used directly or to derive secondary indicators. Furthermore, calculations may be made for comparison purposes with peers or with industry average.

### The proportion of data that are estimated

Since our sustainability and impact analysis are mainly based on primary data sources rather than estimates, which are only used given that certain conditions are fulfilled (described above), we do not find it not meaningful nor accurate to provide an estimated data proportion.

## Limitations to methodologies and data

### Methodology and Data Availability Limitation

One methodological limitation lies in the use of sustainability frameworks and proprietary tools, where assessments may involve an element of subjectivity, depending on the analyst's interpretation of each indicator and their judgement. There could also be a question regarding to what extent a numerical assessment captures the real-world effect. We seek to mitigate such limitations mainly by providing clear definitions of the topics and indicators within the EQSS framework, as well as scoring guidelines. Apart from scores, qualitative information and supplementary notes are also included in the assessment as supportive evidence to the scores.



Like many other financial market participants, we may not be able to identify all information related to the sustainability indicators (including principal adverse indicators). We expect the corporate sustainability reporting to improve gradually as disclosure related regulations increasingly become implemented, for example the anticipated introduction of the Corporate Sustainability Reporting Directive (CSRD).

### Data Quality Limitation

We have identified that there are issues with data quality and inconsistency in both company disclosures and among data service providers. For example, some service providers may combine primary data with estimates, present data that are not comparable in scope, or make errors in data collection. Similarly, there are still many gaps in the data disclosed by companies. To address these issues, we work with both companies and service providers to improve the quality and consistency of the data.

## Due diligence

Espira has incorporated the sustainability aspects of the investment strategies into adequate investment due-diligence processes and procedures for the selection and monitoring of investments, amongst others considering sustainability risk and the Sub-Fund's risk appetite.

Generally, our integrated investment due diligence is carried out through a combination of various means, including desk research, company meetings and calls, on-site visits and conferences. The focus is on understanding companies' underlying fundamentals, business strength and outlook, including the absolute and relative sustainability performance related to topics covered by our tools.

The Sub-Fund's sustainability risks, including external ESG risk ratings, as well as carbon footprints are regularly monitored by the Risk Management Team. The Management and Board of Directors receive risk reports regularly with the inclusion of sustainability risks.

## Engagement policies

We consider good corporate governance as well as environmentally and socially responsible behaviour as essential in managing a company with the aim of maximising long-term shareholder value. There are several issues that we address as owners, including but not limited to: equitable treatment of all shareholders, compliance with international conventions and norms, board and management quality, capital issues, communication and disclosure practices, reporting and auditing, environmental and social risks and opportunities, and unethical business practices.

For investments where we identify areas of improvement on specific ESG issues, or if we believe that a portfolio company has not met our expectations as owners, including in the case of sustainability-related controversies, an engagement will be initiated and will proceed with the company's management until the issue(s) is (are) solved. We aim to be constructive and supportive in our dialogue with the companies. Our experience has shown that engaging with the company, either directly or collectively with other owners, usually generates greater positive effects as opposed to immediately exiting our investment. If the company does not respond in an adequate manner or undertake the necessary changes, however, we may ultimately decide to divest our holding in the company.

We apply a range of methods to address ESG and sustainability issues in portfolio companies, including but not limited to:

- Face-to-face discussions with managements and boards in company visits,
- Letters addressed to the management of our portfolio companies, highlighting key issues of concern including explicit requests for additional information,

- Nomination or endorsement of independent board members,
- Voting in shareholders' meetings,
- Dialogue with companies in conjunction with shareholders' meetings,
- Collaboration with other shareholders and investor-led initiatives,

Engagement activities are logged and managed through a SaaS platform, communicated in relevant forums where applicable and in client-due diligence requests in particular. For more information on our engagement policies, please see our [Active Ownership Policy](#).

## Designated reference benchmark

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.