Sustainable Investment Report 2024

East Capital Group

EAST CAPITAL GROUP

WORKING FOR POSITIVE CHANGE
SINCE 1997

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Past performance is no guarantee for future performance. The money invested in the funds can both increase and decrease in value, and it is not certain that you will get back the entire invested capital. Full information about our funds, such as prospectus, key information document (KID) and financial information can be found on the respective websites and can be obtained free of charge from us or our local representatives.

www.eastcapital.com
www.espiria.se
www.eastcapitalrealestate.com

Cover photo: Mumbai City skyline during night, photo by Aanimesh (Shutterstock)

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East Capital Group

East Capital Group is a global asset manager based in Sweden since 1997. We offer a range of investment solutions within equities, fixed income securities, real estate and alternatives. The essence of our business is not only to find attractive investment opportunities, but also to work to drive positive change, influencing industries around the world to become more sustainable. We have a broad range of international investors including leading institutions, companies and private individuals.

We are responsible long-term owners who are "invested" both in terms of our stewardship and our capital. We leverage our regional and sector expertise with active investments in the world's fast-growing economies and combine it with a clear, proprietary ESG framework to deliver strong and sustainable returns for our investors. With our beginnings in emerging and frontier markets, we are today a global investor, with extensive experience in and a focus on sustainable long-term investments.

Within East Capital Group you will find East Capital - specialising in emerging and frontier market strategies, East Capital Real Estate - managing commercial real estate investments in Central and Eastern Europe, Espiria - offering bespoke global and Nordic equities and fixed income strategies. East Capital Group owns 49% of Cicero Fonder and 49% of Hjerta (Nordic Brokers Association), it also has a significant holding in the listed company Eastnine (OM:EAST), which owns, develops and manages modern and sustainable office and logistics premises in prime locations in the Baltics and Poland.

For more information, visit our website www.eastcapital.group

Photos by East Capital Group, Hampus Marcussen, Maria Kukatova, Sara Rossi

Our ESG Journey - 27 years of engagement

1997

East Capital is founded. Based on sound Nordic values, we set out to be long-term, active and responsible owners.
We start engagement and voting.

2002

We send our first annual letters to all portfolio companies, detailing our expectations as owners.

2004

We introduce East Capital Awards, to reward the progress of outstanding companies in East Capital's portfolios.

2007

We implement sector exclusion criteria. Commercial gambling exclusion was added in 2020.

2009

We join ACGA (Asian Corporate Governance Association).

2010

We start semi-annual controversy screening of all funds.
We establish a new role within investment team: Head of Corporate Governance and Sustainability.

2011

We start nominating independent directors to the board of our portfolio holdings.

2012

We become signatory of UN PRI.
We start disclosing and offsetting our scope 1 and 2 GHG emissions.

2013

We introduce East Capital Best Corporate Governance Award.

2015

Integra, a landmark court case, puts us on the map for protecting minority investors all over the world.

2016

We implement our proprietary ESG integration tool, integrating sustainability and SDGs in our investment process.

2017

We join SISD.

2018

We join Climate Action 100+, Tobacco-Free Finance Pledge.

2019

We launch East Capital Global Emerging Markets Sustainable.
We become a TCFD supporter.

2020

We join SWESIF and IIGCC.
We implement Esgaia, a tool for engagement management.

2021

We become an IFRS Alliance member and join the FSDA. Espiria joins NZAM and launches Espiria SDG Solutions.
We introduce East Capital SDG VCA tool.

2022

We become signatory of UNGC and a supporter of TPI, IPDD and Advance.
Espiria rolls out EQSS tool.

2023

We join Nature Action 100 and we sign up as early adopter of TNFD.

Photo: Geike Verniers (Unsplash)

Highlights from 2024

Advancing our sustainability commitments

In 2024, East Capital Group continued to strengthen its commitment to ESG and responsible investing. The following is an overview of key initiatives, collaborations, and advocacy efforts we engaged in throughout the year to support sustainable finance and promote positive change across markets.

Following our commitment as a 2025 Early Adopter of the **Taskforce on Nature-related Financial Disclosure (TFND)**, we researched the framework and presented it to the investment team and began preparing our organisation for its implementation. In parallel, we initiated several engagements with companies - either directly or in collaboration with other shareholders - on biodiversity and deforestation.

We conducted the **annual deforestation risk mapping and analysis** for both East Capital and Espiria, resulting in several direct company engagements. Topics ranged from the introduction of a deforestation policy to the actual management of commodity-driven deforestation risks.

In terms of new tools, we finalised the **PAI (Principal Adverse Impact) manual**, which guides our team on how to use PAI in their investment analysis. We also streamlined the environmental section of the ESG Scorecard, which we use for East Capital investments and launched the East Capital **ESG Data Template File**, a new resource for ESG data collection. Some of the templates are AI-generated, which supports the completion of East Capital's ESG Scorecards; we are currently enhancing some other parts of the data collection to also incorporate the use of AI tools.

In terms of **internal capacity building**, focus themes presented each month to the investment teams and sales colleagues covered a variety of topics such as European climate targets and carbon capture and storage, Scope 3 emissions, Corporate Sustainability Due Diligence Directive (CSDDD), plastic pollution, ESMA fund naming guidelines including Paris Aligned Benchmark exclusions, COP29, COP16, Climate Action 100+ benchmark assessment, deforestation risks. A deep dive was done during an internal conference on Principal Adverse Impact (PAI) and the TNFD (Taskforce on Nature-related Financial Disclosure) to which we have signed up as a 2025 Early Adopter, as mentioned above.

Espiria SDG Solutions, one of our global strategies classified as an Article 9 fund under the SFDR, was relaunched in early 2025 as **Espiria Hållbar Framtid** (in English: Espiria Sustainable Future). The strategy now applies the same **SDG VCA tool** that we use for East Capital Global Emerging Markets Sustainable.

We have supported several **collaborative initiatives** from the responsible investment community at large, on topics such as plastic pollution, climate, corporate governance practices, sustainability accounting standards, and nature.

East Capital Group's **ESG Policy** is published on eastcapital.group.

Photo: John Nilsson (Shutterstock)

Statements, commitments and system-wide advocacy

East Capital Group contributed to, signed and/or supported several statements and open letters to governments and policy makers during 2024.

The **Financial Sector Statement to End Plastic Pollution** was an opportunity to support the COP15 commitment to biodiversity and advance the implementation of **Target 7 of the Kunming-Montreal Global Biodiversity Framework** to *"Reduce pollution risks and the negative impact of pollution from all sources… including preventing, reducing, and working towards eliminating plastic pollution"*. The statement - drafted by the PRI, UNEP FI, the Finance for Biodiversity Foundation, CDP, the Business Coalition for a Global Plastics Treaty, and VBDO - calls for an **ambitious international legally binding instrument to end plastic pollution (ILBI)** and sets out what a robust global agreement would include from the perspective of the financial sector.

A joint open letter was sent to EU leaders and policymakers calling on the EU to adopt a greenhouse gas emissions reduction target of at least 90% by 2040, in line with the **Paris Agreement** and the best available science.

ACGA's letter to **Japanese** regulators (Japan Financial Services Agency, the Japan Exchange/Tokyo Stock Exchange) was to highlight cross-ownership issues in the Japanese market.

ACGA's response to the **Reserve Bank of India's** consultation on the "Draft Disclosure framework on Climate-related Financial Risks, 2024" highlighted four main concerns; timelines that are too generous; disclosures that should not be separated into basic and enhanced; creating ambiguity with the IFRS S2 framework; lack of specific alignment with ISSB standards.

A statement jointly developed by the PRI, LSEG and UN SSE calling on the relevant authorities in all jurisdictions to adopt the **ISSB standards** on an economy-wide basis by 2025. It was published during the IOSCO Annual Conference in May.

IIGCC

Net Zero Engagement Initiative

As a signatory to the **Net Zero Engagement Initiative**, we co-signed the 155 letters urging companies beyond Climate Action 100+ to commit to net-zero targets and transition plans.

The Global Investor Statement to Governments on the Climate Crisis was the most comprehensive investor call for climate action to date, demanding a whole-of-government approach with policy implementation at all levels. A total of 534 institutional investors and their representatives managing more than USD 29 trillion in assets signed the statement, which was presented to governments at COP29 in Baku.

The Nature Collective Impact Coalition Investor Statement called on high-impact companies to urgently assess and disclose their nature-related risks, dependencies and impacts. Progress will be tracked using the Nature Benchmark. The collective impact coalition has a founding group of six investors and fifteen civil society organisations, and the statement was signed by 26 institutions.

The investor statement regarding the EU Deforestation Regulation (EUDR), a reaction to the decision by the European Parliament to delay the application of the EUDR, and new amendments that would allow deforestation-linked products to continue to be sold in the EU via a "no risk" rating that would exempt entire countries from the law's requirements.

An open letter to Korea's Financial Services Commission to encourage the announcement of an implementation roadmap for mandatory disclosure for large corporates, following the announcement that mandatory ESG disclosure, originally announced for 2025, will be delayed to "after 2026".

Part of our work to promote sustainable investment systems involves contributing to surveys by various stakeholders, such as financial regulators, associations and initiatives.

For example, in a **stakeholder consultation by Finansinspektionen** (FI), coordinated by the Swedish Investment Fund Association, regarding sustainability, transition plans and/or transition risks, we shared our recommendations on what FI should include in its policy work. Questions covered costs and resources, risk evaluation and risk management, stakeholder consultation, market volatility, technologies and communication and transparency. We participated in the **Swedish Investment Fund Association's survey** about the fund industry's climate efforts, and pathway to net zero, as well as the 2024 **IFRS Sustainability Alliance member** survey, and the **IIGCC member** survey.

How we generate value

Key characteristics of our portfolio management approach

Since day one, we have set out to be a long-term, active and responsible investor. Our investment teams base their investment strategy on in-depth knowledge of local markets, fundamental analysis and frequent company visits. Evaluation of ESG-related risks and opportunities forms an integral part of the investment process. We favour investments in companies that show long-term sustainable growth and have responsible owners.

Over the years, our investment teams have interacted with thousands of companies, management teams, regulators, governments and other investors. We have consistently worked on developing how we address sustainability and ESG-topics to ensure that we are able to offer sustainable investment products to our clients. This has resulted in a unique and proprietary approach that has been diligently carried out by our investment teams for more than 27 years. Our ultimate goal remains the same: to make better informed investment decisions and enhance the value of our portfolio companies through active ownership, while contributing to the advancement of sustainability in our investment universe.

On-the-ground

Frequent and personal meetings with company owners, management teams and policymakers are an integral part of the investment process, providing us with in-depth local knowledge, access to information and an extensive network. Being on-the-ground is essential in better understanding the local market dynamics, making better-informed investment decisions and monitoring existing holdings.

Research-driven

Diligent research is essential for identifying key performance drivers and correctly assessing risk. We rely on our own research, including risk scenarios and a proprietary ESG analysis, in our investment process.

Long-term

While we can make some short-term adjustments, we do so without sacrificing the overall long-term focus and the low core turnover of the portfolios. We focus on companies with strong and predictable growth profiles, high and consistent return on equity, high free cash flow and high capital efficiency. Fundamentals matter over time.

Active stock pickers

We look beyond index composition and invest by conviction on a company-by-company basis. Our portfolios typically have a high active share. Our off-benchmark exposure often includes a significant allocation to small and mid-cap companies, which can offer "below radar" and hence reasonably priced exposure to certain sectors benefiting from strong structural demand. We also like frontier markets which are in general both faster-growing and less correlated to the developed world than emerging markets.

Dynamic

It is important to keep a clear view on the rapid pace of change and its potential impact on stock prices, especially when it comes to emerging and frontier markets. Central bank decisions, commodity prices, geopolitics and local investor sentiment will all influence stock performance. It is therefore important to keep a look at the drivers beyond the pure fundamentals.

Responsible

Our fundamental bottom-up research process addresses and integrates investment risks and opportunities associated with relevant and material environmental, social and corporate governance factors. We consider good corporate governance as well as environmentally and socially responsible behaviour to be essential in managing a company with the aim of maximising long-term shareholder value.

We are signatories to the United Nations Principles of Responsible Investment (PRI) and to the United Nations Global Compact. We agree with and support internationally recognised norms, conventions and standards such as those set out in the United Nations Global Compact and the OECD Principles for Corporate Governance and Multinational Enterprises.

Throughout the years, we have also engaged in numerous dialogues with governments, stock exchanges, regulators, standard-setters, industry initiatives and other market participants to promote improvements in the institutional and legal framework of specific markets.

Active owners

ESG factors are an important driver of long-term investment returns from both an opportunity and a risk-mitigation perspective. We are enforcing improved ESG standards and strengthening the chain of accountability in portfolio companies through our monitoring capacity and constructive engagement. Continuous dialogue with portfolio companies covers a range of issues such as developing a clear and consistent shareholder distribution policy, professionalising board processes, promoting gender diversity on boards, raising and addressing environmental and social concerns, improving transparency, reporting and investor relations, improving rights for minority shareholders or reaching a better fair-value in buyouts. Our experience has shown that an engaged and constructive dialogue will more often lead to convincing the company to initiate positive change, while simply exiting the investment achieves nothing. Voting at AGMs/EGMs is another important way for us to communicate our views to the companies and their management.

Our Responsibility Commitment

Sustainability disclosure

East Capital Group is committed to consistent and thoughtful transparency and has been reporting publicly on responsible investing and ESG related efforts and results since 2015. As a UN PRI signatory we are committed to transparency and disclosure of our responsible investment work and outcome.

For the fourth year in a row, we have published our annual Sustainability Disclosure, developed in accordance with the Sustainability Accounting Standards Board (SASB) and Industry Standards for Asset Management and Custody Activities (ISAMCA). The disclosure contains assessments of our performance across four material topics: transparent information and fair advice for clients; integration of ESG factors into investment management and advisory; employee engagement, diversity and inclusion; and business ethics.

The sustainability disclosure also includes a section on climate-related issues in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This framework provides a standardised and relevant way for investors and others to understand how we assess and manage climate-related risks and opportunities.

Further, East Capital Group closely monitors new developments and complies with existing requirements of the EU legal framework on sustainability-related disclosure, including the Sustainable Finance Disclosure Regulation (SFDR). The SFDR sets out harmonised rules for financial market participants and financial advisors on transparency regarding the integration of sustainability risks and the consideration of adverse sustainability impacts, as well as the provision of sustainability-related information with respect to financial products.

Managing our climate footprint

East Capital Group offsets its carbon emissions on an ongoing basis and identifies appropriate investment projects to support communities in becoming carbon neutral. The Stockholm office led this effort by becoming a climate-neutral office already in 2010, and as of 2012 all offices were included in the emission calculations and our efforts to reduce climate impact. Our clear ambition is to actively reduce our negative impact on the climate. This means that we calculate our greenhouse gas emissions every year according to the international standard Greenhouse Gas Protocol, implement measures to reduce our emissions and offset any remaining emissions. Our emissions are mainly related to our business travel and offices.

In 2024, East Capital Real Estate's Tallinn office was awarded the **Green Office certificate** by the Estonian Association for Environmental Management. The certification process was based on a comprehensive checklist covering key areas of environmental management and social responsibility. This recognition underscores our ongoing commitment to adopting eco-friendly practices and reducing our environmental footprint.

Corporate Social Responsibility

Our social contributions in support of our investment universe are primarily focused on helping children and young people to secure a better future. We prefer to build long-term relationships, and actively ensure that any initiative that we support is run efficiently and has a lasting positive impact that is consistent with the objective of our support.

SOS Children's Villages

Since 2007, East Capital has proudly supported the SOS Children's Village in Keila, Estonia. SOS Children's Villages offers a nurturing home to children who are unable to grow up with their biological families. SOS Estonia forms part of the global SOS Children's Villages International network, which upholds high standards in operations, quality control, and governance.

Over the years, we have provided ongoing support to SOS families living in the Keila village. Our involvement began in 2007 with the sponsorship of a family with five children. In 2018, we extended our support to a second family, also with five children. The relationship we have built with the families is deeply valued by our employees, and we continue to visit them regularly in Keila.

In 2024 East Capital Real Estate joined the "Let's Donate Time," charity initiative launched by the Estonian Employers' Confederation and Swedbank to encourage employees to volunteer at least one day a year for community work. In May, the Real Estate team visited the SOS Children's Village, where we built a new terrace for the family we support and tidied the garden by raking leaves and tending the flower beds. The family's children also joined in, helping with the work and lifting spirits with singing and dancing, making the day even more enjoyable.

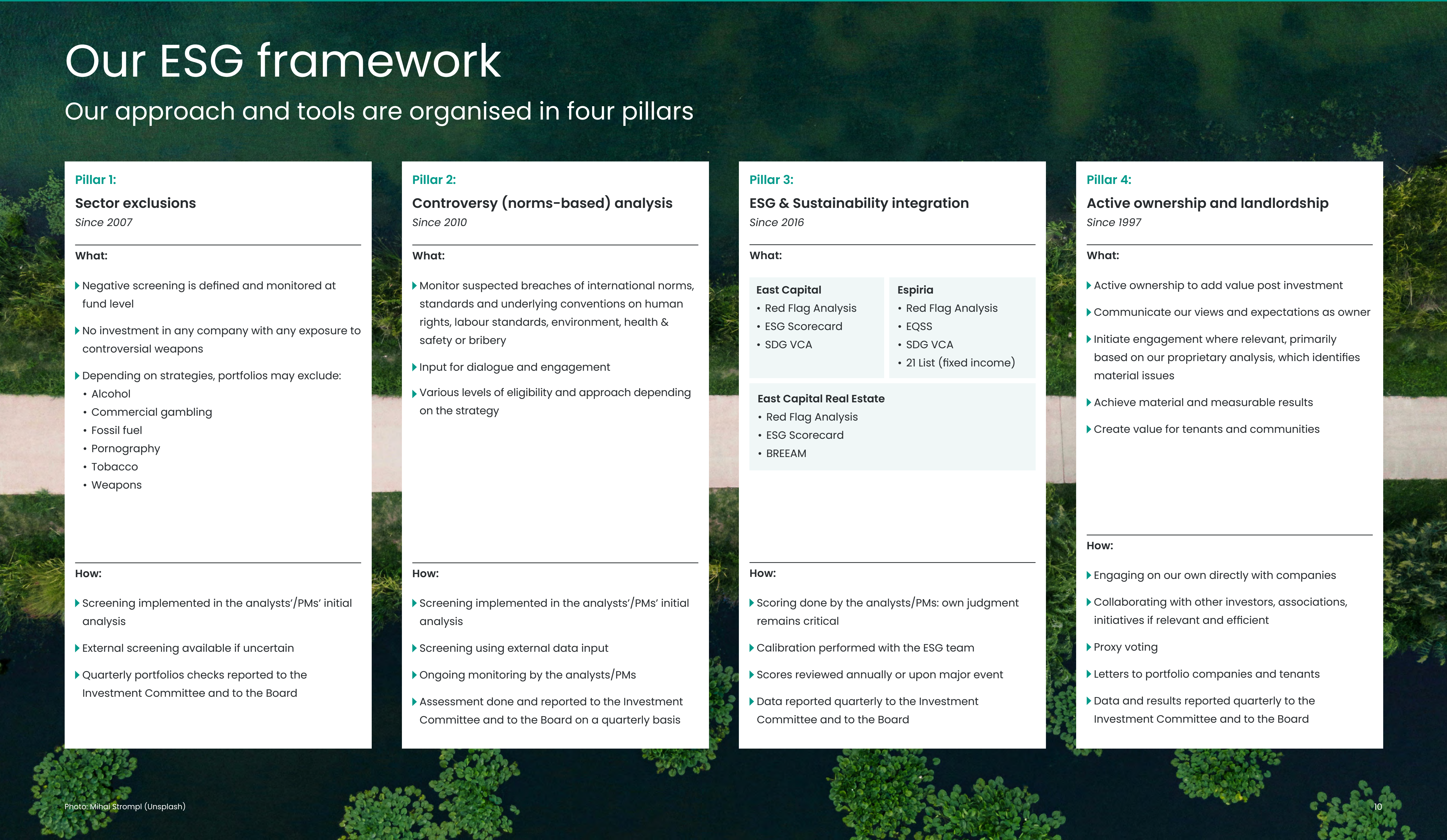
In 2024, East Capital Group continued supporting Ukraine through donations and collaboration with partner organisations.

OperationAid

OperationAid supports the children and healthcare in Ukraine. Right now they focus on transport and care of the wounded, as well as activities for war-affected children and young people. Hope is not a strategy, let's act together, here and now!
www.operationaid.org

Östkontoret

East Capital supports Östkontoret, a member organisation with both large and small Swedish companies with activities and interests in Ukraine. Östkontoret works for Swedish companies to continue their business in Ukraine and to inspire them to invest more in the country. An active and strong business sector increases the likelihood that Ukraine will be able to continue to stand strong in the war and get back on its feet more quickly after the end of the war.



Our ESG framework

Our approach and tools are organised in four pillars

Pillar 1:

Sector exclusions

Since 2007

What:

- Negative screening is defined and monitored at fund level
- No investment in any company with any exposure to controversial weapons
- Depending on strategies, portfolios may exclude:
  - Alcohol
  - Commercial gambling
  - Fossil fuel
  - Pornography
  - Tobacco
  - Weapons

How:

- Screening implemented in the analysts'/PMs' initial analysis
- External screening available if uncertain
- Quarterly portfolios checks reported to the Investment Committee and to the Board

Pillar 2:

Controversy (norms-based) analysis

Since 2010

What:

- Monitor suspected breaches of international norms, standards and underlying conventions on human rights, labour standards, environment, health & safety or bribery
- Input for dialogue and engagement
- Various levels of eligibility and approach depending on the strategy

How:

- Screening implemented in the analysts'/PMs' initial analysis
- Screening using external data input
- Ongoing monitoring by the analysts/PMs
- Assessment done and reported to the Investment Committee and to the Board on a quarterly basis

Pillar 3:

ESG & Sustainability integration

Since 2016

What:

East Capital
- Red Flag Analysis
- ESG Scorecard
- SDG VCA

Espiria
- Red Flag Analysis
- EQSS
- SDG VCA
- 21 List (fixed income)

East Capital Real Estate
- Red Flag Analysis
- ESG Scorecard
- BREEAM

How:

- Scoring done by the analysts/PMs: own judgment remains critical
- Calibration performed with the ESG team
- Scores reviewed annually or upon major event
- Data reported quarterly to the Investment Committee and to the Board

Pillar 4:

Active ownership and landlordship

Since 1997

What:

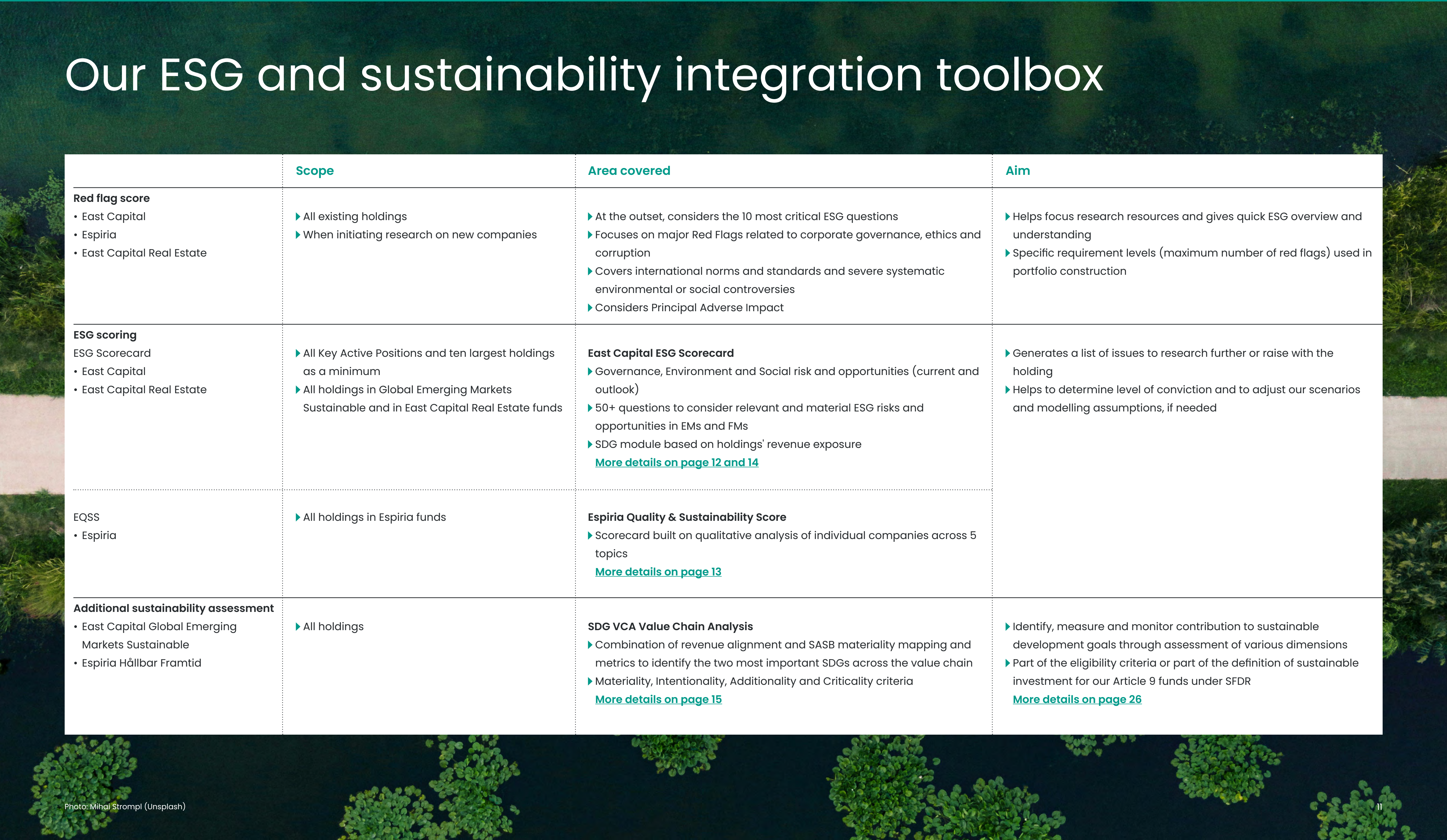
- Active ownership to add value post investment
- Communicate our views and expectations as owner
- Initiate engagement where relevant, primarily based on our proprietary analysis, which identifies material issues
- Achieve material and measurable results
- Create value for tenants and communities

How:

- Engaging on our own directly with companies
- Collaborating with other investors, associations, initiatives if relevant and efficient
- Proxy voting
- Letters to portfolio companies and tenants
- Data and results reported quarterly to the Investment Committee and to the Board

Photo: Mihai Strompl (Unsplash)

Our ESG and sustainability integration toolbox



	Scope	Area covered	Aim
Red flag score • East Capital • Espiria • East Capital Real Estate	▸ All existing holdings ▸ When initiating research on new companies	▸ At the outset, considers the 10 most critical ESG questions ▸ Focuses on major Red Flags related to corporate governance, ethics and corruption ▸ Covers international norms and standards and severe systematic environmental or social controversies ▸ Considers Principal Adverse Impact	▸ Helps focus research resources and gives quick ESG overview and understanding ▸ Specific requirement levels (maximum number of red flags) used in portfolio construction
ESG scoring ESG Scorecard • East Capital • East Capital Real Estate	▸ All Key Active Positions and ten largest holdings as a minimum ▸ All holdings in Global Emerging Markets Sustainable and in East Capital Real Estate funds	**East Capital ESG Scorecard** ▸ Governance, Environment and Social risk and opportunities (current and outlook) ▸ 50+ questions to consider relevant and material ESG risks and opportunities in EMs and FMs ▸ SDG module based on holdings' revenue exposure More details on page 12 and 14	▸ Generates a list of issues to research further or raise with the holding ▸ Helps to determine level of conviction and to adjust our scenarios and modelling assumptions, if needed
EQSS • Espiria	▸ All holdings in Espiria funds	**Espiria Quality & Sustainability Score** ▸ Scorecard built on qualitative analysis of individual companies across 5 topics More details on page 13	
Additional sustainability assessment • East Capital Global Emerging Markets Sustainable • Espiria Hållbar Framtid	▸ All holdings	**SDG VCA Value Chain Analysis** ▸ Combination of revenue alignment and SASB materiality mapping and metrics to identify the two most important SDGs across the value chain ▸ Materiality, Intentionality, Additionality and Criticality criteria More details on page 15	▸ Identify, measure and monitor contribution to sustainable development goals through assessment of various dimensions ▸ Part of the eligibility criteria or part of the definition of sustainable investment for our Article 9 funds under SFDR More details on page 26

Photo: Mihai Strompl (Unsplash)

East Capital proprietary ESG Scorecard

In 2016 we developed and launched a proprietary ESG Scorecard to further integrate ESG factors into our investment process. The decision to develop our own scorecard was mainly driven by the desire to formalise and structure our own knowledge, experience and views of relevant and material ESG-related risks and opportunities. It was further compounded by the lack of coverage of external ESG research on emerging and frontier markets. Since 2017, it also includes a separate SDG module to ensure that we integrate risks and opportunities related to these goals on the path to 2030. In 2020 we added a momentum score which is key to guide our engagement priorities.

Our ESG Scorecard guides us in our assessment of relevant and material ESG risks and opportunities from an emerging and frontier markets' perspective. As the scorecards are filled in by the relevant research analysts, portfolio managers and portfolio advisors, with the support of our ESG team, we ensure that the entire investment team integrates relevant and material risks and opportunities in their fundamental analysis, ensuring a more holistic analysis of company quality. The ESG Scorecard comprises 10 Red Flag questions and 50+ additional questions within E, S and G, which structures our review to consider relevant and material ESG risks and opportunities and an SDG module.

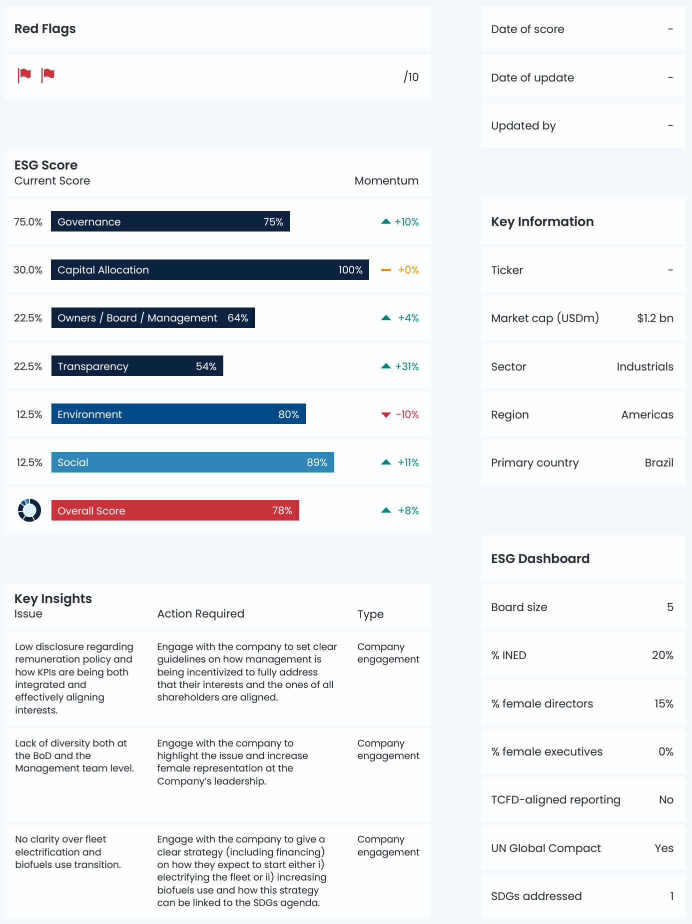
Some of the main benefits of the ESG Scorecard are that it:

- ensures that we consider relevant and material E, S and G related factors, including risks and opportunities related to the SDGs;
- generates a list of issues/questions to research further or raise with the company;
- identifies areas of improvement that we can address through constructive engagement;
- helps to focus our internal resources and ensures that we bring sustainability topics onto corporate agendas;
- ensures an integrated approach and a holistic analysis of company quality due to its being executed by the investment team;
- allows us to adjust our scenarios and modelling assumptions, if needed;
- helps to determine a level of conviction, (together with financial quality, significant upside, etc), reflected in the stock allocation;
- includes a forward-looking assessment through the momentum score.

Exposure to SDG is assessed through a separate SDG module (see next page)

ESG Scorecard

Example



Red Flags

🟥 🟥 /10

Date of score	-
Date of update	-
Updated by	-

ESG Score
Current Score — Momentum

75.0%	Governance	75%	▲ +10%
30.0%	Capital Allocation	100%	– +0%
22.5%	Owners / Board / Management	64%	▲ +4%
22.5%	Transparency	54%	▲ +31%
12.5%	Environment	80%	▼ -10%
12.5%	Social	89%	▲ +11%
	Overall Score	78%	▲ +8%

Key Information

Ticker	-
Market cap (USDm)	$1.2 bn
Sector	Industrials
Region	Americas
Primary country	Brazil

ESG Dashboard

Board size	5
% INED	20%
% female directors	15%
% female executives	0%
TCFD-aligned reporting	No
UN Global Compact	Yes
SDGs addressed	1

Key Insights

Issue	Action Required	Type
Low disclosure regarding remuneration policy and how KPIs are being both integrated and effectively aligning interests.	Engage with the company to set clear guidelines on how management is being incentivized to fully address that their interests and the ones of all shareholders are aligned.	Company engagement
Lack of diversity both at the BoD and the Management team level.	Engage with the company to highlight the issue and increase female representation at the Company's leadership.	Company engagement
No clarity over fleet electrification and biofuels use transition.	Engage with the company to give a clear strategy (including financing) on how they expect to start either i) electrifying the fleet or ii) increasing biofuels use and how this strategy can be linked to the SDGs agenda.	Company engagement

Red flags look at 10 most critical issues around shareholders, management, governance and controversies

Governance (75% weight) and **capital allocation** (30%) in specific remain heart of scorecard

Score (and **momentum**) formally part of process, >70 required for portfolio inclusion, unless positive momentum; this ensures a high quality portfolio

Scorecard is updated by PMs and analysts on an annual basis and drives **key insights** and **engagement priorities**

Based on our own insights of the companies, we assess **ESG momentum**, i.e. direction of travel

Key metrics (as assessed by the team) are fed into our system for portfolio overviews

Separate **SDG module** assesses revenue alignment with SDGs

Oversight by **ESG team** who will review all scorecards to ensure consistency among analysts/PMs

Espiria ESG and sustainability integration toolbox

Espiria Quality & Sustainability Score (EQSS)

All Espiria fund strategies

Since EQSS was developed and rolled out in 2022, Espiria investment team has been using the framework for fundamental analysis to evaluate companies, applicable to all Espiria strategies. It is a scorecard built on qualitative analysis of individual companies across 5 topics, including Leadership, Market & Growth Potential, Business Strength & Resilience, Fundamental Factors and Sustainability. Each topic covers multiple sub-topics with specific parameters to assess, alongside pre-set guidelines. EQSS includes assessment across Principal Adverse Indicators under the SFDR regulation, as well as on companies' Net Zero alignment. The EQSS framework ensures true integration of critical factors that define the comprehensive quality of any company, and all data are historically traceable in our database.

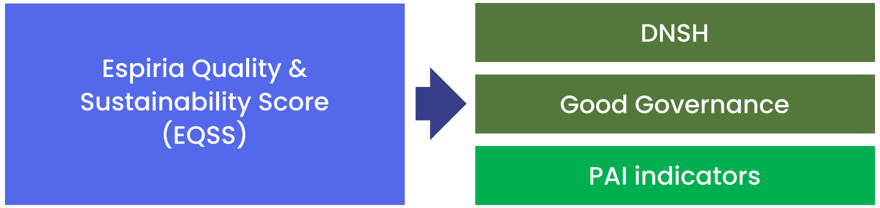
SDG VCA Tool Score of at least 25

Espiria Hållbar Framtid

When the Investment Manager has identified potential investment ideas, different sustainability aspects are discussed and the Sustainable Development Goals (SDG) Value Chain Analysis (VCA) is completed, as outlined in detail below. The score is a simple average of the current and forward-looking impact on the SDGs. The Sub-Fund will invest in companies with an SDG VCA Score of at least 25, i.e., in companies that are deemed to contribute positively to the UN SDGs.

International standards and tools used in our process

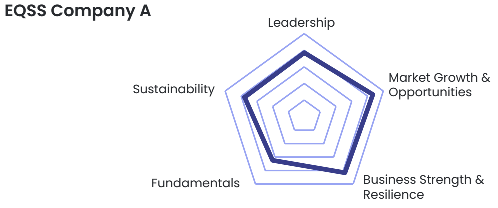
SASB®
STANDARDS
Now part of IFRS Foundation

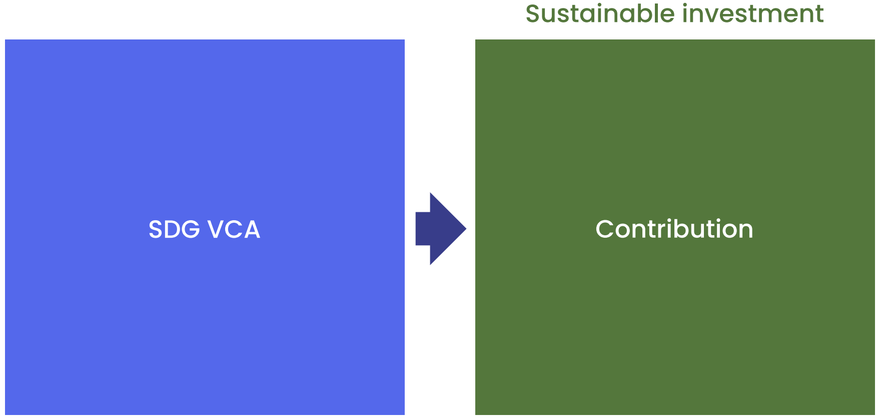

Espiria Quality & Sustainability Score (EQSS)

DNSH

Good Governance

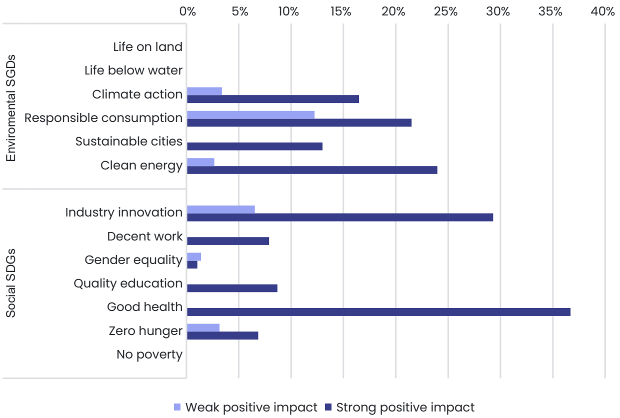
PAI indicators


EQSS Company A


Sustainable investment

SDG VCA

Contribution



The 17 SDGs are grouped into two categories in our framework

1. Goals that we believe may impact the demand for, or attractiveness of, a company's products, services or technologies.

In order to assess the impact of these goals in a structured way, the SDG module contains questions and examples per goal that help us to identify streams of revenue from a company's products/services or technologies that are expected to either:

- BENEFIT due to greater demand in order to achieve the SDGs, e.g. clean energy, education, health OR
- SUFFER due to lower demand or total substitution in order to achieve the SDGs, e. g. fossil assets or unhealthy food.

2. Goals that we see as the universal responsibility of all companies to address in their operations, regardless of size, market or sector.

Our expectation is that companies should act and operate in a manner that is supportive of achieving these SDGs, for example by working towards gender equality and decent work (and not actively contributing negatively). These goals are addressed in our overall ESG assessment of the company, as the proprietary ESG Scorecard is cross-referenced to each of these goals, with questions within the E, S and G sections.

Photo: Vidit Goswami (Unsplash)

SDG Value Chain Analysis

Why we focus on SDG outcomes

Our investment philosophy is to build portfolios around reasonably valued companies with strong structural growth exposure and management of material ESG risks and opportunities.

Since 2016 our analysts and portfolio managers have been using a proprietary ESG Scorecard. We find that external ESG data providers don't add much value to our investment processes, given their coverage of emerging and frontier markets is often sporadic and employs a tick-the-box approach focused on the availability of policies. We believe this hinders emerging markets companies, which are often at an early stage of their ESG journey. Our internal research leverages our local knowledge, understanding, network and track record of constructive engagement.

A key part of our ESG Scorecard is a section on SDG revenue alignment, but we realised that this focus has some limitations, because:

- it is relatively subjective for all but the most obvious companies (e.g. pharmaceutical or healthcare-related companies may immediately be deemed to contribute to the SDGs while companies producing electrical components may be overlooked without further analysis)
- it does not necessarily represent the true SDG impact the company has (positive or negative) across its value chain
- it pushes investors towards a narrow selection of solutions providers that are often trading at stretched valuations

Consequently, we were keen to expand our ESG analysis to ensure that our investment team incorporated the analysis of SDGs more broadly.

Through our bottom-up research we find many examples of attractively priced companies whose activities do drive genuine and measurable SDG outcomes. One example would be one of the world's largest inverter companies (a key input for the renewable value chain) that achieved 45% renewable power use by 2022 and is targeting 100% by 2028. This will further reinforce the attractiveness of its products to buyers across the globe.

Nonetheless, given the huge variety of companies and sectors we analyse, it was difficult to incorporate our SDGs analysis in a systematic way.

Case study published by the UN PRI

The UN PRI has published a case study detailing how we assess SDG impact using our proprietary tool.

How we focus on SDG outcomes

Consequently, we developed an SDG value chain analysis (VCA) tool. It incorporates Sustainability Accounting Standards Board (SASB) metrics that have been mapped to the SDGs by the Value Reporting Foundation (see SASB reporting standards and sustainability outcomes below). Figure 1 shows an example of the metrics mapped to the food retail sector.

Figure 1. Selected material metrics and SDG alignment for food retailers[1]

SDG	Metric (based on SASB)
1.2	(1) Average hourly wage and (2) percentage of in-store and distribution center employees earning minimum wage, by region
1.2	Revenue from products third-party-certified to environmental or social sustainability sourcing standards
2.1	Revenue from products labeled and/or marketed to promote health and nutrition attributes
2.2	High-risk food safety violation rate
7.2	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable
8.4	Gross global Scope 1 emissions from refrigerants
8.4	Fleet fuel consumed, percentage renewable
12.3	Amount of food waste generated, percentage diverted from the waste stream

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[1] Source: SASB

Our tool uses these metrics as inputs, combined with our SDG revenue alignment analysis across the value chain, as described in the process below:

1. Use a combination of revenue alignment and SASB materiality mapping and metrics to identify the two most important SDGs for a company.
2. Assess how the company's activities (including its value chain) have impacted these SDGs over the last one to three years and how we expect them to do so in the next three to five years. The latter often requires dialogue with companies as guidance on non-financial metrics/target setting is fairly limited in general and even more so within emerging markets.
3. Based on the assessment, we apply a simple five-point rating system: strong positive impact, weak positive impact, neutral impact, weak negative impact, strong negative impact. We use the four principles identified in Figure 2 to determine the impact a company has on the SDGs identified and assign a rating – activities meeting one or two of these principles would be given a weak positive impact rating whereas those meeting three or four would get a strong positive impact rating.
4. As part of our SFDR Article 9 obligations, we also look at whether the company's activities are significantly misaligned with any of the SDGs.
5. The company is then given an overall score, based on a simple weighted average of the four impact assessments – 100 is given for strong positive impact and 50 for weak positive impact.

Figure 2. Impact assessment criteria

Principle	Question
Materiality	Are the impact categories material to the company's business?
Intentionality	Does the company intend to have a positive impact through its products or services?
Additionality	Does the service/product offer a tangible sustainability benefit that would not have otherwise occurred, i.e. does the company go beyond industry norms?
Criticality	Is the product or service critical to accomplishing a particular sustainability aim?

SASB reporting standards and sustainability outcomes

The SASB reporting standards identify 12-14 material and largely outcome-based sustainability metrics per sector. The Value Reporting Foundation has broken these into 77 sub-sectors, making them highly specific and relevant. They provide our analysts and portfolio managers with a ready-made list of the outcomes to look for when assessing a company's broader SDG alignment.

Embedding the tool into our investment process

We have fully embedded the VCA tool into our sustainable investment process. When we started using the tool in 2021-2022 we removed 6 companies due to not meeting our required score (25), i.e. not having net positive SDG impact. Currently, however, because we complete the analysis as part of the research process before buying a stock, a score of below 25 would mean we would not invest in a company.

We also use the tool to identify engagement opportunities, for instance highlighting to companies the importance of setting clear and metric-based sustainability-related targets that should filter through to management KPIs.

Company SDG VCA score directly feed into portfolio construction, based on a minimum threshold of 25. We also use the tool to generate clear and insightful data on the SDG outcomes of our investments. This remains, however, due to the industry-wide lack of data and the wide variety of positive and negative SDG outcomes.

While we already report on some portfolio-wide metrics, including carbon intensity, gender diversity at board and senior management level and – where the data allows – water usage, others are less broadly applicable. For example, for food retailers, careful management and control of food waste is one of the most material metrics we would look for (SDG12 – Responsible consumption and production), though this is not something we would expect companies in other sectors to report on.

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Case study: Titan Cement
Paving the way for a greener cement industry

Case study: Titan Cement

Paving the way for a greener cement industry

The cement industry faces a major challenge — it's responsible for 8% of global CO_2 emissions, similar to steel at 7–9% (*IEA, 2023*). The process of making cement releases 0.9 tonnes of CO_2 per tonne, making the cement industry a top polluter alongside steel (1.85 tonnes CO_2/tonne) and ammonia (2.4 tonnes CO_2/tonne). Cement production is CO_2-intensive because the heating of limestone during the chemical process of clinker production releases large quantities of CO_2 through the chemical process of calcination. Additionally, the high-temperature kilns -special high-temperature furnaces - required for production - still rely on fossil fuel combustion, generating further emissions.

Reducing emissions in cement is more difficult than in other industries. Steel can use hydrogen technology to reduce emissions by up to 90%, and the power sector can switch to renewables to achieve 100% reductions with wind or solar. However, cement relies on expensive carbon capture and faces limited technology options. Against this backdrop, Titan Cement stands out as a leader, demonstrating how innovation and commitment can drive meaningful change in a challenging sector.

A clear path to sustainability

Titan Cement, a key player in Eastern Europe with operations and production in Greece, the Balkans, the US, and beyond, is redefining the role of a modern cement producer. With a production capacity of 27 million metric tonnes annually, Titan is recognised by East Capital as one of the top ESG performers in its sector. Their goal is clear: to reduce the carbon footprint of cement while maintaining strong operational and financial performance, and to provide a model for others in the industry to follow.

A strategy based on action

Titan's sustainability plan is straightforward and ambitious: to reduce Scope 1, 2, and 3 CO_2 emissions by 25.1% per tonne of cement by 2030 — from a baseline of 0.65 tonnes of CO_2/tonne in 2020 to 0.49 tonnes. Titan Cement's CO2 reduction targets have been validated by the Science Based Targets initiative (SBTi), and they have been recognised for their alignment with the 1.5°C target of the Paris Agreement. Titan was one of the first cement companies in the world to have its CO_2 emissions reduction targets validated by the SBTi, initially in July 2021, under a well below 2°C ambition. The company has since increased its climate ambition by updating its targets to align with the 1.5°C pathway, and these updated targets have also been validated by the SBTi as well.

Titan aims to achieve net-zero emissions by 2050 by focusing on four key areas: Decarbonisation, Circular Economy, Safety and Community Impact. To make this happen, Titan is embedding sustainability into every part of its operations, from raw material sourcing to production, blending with supplementary cementitious materials (SCMs), and logistics.

Photos: Titan Cement, North Macedonia - Usje integrated cement plant (top) and Bulgaria - Zlatna integrated cement plant (bottom)

Making cement smarter with SCMs

Titan is making cement production more sustainable by replacing clinker — the main source of emissions — with supplementary cementitious materials (SCMs) such as:

- fly ash – byproduct of coal plants
- slag – byproduct from steel production
- pozzolans – a rock found in the Greek islands and western India
  * Fun fact: pozzolan was used in the Roman Colosseum.

They have partnered with India's JAYCEE to source these materials cost-effectively, which helps improve logistics and keeps their margins healthy without raising prices for customers.

Here's how SCMs are making an impact:

- **Current impact:** Replacing 20% of clinker with SCMs reduces CO2 emissions by 10–20% per tonne.
- **2030 target:** Titan aims for 35–40% clinker replacement, which could reduce emissions by 0.25 tonnes CO2/tonne, with the potential for even more through advances in chemistry.

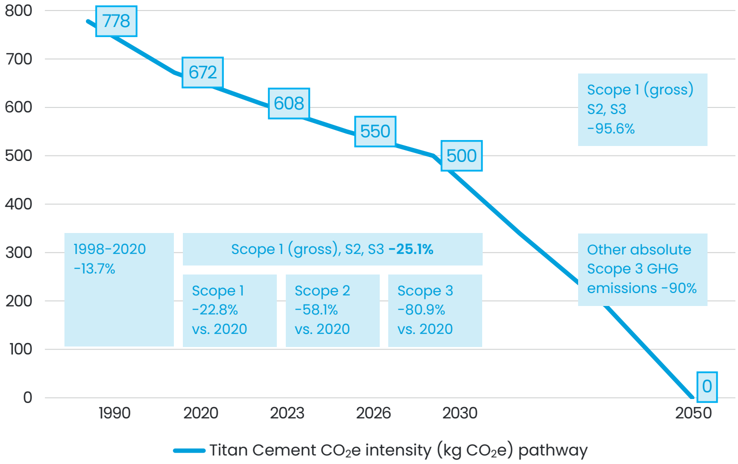
This transition is not without challenges — complex chemistry, regulatory barriers, and a cautious industry are slowing things down. However, Titan's high-quality reports and the growing demand for green solutions are helping to build customer confidence.

Tackling emissions with IFESTOS

Titan is also directly capturing emissions with the IFESTOS project at its flagship Kamari plant near Athens, the largest cement carbon capture initiative in Europe, supported by Euro 234 million from the EU Innovation Fund. This project is a major step towards their net-zero goal and ranks among the top 5 cement carbon capture efforts globally. Here's what it aims to achieve:

- **Scale:** IFESTOS will capture 1.9 million tonnes of CO2 annually — about one-fifth of Titan's emissions.
- **Output:** It will enable the production of 3 million tonnes of zero-carbon cement each year, covering 11% of Titan's capacity.

Titan Cement CO_2e intensity (kg CO_2e) pathway in line with 1.5C scenario[1]



Significant progress in emissions reduction and clear vision

Titan's efforts are showing real progress, with a clear path to reducing their carbon footprint. Since 1990, they've cut emissions by 22%, and they're making steady strides toward their 2030 and 2050 goals. Here's a breakdown of their journey:

Year	CO_2 emissions (tonnes CO_2/tonne)	Details
2020 Baseline	0.67 (industry avg. 0.70 – GCCA)	Starting point for emissions tracking
2023 Progress	0.61	10% reduction from 2020
2025 Target	0.55 (projected)	On track with 20–25% clinker replacement using SCMs
2030 Goal	0.45 (projected)	35–40% SCM replacement and IFESTOS technology are expected to cut emissions by 25.1% from 2020 levels
2050 Vision	0.00	Net-zero goal to be achieved through SCM use, carbon capture, and new technologies

On the financial side, SCM-based cement boosts EBITDA margins by 5–10%, and IFESTOS could generate Euro 50–100 million in carbon credit revenues after 2028, showing that sustainability can also be good business. In Eastern Europe, Titan is at the forefront of SCM adoption, while globally IFESTOS is setting the standard, as recognised by the EU Innovation Fund.

In recognition of these achievements, Titan has been awarded climate change Leadership Status by CDP for four consecutive years, and Time magazine has named Titan Cement as one of the world's most sustainable companies.

What's next: A future built on sustainability

Titan's path forward is well-defined. By 2030, they'll meet their 25.1% emissions reduction target, with IFESTOS capturing 1.9 million tonnes of CO_2 yearly from 2028 — about one-fifth of their emissions. Looking further ahead, they are aiming for net-zero by 2050, with SCM use potentially reaching 50%+ and new technologies coming into play. For investors like East Capital, Titan's ESG leadership is a strong sign of their long-term potential, building on a 22% revenue CAGR in 2022–2024 and promising future growth in green cement sales, while managing risks such as regulatory delays and IFESTOS's 20% emissions coverage.

A company we believe in

Titan Cement aligns very well with our investment philosophy of supporting companies that are leading the way on climate change while creating value for investors. Their measurable progress and scalable solutions make them an important part of East Capital's portfolio in Eastern Europe. Titan is not only a leader in Eastern Europe — they're showing the world what's possible in a tough industry.

Critical Reflection: Titan's SCM and carbon capture approach puts them ahead of their peers, but challenges remain — IFESTOS only covers one-fifth of emissions, and some clients are slow to adopt SCM. However, with SBTi validation and EU support, Titan's plan is solid, and they have a strong track-record of delivering on their plans.

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[1] Source: Titan Cement

SDG Value Chain Analysis - Titan Cement

TITAN Building a better world together	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	13 CLIMATE ACTION
How have the company's activities (including its value chain) impacted this SDG in the last 1-3 years?	**Weak Positive impact** Titan Cement has actively worked on infrastructure development, focusing on innovation and sustainable practices within its cement and concrete production. The company has invested significantly in R&D, including €1.7 million in Optimitive, an AI-driven solution for real-time industrial optimization, and €1.0 million in C2CA, focused on upcycling end-of-life concrete to produce recycled aggregates. The company also engaged in projects to reduce carbon emissions, including the development of low-carbon cement in collaboration with startups like Natrx Inc. Additionally, Titan Cement has been involved in sustainable construction practices, aligning with circular economy principles.	**Weak Positive impact** Titan Cement has made strides in reducing its carbon footprint, including setting long-term climate goals and actively investing in projects aimed at carbon capture and circular economy practices. The Ifestos Carbon Capture Project is a notable initiative aimed at significantly reducing emissions. The company has also committed to using renewable energy, evidenced by agreements for solar photovoltaic energy and wind park electricity, covering a portion of its energy consumption.
How do you expect the company's activities (including value chain) to positively impact this SDG in the next 3-5 years?	**Weak Positive impact** Titan Cement plans to continue integrating innovation and sustainable practices in its production processes. The investment strategy, including venture capital initiatives like Rondo Energy for zero-carbon industrial heat solutions and further development of recycled cement materials, signals a commitment to sustainable infrastructure. Additionally, partnerships with companies focusing on sustainable construction and digital solutions indicate a continued focus on industrial innovation and efficient infrastructure.	**Strong Positive impact** Titan Cement is expected to strengthen its climate action by focusing on three key CO_2 reduction levers: increasing the use of low-carbon SCMs, switching to renewable energy, and deploying carbon capture for residual emissions. SCMs are a particularly important strategy, as they not only reduce CO_2 intensity but also lower costs and improve margins. Titan aims to maximize SCM content in its cement (targeting 31% by 2026), while simultaneously reducing energy-related emissions through renewables. What can't be reduced through materials and energy will be addressed through large-scale carbon capture projects, such as the Ifestos initiative, supporting the company's net-zero goal by 2050.
Is the company's activities or value chain significantly misaligned with *any* of the SDGs?	**No** Titan Cement faces challenges related to high emissions from its cement production, which inherently impacts climate change. While the company has taken significant steps to mitigate this through carbon capture and renewable energy projects, cement manufacturing remains a carbon-intensive process. The company's efforts to innovate and invest in carbon reduction projects help offset these challenges to some extent.	
Total score	**62.5/100**	

Active ownership framework

Dialogue and engagement with companies

Our experience has shown that an engaged and constructive dialogue will more often lead to convincing the company to initiate positive change, while simply exiting the investment achieves nothing.

In addition to numerous telephone conferences and written correspondences, our research analysts, portfolio managers and portfolio advisers maintain a continuous dialogue with management teams, board members and other owners through more than 1,000 company meetings every year. Typical ESG topics may include working with companies to develop a clear and consistent dividend policy, professionalising board work and processes, raising and addressing environmental concerns, improving transparency, reporting and investor relations, improving rights for minority shareholders or reaching a better fair-value in buyouts. These meetings also provide an opportunity to discuss and understand how the company is positioned in relation to current and future ESG issues.

When contemplating an investment in a new company, understanding the shareholder structure is key. So, the first section we turn to is the list of shareholders. Is there a controlling shareholder? What are the incentives and goals of this shareholder and how do they align with those of us as minority investors? Assessing the main shareholders' incentives constitutes an important part in determining alignment. When possible, we aim to directly engage with other shareholders to build trusting relationships where we can maintain an open dialogue on the company's progress and, if needed, also be able to convey any constructive suggestions we believe may generate and support shared value creation for all shareholders.

Engagement process

Identify

- Proprietary ESG and Sustainability integration tools

Assess

- The main goals of the engagement are identified
- Engagements are prioritised based on our ability to influence a company and add value
- Portfolio weighting is also considered when prioritising engagements

Engage

- We engage directly with either the management team, the board or other shareholders through:
  - on-the-ground meetings with companies as well as our extensive local networks
  - letters, phone calls or emails to companies
- We collaborate with other investors and stakeholders

Monitor/Report

- Discussed in team meetings
- Progress is monitored on a case-by-case basis
- Where there are no signs of progress, there may be changes to the portfolio (depending on the materiality of the issue)
- Engagements are logged in Esgaia
- Included in quarterly reports to the board and investment committees, annual reports and in client communication

When adding a new portfolio holding to the East Capital funds, we initiate dialogue with the management by sending a "Letter from your new shareholder" to the CEO and the Chairperson. We encourage all companies' management teams and boards to make sure that rigorous analyses are done to 1) identify and prioritise their relevant and material environmental and social factors on a market, sector and operational level, and 2) address and integrate these into the company's strategy. We see this as an additional responsibility under good governance, making companies better positioned to react to changes in regulation, consumer demand and other developments, thereby ensuring that they remain relevant in the long term.

There are numerous examples where our assessment of ESG standards has helped us to avoid investments in companies that later failed, or where we have preserved value by blocking unfavourable resolutions at shareholder meetings. But more importantly, we are using our role as an active owner to engage with portfolio companies to ensure that the ESG risks and opportunities that, in our view, are relevant to a company's operations, are strategically assessed and integrated.

> Continuous dialogue with portfolio companies includes developing a clear and consistent dividend policy, professionalising board work and processes, raising and addressing environmental concerns, improving transparency, reporting and investor relations, improving rights for minority shareholders or reaching a better fair-value in buyouts.

Prioritising engagements

We have a formalised approach for how we allocate our internal engagement resources:

- Prioritise engagements in key active positions and 10 largest holdings of any strategy
- Prioritise ESG topics seen as specially important, material and relevant to the sector, market and company

Engagement resources

All analysts, portfolio managers and portfolio advisors are actively involved in ESG matters as part of their everyday work; through the implementation of ESG integration tools, participating and contributing in engagements and proposing and deciding on voting instructions.

Since 2010, the Head of Corporate Governance and Sustainability (succeeded in 2019 by Partner Karine Hirn as Chief Sustainability Officer, with the help of an Analyst) has been evaluating and structuring the practical ESG-related tools used in investment activities, supporting the investment teams in identifying and interpreting the impact and consequences of existing and emerging ESG related factors on issuers and portfolios, as well as ensuring relevant and material ESG matters are reported and discussed in investment team meetings and reported to the investment committee and board meetings.

Engagements are formally logged and developments and follow-ups are discussed during portfolio review meetings. The board of directors is updated on notable developments on a quarterly basis, in addition to receiving the full engagement log.

esgaia.

A platform to streamline active ownership

Since 2020 we have been using Esgaia to manage and monitor our engagement activities globally, streamline our workflows and increase the efficiency of our efforts. Esgaia is a tool that facilitates investors' engagement with portfolio holdings and other stakeholders, by structuring data and processes, automating reports and allowing collaboration with other investors. Esgaia's aim is to set a global standard for successful active ownership processes.

Photo: Jonas Jacobsson (Unsplash)

Nomination of board members

We encourage portfolio companies to appoint a board of directors that represents an appropriate and diverse range of competencies and backgrounds to enable it to effectively carry out its duties.

Board members should be selected based on skill, integrity and the ability to devote a sufficient amount of time to their work. We also strive to influence companies to ensure that an appropriate ratio of the board of directors/supervisory is independent in relation to the company and its executive management. Although the definition of independent director may vary between markets, the essence is the same — that directors should have a proven ability to exercise objective judgment in making decisions that are in the best interests of all shareholders.

Our experience has shown that independent directors are able to contribute with many improvements to the work of the boards, including:

- establishing board committees and improving board practices;
- improving transparency and investor relations;
- proposing revised dividend policies;
- implementing KPI-based executive compensation plans and new, financials-based KPIs;
- challenging and blocking value-eroding deals.

Voting

The majority of our portfolio holdings are limited liability companies, where the ultimate decision-making body is the shareholders' meeting. Although a still highly manual, complex and costly process, we believe investors should exercise their voting rights at annual and extraordinary shareholders' meetings (AGMs/EGMs) where this makes sense for their investment. Shareholder participation in AGMs and EGMs serves as a monitoring effect on the company's management and board and instils respect for the highest decision-making body — and ultimately the entire governance structure of the company. We see voting as one important way to communicate our views to the companies and their management.

East Capital Group uses an external proxy voting platform, which provides an efficient voting interface, an important source of information on upcoming AGMs/EGMs and their respective agendas, as well as a tool for tracking and reporting on voted meetings. Given that our funds are highly diversified, comprising mainly minority stakes in a large number of markets, we are unable to attend all AGMs/EGMs in person. More often, we vote by proxy or issue a power of attorney and voting instructions to someone who can represent us at the meeting.

Agendas for upcoming AGMs and EGMs are sent to our teams on a daily basis. In determining if and how the voting rights shall be exercised, members of the investment teams will consider all available information related to the meeting as well as our own analysis of the specific company, including contacting the company to get further clarification on specific resolutions. Our general views on typical resolutions and other ownership-related issues are described in East Capital Group's Active Ownership Policy. The investment teams will use this policy as a basis for deciding on how to vote in a meeting, while taking into account relevant market specifics.

Voting decisions are independently reached within the investment teams and we will not delegate decision making to any third party, although we may take third party recommendations into consideration. Ultimately, all voting decisions are made on a case-by-case basis, in the best interest of clients. Voting activities and results are presented at team meetings, investment committee meetings and board meetings.

Legal action

Since its founding in 1997, East Capital has invested in more than one thousand companies in emerging and frontier markets. We always prefer active engagement above exit or legal action and have a long track record of successfully resolving issues and preserving minority shareholder rights through open and constructive dialogue. However, if dialogue fails and East Capital deems that it has a responsibility and duty to take further steps to protect the capital that our clients have entrusted us with, we will evaluate the cost-benefit of initiating legal action. On average, East Capital is involved in one to two legal processes per year. This means that East Capital, since 1997, has been involved in 25-30 legal disputes, some of which have carried on across more than one year. Not all legal disputes have gone to court.

> As a minority shareholder, we want to ensure that our interests are aligned with the interests of the main shareholder(s) and the management of our portfolio holdings.

Association memberships

East Capital Group sees significant potential in collaborating with other investors on specific ESG topics.

Asian Corporate Governance Association (ACGA)

Member since 2009
acga-asia.org

We are members of the China, Korea and India working groups, co-lead of two major engagements with Chinese companies and we joined the ACGA 23rd Annual Conference in Singapore in November 2024.

Swedish Investment Fund Association

Member of the working group for ownership issues and sustainability since 2011
fondbolagen.se

In 2024, our CSO was a member of the Signatory Advisory Committee for the PRI in Person, held in Toronto, and joined the Sustainable Systems Investment Managers Reference Group (SSIMRG). We are also a member of Advance, the UN PRI initiative on human rights.

Association of the Luxembourg Fund Industry (ALFI)

Member since 2014
alfi.lu

International Finance Reporting Standards (IFRS)

Member since 2021
ifrs.org

Swedish Investors for Sustainable Development (SISD)

Member since 2017
sida.se

UN Principles for Responsible Investment (PRI)

Signatory since 2012
unpri.org

We participate in three IIGCC-led collaborative engagement initiatives: Climate Action 100+, Nature Action 100 and Net Zero Engagement Initiative.

Institutional Investors Group on Climate Change (IIGCC)

Member since 2020
iigcc.org

Sweden’s Sustainable Investment Forum (SWESIF)

Member since 2020
swesif.org

United Nations Global Compact (UNGC)

Supporting UNGC principles since 2010
Signatory since 2022
unglobalcompact.org

Support to initiatives and pledges

Advance (PRI)

Supporter since 2022
unpri.org

CDP

Signatory since 2014, supporter of the annual ***Non-Disclosure Campaign*** since 2019
cdp.net

Investors Policy Dialogue on Deforestation (IPDD) Initiative

Supporter since 2022
ipddinitiative.com

Taskforce on Climate-related Financial Disclosures

Supporter since 2019
fsb-tcfd.org

Tobacco-Free Finance Pledge

Supporter since 2018
tobaccofreeportfolios.org

Baltic Institute of Corporate Governance (BICG)

Supporter since 2009
bicg.eu

Climate Action 100+

Signatory since 2018
climateaction100.org

Nature Action 100

Supporter since 2022
natureaction100.org

Taskforce on Nature-related Financial Disclosures

Early adopter 2025
tnfd.global

Transition Pathway Initiative (TPI)

Supporter since 2022
transitionpathwayinitiative.org

Board Diversity Hong Kong

Supporter since 2019
boarddiversityhk.org

Finance Sector Deforestation Action (FSDA)

Signatory since 2021
racetozero.unfccc.int

Net Zero Engagement Initiative (by IIGCC)

Supporter since 2022
iigcc.org

Net Zero Asset Managers initiative (NZAM)

Signatory since 2021 (Espiria)
netzeroassetmanagers.org

The 21 List (Espiria)

Supporter since 2012 (Espiria)
eastcapital.group

PRI principles

East Capital Group has been signatory since 2012

Supported by the United Nations, the Principles for Responsible Investment (PRI) provide a voluntary and aspirational set of six investment principles to reflect the increasing relevance of ESG issues to investment practices. The six principles offer a menu of possible actions for incorporating ESG issues into investment practice, and have been developed by investors, for investors.

	PRI Principles	Examples of what we do
1	We will incorporate ESG issues into investment analysis and decision-making processes.	ESG factors are an integral part of our investment analysis. No variations or exceptions
2	We will be active owners and incorporate ESG issues into our ownership policies and practices.	We engage with companies on ESG issues on our own or in collaboration with others We cast our (proxy) votes directly or via dedicated voting providers We monitor portfolios to detect violations of international conventions and guidelines
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest.	Topics include working with companies to encourage appropriate and adequate disclosure of environmental, social and sustainability-related matters, improving transparency and reporting of KPIs, DEI metrics, strategy, compensation systems
4	We will promote acceptance and implementation of the principles within the investment industry.	We are promoting responsible investments independently, as well as together with collaborative organisations/initiatives. This includes participating as speakers in different forums and providing media comments
5	We will work together to enhance our effectiveness in implementing the principles.	We are collaborating with other shareholders and taking part in relevant stakeholder and investment associations Dialogue with governments, stock exchanges and financial regulators to promote improvements in the institutional and legal framework
6	We will report on our activities and progress towards implementing the principles.	We publish an annual Sustainable Investment Report We comply to the PRI assessment and disclosure requirements We ensure that we understand and comply with relevant disclosure requirements, including the SFDR (Sustainable Finance Disclosure Regulation)

Photo: Pawel Czerwinski (Unsplash)

SFDR Corner

The European Union's Sustainable Finance Disclosure Regulation (SFDR) is a key part of the EU Action Plan on sustainable finance which aims at directing capital towards a more sustainable economy. The SFDR is about disclosing and reporting, in order to provide more transparency on sustainability risks across capital markets and alleviate risks of greenwashing.

Financial Market Participants such as East Capital Group are in scope of the SFDR's specific transparency and reporting requirements both at the entity and product level.

SFDR disclosures are based on a set of universal mandatory indicators for so-called principal adverse impact (PAI), which relate to environment-related impacts (including climate, nature, waste, water) and in the areas of social impact (such as employee matters, gender pay gap, board diversity, respect for human rights, anti-corruption and anti-bribery). There are 14 such indicators and additional 22 environmental and 24 social opt-in indicators.

For more information and details, please refer to pre-contractual SFDR disclosures for all our funds on East Capital's, Espiria's and East Capital Real Estate's websites and periodic disclosures as per end of year 2024 included in the 2024 annual reports for article 8 and 9 funds published on the websites.

Minimum proportions and legally binding elements are as below. Minimum proportions should be adhered to at all times and are monitored by the risk management function.

SFDR Art. 8 & 9	Fund	Min. proportion of Sust. Investments	Min. E prop.	Min. S prop.	Aligned with E/S characteristics (Art. 8)
Art.8	East Capital Balkans	10%	5%	5%	20%
Art.8	East Capital China	10%	5%	5%	20%
Art.8	East Capital Global Frontier Markets	10%	5%	5%	20%
Art.8	East Capital Multi-Strategi	5%	2,5%	2,5%	10%
Art.8	East Capital New Europe	10%	5%	5%	20%
Art.9	East Capital Global Emerging Markets Sustainable	90%	10%	10%	N/A
Art.8	Espiria 30	5%	2,5%	2,5%	15%
Art.8	Espiria 60	5%	2,5%	2,5%	15%
Art.8	Espiria 90	10%	5%	5%	20%
Art.8	Espiria Global Innovation	10%	5%	5%	20%
Art.8	Espiria Nordic Corporate Bond	5%	5%	N/A	10%
Art.9	Espiria Hållbar Framtid	90%	10%	10%	N/A

SFDR Corner

East Capital's Three-Step-Test for Sustainable Investments

Step 1
Contribution to E and/or S

≥60% score in the E and S sections of the ESG Scorecard, which includes sustainability indicators and other information related to E and S objectives

OR

Companies which contribute to one or several of the UN SDGs in their offering of products, services, and technologies as measured by SDG VCA

Step 2
No significant harm to E or S

No Red Flags (RFs) related to environmental or social controversies; the analysis also requires consideration of principal adverse impacts (PAI)

AND

Compliant in the controversy (norms-based) and the sector-based screening

Step 3
Good governance practices

>60% score in the G section of the ESG Scorecard, which includes questions related to sound management structures, employee relations, remuneration of staff and tax compliance

AND

No more than 2 Red Flags related to governance issues

East Capital Funds	#1 Aligned with E/S characteristics	#2 Other	#1A Sustainable	#2 Not sustainable	#1B Other E/S characteristics	Other environmental	Environmental	Social
East Capital Balkans	85.2%	14.8%	80.7%	N/A	4.5%	27.7%	N/A	53.0%
East Capital China	50.8%	49.2%	50.8%	N/A	0.0%	13.8%	N/A	37.0%
East Capital Global Emerging Markets Sustainable	N/A	N/A	97.1%	2.9%	N/A	N/A	39.6%	57.5%
East Capital Global Frontier Markets	92.0%	8.0%	92.0%	N/A	0.0%	22.0%	N/A	70.0%
East Capital Multi-Strategi	64.3%	35.7%	64.3%	N/A	0.0%	18.2%	N/A	46.1%
East Capital New Europe	83.4%	16.6%	83.4%	N/A	0.0%	26.3%	N/A	57.1%

▸ More SFDR disclosure per fund

SFDR Corner

Espiria's Three-Step-Test for Sustainable Investments

Step 1
Contribution to E and/or S

Companies which contribute to one or several of the UN SDGs in their offering of products, services, and technologies as measured by SDG VCA
OR
Sustainability Linked Bonds

Step 2
No significant harm to E or S

No Red Flags related to environmental or social controversies;
the analysis also requires consideration of principal adverse impacts (PAI)
AND
Compliant in the controversy (norms-based) and the sector-based screening.

Step 3
Good governance practices

No more than 2 Red Flags related to governance issues

Espiria Funds	#1 Aligned with E/S characteristics	#2 Other	#1A Sustainable	#2 Not sustainable	#1B Other E/S characteristics	Other environmental	Environmental	Social
Espiria Global Innovation	98.9%	1.1%	37.1%	N/A	61.8%	19.2%	N/A	17.9%
Espiria Nordic Corporate Bond	97.8%	2.2%	23.2%	N/A	74.6%	22.0%	N/A	1.2%
Espiria Hållbar Framtid	N/A	N/A	98.9%	1.1%	N/A	N/A	53.9%	45.0%
Espiria 30	97.1%	2.9%	12.3%	N/A	84.8%	6.8%	N/A	5.5%
Espiria 60	97.5%	2.5%	25.8%	N/A	71.7%	14.5%	N/A	11.3%
Espiria 90	96.9%	3.1%	34.5%	N/A	62.4%	19.9%	N/A	14.6%

▸ More SFDR disclosure per fund

East Capital – Engagements

East Capital engaged with

72

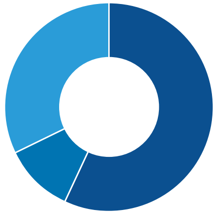
companies

Totalling

91

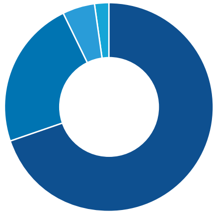
different engagements in 2024

Engagement type



● Environmental	57%
● Social	11%
● Governance	32%

Region

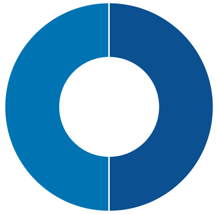


● Asia	70%
● Europe	23%
● South America	5%
● Africa	2%

Sector

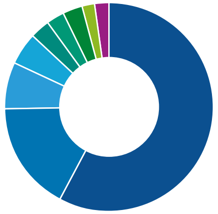
● Financials	19%
● Industrials	15%
● Materials	14%
● Consumer Staples	12%
● Consumer Discretionary	10%
● Communication Services	8%
● Utilities	6%
● Healthcare	4%
● Energy	3%
● Information Technology	3%
● Other	5%

Africa



● South Africa	50%
● Senegal	50%

Asia

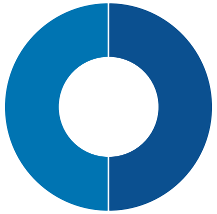


● China	58%
● India	17%
● South Korea	7%
● Indonesia	5%
● Philippines	3%
● Taiwan	3%
● Vietnam	3%
● Saudi Arabia	2%
● Kazakhstan	2%

Europe

● Turkey	29%
● Poland	19%
● Romania	19%
● Greece	10%
● Georgia	10%
● Hungary	5%
● Estonia	5%
● Lithuania	5%

South America



● Brazil	50%
● Mexico	50%

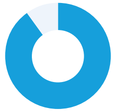
East Capital – Voting

We aim to vote at all AGMs and EGMs in all of our most significant holdings, defined as our key active positions (“KAPs”) and the 10 largest holdings in all fund strategies. We will also vote in any additional holdings where it makes sense and is important from a shareholder perspective.

During 2024, we voted at 270 AGMs and/or EGMs in 175 different companies, corresponding to 79% of the market value of our assets under management, in securities carrying voting rights in our UCITS funds.

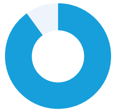
> We see voting as an important way to make our voice heard and to influence the strategic direction and governance of our portfolio holdings.

Voted at 270 AGMs and/or EGMs:

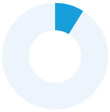


79%
of total AUM voted

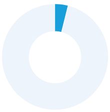
32%
Meetings with at least 1 vote Against, Withhold or Abstain



90%
of meetings voted

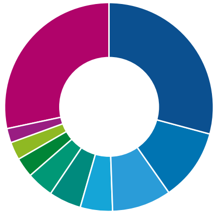


9%
votes against management



4%
votes on shareholder proposals

Geographical Breakdown



● China	29%
● India	11%
● Poland	9%
● Türkiye	5%
● Romania	5%
● Greece	4%
● Kazakhstan	3%
● Taiwan	3%
● Brazil	2%
● Others	28%

Fund	% of AUM voted	% of meetings voted 2024
East Capital Balkans	76%	81%
East Capital China	67%	90%
East Capital Global Emerging Markets Sustainable	85%	94%
East Capital Global Frontier Markets	74%	98%
East Capital Multi-Strategi	77%	84%
East Capital New Europe	81%	84%

Please be advised that the graphs and numbers presented reflect assets where we hold voting rights unless otherwise specified.

Espiria – Engagements

As part of East Capital Group, Espiria views active ownership as an important and integrated component of the investment process. We believe that active ownership, including our monitoring capacity, constructive engagement with companies or divestment in cases when we deem that our engagement has not resulted and will not result in the desired change, can play a key role in implementing and enforcing improved ESG standards and strengthening the chain of accountability in portfolio companies.

Often, but not always, our engagements to promote sustainability characteristics are based on findings made through our EQSS or SDG VCA analysis. Areas where we see that active ownership can lead to a significant positive impact on ESG-related characteristics and ultimately the quality of investee companies include board diversity, auditor rotation, executive incentive alignment with ESG objectives, transparency on equitable pay, reduced carbon emissions, improved practices related to production processes, waste management and labour safety, as well as transparent and accountable corporate governance.

In 2024, Espiria engaged with 13 companies, totalling 14 different engagements during the year.

Engaged with
13
companies

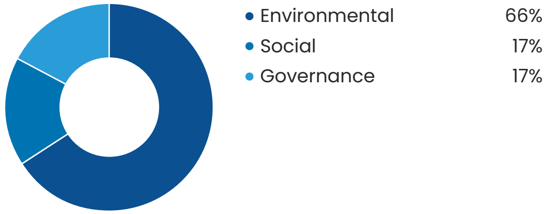
Totalling
14
different engagements

An example of company engagements is the dialogue we have maintained with BYD Co., the world's largest EV manufacturer headquartered in Shenzhen, and a portfolio holding of Espiria Hållbar Framtid (and some East Capital strategies). We co-lead this dialogue together with another prominent asset manager, Impax Asset Management, in collaboration with members of the Asian Corporate Governance Association (ACGA). In 2024 we re-iterated our concerns regarding BYD's involvement in the e-cigarette business through one of their subsidiaries. We co-signed a letter addressed to the company's Chairman and CEO, urging divestment from this segment in light of evolving regulatory standards, including the new ESMA fund name rules, which make investments in companies with any exposure to tobacco or e-cigarettes ineligible for funds which have sustainability-related names.

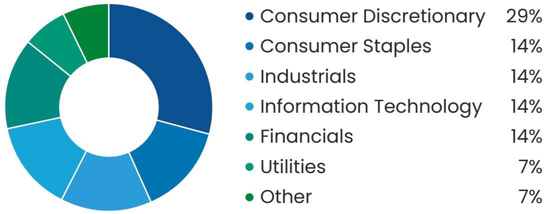
Following our letter, BYD provided verbal confirmation that the business has been discontinued. However, we continue to request formal public disclosure to ensure transparency and alignment with responsible investment practices. Engagement with BYD on disclosure and other topics is ongoing, as we seek greater clarity and confirmation in line with international expectations.

> East Capital has a long-standing commitment to aligning our investment practices with evolving sustainability demands. By adapting our dialogues with portfolio companies, we ensure that our engagements remain relevant, forward-looking, and supportive of long-term sustainable value creation.

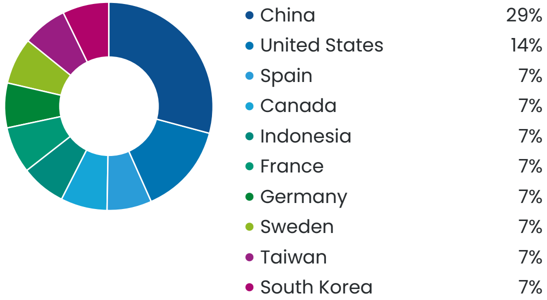
Engagement type



Sector



Geographical Breakdown



Espiria – Voting

During 2024, Espiria continued to execute well on the existing voting framework by members of the investment team, following their own analysis of voting decisions.

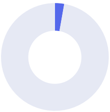
Espiria participated in voting for 52 companies during the year, representing 43% of AUM. 3% of our votes were against the management; these votes express our views mainly on companies' need to address issues such as lack of board diversity, improper executive incentives, insufficient ESG target setting, and lack of auditor rotation, among others.

Voted at 63 AGMs and/or EGMs:

43%
of total AUM voted

17%
Meetings with at least 1 vote Against, Withhold or Abstain

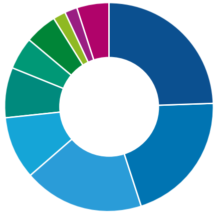
58%
of meetings voted



3%
votes against management

6%
votes on shareholder proposals

Geographical Breakdown



● USA	25%
● Sweden	21%
● China	19%
● Denmark	10%
● Ireland	8%
● France	5%
● Germany	5%
● Finland	2%
● Indonesia	2%
● Other	5%

Fund	% of AUM voted	% of meetings voted 2024
Espiria 30	40%	59%
Espiria 60	41%	61%
Espiria 90	40%	54%
Espiria Global Innovation	33%	55%
Espiria Hållbar Framtid	54%	83%

Please be advised that the graphs and numbers presented reflect assets where we hold voting rights unless otherwise specified.

East Capital Awards

Celebrating excellence in Emerging Markets: East Capital Awards 2024 honours Optima Bank, Gravita, FPT Corporation, and Qifu Technology.

For more than two decades, East Capital has recognised and celebrated companies driving positive change across its investment portfolio through the renowned East Capital Awards. These awards shine a spotlight on businesses that demonstrate exceptional growth, strong governance, and pioneering achievements. In 2024, the tradition continued, reflecting the dynamic and diverse nature of East Capital's emerging markets universe – from Greece and India to Vietnam and China. Each year we proudly announce the year's winners across four key categories: Best IPO, Discovery of the Year, Best Growth, and Best Corporate Governance - the latter recognising a company with a very high standard of corporate governance.

The 2024 **Best Corporate Governance Award** went to **Qifu Technology**, one of China's leading lending platforms, serving over 51 million cumulative users and backed by a best-in-class technology infrastructure. The company's disciplined approach to risk management has led to notable outperformance relative to its peers, with earnings up 32% in the first quarter of 2024, despite a challenging macroeconomic environment. Qifu Technology also stands out for its strong capital allocation strategy, consistently returning excess capital to shareholders. By August 2024, the company had delivered an all-in yield (dividends and buybacks) of 17%, supported by the announcement of a new share buyback programme. Importantly, all repurchased shares will be cancelled, further reinforcing shareholder value creation.

The company's governance framework is underpinned by a robust board structure with an independent chairman and a majority of independent directors (5 out of 9). However, we see room for improvement in terms of gender diversity, as there is currently only one woman serving on the board. Looking ahead, Qifu Technology has committed to maintaining a total payout ratio of approximately 70% and plans to buy back 30% of its outstanding shares over the next three years. Qifu Technology is a holding in our Global Emerging Markets Sustainable fund.

[More about East Capital Awards]

East Capital Global Emerging Markets Sustainable

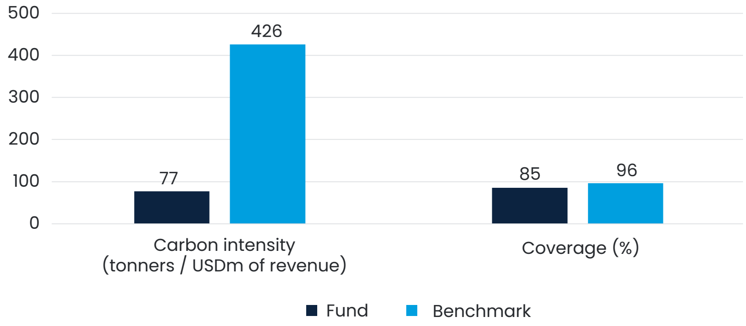
H2 2024 Impact Report

The report (available on our website) sets out the Principal Adverse Impact ("PAI") indicators according to the EU's Sustainable Finance Disclosure Regulation ("SFDR"). It then highlights the key metrics the portfolio management team uses to assess the impact of the fund's investee companies on the surrounding world. Here are the key takeaways:

- Our fund's **GHG intensity is 82% below the benchmarks.** We do not invest in fossil fuel companies and would typically not invest in companies with a GHG intensity considerably higher than their peers.
- Our fund's **exposure to negative biodiversity impact / hazardous waste is nil / very low**, we would not invest in high risk companies as we avoid misalignment with SDG. We are TNFD early adopters and actively engage with portfolio holdings within Nature Action 100 initiative.
- Due to lack of data on gender pay gap in emerging markets, we focus on **board gender diversity**. Our portfolio previously lagged the benchmark, but we are now above it as the proportion of female board members has increased materially to 21% from 14% in H1 2023. It remains a topic on which we often engage with our holdings.
- As a Financial Sector Deforestation Action (FSDA) member, we map deforestation risks in our portfolio and engage with high risk companies on deforestation issues.

Carbon intensity versus benchmark

- While we use data from an external provider, we also calculate fund carbon intensity based on reported emissions from our internal database, ensuring we capture emissions from companies that may not be picked up by external data providers..
- Data coverage has been increasing dramatically in the last few years, in part due to regulation (particularly in India), though also engagement efforts from investors like ourselves; for example, we actively participate in the CDP Non-Disclosure Campaign to **improve environmental data** including climate data, targeting all our holdings in the fund which do not report to CDP. See a case study published by CDP.



Stewardship

- During 2024, we voted at **104** meetings (94%) of the **111** shareholder meetings where we were able to vote; in **45** meetings (43%) we voted against some items.
- We voted against items that are not aligned with our voting policy, part of our ESG policy, such as insufficient gender diversity at board level or overly long auditor tenure.

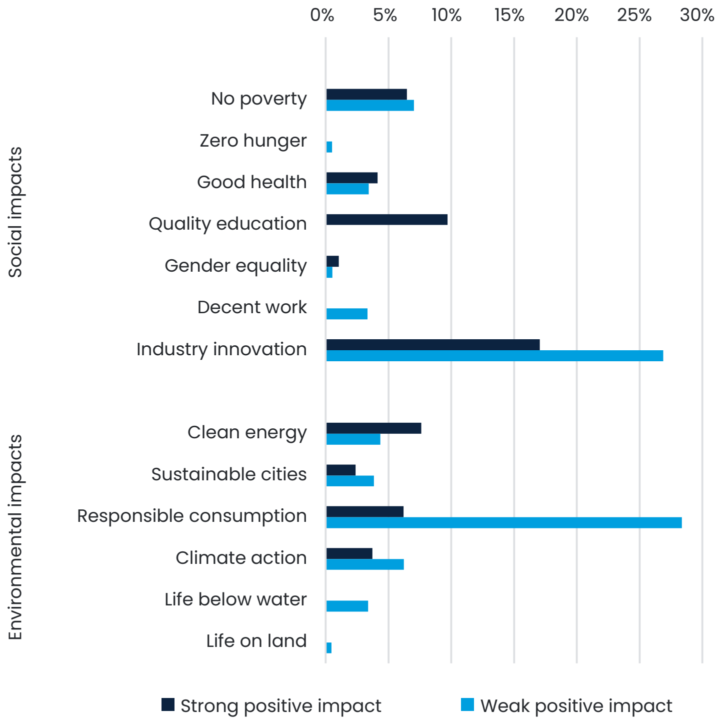
Voting is an important part of our active ownership efforts, and we typically follow up with management when we vote against items to ensure they understand the rationale for our actions.

SDG impact

- We assess SDG impact using a proprietary tool, which is explained in detail in a PRI case study and featured as a best practice responsible investment example for China.

- East Capital SDG VCA (value chain analysis) combines revenue exposure and SASB mapping to identify the two most material SDGs for a company's value chain. The tool gives a score of -100 to 100, based on current impact and 3-5 year outlook. Impact is assessed based on **materiality**, **intentionality**, **additionality** and **criticality**.

- We currently assess that **56%** of the fund has a **strong positive impact** on one or more SDGs. Because we require a score of above 25 ("weak positive impact") to be included in the portfolio, **100%** of our companies have **a positive impact on one SDG**.



Case studies

SDG 1: No poverty
Gentera is the leading microfinance institution in Mexico and Peru, providing financial services to the underserved segment in the region. They have been the gateway to the financial system for more than 13 million people.

SDG 3: Good health and well-being
Yatharth Hospitals is a private hospital chain based in northern India that focuses on bringing cutting-edge medical treatments to the smaller cities; for example they performed the first liver transplant in Noida.

SDG 7: Affordable and clean energy
Renew, India's largest renewable energy company by total energy generation capacity, with a total portfolio of 10.0 GW as of Q2 2024, around 7% of India's total renewable capacity (excluding hydro).

SDG 9: Industry, innovation and infrastructure
Hyundai Electric is a large transformer producer, which is a key (and undersupplied) input into the electrification value chain. The company is a member of RE 100 and is targeting fully renewable power use in its Korean factories by 2040.

SDG 11: Sustainable cities and communities
Empower, the world's largest district cooling company listed in Dubai. District cooling is 50% more energy efficient than air conditioning, which is crucial in the UAE where air conditioning accounts for 70% of overall GHG emissions.

Sustainable investment definition

ESG analysis at East Capital is done by the Portfolio Managers and Analysts who cover the companies using robust proprietary tools, such as East Capital ESG scorecard and East Capital SDG VCA, and reviewed by the ESG team.

We classify "sustainable investment" using 3 binding elements that leverage the results of these proprietary tools. These elements are outlined below.

1. Sector based and norms-based screening
   - **More details on page 10**
2. SDG VCA tool of at least 25
   - **More details on page 15**
3. Company is classified as sustainable as per our "Three-Step-Test"
   - **More details on page 27**

As of 31 December 2024 we assess that **97%** of the fund is classified as sustainable. There was one holding, representing 1.6% of NAV, which did not meet our test for sustainable investments. This holding meets our sustainability assessment, but the standard quarterly review shows that this company does not meet global standards as assessed by an external provider. As a result, we are currently reviewing the position and have decided to classify the holding as non-sustainable.

The remainder of the "not sustainable" investments (1.3% of the NAV) was represented by cash which the Investment Manager maintains for liquidity reasons.

East Capital Real Estate - Highlights 2024

- New BREEAM certificates were obtained for three properties under management – Rimi Distribution Centre and U30 Stock Office (East Capital Real Estate IV portfolio) and Galleria Riga shopping centre (East Capital Baltic Property Fund III portfolio). The named logistics properties in East Capital Real Estate IV portfolio received In-Use "Very Good" certificate and Galleria Riga shopping centre In-Use "Good" certificate. The certification process was completed during 2024 and the certificates were received in February 2025.

- East Capital Real Estate aims for a 100% sustainability-certified portfolio for its core funds. In East Capital Real Estate IV, 8 out of the 10 properties are certified with BREEAM In-Use or New Construction certificates and certification coverage is 78% of the fund's net leasable area. For one property of 5% share in the fund certification process is in the final stages. In East Capital Baltic Property Fund III, 51% of the leasable area is certified and the remaining 49% is in the process of renewing previously obtained but now expired certificates.

- In East Capital Real Estate IV, 84% of the properties are certified with energy performance certificates whereby 92% of them are very energy efficient with a rating on the highest levels (A to B). Coverage with energy performance certificates is slightly lower for East Capital Baltic Property Fund III at 71%, but similarly, the bulk of the certified properties (74%) belong to high rating classes A to C. We have identified properties where improvements are needed, and the next focus is to future-proof the properties regarding energy efficiency.

- Several solar energy projects are ongoing, either initiated by us or in cooperation with the tenant. In our Rimi Distribution Centre in Riga, Latvia, the tenant has installed a large solar park with a total solar capacity of 2,000 kW on the roof of the buildings in the complex. This project, initiated and completed by the tenant Rimi Latvia, contributes substantially to decreasing the external energy use in this property.

New BREEAM certificates were obtained for Rimi Distribution Centre, U30 Stock Office and Galleria Riga shopping centre.

- We categorise 55% of the leases in East Capital Real Estate IV and 41% in East Capital Baltic Property Fund III as green leases as of 31 December 2024 (measured by leasable area). We have been adding sustainability-related lease clauses or appendices to agreements since 2022.

- A tenant satisfaction survey for all portfolios was carried out in 2024. The results indicate an overall high level of satisfaction with the tenancy relationship with East Capital Real Estate. The tenants' comments and suggestions will be reviewed by our in-house property management team to improve our properties based on the feedback where feasible.

- We continue to enforce our supply chain policy, valid from 2022 and applicable to all new supplier agreements. This code of conduct for our suppliers and partners sets out key guidelines on human and labour rights, working conditions, anti-corruption and anti-bribery, as well as the environment.

- In December 2024, we issued sustainability focused recommendations for the fit-outs in East Capital Real Estate managed properties. The fit-out guide covers sustainable planning and material sourcing, energy and water system enhancements as well as considerations for waste in renovations. The guide aims to reduce resource and material consumption during and after renovations and improve user comfort and wellbeing.

- In the 2024 GRESB reporting East Capital Real Estate IV received 3 stars out of 5 compared to its peers (79 points out of 100) and East Capital Baltic Property Fund received 2 stars but was close to the 3-star threshold (74 points out of 100). We received a very strong score of 27 out of 30 points for our management policies and practices. We could further develop our risk management processes. In the property performance we can summarise a lower than peers resource use for most properties but can cooperate and engage with tenants even more to reduce consumption y-o-y. We could also solidify our performance by having our properties' consumption data externally verified.

- We received a gold medal sustainability rating by the EcoVadis sustainability assessment platform in September 2024.

Photos: Rimi picture storage, Reinis Vilnis Baltiņš, Otto Strazds

East Capital Real Estate

Sustainability governance through stakeholder materiality and engagement

The sustainability strategy of East Capital Real Estate targets to ensure future-proof operations of the real estate business. The basis for the sustainability strategy and our sustainability goals is the materiality analysis which in turn is based on stakeholder dialogues among other sources.

We identify our key stakeholders as:

- Tenants and building users
- Business partners and service providers
- Employees
- Investors
- Credit institutions
- Local communities
- Legislators

We engage with our key stakeholders through various channels, such as meetings, direct e-mail and phone communication, surveys and consultations. Based on the stakeholder engagement we have mapped the most material topics relating to each stakeholder group. We continue to update and evolve this materiality analysis as we continue to build our sustainability processes.

Stakeholder group	Engagement channels	Material topics	Our action
Tenants, building users	• Direct communication by in-house property management • Satisfaction surveys	• Efficient properties • Healthy and sustainable workplaces	• Property improvements (technical, indoor climate etc) • Follow-up actions from satisfaction surveys • Guidance, events, newsletters for optimized resource use
Suppliers (business partners, service providers)	• Direct communication by in-house property management • Supplier code of conduct	• Secured health and safety in supply chain • No incidents or violations of international norms and regulations • Local sourcing	• Implementation, dialogue and feedback on supply chain code of conduct • Supplier assessments • Sustainable fit-out guides
Employees	• Satisfaction surveys	• Safe, healthy, productive, and attractive workplaces • Personal development and equal opportunities • High business ethics	• Workplace reviews • Follow-up actions from satisfaction surveys • Implementation of human resources policies and code of conduct
Investors	• Regular meetings • Regular reporting	• Investment return through sustainable property portfolio • Portfolio low exposure to climate risks	• Sustainability strategy and goals • Climate risk identification and mitigation • Transparent and comprehensive reporting • Solid GRESB rating
Credit institutions	• Regular meetings • Regular reporting	• Sustainable financing • Greenhouse gas emissions	• Sustainability strategy and goals • Transparent and comprehensive reporting
Local communities	• Direct engagement with certain groups • Residents' and public feedback	• Reduced climate impact and efficient properties • Stronger communities	• Sustainability strategy and goals • Climate risk mitigation • Supporting vulnerable social groups
Legislators	• Required reporting	• Policies leading to reduced climate impact • Good business ethics and anti-corruption	• Good governance practices and ensured compliance • Policy coverage and implementation

East Capital Real Estate proprietary ESG Scorecard

One of the main tools to reach our sustainability goals is our proprietary ESG scorecard. The ESG scorecard is an in-depth questionnaire which is filled out while conducting acquisition processes but similarly used as a monitoring and follow-up tool for portfolio holdings thereafter.

The ESG Scorecard considers the most critical ESG risks in the Red Flag section and then covers key environmental, social and governance issues in respective sections. The Red Flag section contains 11 questions which outline the most crucial sustainability related risks and allow to check the asset's conformity with our ESG policy, applicable EU regulations and other major environmental, social or governance issues. The questions relate to sustainability assessment, energy efficiency, physical climate risk and transition risk, biodiversity, tenant profiles, tenant wellbeing, and if there are any controversies in the alignment with the Sustainable Development Goals related to the property use. For new acquisitions, the red flag section further includes five questions related to the counterparty in the transaction. In case Red Flags are identified, we also map the reasons and future mitigation / improvement paths.

The ESG scorecard then incorporates 42 questions on environmental, social and governance aspects of the asset. The questions range from energy and water use, efficiency measures in the building to location, accessibility and indoor climate as well as covering key oversight issues.
The scorecard generates an overall ESG score for the property which is then used as an input to our investment decision and later monitoring the development of the sustainability profile of the property.
The scorecard analysis draws out key strengths and weaknesses, as well as threats and opportunities of each property. It serves as a benchmark against peers or market average and as a tool to identify required improvements on an ongoing basis.

Red flags out of 10 total	**0,0**

ESG score	**% of total**
Environment	88%
Social	93%
Governance	83%
OVERALL WEIGHTED SCORE	**88%**

Key information	
Country	Estonia
Property sector	Office
Main tentant profile	B2B
Property size, lettable sq.m.	15 000
Property's building completion date	2021
Environmental certificate	BREEAM New Construction Excellent
Energy rating	A+, A
East Capital Real Estate's Investment Vehicle	East Capital Real Estate IV

Key positive highlights	
Environment	1. BREEAM "New Construction "Excellent" certificate as well as energy rating A 2. Building management system allowing to increase efficiency and keep the resource use as well as side costs to tenants low
Social	1. The property has good indoor climate and sufficient natural lightning 2. The property has electric vehicle charging spaces as well as bike racks and changing rooms/showers for cyclists
Governance	1. The main tenants have publicly available sustainability commitments and governance policies 2. The main use of the property is ethical and corruption risk low

Areas for improvement	**Issue**	**Improvement plan**	**Estimated CAPEX need**	**Potential NOI increase**
Red flags	None detected			
Environment	1. The property does not include rainwater reuse system	Investigate the opportunity to install one	n/a	n/a
	2. The property does not include renewable energy on site	Investigate installation of solar panels	EUR 100th	n/a
Social	1. Recreational areas are too small in proportion to the building size	Add more recreational areas for tenants	EUR 35th	n/a
Governance	1. The tenants are not fully covered with lease amendments on ESG criteria	Amend the lease agreements	-	n/a

East Capital Real Estate

Sustainability governance through stakeholder materiality and engagement

Stakeholder focus: tenant engagement

We consider tenants to be one of our most important stakeholder groups. Alongside the construction and improvement of our buildings, the performance of our buildings is largely dependent on tenant activities

From the start, we have aimed to be an active owner and landlord, prioritising in-house property management to engage directly with all tenants in our property portfolio. We maintain regular dialogue on property performance to influence how tenants use our properties and guide them towards more sustainable resource use. In 2022, we finalised sustainability-related lease clauses, which have been included in all new lease agreements and amendments since. These clauses are focused on information exchange, energy, water and waste management, sustainable procurement, and sustainability considerations during renovations of premises.

We plan to enhance tenant guidance and engagement further by organising sustainability focused events and sending newsletters.

Tenant engagement, East Capital Baltic Property Fund III	As of 31.12.2024	As of 31.12.2023
Share of lease agreements with sustainability clauses, by sqm	41%	33%
Share of lease agreements with sustainability clauses, by gross rent	36%	30%

Tenant engagement, East Capital Real Estate IV	As of 31.12.2024	As of 31.12.2023
Share of lease agreements with sustainability clauses, by sqm	55%*	62%
Share of lease agreements with sustainability clauses, by gross rent	54%*	60%

*coverage decreased due to new acquisition where no green leases were in place previously

Next page:
Tenant satisfaction survey 2024

Tenant satisfaction survey 2024

We conducted a tenant satisfaction survey in 4Q 2024 for all portfolios managed by East Capital Real Estate. The satisfaction survey is a great opportunity to receive feedback from tenants on the level of property management, maintenance and facilities, and to analyse how they value various aspects of sustainability in the properties.

Based on the survey results, we can summarise that tenants are generally very satisfied with the landlordship of East Capital Real Estate and consider the assets to be well-maintained and future-proof. We also received several comments in the surveys which are being followed up by the in-house property managers.

In East Capital Real Estate IV, the survey was sent out to 62 unique tenants. Feedback was received from 23 tenants (37%), with most of the single or large anchor tenants responding and the response rate by leasable area was 75%. Overall satisfaction with the tenancy relationship was 4.1 out of 5 and the Net Promoter Score was a solid +15% on a scale of -100% to 100%. Satisfaction was high in single tenant properties Via 3L Logistics and Rimi Distribution centre as well as in Place 11 and Duetto office buildings.

In East Capital Baltic Property Fund III, the survey was sent out to 82 unique tenants with a response rate of 40% by number of tenants and 47% by leasable area. The overall satisfaction with the tenancy relationship was 4.1 out of 5 and the Net Promoter Score was +8% on a scale of -100% to 100%, similarly good results as in East Capital Real Estate IV. In East Capital Baltic Property Fund III, the response rate was close to 100% in Kesklinna Hotelli property, where we received feedback from our key tenant Hilton hotel. In multi-tenant properties, the highest response rate was recorded in our Galleria Riga shopping centre (59%), where we also achieved a very good Net Promoter Score of +21%.

Tenant satisfaction, East Capital Real Estate IV	2024 survey	2022&23 survey
Response rate in survey, measured by leased area	75%	71%
Average satisfaction score (out of 5.0)	4.1	4.1
Net Promoter Score (scale of -100 to +100)	+15%	0%

Tenant satisfaction, East Capital Baltic Property Fund III	2024 survey	2022 survey
Response rate in survey, measured by leased area	47%	64%
Average satisfaction score (out of 5.0)	4.1	4.1
Net Promoter Score (scale of -100 to +100)	+8%	+5%

Tenant satisfaction, East Capital Baltic Property Fund	2024 survey
Response rate in survey, measured by leased area	64%
Average satisfaction score (out of 5.0)	4.0
Net Promoter Score (scale of -100 to +100)	+23%

The tenant satisfaction survey in 2024 was also extended to our first fund, East Capital Baltic Property Fund, which was launched in 2005. The fund has divested some properties and currently includes 7 properties across which the survey was sent out to all 118 tenants. The response rate by number of tenants was 37% and by sqm 64%. The average satisfaction score was 4.0 on a scale 1-5, and Net Promoter Score (NPS) the highest among our funds at 23%, whereas all properties in the fund received positive NPS.

External reporting and ratings

GRESB rating

We participate in the GRESB global ESG benchmark survey since 2022 with East Capital Baltic Property Fund III and East Capital Real Estate IV portfolios. GRESB real estate benchmark provides consistent and validated ESG performance to the market, peer comparison and a good self-assessment framework for necessary improvements.

In the 2024 assessment, East Capital Real Estate IV scored 79 points out of 100 (same as 2023) and maintained its 3-star rating with the 4-star cut-off being very close.

East Capital Baltic Property Fund III scored 74 points out of 100, slightly decreased compared to 2023. We declined to a 2-star rating this year but were close to the 3-star threshold.

The absolute score is a result of an individual entity assessment in two components: management (30%) and performance (70%). The star rating is assigned when the entity's score is compared to benchmark of all standing investment results.

Both entities scored high in the management component – we received 27 points out of 30. Maximum or near maximum scores were received in leadership, policies and stakeholder engagement aspects. The slightly lower scoring aspects are reporting and risk management. We have identified further improvements such as introducing an ISO certified Environmental Management System and establishing more elaborate transition risk assessments.

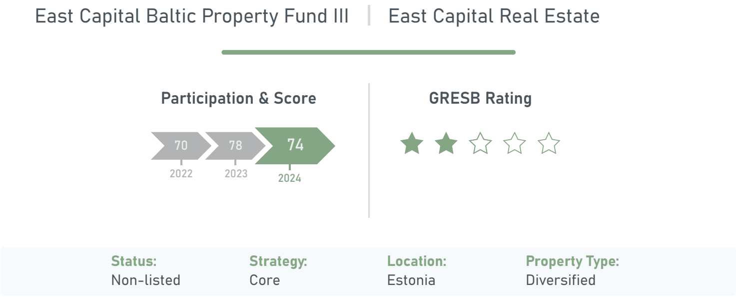
East Capital Real Estate IV improved its Performance score in 2024 to 52 points out of 70, mostly on the account of full data coverage, water savings and reduced greenhouse gas emissions y-o-y, as well as more tenant engagement activities.

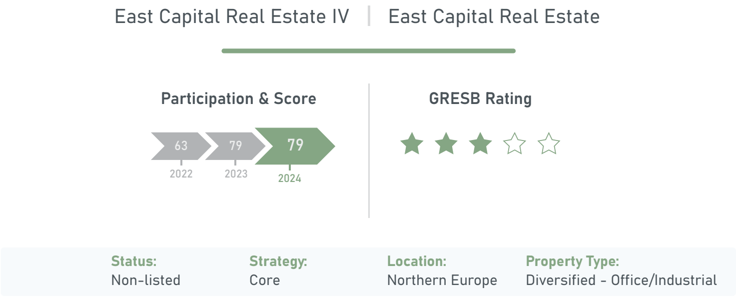
East Capital Baltic Property Fund III lost some points in performance and scored 47 out of 70. Continuous work with property efficiency improvements as well as tenant engagement helps to improve the performance scores going forward.

In the Performance component, we are further investigating to have our performance data externally reviewed and assured, which would further solidify our performance and score.

East Capital Baltic Property Fund III	2024	2023
GRESB score	74 / 100	78 / 100
GRESB rating	2* / 5*	3* / 5*
Management score	27 / 30	28 / 30
Performance score	47 / 70	50 / 70

East Capital Real Estate IV	2024	2023
GRESB score	79 / 100	79 / 100
GRESB rating	3* / 5*	3* / 5*
Management score	27 / 30	28 / 30
Performance score	52 / 70	51 / 70





External reporting and ratings

EcoVadis rating

In 2024, East Capital Real Estate completed the EcoVadis assessment questionnaire, where we received an overall score of 74 points out of a maximum of 100 points (95th percentile among similar companies). The result granted us a gold medal sustainability rating as our score was among the top 5% of all ratings issued during September 2024.

In the assessment, we were evaluated in the following topics:

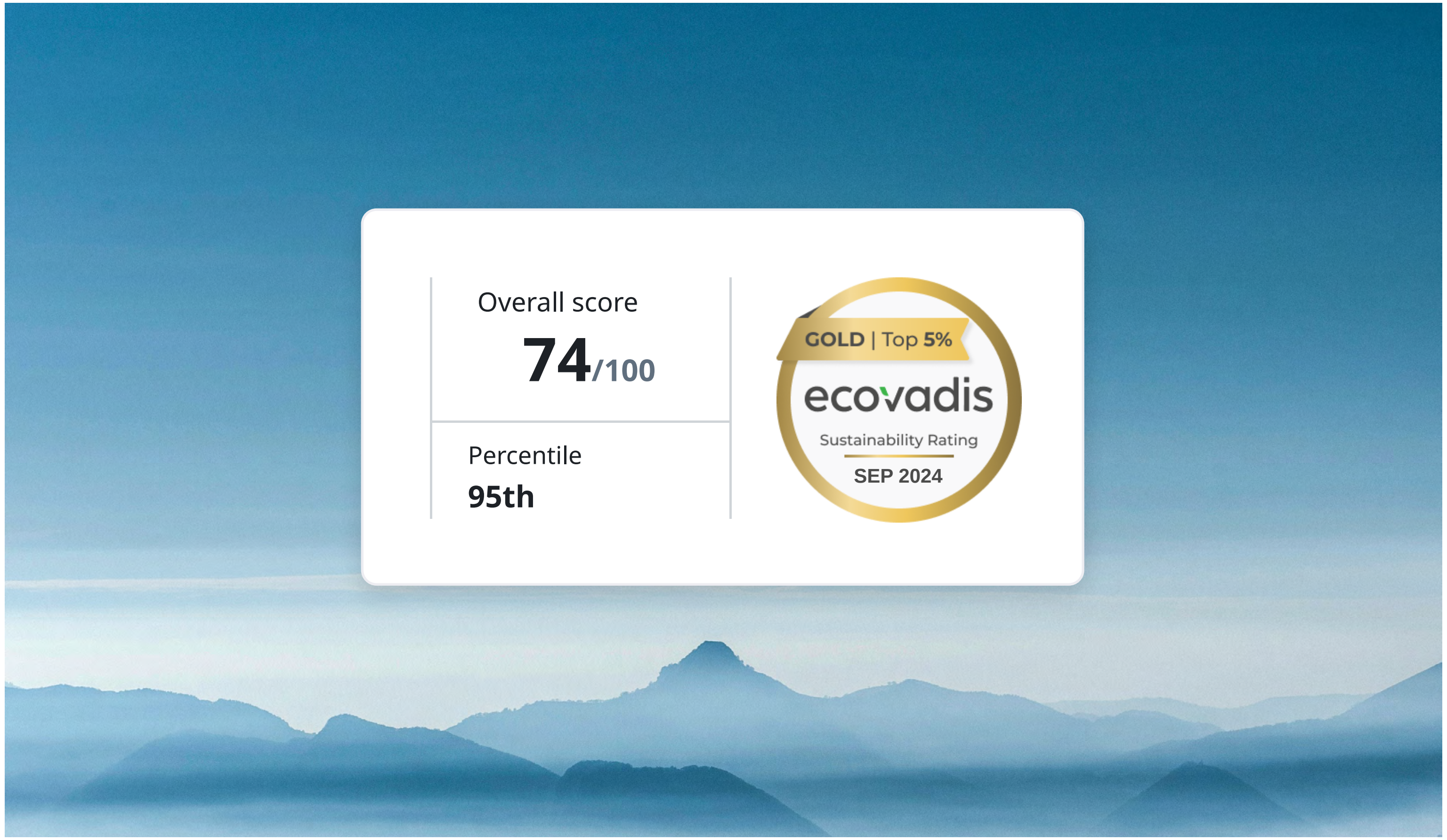
- Environment: Energy consumption, greenhouse gas emissions, waste
  – 80/100 points received

- Labour and human rights: Employee health and safety, working conditions, career management and training, diversity, equity and inclusion
  – 70/100 points received

- Ethics: Corruption, responsible information management
  – 80/100 points received

As our main strengths, EcoVadis highlighted our environmental policies, labour and human rights policies as well as comprehensive reporting on environmental topics. We were also among the top in the measures for energy efficiency, purchase and generation of renewable energy and sorting and disposal of waste according to different waste streams.

The improvement areas identified during the EcoVadis assessment are ones we have identified previously and working with, such as lack of certified Environmental Management System and further measures or documentation on Diversity, Equity and Inclusion measures taken in our company and group.



Key environmental areas

Progress report

Energy efficiency

East Capital Real Estate recognises the significant impact the property sector, with its high energy consumption, has on climate change and is committed to enhancing the energy efficiency of the buildings we acquire and manage. We assess the energy performance of properties both upon acquisition and for our existing portfolio and invest in improvements where necessary and feasible. The possible improvements include incorporating renewable energy sources, switching to more sustainable energy options, and investing in sub-metering, building automation and other equipment and technologies that enhance the building's energy efficiency. Additionally, we engage with our tenants to encourage and support reductions in their energy usage wherever possible.

Our energy efficiency targets include obtaining energy performance certificates for our entire property portfolio and improving the energy efficiency of the lowest-performing assets, thereby reducing the overall energy intensity across the portfolio.

In East Capital Real Estate IV, the coverage with energy ratings is currently at 84% as the energy rating for the latest acquisition, completed in 2024, still needs to be calculated. From the properties rated, nearly all (92%) are in energy class A-C which can be considered as energy efficient under the European Union regulations.

In East Capital Baltic Property Fund III, the coverage with energy performance certificates is lower at 71%, however majority (74%) of the rated properties can similarly be regarded as highly energy efficient.

We also aim for complete coverage of energy consumption data in our properties, which is currently at 100% for East Capital Real Estate IV and 85% for East Capital Baltic Property Fund III (based on 2023 data).

Our key performance indicators in energy efficiency:

East Capital Baltic Property Fund III	As of 31.12.2024	As of 31.12.2023
Share of energy performance certificates in fund portfolio	71%	68%
Share of certified properties in the EPC class A-C	74%	75%
Average energy intensity across the portfolio, kWh/sqm	157	161

East Capital Real Estate IV*	As of 31.12.2024	As of 31.12.2023
Share of energy performance certificates in fund portfolio	84%	100%
Share of certified properties in the EPC class A-C	92%	87%
Average energy intensity across the portfolio, kWh/sqm	113	109

*changing portfolio composition, three assets acquired in 2023 and one in 2024

Next page:
Renewable energy and greenhouse gas emissions
Progress report

Renewable energy

East Capital Real Estate has set a sustainability target to increase the share of renewable energy used across the portfolio to the maximum extent possible, including producing on-site renewable energy and purchasing renewable energy.

We have initiated processes to install solar panels in the portfolio properties where it is technically possible and economically feasible. For some properties in our portfolio, the tenant has also invested in installing the solar panels on the buildings.

As for purchased energy, we have switched to renewably sourced electricity and efficient district heating where possible. In certain cases, including situations where the tenant has operational control over the property, this may not be feasible at once, but this will remain our objective over time.

Our key performance indicators in renewable energy:

East Capital Baltic Property Fund III	As of 31.12.2024	As of 31.12.2023
Assets purchasing electricity from renewable sources	5/6	3/6
Assets with operational on-site renewable energy installation	1/6	1/6

East Capital Real Estate IV	As of 31.12.2024	As of 31.12.2023
Assets purchasing electricity from renewable sources	8/10	5/9
Assets with operational on-site renewable energy installation	5/10	4/9

Greenhouse gas emissions

East Capital Real Estate acknowledges that climate change is one of the most pressing global issues today and understands the significant transformation required to move towards a net zero world. We have aligned our ESG policies and targets with this goal. In East Capital Real Estate, our first priorities are to eliminate or reduce the greenhouse gas emissions in line with recognised hierarchy for greenhouse gas management. We have prioritised energy efficiency improvements and sourcing renewable energy to avoid emissions, and plan for more engagement with our tenants to reduce emissions from tenant operations where possible.

We calculate the greenhouse gas emissions from our properties' energy use in line with the Greenhouse Gas Protocol recommendations. Our reported emissions currently relate to fuels (gas) used for heating (Scope 1), purchased heating and electricity in properties controlled by us as the landlord (Scope 2) as well as the energy used by tenants in single-use or otherwise tenant-controlled buildings (Scope 3). We use emission factors published by the government institutions locally in Estonia, Latvia, and Lithuania.

Further advancements include expanding the calculations of Scope 3 emissions and adding verification to emission calculations. We are working towards our net zero policy and setting net zero targets and milestones.

Next page:
Sustainability assessments
Progress report

Sustainability assessments

East Capital Real Estate's target is to fully cover its property portfolio with sustainability certifications in East Capital Baltic Property Fund III and East Capital Real Estate IV. The most common and recognised sustainability rating systems in our markets are BREEAM and LEED. Meeting the requirements of a comprehensive sustainability certification leads to improved building characteristics and better performance, which often translates into lower operational costs. We believe that certifications provide more comparability and transparency between properties and that a certified property contributes to tenant well-being in the building and leads to increased occupancy rates. For our office buildings, we also plan to investigate occupier wellbeing focused healthy building certifications such as Fitwel, WELL or similar.

East Capital Real Estate has choosen to certify its properties under the BREEAM (Building Research Establishment Environmental Assessment Method) certification system, the world's leading science-based suite of validation and certification systems for a more sustainable built environment. Newly acquired properties can be certified under any recognised rating schemes. For BREEAM certified properties, the targeted minimum level for most properties is "Very Good", whereas for offices we aim for an "Excellent" level. This threshold can be reached either in the first assessment or the following renewals.

In East Capital Real Estate IV, 8 out of the 10 properties are certified with BREEAM In-Use or New Construction certificates and certification coverage is 78% of the fund's net leasable area. This includes the two properties that were certified during 2024 and received certificates in February 2025.

In East Capital Baltic Property Fund III, 51% of the leasable area is certified with BREEAM certificates and the remaining 49% is in the process of renewing previously obtained but now expired certificates.

Our key performance indicators in sustainability assessments:

East Capital Baltic Property Fund III	As of 31.12.2024	As of 31.12.2023
No of certified buildings	6/13	8/12
Certified buildings % from leasable area	51%	68%
Certified buildings % from gross property value	62%	62%

East Capital Real Estate IV	As of 31.12.2024	As of 31.12.2023
No of certified buildings	9/13	9/11
Certified buildings % from leasable area	78%	53%
Certified buildings % from gross property value	85%	68%

Property	Property segment	BREEAM certification scheme	Rating
East Capital Real Estate IV portfolio			
Zalgirio 112	Offices	New Construction	"Very Good"
Place Eleven Business Centre	Offices	New Construction	"Excellent"
Duetto business complex	Offices	New Construction	"Very Good"
SEB HQ	Offices	In-Use	"Very Good"
Via3L Logistics	Logistics	In-Use	"Very Good"
Pigu Distribution Centre	Logistics	In-Use	"Very Good"
U30 Stock Office	Logistics	In-Use	"Very Good"
Rimi Distribution Centre	Logistics	In-Use	"Very Good"
East Capital Baltic Property Fund III portfolio			
Lidostas Park	Logistics	In-Use	"Very Good"
Ulmana Park	Logistics	In-Use	"Good"
Galleria Riga shopping centre	Retail	In-Use	"Good"
Vesse COOP hypermarket	Retail	In-Use	"Very Good"
Hilton Tallinn Park Hotel	Hotels	In-Use	"Very Good"

Our properties certified with BREEAM rating during 2024

Rimi Distribution Centre, Riga, Latvia

East Capital Real Estate IV

BREEAM In-Use "Very Good" rating received in February 2025

Rimi Distribution Centre is a modern logistics complex in Riga's Dreilini area, fully occupied by Rimi Latvia, one of the largest retailers in the Baltic area. The 93,690 sqm complex is used as the main logistics hub and office headquarters for their Baltic operations. The building includes 77% warehouse and cold warehouse and the remaining 23% are offices, central kitchen and technical areas. The first part of the complex was built in 2002, but the majority of the area, over 50,000 sqm, was added in 2019-2020. The property was acquired in a sale-and-leaseback transaction at the end of 2023, and the complex was not previously certified with a sustainability rating. East Capital Real Estate proceeded with BREEAM certification during 2024 and received a certificate on a level of "Very Good" for in use properties in February 2025. The property received 57.8% of the total 100% in asset performance.

The strongest categories were resilience, transport, energy and resources. Rimi Distribution Centre is located close to public transport connections and amenities and is equipped with cyclist facilities. As a highlight, the pedestrian and cyclist routes are safely separated from other traffic. The property has been identified to be resilient by its design and features as well as no immediate natural hazard risks have been identified. Among other items, the property also received good points for its waste management, solar photovoltaic panels on the roof, LED lighting and water efficient sanitary equipment.

U30 Stock Office, Riga, Latvia

East Capital Real Estate IV

BREEAM In-Use "Very Good" rating received in February 2025

U30 Stock Office is a newly built modern stock-office building in Riga, developed by Estonian developer Hepsor in 2022. The building includes two floors of 3,642 sqm leasable area and is 100% leased by four tenants. The property was acquired by East Capital Real Estate IV in 2023.

As the building was not previously certified with a sustainability rating, East Capital Real Estate proceeded with BREEAM certification during 2024. The certificate at a level of "Very Good" for in use properties was received in February 2025. The property received 66.5% of total the 100% in asset performance.

The strongest categories were resilience, resources, energy and pollution. The U30 stock office locates close to public transport and amenities. Both indoor and outdoor lighting in the property is LED. The property is equipped with appropriate waste collection facilities. Good score was received in resilience aspect as the natural hazard risks identified no risks and the property is identified as durable.

Galleria Riga Shopping Centre, Riga, Latvia

East Capital Baltic Property Fund III

BREEAM In-Use "Good" rating received in February 2025

Galleria Riga is a unique shopping centre located in the Riga city centre. The shopping centre has a leasable area of 24,497 sqm and includes seven floors of retail and service space as well as a panoramic rooftop terrace with restaurants. The building complex also has two underground floors for parking.

The property belongs to East Capital Baltic Property Fund III portfolio. Its BREEAM certification process was started in 2024 and the certificate on a level of "Good" for in use properties was received in February 2025. The property received 50.4% of total 100% in asset performance.

The strongest categories were transport, resilience, resources and energy. Galleria Riga is well accessible by public transport and close to amenities, has cyclist facilities and electric car charging stations. The property has a good energy performance rating and is equipped with LED lighting. Waste management is well covered by appropriate facilities. The property has been identified to be resilient by its design and features as well as no immediate natural hazard risks have been identified.

Photos: Rimi picture storage, Reinis Vilnis Baltiņš, Otto Strazds

Water management

Water consumption is another important topic in the real estate sector both from a sustainability perspective as well as the cost of building operations. As a landlord, East Capital Real Estate can contribute to more economical water use by installing water-efficient equipment, such as low flow and water-conserving facilities, and leak detectors throughout the water system.We have done so in most of our properties during the green building assessment process or separately. We also engage with our tenants on their water use and cooperate to reduce it where possible.

Water consumption is monitored across all properties in East Capital Baltic Property Fund III and East Capital Real Estate IV and reported within the GRESB framework and the sustainability report alongside other consumption data. We aim for a decreased water use year-on-year and have targeted to review the effectiveness of water facilities across our property portfolio.

In 2024, the water use in East Capital Real Estate IV increased by 12% compared to 2023 based on a similar portfolio (changing portfolio composition until 2025). The change is mostly driven by tenant mix changes in properties and more enhanced operations of existing tenants as well as one-off events.

In East Capital Baltic Property Fund III, we report a 9% decrease in water use across the portfolio.

Waste management and circularity in fit-outs and operations

East Capital Real Estate is committed to reducing waste sent to landfill and promoting circularity. As per globally recognised waste management hierarchy, the priority is to minimise the waste amounts produced, thereafter reuse and recycle to minimise the waste sent to incinerations or landfill. Our main impact is through minimising waste in fit-outs and cooperating with tenants for reduce waste generated in their daily operations.

For the refurbishments of our lease premises either by ourselves or by our tenants we have established and implemented a sustainability focused fit-out guide from December 2024. This list of recommendations to follow when refurbishing East Capital Real Estate managed properties focuses on the sustainable and flexible design of premises that will minimise current and future resource use; sourcing of certified, durable, renewable, or reused materials; as well as proper waste management during the refurbishment process. The guide also includes suggestion on how to reduce energy and water use when planning for and conducting renovation works. There is also a separate section on how to ensure health and wellbeing of building occupiers by sustainable designs. We currently do not collect the data for waste generated in the fit-out processes in our lease premises, however, have identified this as a future improvement area.

For waste generated in tenants' daily operations, we monitor the waste amounts and disposal routes regularly (at least once per annum or more frequently if data allows). Waste generation in leased premises is not under our direct control however we can ensure properties are equipped with appropriate waste sorting facilities. We can also raise awareness among our tenants and cooperate with them to minimise waste generation and increase reuse/recycling. Our green lease appendix to the lease agreements includes clauses on waste management, aligning the efforts to minimise the amount of generated waste. We also plan to engage with tenants more on the waste management topic through guides, newsletters or focus events.

We have almost full coverage for waste data for our III and IV funds with one exception in both funds. The share of waste recycled, reused, or used as energy was 78% in East Capital Baltic Property Fund III. In East Capital Real Estate IV, the recycling rate was 54% in 2024, affected by properties with larger waste amounts but lower share of recycling.

Consumption data for East Capital Baltic Property Fund III

East Capital Baltic Property Fund III	**2024**	**2023**	**2022**	**y-o-y**
Total energy use in portfolio, MWh	25 632	26 344	25 893	-2.7%
of which renewable sources	46%	43%		7.0%
Average energy intensity, kWh/sqm	157	161	159	-2.5%
Energy data coverage, by sqm	84%	84%	85%	0.0%
Total water consumption, m3	63 893	69 894	60 142	-8.6%
Average water consumption, litres/sqm	327	357	308	-8.5%
Water use coverage, by sqm	100%	100%	100%	0.0%
Total greenhouse gas emissions, tonnes*	4 364	4 934	5 155	-11.6%
Greenhouse gas emissions, kg/sqm*	23	26	31	-11.7%
GHG emission coverage, by sqm	84%	84%	85%	0.0%
Total waste amount, tonnes	1 140	1 214	1 488	-6.1%
"Recycled waste % of total (reuse, recycling, waste to energy)"	78%	81%	83%	-4.1%
Waste data coverage, by sqm	61%	61%	58%	0.0%

*market-based approach

McDonalds stand-alone premises started operations in 2023

Regional allocation by sqm, East Capital Baltic Property Fund III

Sector allocation by sqm, East Capital Baltic Property Fund III

Portfolio composition as of 31.12.2024

Property	**Location**	**Property type**	**Property leasable area, sqm**
Nehatu logistics park	Estonia	Logistics/industrial	77 282
Lidostas Park logistics	Latvia	Logistics/industrial	23 156
Ulmana Park logistics	Latvia	Logistics/industrial	13 742
Galleria Riga Shopping Centre	Latvia	Retail	24 497
Vesse retail centre	Estonia	Retail	23 758
Hilton Tallinn Park hotel	Estonia	Hotels	22 530
Total fund			**184 965**

Consumption data for East Capital Real Estate IV

East Capital Real Estate IV	2024	2023	2022	y-o-y	y-o-y (for a comparable portfolio)
Total energy use in portfolio, MWh	26 299	12 425	10 314	111.7%	-1.2%
of which renewable sources	32%	38%		-15.8%	
Average energy intensity, kWh/sqm	113	111	126	1.9%	-2.0%
Energy data coverage, by sqm	95%	97%	100%	-2.1%	
Total water consumption, m3	56 693	23 215	15 446	144.2%	12.0%
Average water consumption, litres/sqm	230	201	189	14.5%	11.7%
Water use coverage, by sqm	100%	100%	100%	0.0%	
Total greenhouse gas emissions, tonnes*	3 293	1 713	1 767	92.2%	-9.0%
Greenhouse gas emissions, kg/sqm*	14.0	15.0	22	-6.9%	
GHG emission coverage, by sqm	95%	97%	100%	-2.1%	
Total waste amount, tonnes	1 521	315	282	382.4%	7.3%
Recycled waste % of total (reuse, recycling, waste to energy)	54%	79%	90%	-31.6%	
Waste data coverage, by sqm	84%	100%	100%	-16.0%	

*market-based approach

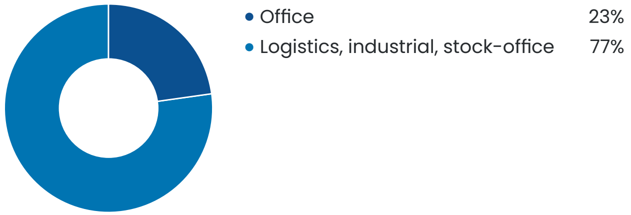
Duetto and U30 properties added to portfolio in 2023, Rimi and J13 Logistics properties added to portfolio in 2024

Portfolio composition as of 31.12.2023

Property	Location	Property type	Property leasable area, sqm
SEB Tallinn HQ	Estonia	Office	16 051
Via 3L Logistics	Estonia	Logistics/industrial	33 067
J13 Logistics Park	Estonia	Logistics/industrial	40 632
Place Eleven Business Centre	Latvia	Office	15 854
Rimi Distribution Centre	Latvia	Logistics/industrial	93 690
U30 stock-office	Latvia	Logistics/industrial	3 642
Jankiskiu 52 industrial facility	Lithuania	Logistics/industrial	13 047
Pigu Distribution Centre	Lithuania	Mixed use	6 460
Zalgirio 112 office	Lithuania	Office	7 589
Duetto Business Complex	Lithuania	Office	17 142
Total fund			**247 174**

Regional allocation by sqm, East Capital Real Estate IV

Sector allocation by sqm, East Capital Real Estate IV



Risk assessments

East Capital Real Estate

East Capital Real Estate integrates management of climate-related risks into its operations. Climate-related risks can be divided into two major categories: 1) risks related to the transition to a lower-carbon economy and 2) risks related to the physical impacts of climate change, acute or chronic.

East Capital Real Estate incorporates key physical and transition risks into its ESG scorecard. These risks are assessed using publicly available sources, market data, local and EU regulations, and property characteristics.

In terms of transition risks, we have identified our exposure to several key factors: policy and legal risks, the transition to low-carbon technologies, market risks, and reputation risks. We believe that our current sustainability strategy, actions, and reporting efforts help mitigate these transition risks and potentially create new opportunities as we deepen our commitment to sustainability. We also plan to conduct a more thorough transition risk review.

East Capital Real Estate has also conducted a location risk assessment of its East Capital Baltic Property Fund III and East Capital Real Estate IV portfolios. The analysis has been outsourced from Munich RE, one of the world's leading providers of risk solutions. We can summarise a low exposure to most acute hazards, but are vulnerable to some of the long-term shifts in climate patterns. The aggregated exposure to location risks for the fund portfolios are brought out in the tables.

Scale

No hazard	Low exposure	Medium exposure	High exposure

Probability of acute hazards	**ECBPFIII**	**ECREIV**
Earthquake	Low exposure	Low exposure
Volcanoes	No hazard	No hazard
Tsunami	No hazard	No hazard
Tropical Cyclone	No hazard	No hazard
Extratropical Storm	Medium exposure	Medium exposure
Hail	Medium exposure	Medium exposure
Tornado	Medium exposure	Medium exposure
Lightning	Low exposure	Low exposure
River Flood	Low exposure	Medium exposure
Flash flood	Low exposure	Low exposure
Storm Surge	No hazard	No hazard
Wildfire	Low exposure	Low exposure

Exposure to chronic stressors

ECRE IV portfolio	**RCP 8.5, year 2050**	**RCP 8.5, year 2100**
Tropical cyclone	No hazard	No hazard
River flood	Medium exposure	Medium exposure
Sea level rise	-	Low exposure
Heat stress	Low exposure	Medium exposure
High average temperature increase	Medium exposure	High exposure
Drought stress	Low exposure	Low exposure
Fire weather stress	Low exposure	Low exposure
Precipitation stress	Low exposure	Low exposure
Long-term precipitation	Low exposure	Medium exposure

ECBPF III portfolio	**RCP 8.5, year 2050**	**RCP 8.5, year 2100**
Tropical cyclone	No hazard	No hazard
River flood	No hazard	No hazard
Sea level rise	-	No hazard
Heat stress	Low exposure	Low exposure
High average temperature increase	Medium exposure	High exposure
Drought stress	Low exposure	Low exposure
Fire weather stress	Low exposure	Low exposure
Precipitation stress	Low exposure	Low exposure
Long-term precipitation	Low exposure	Medium exposure

Contribution to the SDGs

East Capital Real Estate

The 17 Sustainable Development Goals are the heart of the 2030 Agenda for Sustainable Development, adopted by all 193 United Nations Member States in 2015. These goals call for action to ensure peace and prosperity for people and the planet. The Sustainable Development Goals highlight the environmental, social and economic challenges the world faces, and allows companies to contribute by adopting and communicating responsible business principles.

East Capital Real Estate has conducted an impact analysis to assess how our sustainability goals and focus areas align with the Sustainable Development Goals. We assessed whether our business operations and sustainability actions are directly or indirectly linked in any of the focus topics and whether our contribution could be low to high impact to reaching the goals.

We have identified to have medium to high and direct impact to work for the following goals:

Our goal or focus topic	SDG
Increased efficiency of water equipment in our properties and reduced water consumption	6 CLEAN WATER AND SANITATION
Increased energy efficiency	7 AFFORDABLE AND CLEAN ENERGY
Increased share of renewable energy use	7 AFFORDABLE AND CLEAN ENERGY
Improve or retrofit properties in our portfolio for improved efficiencies	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Ensure safe access to all our properties and increased share of green spaces	11 SUSTAINABLE CITIES AND COMMUNITIES
Increased share of waste recycling	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
Climate risk assessments of properties with available mitigation of these risks	13 CLIMATE ACTION

We have also recognised our potential to contribute to Sustainable Development Goals related to quality education (our support to SOS Children's Village), gender equality (by promoting Diversity, Equity, and Inclusion in our company) as well as providing decent work and promoting economic growth both directly in our own company as well as through providing quality commercial real estate premises for businesses to grow in.

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Deforestation risk report 2024

At East Capital Group, we remain steadfast in our commitment to contribute to the end of commodities-driven deforestation by actively monitoring and managing deforestation-related risks across our portfolios. In 2024, we expanded the scope and depth of our deforestation analysis to reflect both the growing availability of data and the increasing regulatory focus on deforestation and land use-related impacts.

As large-scale deforestation continues globally, particularly in tropical regions such as the Amazon, Southeast Asia, and Central Africa, we recognize our capability as responsible investors in driving sustainable land-use practices through informed capital allocation and active stewardship. According to the World Resources Institute, the world lost approximately 3.7 million hectares of tropical primary forest in 2023. While it was less than the loss of 2022 by 9% thanks to improved forest protection in Brazil and Colombia (source: Global Forest Watch, 2024), this still represents a loss nearly the size of Switzerland and underscores the urgency of financial sector involvement in halting deforestation.

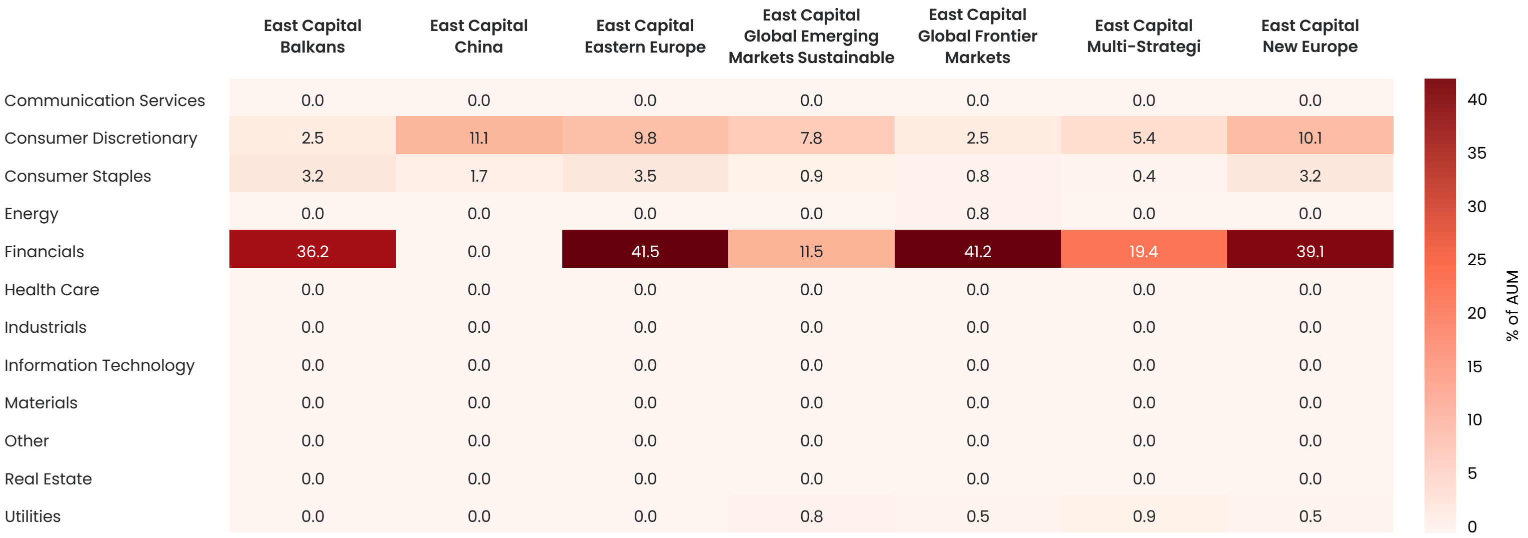
Sectoral exposure to deforestation risk

Our 2024 portfolio review revealed notable levels of exposure to deforestation-prone sectors across several funds. Among East Capital funds, East Capital Eastern Europe and East Capital New Europe stood out with 54.8% and 53.0% of AUM, respectively, allocated to sectors identified as carrying high deforestation risks. These sectors include Financials, Consumer Discretionary, and Consumer Staples, with Financials alone representing over 40% of AUM in both East Capital Eastern Europe and East Capital Global Frontier Markets.

Similarly, in the Espiria fund range, Espiria 30 showed the highest exposure among its peers, with 31.8% of its AUM in high-risk sectors—primarily Financials (26.0%), followed by Utilities and Consumer-related sectors.

Importantly, Consumer Discretionary and Consumer Staples sectors are consistently represented across the portfolios. These sectors often involve complex, global supply chains where palm oil, soy, beef, and timber can play a major role. Consumer Discretionary, in particular, is the second-largest risk sector in terms of portfolio exposure, with deforestation risks frequently tied to sub-industries such as Textiles, Apparel, Accessories and Luxury Goods, and Automobile Manufacturers. These industries are known for sourcing raw materials such as leather, rubber, and viscose from regions where tropical deforestation might be a risk.

% of AUM in high-risk sectors – 2024



	East Capital Balkans	East Capital China	East Capital Eastern Europe	East Capital Global Emerging Markets Sustainable	East Capital Global Frontier Markets	East Capital Multi-Strategi	East Capital New Europe
Communication Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Consumer Discretionary	2.5	11.1	9.8	7.8	2.5	5.4	10.1
Consumer Staples	3.2	1.7	3.5	0.9	0.8	0.4	3.2
Energy	0.0	0.0	0.0	0.0	0.8	0.0	0.0
Financials	36.2	0.0	41.5	11.5	41.2	19.4	39.1
Health Care	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Industrials	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Information Technology	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Materials	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real Estate	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Utilities	0.0	0.0	0.0	0.8	0.5	0.9	0.5

Photo: Rich Carey (Shutterstock)

Country risk exposure – 2024

As part of our deforestation risk analysis, we assess country risk by identifying portfolio exposure to geographies with elevated environmental and governance risks, particularly those associated with land-use change and weak forest governance frameworks.

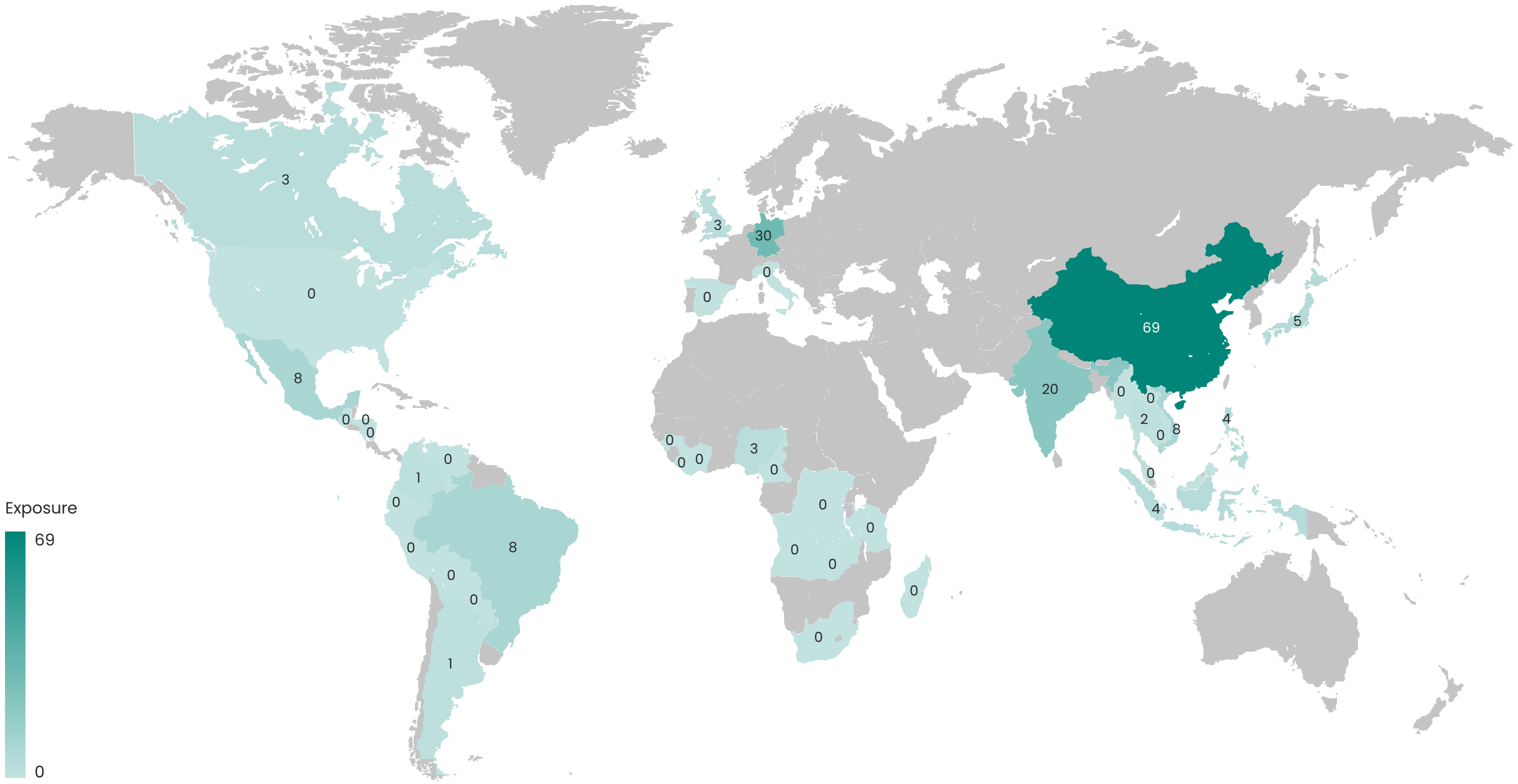
In 2024, our aggregated country-level exposure across all East Capital and Espiria funds showed notable concentrations in emerging markets with known risks. The most significant exposures were found in China, India, Brazil, Mexico, Vietnam, and the Philippines. In these markets, systemic deforestation risks may arise from commodity-linked deforestation drivers (e.g., soy, palm oil, cattle, pulp and paper), weak enforcement of land protection policies, or heightened ESG controversies.

China remains our single largest country risk exposure, both in terms of holdings flagged in external datasets and by our internal risk methodology. This is followed by India and Brazil, where financial sector holdings contribute most significantly to the flagged exposure, given their potential indirect exposure to deforestation through lending activities, underwriting or investment portfolios.

> At East Capital Group, we are committed to helping end commodity-driven deforestation by actively monitoring related risks across our portfolios. Through engagement with companies, we work to strengthen policies, protect long-term value, and support a more sustainable global economy.

George Svensson
Analyst ESG

Total exposure East Capital and Espiria - countries of risk



Exposure to combined sector and country risk per fund (2024)

We applied our existing methodology to assess combined exposure to sector and country-related deforestation risks, identifying holdings that are simultaneously exposed through both industry classification and geographical footprint.

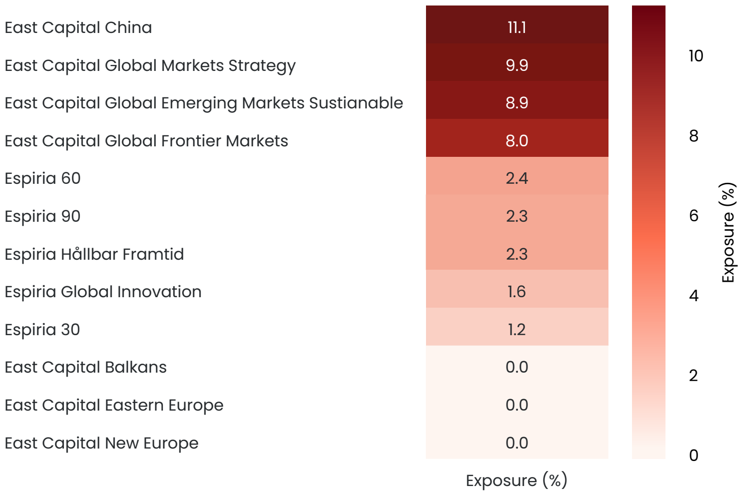
East Capital China stands out with the highest combined risk exposure at 11.1%, driven by holdings in sectors and countries flagged as high-risk. This is followed by East Capital Multi-Strategy (9.9%), East Capital Global Emerging Markets Sustainable (8.9%), and East Capital Global Frontier Markets (8.0%). Meanwhile, East Capital Balkan Fund, East Capital Eastern Europe, and East Capital New Europe show 0% exposure.

On the Espiria side, Espiria 60, the Espiria 90, and Espiria Hållbar Framtid show moderate risk exposure, mainly concentrated in Consumer Discretionary and Financials.

As part of our analysis under Principal Adverse Impact (PAI) 15, Lack of Deforestation Policy, we reviewed key holdings in high-risk sectors and geographies to determine whether appropriate company-level deforestation policies are in place. Among a sample of 14 companies identified in the overlapping risk segment, none were found to have a standalone, formal deforestation policy aligned with the requirements of PAI 15. However, it is worth noting that several companies do demonstrate a clear stance against illegal deforestation, and some have broader environmental or responsible sourcing guidelines that recognize deforestation as a material issue. These partial commitments, while not meeting the full criteria under PAI 15, are an important foundation for future engagement and monitoring.

Data on this particular PAI remains challenging, primarily because many companies address deforestation within the context of more general policies — which do not meet the threshold required for it to be flagged by ESG data providers as a distinct deforestation policy. As a result, actual recognition of deforestation risk may be underreported in datasets used for PAI monitoring, reinforcing the importance of qualitative assessments and direct engagement to fill these gaps.

Exposure to combined sector and country risk per fund (2024)



East Capital China	11.1
East Capital Global Markets Strategy	9.9
East Capital Global Emerging Markets Sustianable	8.9
East Capital Global Frontier Markets	8.0
Espiria 60	2.4
Espiria 90	2.3
Espiria Hållbar Framtid	2.3
Espiria Global Innovation	1.6
Espiria 30	1.2
East Capital Balkans	0.0
East Capital Eastern Europe	0.0
East Capital New Europe	0.0

CDP Non-Disclosure Campaign

In 2024, we continued our participation in CDP's annual Non-Disclosure Campaign (NDC), an initiative that encourages companies to begin reporting on their footprint regarding climate change, water security, and forest.

This year, CDP published aggregate results showing that out of 1,998 distinct companies targeted globally, 325 disclosed through CDP—a 17.6% overall success rate. When broken down by topic, the success rates were:

- Climate Change: 1329 companies targeted, 12.3% responded
- Forests: 373 companies targeted, 12.3% responded
- Water Security: 1029 companies targeted, 19% responded

East Capital Group acted as lead investor for 21 companies across these themes. Of these, six companies submitted completed CDP questionnaires—Solutions by STC, BIM, Gravita, Moutai, Sonatel, and Stella—resulting in an above-average 29% success rate. Additionally, one more company (Yangtze Power) activated their questionnaire, indicating a likely future submission.

This performance reflects our ability to drive meaningful engagement outcomes above market benchmarks. Engagement is especially important regarding the forest theme, where disclosure remains low. Given CDP's integration of forest-related questions into a broader, unified sustainability questionnaire in 2024, we believe this campaign will remain a key tool in promoting accountability and visibility around deforestation-related risks and commitments.

CDP

Read the CDP case study here:
www.cdp.net/zh/insights/east-capital-group

Ongoing engagement: Essity

In 2024, we continued our engagement with **Essity** through the Financial Sector Deforestation Action (FSDA), focusing on forest-related risks and supply chain transparency. During our latest dialogue, Essity highlighted its alignment with upcoming regulations such as the **EU Deforestation Regulation (EUDR)** and **CSRD**, while acknowledging challenges in tracing geolocation data for its extensive supplier network. The company emphasised that **certification standards**—including the **Forest Stewardship Council (FSC)** and the **Programme for the Endorsement of Forest Certification (PEFC)**—remain central to its deforestation strategy, alongside ongoing work on biodiversity, water reduction targets, and circular product innovation. We view this continued dialogue as essential to encouraging stronger nature-related disclosures and risk management practices.

Biodiversity and deforestation: the twin crisis

Understanding the interplay between climate change and biodiversity loss—often referred to as the "Twin Crisis"—is crucial for investors focused on long-term sustainability. Deforestation plays a central role in both accelerating climate change and driving biodiversity collapse, creating a negative feedback loop that is increasingly difficult to break.

Key Insights:

- The interrelated risks between climate change and nature loss ("Twin Crisis") present a negative feedback loop.
- The World Bank estimates biodiversity loss is costing USD 2.7 trillion annually to natural ecosystem services.[1]
- The largest driver of nature loss is deforestation, with land clearing for agriculture accounting for nearly 90%.[2]
- Global forests offset approximately 25% of anthropogenic GHG emissions over the past few decades—deforestation also threatens energy, food, and water security.[3]

Sectors driving biodiversity loss

A breakdown of the sectors contributing most to biodiversity loss (*Finance for Biodiversity Foundation, 2023*) shows that "Construction and Engineering" and "Metals and Mining" together represent nearly 40% of the impact. Other major contributors include "Specialty Chemicals," "Construction Materials," and "Oil and Gas Producers."

Sectors driving biodiversity loss

● Food, Beverage and Tobacco	21%
● Materials	18%
● Energy	14%
● Capital Goods	8%
● Consumer Staples Distribution and Retail	7%
● Utilities	5%
● Pharmaceuticals, Biotechnology Distribution and Life Sciences	5%
● Health Care Equipment and Services	4%
● Household and Personal Products	4%
● Automobiles and Components	3%
● Other	11%

These insights strengthen the link between sectoral analysis and nature-related risks—guiding our investment decisions and stewardship priorities.

Strategic collaboration and regulation monitoring

We continue to actively participate in the Investor Policy Dialogue on Deforestation (IPDD), a global coalition of investors focused on curbing deforestation through engagement with governments, industry associations, and regulators. We also monitor regulatory developments such as the European Union Regulation on Deforestation-Free Products (EUDR), which will be enforced from December 2024, and the Corporate Sustainability Due Diligence Directive (CSDDD).

Our ongoing deforestation risk monitoring also contributes to better biodiversity outcomes. While Principal Adverse Impact (PAI) 15 – "Lack of Deforestation Policy" remains difficult to track due to limited standalone disclosures, many companies do recognize deforestation risks in broader sustainability commitments or ESG frameworks. This highlights the current limitations in data availability and the need for more granular reporting standards.

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1. World Bank. "Protecting Nature Could Avert Global Economic Losses of $2.7 Trillion Per Year," Press Release, July 1, 2021.
2. FAO. "COP26: Agricultural expansion drives almost 90 percent of global deforestation," Press Release, June 11, 2021.
3. Hogan, J. A., Domke, G. M., Zhu, K., Johnson, D. J., & Lichstein, J. W. (2024). Climate change determines the sign of productivity trends in US forests. Proceedings of the National Academy of Sciences, 121(4).

Women in the boardroom, where do we stand?

An indicator investors monitor closely

Seen by most as a key proxy of good corporate governance, gender diversity at the board level enhances the ability to overcome challenges and enable decision-making groups to benefit from wider perspectives. Gender diversity has become a common indicator that asset managers around the world actively track and often choose to lift in their company engagements. Moreover, asset managers must report on board gender diversity, which is a so-called Principal Adverse Impact (PAI) indicator under the Sustainable Finance Disclosures Regulation (SFDR). It is fair to say that progress is being made, but gender diversity still remains very low in most jurisdictions- except where specific quota requirements exist.

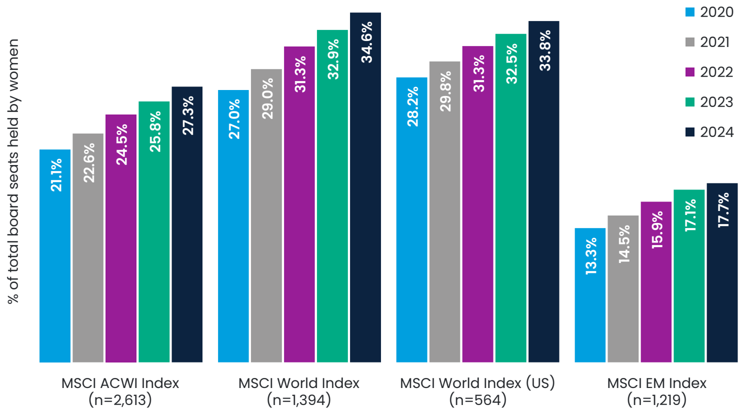
> It is fair to say that progress is being made, but gender diversity still remains very low in most jurisdictions - except where specific quota requirements exist.

The MSCI Women on Boards and Beyond report, published annually since 2009, is an insightful source. MSCI examined the correlation between female board representation and financial performance, finding that MSCI ACWI Index constituents with at least 30% female directors achieved 18.9% higher cumulative returns than those without, between 2019 and 2024.

Still no “womentum”, especially in emerging markets

According to the MSCI report, in 2024, women held only **27.3%** of board seats at publicly listed large- and mid-cap companies globally (MSCI ACWI Index), and 46.2% of companies had at least 30% female directors. Emerging market (EM) companies, however, are performing worse, with just 17.7% of board seats held by women and progress remaining sluggish. Alarmingly, **16.1% of MSCI EM index constituents have all-male boards** - a stark contrast to developed markets. Meanwhile, 16.9% of EM companies have at least 30% female directors.

Figure 1. Overall percentage of board seats held by women, by index constituents (2020-2024)[1]



As for chairwomen, only 10.5% of developed market (DM) companies have a female chair compared to just 7.4% of EM companies. The MSCI report provides valuable data on gender diversity for the CEO and CFO roles, board committees, tenure and overboarding. A particularly striking statistic is that only 2 out of 566 US companies in the MSCI ACWI Index have all-male boards- while in China it is 99 out of 512 companies. Chairman Mao’s famous quote, “Women hold up half the sky," does not seem to apply to China’s boardrooms.

Beyond the index constituents and the largest companies

East Capital Group’s portfolio holdings show, as can be expected, similar gender diversity levels when it comes to DMs vs EMs. In Espiria (whose strategies invest in global equities, Nordic equities and Nordic fixed income), we have **9 holdings** which currently have no woman on the board, representing approximately **2% of total AUM** and **3% of all companies in our Espiria portfolio**. In East Capital (specialising in emerging and frontier market equities), **18 companies** have all-male boards, while **151 companies** include at least one woman on the board—representing approximately **8% and 89% of total covered AUM** respectively, and **approximately 12% of all companies in our East Capital portfolio**.

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[1] Source: MSCI Women on Boards and Beyond 2024 Progress Report

These numbers can be compared to the broader market, where **16.1% of companies in the MSCI Emerging Markets Index** had no women on their boards, as of 2024 - down from **18.6% in 2023**. In developed markets, the presence of all-male boards has become almost negligible, with only **2 out of 1,394 companies** in the MSCI Developed Markets universe lacking female board representation. Globally, across all markets, **14% of major companies still have all-male boards**, showing that while progress has been made, there is still work to be done to achieve gender balance at the board level.

The boards of directors of our Espiria portfolio companies consist, on average, of 37% women, whereas in East Capital, the average is 22%. It is worth lifting India, one of the largest emerging markets, who has mandated that companies must have at least one woman on the board. This improves the overall numbers for EMs when compared to say, China. However, we do note that in some cases female directors are relatives of the promoter. While this does not necessarily indicate poor governance, neither does it indicate that that the female presence contributes to the diverse perspective that underpins strong corporate governance.

Figure 2. East Capital - % AUM Representation of Women in BoD

Figure 3. Espiria - % AUM Representation of Women in BoD[2]

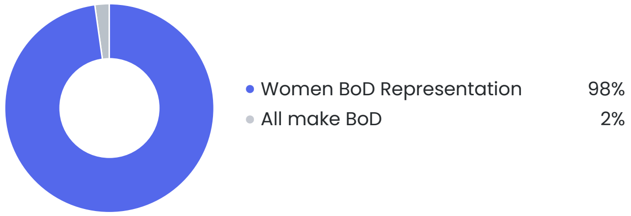


Figure 4. East Capital - Average % Women on BoD

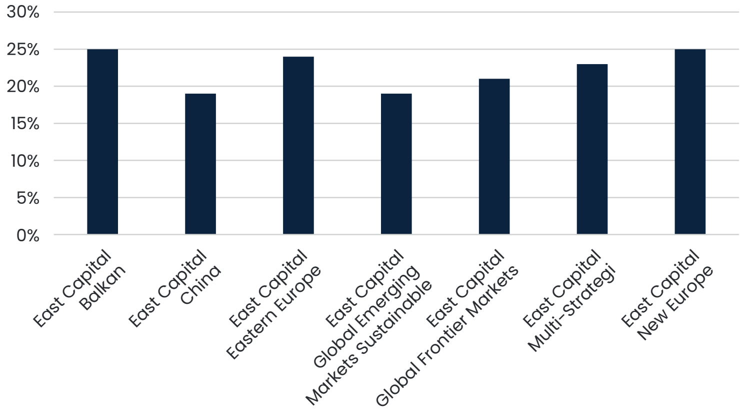
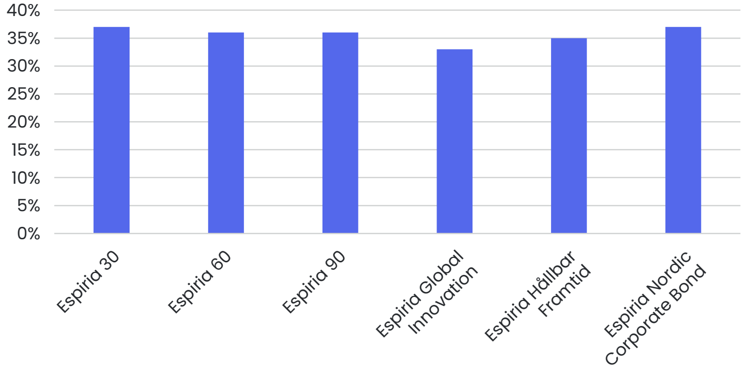


Figure 5. Espiria - Average % Women on BoD[2]



Gender Action

At East Capital Group we have always been conscious of gender diversity at the board and management levels, analysing our holdings and leveraging our proprietary ESG tools. A lack of sufficient gender diversity typically leads us to vote against director nominations and prompts us to engage with companies on this issue. **In 2024, we conducted 18 gender-specific engagements with 8 different companies and voted against board nominations in 29 companies.**

We recently decided to join an initiative through the PRI collaboration platform, which aims to promote dialogue on gender diversity with companies within our portfolios. Meanwhile, in the US, the new administration has moved to dismantle Diversity, Equity and Inclusion (DEI) programs, arguing they are "discriminatory and wasteful." Despite this shift, we remain committed to prioritising gender diversity in our dialogues and engagements with our holdings, believing it to be both important and impactful.

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2. Researched by our data providers, covering approximately 88-89% out of total Assets under Management (AUM) or 288 out of approximately 330 companies

Media and conference corner

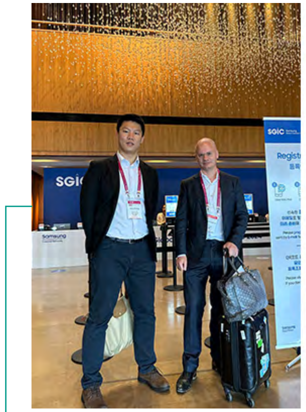
Throughout the year, we participated as speakers at conferences around the world, sharing our insights and engaging in meaningful discussions. We also contributed to the global dialogue by publishing a number of articles on key topics.

- Karine Hirn, Chief Sustainability Officer, spoke on a panel *"Green Finance: Is It All About Compliance and Greenwashing?"* at **Green Way 2024**, a high-level conference organised by the EU office and European Chamber of Commerce in Hong Kong, together with the HKSAR Government.

- Portfolio Manager Huizi Zeng joined a panel discussion *"Mitigating greenwashing risk through achieving impact"* at the **AFME European Sustainable Finance Conference** in Amsterdam.

- We initiated and co-hosted an event with **KvinnoKapital**, a Sweden-based non-profit organisation supporting women in the asset management industry. The event, titled *"Spring Celebration of Circular Fashion"*, brought together professionals for an evening of networking and interactive discussions. Four guest speakers—each a pioneer in advancing the long-term vision of 100% circularity in the retail fashion value chain—shared insights and inspiration.

- Karine Hirn was once again invited to join the **PRI in Person Signatory Advisory Forum**, to help shape the agenda for the 2024 annual flagship conference, which took place in Toronto in October 2024. Karine is also a member of the Sustainable Systems Investment Managers Reference Group (SSIMRG), which considers the current and emerging roles, constraints and barriers facing investment managers in a sustainable financial system.



- We wrote the article *"Korea's Corporate Value-Up Program – A New Era for Equity Investors?"* to highlight the positive developments we've observed in the Korean market. In another piece, "*Is There Anything Green Left in the White House?*", we examined the impact of President Trump's policies on ESG-related issues.

- Emre Akcakmak, Head of Frontier Markets, spoke at a panel on **investor relations** at TÜYİD - Summit 2024 where he emphasized the importance of transparency and disclosure.

- Karine Hirn spoke at a high-level **ESG and Corporate Governance Roundtable in Hong Kong**, organised by the China Association for Public Companies (CAPCO). She participated in a panel discussion on *"Enhancing sustainability disclosure for value transmission"*, contributing insights on the role of transparent and effective reporting in driving long-term value.

Takeaways from ACGA 23rd Annual Conference

The annual conference of the Asia Corporate Governance Association (ACGA), held in Singapore on 5-6 November 2024 under the theme "Taking Corporate Governance to the Next Level in Asia" brought together 200 participants from 11 countries.
The programme covered a broad range of pressing topics, including corporate governance reforms, shareholder activism, meaningful ESG and stewardship practices, sustainability reporting, corruption, whistleblowing, board diversity, and AI governance.

The conference was accompanied by a series of side events, including roundtable discussions with auditors and between asset owners and asset managers, meetings with regulators and an ACGA Exchange discussion, which brought together investors and companies to share perspectives on sustainability and board effectiveness.

Our Chief Sustainability Officer Karine Hirn participated in the event and shares some of her main takeaways from these insightful and interesting discussions:

- While engagement and ESG efforts mostly have a directional, rather than causal impact on returns, quantifying the value created through stewardship is the holy grail.
- One should be and remain aware of possible misalignment of objectives between corporate governance and sustainability, and the impact of engagement on stock performance.
- The accountability of boards has not improved as much as disclosure has.
- There is a risk of "over-engaging" with stronger ESG performers while "under-engaging" with laggards (especially when the latter often have smaller portfolio weights).
- Policymakers are interested in reforms as long as they believe they will bring growth. They are not interested, as such, in specific core corporate governance standards and practices.
- The Korean government is both very "public investing" friendly, as they are an important part of the electorate (32%), and pro-corporate. The Corporate Value Up programme is a real game changer.
- There has been a strong rise in shareholder campaigns in Asia, which have doubled to 220 since 2019, with a big surge in Korea where retail shareholders are sometimes likened to Genghis Khan's army.
- China is also transforming itself, very much impacted by government reforms, but the agenda has focused on disclosure and some less value-friendly crackdowns.
- The "comply or explain" rule becomes a "comply and comply" rule in Japan, but not in Korea or China.
- Independent directors in the region are not always up to the task of protecting and promoting the interests of minority shareholders, a critical issue in companies with concentrated ownership.

- Directors providing a high diversity of backgrounds help to uncover blind spots, and there is a strong correlation with INED's contribution and performance in this regard.

- The importance of relationships and understanding of context is as important in policy engagement as it is in corporate engagement.

- Policy engagement can be more effective because it creates standards and thresholds for all companies, but it is resource intensive.

- ESG backlash in the US is evident, US investors have become quieter, but some US asset owners still require ESG-tilted value proposition.

- European investors go the furthest in terms of disclosure requirements and standard expectations.

- In Asia, ESG is definitely gaining momentum, but investors are more practical.

- Early signs of ESG fatigue in Asia are also a sign of maturity, but one issuer was adamant that the amount of time wasted on surveys would be better spent on actual decarbonisation.

- A lot of data can be described as material, but not necessarily strategic.

- The SASB/ISSB standards are consistent and relevant, thanks to evolutionary updates and a global baseline, which is very useful. However, there will be pain points for early adopters.

- Disclosure is important, but there is a risk that TCFD reports will replace the transition plans, and analysts and investors will become complacent.

- Fraud prevention is at the heart of the board's responsibility, but there are many cases where a board is either ignorant, compromised or deliberately downplaying it.

- One piece of practical advice to directors and investors is to ask questions about the scope of Internal audit, which sometimes does not even cover the office of the CEO.

- While principles of good remuneration practice are the same in Asia as elsewhere, one should consider differences such as the implications of concentrated ownership and controlling shareholders, the longer average tenure of CEOs, and the relatively low levels of INED fees.

- The Asian focus on related party transactions (RPT) is misguided because RPTs are regulated and approved by INEDs through the audit committee, while remuneration committees are often not independent, and controlling family members are often senior executives.

- AI-related issues are the responsibility of the entire board, not just the designated AI expert (if there is one), for example:
  Audit committees: What are the risk implications of AI?
  Nomination committee: Do we need people on boards with stronger AI skills?
  RemCo: How does this impact our workforce, headcount planning?

> Karine's comments were that AI will bring about a rejuvenation of the board, with the addition of younger directors; and she publicly coined TAIFD (Taskforce on AI-related Financial Disclosure).

- "Cognitive diversity" should be promoted alongside "gender diversity", which is what is valued in the boardroom.

- On transition plans, the bar should remain at the level where companies are held accountable for their plans; if there is no information on capex, no detailed plans, no KPIs, no link to remuneration, then a commitment is NOT credible.

Karine Hirn
Chief Sustainability Officer and Partner

Working for positive change since 1997

For over 27 years, East Capital Group has identified and invested in transformative trends — from planned economies to consumer-driven markets, to today's global transition toward a sustainable future.

What began with a focus on the East has grown into a global platform. Today, our investment universe spans equities, fixed income, real estate, and alternative assets — all managed according to the same core principles across all East Capital Group funds and asset classes. We are long-term, active, and responsible investors, with holdings in hundreds of companies worldwide — committed to delivering value and driving positive change.

With a broad range of strategies spanning emerging, frontier, and developed markets, East Capital Group is well-positioned to continue pioneering innovative investment solutions — now and in the years ahead.

> *"Sustainability has never been an add-on for us — it has been a guiding principle from the beginning,"* says Karine Hirn, Co-Founder and Chief Sustainability Officer, East Capital Group.

> *"Investing in fast-growing and sometimes unpredictable markets requires us to actively consider sustainability factors, as these are often critical to understanding both risks and long-term potential. In many of these markets, industries and regions are characterised by scarce data, complex challenges, and an urgent need for progress. From the beginning, we've focused on understanding how companies are governed and how they address key environmental and social factors. Over the years, we've developed proprietary tools that help us navigate these dynamics, ensuring that ESG considerations are an integrated part of how we assess risk and identify opportunity. This remains the foundation of our active ownership and engagement approach."*
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> George Svensson, ESG Analyst at East Capital Group, adds:
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> *"Those fundamental challenges remain, but they continue to take new forms. Whether it's climate resilience, social equity, or nature-related risks, we need to stay close to the ground, understand shifting contexts, and continuously refine our tools. This ability to adapt — combined with a deep understanding of risk and long-term potential — enables us to deliver value for our investors while working for positive change."*

At the heart of our strategy lies in-depth, proprietary research — conducted independently. In-person meetings with company management, local site visits, and direct dialogue with policymakers provide us with deep insights into businesses and the environments in which they operate. This hands-on, on-the-ground approach has guided our investment philosophy since day one, benefiting both our clients and the companies we invest in. These engagements strengthen our understanding of local dynamics, enhance access to information, and support a strong, regionally grounded network. We believe that a true local presence is essential for making informed investment decisions and responsibly monitoring our holdings.

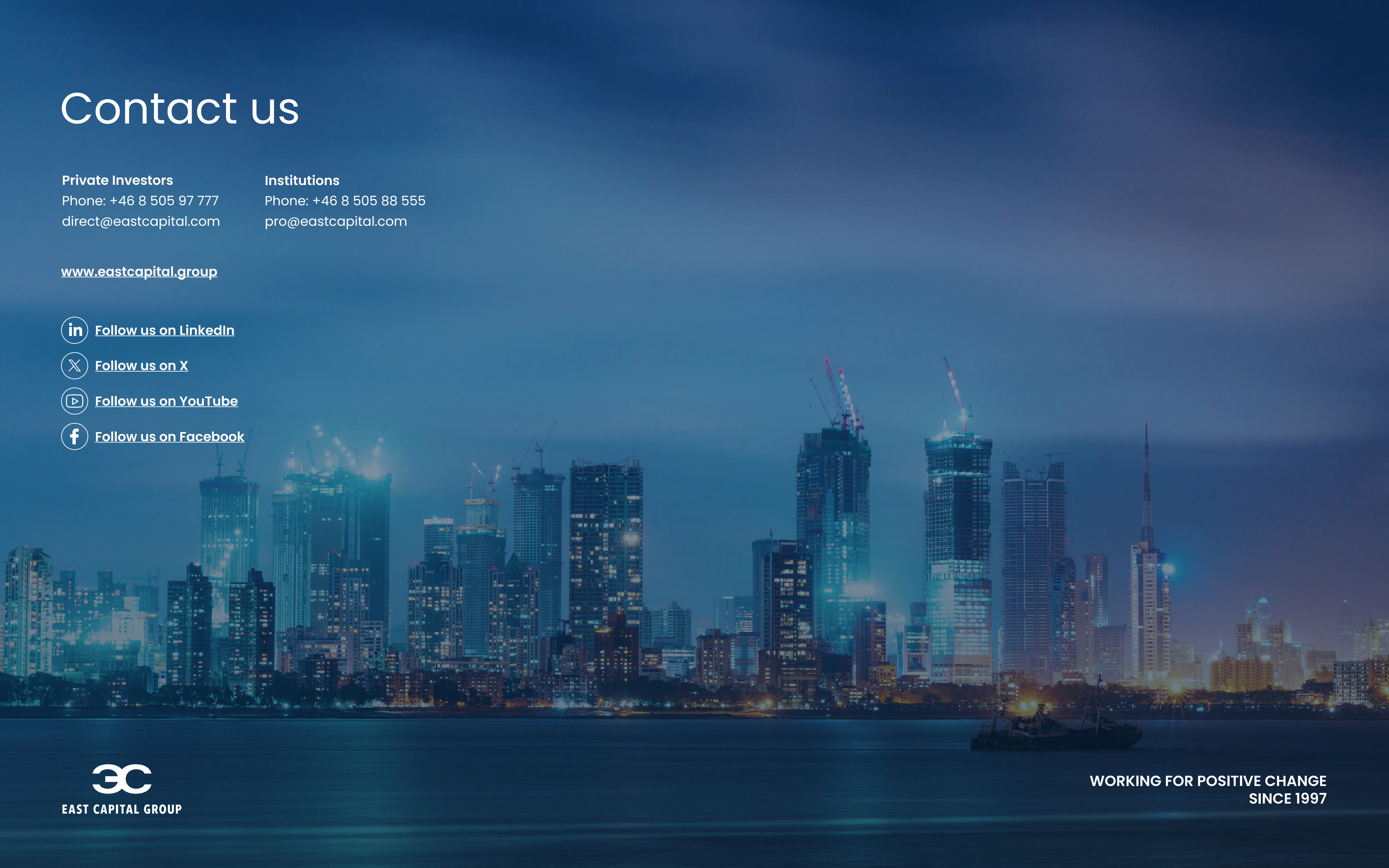
Karine Hirn, Chief Sustainability Officer & George Svensson, ESG Analyst

Our journey began in 1997, on the anniversary of the fall of the Berlin Wall — a symbol of transformation and convergence.

Born with an explorer's mindset, East Capital entered a region at a pivotal crossroads: Eastern Europe. The success of our early strategies in this evolving landscape reinforced our belief in active, on-the-ground investing. In 2010, this journey took us further east to Asia, broadening our reach to global emerging and frontier markets.

Just as past opportunities centered on geographic and market shifts, today, the convergence opportunity lies in sustainability — a defining force for economies, societies, and investors. Guided by curiosity, commitment, and a global outlook, East Capital Group continues to pursue impactful investment opportunities — creating value while contributing to a more sustainable world.

Our journey continues — guided by the same spirit of curiosity, responsibility, and global perspective that has shaped us since 1997.



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