

Sustainable Investment Report 2025

East Capital Group



Important information

This is marketing communication. This publication is not directed at you if we are prohibited by any law in any jurisdiction from making this information available to you and is not intended for any use that would be contrary to local laws or regulations. Every effort has been made to ensure the accuracy of the information in this document, but it may be based on unaudited or unverified figures or sources. The information in this document should not be used as the sole basis for an investment. Access to our funds may be limited in some countries. Contact us for detailed information on where the funds are registered and what type of distribution is permitted. It is also important that you yourself assess whether an investment is suitable in relation to these risks as well as the possible tax and other legal consequences and restrictions that may apply to you. You should also, if necessary, consult financial, legal, and tax advisors before investing.

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: Seoul, the capital and largest city of South Korea (photo by East Capital Group)

Contents

Who we are and our approach

East Capital Group	4
Our ESG journey	5
Highlights from 2025	6
How we generate value	9
Our responsibility commitment	10
Working for positive change since 1997	42

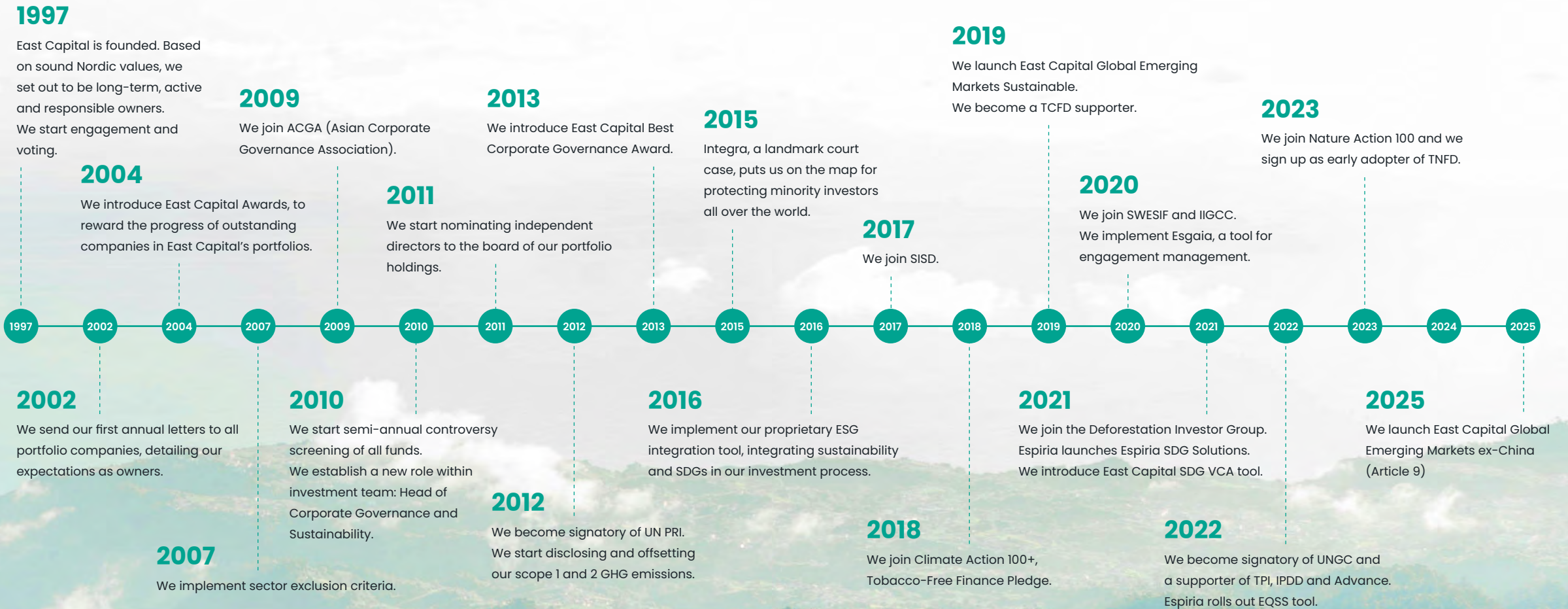
Our frameworks and tools

Our ESG framework	11
Our ESG and sustainability integration toolbox	12
East Capital proprietary ESG Scorecard	13
Espiria ESG and sustainability integration toolbox	14
SDG Value Chain Analysis	16
Case study: Jain Resources	18
Case study: Safaricom	20
Active ownership framework	21
Embracing artificial intelligence	24
AI in context: A global perspective	25
Association memberships	26
Support to initiatives and pledges	27
PRI principles	28

Achievements and results 2025

SFDR Corner	29
East Capital – Engagements	32
East Capital – Voting	33
Espiria – Engagements	34
Espiria – Voting	35
Shareholder Rights Directive II (SRD II)	36
Selected significant votes	37
East Capital Awards	39
Impact reporting	40
Media and conference corner	41

Our ESG journey – 28 years of engagement



Highlights from 2025

Advancing our sustainability commitments

In 2025, East Capital Group continued to strengthen its commitment to ESG and responsible investing. If you read nothing else in this report, here is what we believe mattered most this year.

Embracing AI across our investment operations

We introduced several AI-powered tools into our day-to-day investment processes, including an AI Red Flag Agent for controversy monitoring, a Proxy Voting Agent that reduced review time from 45 to 15 minutes, and specialised agents for ESG policy guidance and defence sector due diligence. These tools are not replacements for human expertise — they are extensions of it. Read more in the [Embracing artificial intelligence section](#).

Launching our newest Article 9 fund

In September 2025, we launched East Capital Global Emerging Markets ex China, our newest Article 9 fund under SFDR, expanding our range of sustainable investment solutions for clients seeking the highest level of sustainability standards. Read more in the [Impact Reporting section](#).

Deepening our work on nature and deforestation

As a TNFD early adopter since 2023, we are committed to publishing our first TNFD-aligned nature report covering the year 2025, in 2026. We were also selected as contributors to the Nature Reporting Preparer Forum, a new PRI, UNEP FI and WBCSD initiative to accelerate nature-related financial disclosures in Southeast Asia.

On deforestation, we co-signed multiple investor letters urging strong implementation of the EU Deforestation Regulation, as part of a group representing USD 6 trillion in assets under management or advisory.

[Read more on page 8 of this report.](#)

Driving nature action through engagement — Alibaba case study

Together with Robeco, our engagement with Alibaba on nature-related risks was selected as an investor case study in Nature Action 100's inaugural progress report — recognising it as an example of meaningful investor-company dialogue on nature. Read more and get access to the [case study on page 8](#).

Advancing gender diversity

Gender diversity remained a priority in both our investment analysis and our active ownership work. We voted against board elections at multiple holdings where female representation fell below our 30% threshold and published an article examining the state of gender diversity in boardrooms across our investment universe. [Read the article](#).

Engaging on the regulatory agenda

We remained actively engaged on the evolving sustainable finance regulatory landscape throughout 2025 — co-signing investor statements on the EU Omnibus sustainability reporting proposals, engaging with IIGCC on climate target-setting, responding to the SFDR review, and participating in a delegation to Taiwan where we submitted an investor statement directly to government representatives. Internally, our team deepened its knowledge across topics including SFDR Annex 1, Principal Adverse Impacts, ESMA fund rules, and the Shareholder Rights Directive.



Statements, commitments and system-wide advocacy

Sustainability

- ▶ In February 2025, we pledged support to an investor statement prepared by Eurosif, IIGCC and UN PRI in response to the European Commission’s “omnibus directive”, i.e. plans to streamline reporting rules under the CSRD, CSDDD and the Taxonomy Regulation. While there is a need to streamline and enhance the usability of the EU sustainable finance framework, we believe that targeted changes to technical standards and clearer implementation guidance are preferable approaches, rather than reopening legislative acts in their entirety through an omnibus process. We support a stable policy environment that enables the timely provision of standardised sustainability data. We also completed a survey on the omnibus proposal and the EU Clean Industrial Deal and their potential impacts on responsible investment activities. The results led to a more detailed PRI position paper, which was published in May, and served as the basis for engagement with EU policymakers. Following the discussions in the European Parliament, which moved away from the recommendations of the investor statement on the EU Omnibus, and included proposals to further narrow the scope of the CSRD, removal of requirements for transition plans, and some politicians who called for the repeal of the CSDDD altogether, we supported **a new joint statement alongside other responsible business and investor organisations**. The statement aimed to demonstrate broad industry backing for preserving key elements of the EU sustainable finance framework and was published in June, ahead of the amendment deadline in the JURI Committee (lead committee in the European Parliament).
- ▶ We participated in a survey by ERM, a global sustainability consultancy, on the current status and outlook for sustainable development from a multi-stakeholder perspective.

Disclosure and transparency

- ▶ We responded to a survey from CDP giving feedback regarding our experience with using CDP over the past year and on areas where we believe improvements could be made.
- ▶ We engaged with our proxy advisor ISS by highlighting the recent amendments to Korea’s Commercial Act and requesting updates to their proxy voting guidelines and systems ahead of the 2026 AGM season. The purpose was to ensure that ISS supports cumulative voting, prioritises director candidates nominated by minority shareholders in contested elections, and improves system functionality for accurate vote allocation, thereby strengthening investor rights and board accountability in Korea.



Climate

- ▶ We participated in an IIGCC survey, exploring the introduction of an IIGCC accreditation for consultants and assurance providers to deliver services related to the Net Zero Investment Framework (NZIF), **which we use as a target-setting methodology and as guidance for transition planning**. We were also selected to participate in a “sense check” survey about IIGCC and what we would like the organisation to focus on in the next 12 months and how it can improve its existing workstreams.
- ▶ We co-signed a [letter](#) sent to the European Council, the European Commission and Members of the European Parliament, calling on the EU to endorse a greenhouse gas emissions reduction target of at least 90% by 2040 compared to 1990 levels. The letter outlined the benefits and opportunities of setting a robust target, and set out key principles for its delivery. The initiative is backed by the PRI and led by CLG Europe, a climate think tank associated with the University of Cambridge.
- ▶ **As a member of a delegation to Taiwan**, we signed an Investor statement addressed to Taiwanese regulators, which we submitted in person to representatives of the government.



Nature

- ▶ We were selected as contributors to the Nature Reporting Preparer Forum, a new initiative by the PRI, UNEP FI and WBCSD. The forum was launched in 2025 in Latin America and Southeast Asia. The initiative was [announced by PRI as part of a TNFD capacity-building effort to accelerate nature action](#). The **APAC cohort** consists of around 25 asset owners and investment managers with exposure to Southeast Asia. The Forum aims to accelerate market adoption of nature-related financial disclosures by asset owners and investment managers. There are related initiatives being launched globally by TNFD, UNEP FI and WBCSD.
- ▶ We participated in a survey by Responsible Investor on our approach and ambitions related to nature- and biodiversity-related risks.
- ▶ We contributed to the TNFD annual progress survey, compiling insights that were presented in a [report](#) released during the New York Climate Week.
- ▶ We co-wrote an [Article](#) that was sent out to all members of Nature Action 100 and published on the initiative's website regarding our and Robeco's engagement with Alibaba. A key milestone of this engagement was our participation in Alibaba's ESG Capital Markets Day, where hundreds of Alibaba staff dialed in. This was also published in Nature Action 100's first progress [report](#), as an investor case study.

Case study: Robeco and East Capital Group on Alibaba

In response to conversations with the Nature Action 100 Investor Participants, Alibaba, a multinational technology company headquartered in China, has demonstrated openness to investor engagement on nature-related issues. In terms of risk materiality, Alibaba's nature-related risks and impacts include sourcing of packaging, the management of post-consumer waste in its e-commerce business and water and energy usage associated with its cloud storage operations.

A key milestone in our engagement with Alibaba was the opportunity to host a capacity-building session during the company's internal Capital Market ESG Webinar earlier this year. Hundreds of Alibaba employees attended a dedicated session led by Robeco with support from East Capital Group that shared insights on the Nature Action 100 initiative, why nature-related risks and opportunities matter for the company's business, and how these factors can be integrated into investment decision-making. The session replay has been made available to all employees on the company's intranet for use as a long-term resource.

A major focus of our Nature Action 100 engagement team has been to support Alibaba in advancing from environmental awareness to setting measurable commitments. The results of the first Nature Action 100 Company Benchmark showed that Alibaba had significant opportunity to improve its action on the benchmark's Ambition indicator by publishing a commitment to avoid and reduce its key drivers of nature loss and to restore and regenerate ecosystems throughout its value chain.

During the webinar session, we shared the company's latest benchmark assessment with employees and contextualized the assessment against industry peers. Using the Taskforce on Nature-related Financial Disclosures' LEAP framework, material issues were identified across Alibaba's operations and value chain such as water usage, pollution, and greenhouse gas emissions. We also provided suggestions for improvements. The session sparked active dialogue, with company participants asking thoughtful questions about prioritizing business units for impact assessments and identifying tangible opportunities for nature-positive action.

Laura Bosch Ferré



Nature Action 100 Status Report October 2025

Deforestation

- ▶ As an IPDD (Investor Policy Dialogue on Deforestation) member, we supported two private letters sent in July to the European Commission and to the German government to reaffirm investor support for a strong and effective **EU Deforestation Regulation (EUDR)** and to oppose proposals such as a “zero risk” classification that would weaken its core due diligence requirements.



We signed a **private engagement letter to EU policymakers supporting the full and timely implementation of the EUDR** prepared by the Secretariats of IIGCC, IPDD, FAIRR and FSDA, along with Generation IM and ClientEarth. This letter was sent to contacts in the European Commission. *“Deforestation poses a systemic financial risk to the global economy. By accelerating climate change, it undermines supply chains and threatens the long-term viability of key sectors, from agriculture to finance. Addressing it is critical to safeguard economic stability, protect long-term investment value for our clients and advance global climate goals.”* The letter was sent to Ursula von der Leyen, President of the European Commission, Jessika Roswall, Commissioner for Environment, Water Resilience, and a Competitive Circular Economy, Christophe Hansen, Commissioner for Agriculture and Food and Maroš Šefčovič, Commissioner for Trade and Economic Security, and was signed by 31 investors, including East Capital Group, representing USD 6 trillion in assets under management or advisory.

- ▶ We completed the FSDA milestones assessment. FSDA has merged into IIGCC and has been relaunched as the DIG (Deforestation Investor Group). Ahead of its sunset, FSDA published its progress report [FSDA Progress Report 2025](#).
- ▶ Ahead of COP30, we signed the [Belém Investor Statement](#). The goal of the statement was to call on governments to put in place strong policies and regulations to eliminate commodity-driven deforestation in the lead-up to COP30.

Artificial Intelligence

- ▶ We joined a PRI-initiated Oxford AI Governance Initiative roundtable on investors' role in responsible AI. The group consists of Asian asset owners and asset managers and is preparing a toolkit to help investors identify, assess and address AI-related risks and opportunities. The report, published in April 2026, outlining the initiatives and resources that would help investors on this topic. The primary request from investors, including East Capital Group, who joined the workshops, was for more detailed guidance on AI risk management best practice by sector, followed by an AI governance sector materiality map and an Investor AI Resource Hub (which has already started). See the report [The Role of Investors in AI Governance](#), published by the Oxford Martin AI Governance Initiative.

Please read about how we ourselves implement AI in our investment processes and other relevant matters related to AI on [page 24](#)



We contributed to the TNFD annual progress survey, compiling insights that were presented in a report released during the New York Climate Week

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 28 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 fifth year in a row, we have published our annual Sustainability Disclosure, developed in accordance with the 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 ambition is to 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 Group has proudly supported SOS Children's Villages in Keila, Estonia, helping provide children with a safe and nurturing home when they cannot grow up with their biological families. SOS Children's Villages Estonia is part of the global SOS Children's Villages International network, which upholds high standards in care, governance and quality.



Our engagement began with the sponsorship of a family in 2007 and was extended to a second family in 2018. Over time, we have built a close and meaningful relationship with the families, which is highly valued by our employees. We remain committed to supporting the families' everyday lives and maintain regular contact.

In 2025, we continued our support, engaging with the families during the holiday season and following the children's development. They are developing into young individuals with diverse ambitions, including vocational training, graduation plans and participation in sports, music and creative activities.

East Capital Real Estate also continued its involvement in the "Let's Donate Time" initiative in 2025, following participation in 2024. The initiative, launched by the Estonian Employers' Confederation and Swedbank, encourages employees to dedicate at least one working day per year to volunteering. As part of this ongoing commitment, the team contributed to building a terrace at the SOS Children's Village in Keila in 2024 and returned in May 2025, to support garden revitalisation activities. These visits provide meaningful volunteering opportunities and contribute to maintaining a long-term relationship with the village.

In 2025, East Capital Group continued supporting Ukraine through donations and collaboration with partner organisations.

OperationAid

OperationAid supports children and healthcare in Ukraine, focusing on the medical transport and care for the wounded and activities for war-affected children and young people. With a local presence and its own ambulances, the organisation provides both emergency interventions and longer-term support. www.operationaid.org



Östkontoret

East Capital supports Östkontoret, a member organisation representing Swedish companies with activities and interests in Ukraine. The organisation 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 recover 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:

- | | |
|---|---|
| <p>East Capital</p> <ul style="list-style-type: none"> • Red Flag Analysis • ESG Scorecard • SDG VCA | <p>Espira</p> <ul style="list-style-type: none"> • Red Flag Analysis • EQSS • SDG VCA • 21 List (fixed income) |
| <p>East Capital Real Estate</p> <ul style="list-style-type: none"> • 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
- ▶ Nominations of board directors
- ▶ Shareholder statements

Our ESG and sustainability integration toolbox

	Scope	Area covered	Aim
Red flag score <ul style="list-style-type: none"> • East Capital • Espiria • East Capital Real Estate 	<ul style="list-style-type: none"> ▶ All existing holdings ▶ When initiating research on new companies 	<ul style="list-style-type: none"> ▶ 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 	<ul style="list-style-type: none"> ▶ 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 <p>ESG Scorecard</p> <ul style="list-style-type: none"> • East Capital • East Capital Real Estate 	<ul style="list-style-type: none"> ▶ All Key Active Positions and ten largest holdings as a minimum ▶ All holdings in Global Emerging Markets Sustainable, Global EM ex China and in East Capital Real Estate funds 	East Capital ESG Scorecard <ul style="list-style-type: none"> ▶ Governance, Environment and Social risk and opportunities (current and outlook) ▶ 50+ questions to consider relevant and material ESG risks and opportunities in EMs and FM ▶ SDG module based on holdings' revenue exposure <p>More details on page 13 and 15</p>	<ul style="list-style-type: none"> ▶ 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
<p>EQSS</p> <ul style="list-style-type: none"> • Espiria 	<ul style="list-style-type: none"> ▶ All holdings in Espiria funds 	Espiria Quality & Sustainability Score <ul style="list-style-type: none"> ▶ Scorecard built on qualitative analysis of individual companies across 5 topics <p>More details on page 14</p>	
Additional sustainability assessment <ul style="list-style-type: none"> • East Capital Global Emerging Markets Sustainable • East Capital Global Emerging Markets ex China • Espiria Hållbar Framtid 	<ul style="list-style-type: none"> ▶ All holdings 	SDG VCA Value Chain Analysis <ul style="list-style-type: none"> ▶ Combination of revenue alignment and metrics to identify the two most important SDGs across the value chain ▶ Materiality, Intentionality, Additionality and Criticality criteria <p>More details on page 16</p>	<ul style="list-style-type: none"> ▶ 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 <p>More details on page 29</p>

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 in 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, alongside 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

ESG Score

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 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 incentivised 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

Date of score -

Date of update -

Updated by -

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

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)

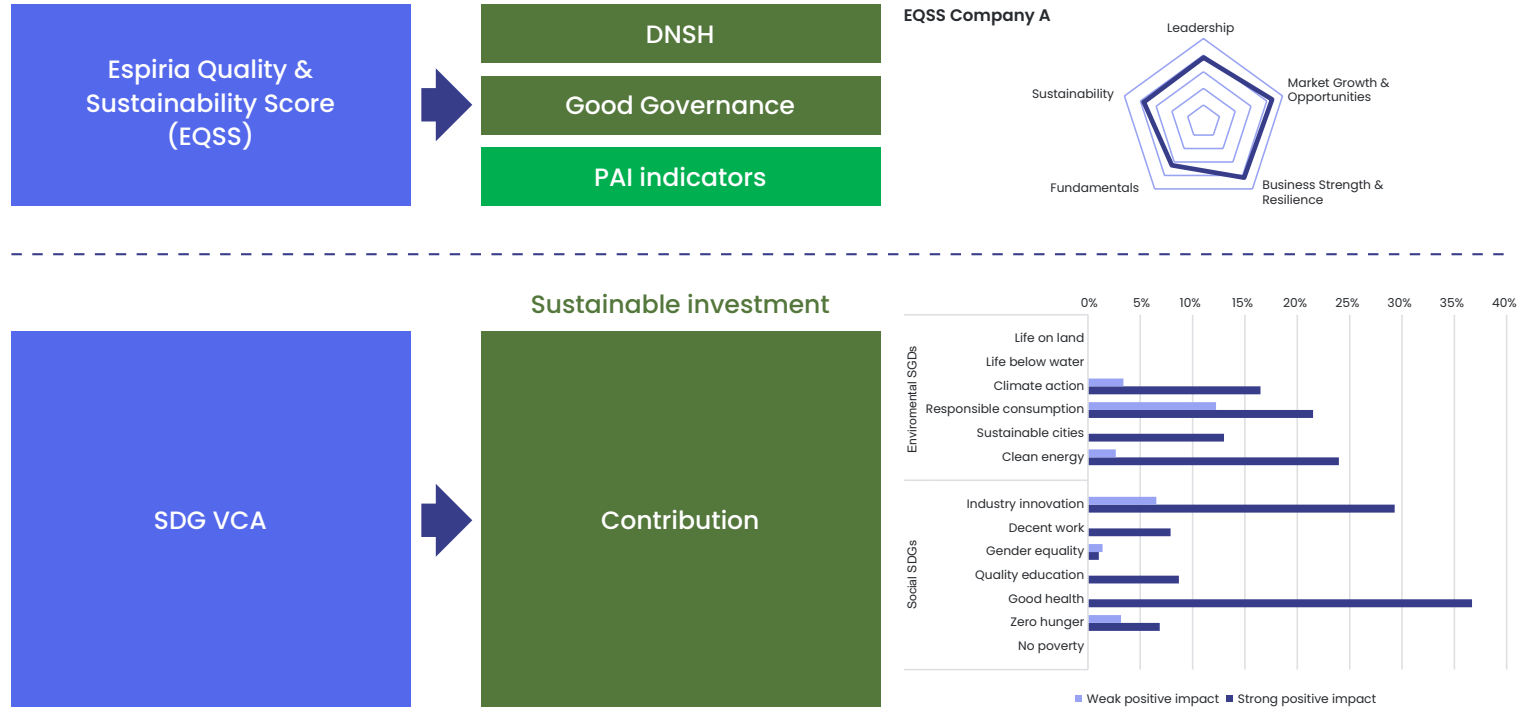
All Espiria fund strategies

Since EQSS was developed and rolled out in 2022, Espiria’s 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 five 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 of 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.



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.



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.



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.

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.

The SDG Value Chain Analysis not only helps us assess contribution to sustainability objectives, but serves as a lens through which we can identify compelling investments in companies whose products and services stand to benefit from a world in transition. In doing so, investors need not choose between contributing to a more sustainable world and achieving attractive financial returns.

How we focus on SDG outcomes

Consequently, we developed an SDG value chain analysis (VCA) tool. It incorporates material ESG metrics given its economic sector as well as revenue alignment to assess how a company's activities impact those SDGs. This is done on a current and forward-looking basis. In order to be classified as having a positive impact, the Investment Manager requires that:

1. The company's products or services clearly contribute to SDG outcomes, e.g., production of wafers for solar panels or a significant proportion of lending to underbanked communities; and/or
2. The company's value chain is being managed in a way that has clear positive impacts on SDG outcomes, e.g., a large proportion of renewable energy for power supply, lower water withdrawal intensity than peers, or clear commitments to using only certified palm oil in any products.

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 materiality assessment 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?

The SDG Value Chain Analysis and sustainability outcomes

The SDG Value Chain Analysis 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.

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.

Next page:

Case study: Jain Resources

Formalising Recycling for Sustainable Alpha

Case study: Jain Resources

Formalising recycling for sustainable alpha

Jain Resources (India) is a newly listed metals recycler that turns scrap copper, aluminium and lead into refined metals. Its circular business model uses far less energy than mining virgin metal, cutting costs and carbon emissions. East Capital was one of two foreign funds to participate in the IPO in 2025. The investment returned approximately 78% by the end of the year. Recycling in India is a sector we have liked for a while, given India's push to formalise the sector via new Extended Producer Responsibility (EPR) mandates on e-waste and batteries, which are boosting demand for certified recycled metals, benefiting compliant players like Jain.

Business model and sustainability impact

Jain turns scrap copper, aluminium, and lead into refined metals, supplying battery, automotive and electronics makers. Recycling these metals is vastly more energy-efficient than mining (e.g. up to 85% less energy for copper and 95% less for aluminium), cutting costs and emissions. It also has much less impact on workers than the informal sector, given the lack of health and safety practices in the latter.

Site visit: E&S management

During our site visit we inspected the lead recycling units, which use automated battery breakers. These fully enclosed machines crush batteries and automatically separate lead, plastic and acid, thereby removing workers' exposure to hazardous materials. The company also operates a zero-discharge policy, meaning that even the plastic is recycled.

In addition, the use of scrubbers ensures that any air leaving the smelting unit passes through a series of treated filters that trap lead dust and neutralise acidic gases (SO_x) before they reach the atmosphere. As such we left satisfied that the company was adequately managing its environmental and social (E&S) footprint.




We did note, however, that public ESG reporting remains sparse given Jain's recent listing - we expect that reporting will improve as the company matures, not least due to Indian regulation that requires the disclosure of key environmental metrics.

Jain's alignment with the circular economy (SDG 12), combined with regulatory tailwinds and Jain's early adoption of best practices, has enhanced its growth prospects. As the company expands capacity to benefit from these trends, we expect EBITDA and earnings growth CAGR of 48% and 56% from 2025 to 2028, something that we do not believe is reflected in the current stock price.



Visiting Jain Resources in November 2025 — Ritish Rangwalla, Senior Analyst (Independent), and David Nicholls, CFA, Portfolio Manager.

SDG Value Chain Analysis – Jain Resources

		
<p>How have the company's activities (including its value chain) impacted this SDG in the last 1-3 years?</p>	<p>Strong positive impact</p> <ul style="list-style-type: none"> • The company's entire business is recycling of various metals and plastics. • Operates one of India's largest automated battery breakers, ensuring safe recovery of lead and plastic granules (13,200 TPA capacity). 	<p>Neutral impact</p> <ul style="list-style-type: none"> • Zero Liquid Discharge (ZLD) implemented at the SIPCOT (Chennai) facilities to minimise groundwater impact. • Focused on low-sulphur fuel and automated gas scrubbing.
<p>How do you expect the company's activities (including its value chain) to positively impact this SDG in the next 3-5 years?</p>	<p>Strong positive impact</p> <ul style="list-style-type: none"> • The company has ambitious expansion plans, with lead and copper capacity expanding to 300KMT and 100KMT by FY28 from 184KMT and 83KMT currently. 	<p>Neutral impact</p> <ul style="list-style-type: none"> • We expect that the company will continue to roll out best-in-class E&S practices, as well as improve reporting quality. Suggestion: We expect the company to continue strengthening its E&S practices and improving the quality and transparency of its reporting.
<p>Is the company's activities or value chain significantly misaligned with any of the SDGs?</p>	<p style="text-align: center;">No</p> <p style="text-align: center;">We do note that the company carries upstream supply chain exposure via informal waste collectors and small aggregators, particularly relevant to SDG 8 (Decent Work). This warrants direct engagement and remains a monitoring point rather than representing an active misalignment.</p>	
<p>Total score</p>	<p style="text-align: center;">50/100</p>	

Case study: Safaricom

Applying East Capital's proprietary ESG Scorecard

Safaricom – a digital and financial inclusion platform built on governance quality

Safaricom (Kenya) is East Africa's leading telecom operator and mobile money provider, reaching more than 28 million users, covering 98.6% of Kenya's population on 2G and 97.9% on 4G. As a **systemically important** consumer platform, Safaricom is a cornerstone of Kenya's economy and a major driver of financial inclusion. M-PESA's mobile services have significantly expanded access to banking and digital payments for underserved groups, covering 35.8 million mobile money customers, and have created **KES 407 billion** (\$3.15 billion) in social value in FY25 (+17% YoY). Highlights include enabling farmers with no formal financial history to access loans and other digital farm services, as well as fostering financial literacy and responsible money habits among youth groups. This broad digital reach has translated into **resilient growth and strong cash generation** alongside far-reaching social impact.

Our proprietary ESG Scorecard strengthened our conviction by affirming Safaricom's strong governance and stakeholder focus. Stable co-ownership by Vodafone and the Kenya government combined with **disciplined capital allocation** (~80% of dividends payout even as Safaricom invests in Ethiopia) underpin a robust business model. At the same time, Safaricom's services (notably M-PESA) have expanded financial inclusion to millions, aligning mainly with SDG Goal 1 and 9, and yielding **top-tier environmental and social performance** in our assessment. This includes a commitment to reach net zero by 2050, as well as strong practices relating to data privacy, e-waste management and community initiatives. These factors support Safaricom's status as a cornerstone holding.



Critically, the Scorecard also highlights key **risk flags** that guide our engagement. With a mobile market share of around 66%, Safaricom faces regulatory scrutiny related to market dominance. We continuously monitor policy developments and advocate constructively to pre-empt adverse interventions. We have also identified governance gaps: only three of the company's 11 board directors are independent (below our best-practice benchmark), and transparency around management incentives is limited. By identifying these issues early, our ESG analysis has ensured that we remain vigilant and proactive owners.

Safaricom illustrates how digital inclusion at scale can drive both business success and national development, while underscoring the importance of proactive governance and regulatory risk management to sustain that success.



A glimpse of M-Pesa's penetration with less polished look. Picture taken in Kenya by our investment team, who does reality check on-the-ground and ensures our understanding on companies are built on real world view rather than on paper.

Active ownership framework

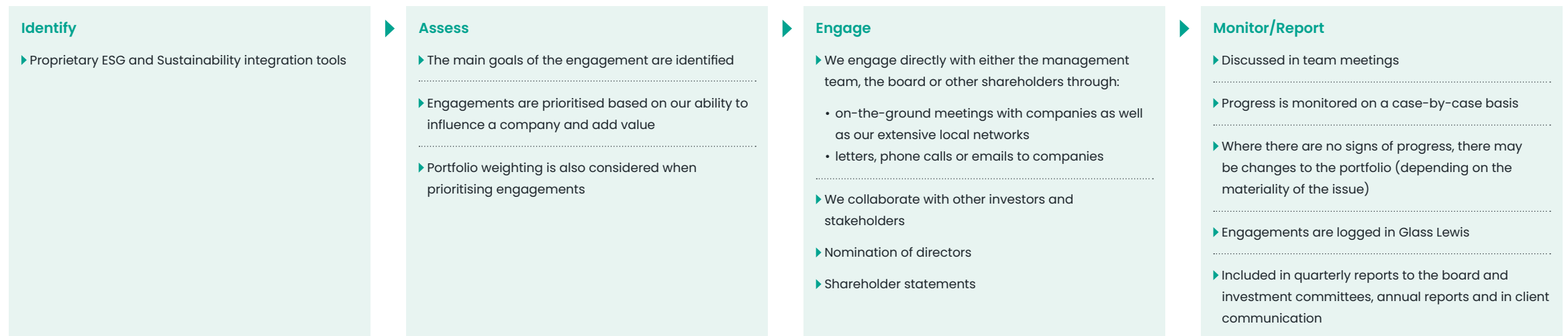
Dialogue and engagement with companies

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



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, we have a dedicated ESG function which 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.



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 instills 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.

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.

Embracing artificial intelligence

We are living through one of the most significant technological transitions of our time. Artificial intelligence is no longer a distant concept confined to research labs — it has become a defining force reshaping industries, workplaces, and investment landscapes at extraordinary speed. Globally generative AI reached 53% population adoption within just three years, outpacing both the PC and the internet. Organisational adoption has reached 88% globally, and AI investment in the United States alone reached USD 285.9 billion in 2025¹. At East Capital Group, we believe that understanding and responsibly embracing these shifts is not only a competitive imperative, but a reflection of our commitment to quality, operational excellence, and long-term value creation.

Across the organisation, East Capital Group has deployed a suite of AI agents designed to enhance the quality and efficiency of our work, freeing our teams to focus on the decisions and judgements that matter most. These tools are not replacements for human expertise; they are extensions of it.



George Svensson
Analyst ESG

AI in our operations

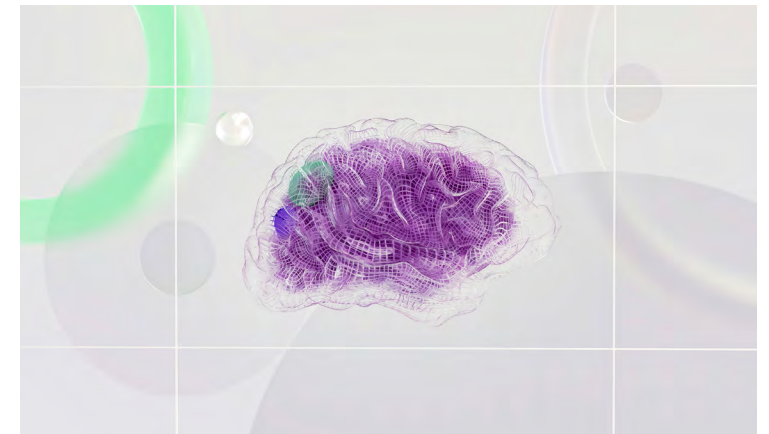
Investment management

Within our investment process, several specialised AI agents are now embedded into day-to-day workflows:

- **ESG Group Policy Agent** provides rapid, consistent guidance on our ESG policies across the portfolio, ensuring alignment with our responsible investment framework.
- **Defense Investment Due Diligence Agent** supports the assessment of holdings with defense sector exposure, surfacing relevant considerations quickly and systematically.
- **Proxy Voting Agent** has transformed the review process for voting decisions. What previously required approximately 45 minutes per review now takes 15 minutes, maintaining high rigour. Portfolio Managers and Analysts benefit from structured, well-prepared inputs that allow deeper focus on contested or nuanced cases.
- **Red Flag (RF) Controversy Agent** operates continuously as an always-on monitoring tool. Every alert is assessed against established criteria, leveraging strong pattern recognition to identify potentially material issues. Crucially, human judgement takes over where it matters most: when a case is ambiguous, when accountability is at stake, or when the situation demands interpretation beyond what can be automated. The agent enables us to rapidly clear companies that do not present meaningful risk, concentrating our attention on those where deeper investigation is truly warranted — assessing severity, context, and implications with the care they deserve.

AI in meetings — Speed, quality, and corporate access

We leverage AI to enhance the quality of our meetings with companies and internal discussions. AI-assisted meeting support improves speed by handling note-taking and follow-up drafting, creating more space for deep thinking and strategic questions during the meeting itself. Quality is elevated through better-prepared participants, more informed investing conversations, and higher-quality follow-up documentation. Perhaps most significantly, AI-supported meeting workflows give us an advantage in corporate access — enabling richer, more consistent engagement with management teams at scale



AI in context: A global perspective

The pace at which AI is transforming the world is without historical precedent. The following highlights, drawn from the Stanford AI Index Report 2026, illustrate why staying ahead of this shift is essential for any organisation committed to long-term relevance and operational excellence.

88%

Organisational AI Adoption

of organisations globally had adopted AI as of 2025

USD 172bn

Consumer Value (US)

estimated annual value of generative AI tools to US consumers by early 2026

53%

Population Adoption Rate

generative AI adoption in 3 years — faster than the PC or the internet

Key takeaways from the Stanford AI Index Report 2026

- **AI capability is accelerating, not plateauing.** Industry produced over 90% of notable frontier models in 2025. Several models now meet or exceed human baselines on PhD-level science questions, multimodal reasoning and competition mathematics. On a key coding benchmark, performance rose from 60% to near 100% of the human baseline in a single year.
- **Productivity gains are emerging across professional domains.** Studies show productivity improvements of 14% to 26% in fields such as customer support and software development, with the most meaningful gains occurring where AI handles structured, repeatable tasks, thereby freeing professionals for higher-order work.
- **AI adoption is spreading at historic speed.** Generative AI reached 53% population adoption in just three years, faster than the PC or the internet. Four in five university students now use generative AI, and the median value per user tripled between 2025 and 2026.
- **AI investment is accelerating globally.** US private AI investment reached USD 285.9 billion in 2025, more than 23 times the investment seen in China. Over 1,950 new AI companies were funded in the United States alone in 2025.
- **AI is transforming professional services with measurable impact.** In healthcare, AI tools that automatically generate clinical notes saw substantial adoption in 2025, with physicians reporting up to 83% less time spent on documentation. The pattern of AI augmenting — rather than replacing — skilled professionals is consistent across fields.
- **The "jagged frontier" of AI reinforces the need for human-AI collaboration.** AI can now win gold medals at the International Mathematical Olympiad, yet struggles with seemingly simple perceptual tasks. This uneven capability profile underscores the importance of thoughtful human oversight — knowing where AI adds the most value, and where human judgement remains indispensable.
- **Responsible AI development remains a shared responsibility.** As AI capabilities expand rapidly, ensuring responsible deployment — with appropriate human accountability, bias awareness and ethical oversight, remains essential for all organisations that adopt these tools.

Our commitment to responsible AI

AI is already reshaping companies, sectors, and societies at a speed that demands a considered, principled response. For investors, this transformation presents both opportunity and responsibility. Industries from healthcare to financial services are being structurally altered, with significant implications for competitive positioning, workforce dynamics, and long-term value creation. Companies that harness AI effectively will gain meaningful advantages, while those that fail to adapt risk being left behind.

As a responsible investor, East Capital Group believes it is important for companies to not only adopt AI, but also carefully consider how they implement it. We have identified AI implementation as a material topic to engage on for some portfolio holdings and start enquiring about how AI is implemented, encouraging them to adopt transparent, fair and accountable practices, with robust governance, careful attention to data privacy and algorithmic bias, and human oversight guardrails when/if required. Responsible AI is still an evolving field and we see it as our role to stay engaged as standards and expectations develop, holding our portfolio companies to high standards while leading by example in our own operations.

A continuous journey

The AI tools we use today are only the beginning. We continue to identify opportunities to make our operations more efficient, reducing time spent on manual, repetitive tasks, replacing legacy tools where AI now provides better solutions, and improving the quality and consistency of our outputs. It is one of many ways East Capital Group strives to stay at the forefront of investment management, combining human expertise with the best of what modern technology can offer.

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 24th Annual Conference in Seoul in November 2025.

Association of the Luxembourg Fund Industry (ALFI)



Member since 2014
alfi.lu

International Finance Reporting Standards (IFRS)



ifrs.org

Institutional Investors Group on Climate Change (IIGCC)



Member since 2020
iigcc.org

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

Swedish Investment Fund Association



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

Swedish Investors for Sustainable Development (SISD)



Member since 2017
sida.se

Sweden's Sustainable Investment Forum (SWESIF)



Member since 2020
swesif.org

Swesif is Sweden's national forum for sustainable investment, bringing together asset owners and managers to advance knowledge and shared expectations around sustainability in investment practice. Membership supports alignment with evolving sustainable investment standards and strengthens our engagement with the broader Swedish responsible investment community.

UN Principles for Responsible Investment (PRI)



Signatory since 2012
unpri.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 24th Annual Conference in Seoul in November 2025.

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

Climate Action 100+



Signatory since 2018
climateaction100.org

Nature Action 100



Supporter since 2022
natureaction100.org

Taskforce on Nature-related Financial Disclosures



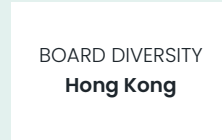
Early adopter 2025
tnfd.global

Transition Pathway Initiative (TPI)



Supporter since 2022
transitionpathwayinitiative.org

Board Diversity Hong Kong



Supporter since 2019
boarddiversityhk.org

Deforestation Investor Group (DIG)



Signatory since 2021
iigcc.org/deforestation-investor-group

Net Zero Engagement Initiative (by IIGCC)



Supporter since 2022
iigcc.org

The 21 List (Espiria)



Supporter since 2012 (Espiria)
eastcapital.group

CDP



Signatory since 2014
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

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.

Signatory of:



PRI Principles

- 1 ▶ We will incorporate ESG issues into investment analysis and decision-making processes.
- 2 ▶ We will be active owners and incorporate ESG issues into our ownership policies and practices.
- 3 ▶ We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 ▶ We will promote acceptance and implementation of the principles within the investment industry.
- 5 ▶ We will work together to enhance our effectiveness in implementing the principles.
- 6 ▶ We will report on our activities and progress towards implementing the principles.

Examples of what we do

- ▶ ESG factors are an integral part of our investment analysis. No variations or exceptions
- ▶ 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
- ▶ 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
- ▶ 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
- ▶ 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
- ▶ 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)

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 2025 included in the 2025 annual reports for article 8 and 9 funds published on the websites.

Minimum proportions and legally binding elements are detailed in the tables to the right. Minimum proportions should be adhered to at all times and are monitored by the risk management function.

Article 9	Min. proportion of Sust. Investments	Min. E prop.	Min. S prop.
East Capital Global Emerging Markets ex China	90%	10%	10%
East Capital Global Emerging Markets Sustainable	90%	10%	10%
Espiria Hållbar Framtid	90%	10%	10%

Article 8	Min. proportion of Sust. Investments	Min. E prop.	Min. S prop.	Aligned with E/S characteristics
East Capital Balkans	10%	5%	5%	20%
East Capital China	10%	5%	5%	20%
East Capital Global Frontier Markets	10%	5%	5%	20%
East Capital Multi-Strategi	5%	2,5%	2,5%	10%
East Capital New Europe	10%	5%	5%	20%
Espiria 30	5%	2,5%	2,5%	15%
Espiria 60	5%	2,5%	2,5%	15%
Espiria 90	10%	5%	5%	20%
Espiria Global Innovation	10%	5%	5%	20%
Espiria Nordic Corporate Bond	5%	5%	N/A	10%

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

Article 9	Sustainable	#2 Not sustainable	Environmental	Social
East Capital Global Emerging Markets ex China	99.8%	0.2%	21.4%	78.4%
East Capital Global Emerging Markets Sustainable	97.8%	2.2%	24.9%	72.9%

Article 8	#1 Aligned with E/S characteristics	#2 Other	#1A Sustainable	#1B Other E/S characteristics	Other environmental*	Social
East Capital Balkans	86.6%	13.4%	85.3%	1.3%	18.5%	66.9%
East Capital China	67.2%	32.8%	61.3%	6.0%	27.0%	34.3%
East Capital Global Frontier Markets	88.7%	11.3%	88.7%	0.0%	25.0%	63.7%
East Capital Multi-Strategi	65.4%	34.6%	65.4%	0.0%	14.4%	50.9%
East Capital New Europe	84.0%	16.0%	83.5%	0.5%	20.2%	63.3%

*Sustainable investments contributing to environmental objectives that are not aligned with the EU Taxonomy.



► [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

Article 9	Sustainable	#2 Not sustainable	Environmental	Social
Espiria Hållbar Framtid	96.9%	3.1%	52.7%	44.2%

Article 8	#1 Aligned with E/S characteristics	#2 Other	#1A Sustainable	#1B Other E/S characteristics	Other environmental*	Social
Espiria 30	95.9%	4.1%	10.5%	85.4%	6.3%	4.1%
Espiria 60	94.8%	5.2%	20.4%	74.4%	12.3%	8.1%
Espiria 90	94.8%	5.2%	27.7%	67.1%	16.6%	11.1%
Espiria Global Innovation	93.5%	6.5%	26.3%	67.2%	16.4%	9.9%
Espiria Sweden Small Cap	99.4%	0.6%	13.2%	86.2%	6.0%	7.3%
Espiria Nordic Corporate Bond	96.4%	3.6%	26.8%	69.6%	26.1%	0.7%

*Sustainable investments contributing to environmental objectives that are not aligned with the EU Taxonomy.



► [More SFDR disclosure per fund](#)

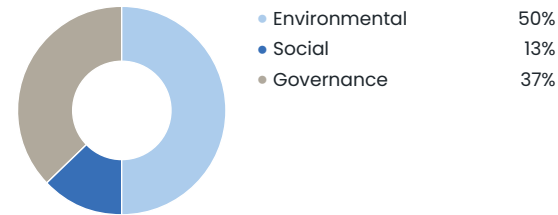
East Capital – Engagements

East Capital engaged with

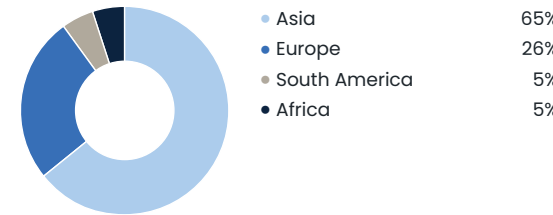
49
companies

Totalling
67
different engagements in 2025

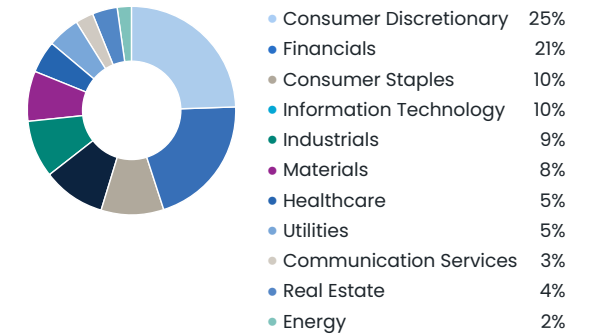
Engagement type



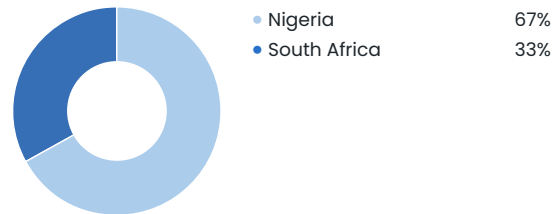
Region



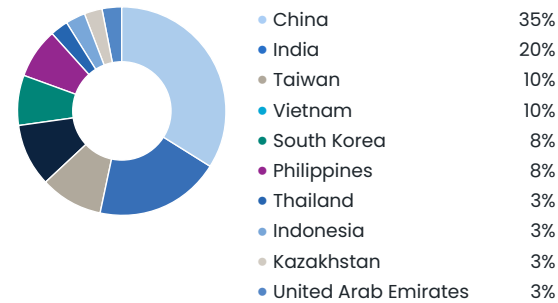
Sector



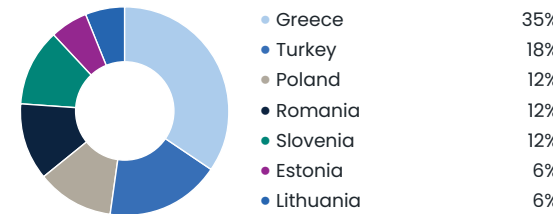
Africa



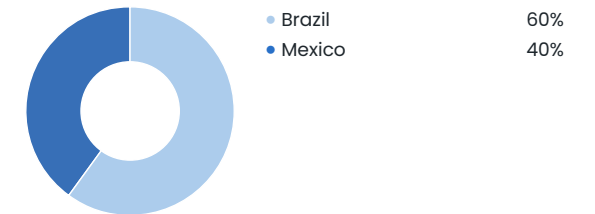
Asia



Europe



South America



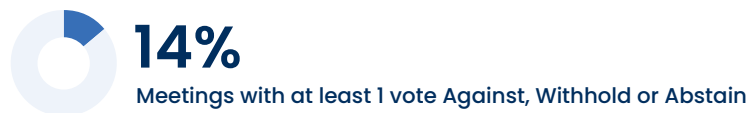
East Capital – Voting

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.

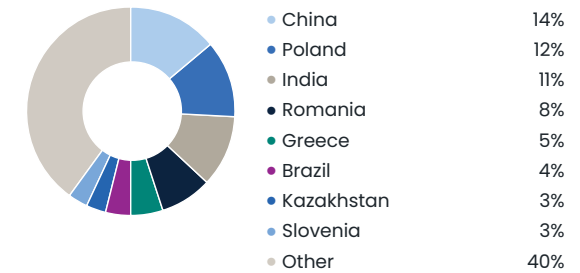
During 2025, we voted at 175 AGMs and/or EGMs in 125 different companies, corresponding to 75% of the market value of our assets under management, in securities carrying voting rights in our UCITS funds.

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 175 AGMs and/or EGMs:



Geographical Breakdown



Fund	% of AUM voted	% of meetings voted 2025
East Capital Balkans	89%	79%
East Capital China	34%	76%
East Capital Global Emerging Markets ex China	N/A*	93%
East Capital Global Emerging Markets Sustainable	64%	86%
East Capital Global Frontier Markets	83%	93%
East Capital Multi-Strategi	76%	85%
East Capital New Europe	88%	84%

*Not applicable for this fund, as it was launched in September 2025, making AUM voted figures not representative for the reporting period.

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 2025, Espiria engaged with 19 companies, totalling 27 different engagements during the year.

Engaged with
19
companies

Totalling
27
different engagements

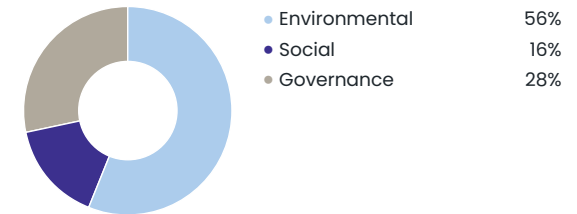
The following are examples of company engagements conducted by our fixed income team in 2025, illustrating how we use the tools available to bond investors to protect our clients and drive better outcomes – from negotiating terms at issuance to monitoring sustainability commitments and intervening when companies fall short.

Sparc Group, a Swedish installation company, issued a senior secured bond in early 2025. We introduced a set of new maintenance covenants focused on leverage, limits on accounting adjustments in covenant calculations, and a minimum liquidity requirement. These protections proved their value later in the year, when Sparc breached its leverage covenant in Q4 2025. Together with four other asset managers, we led the bondholder response, securing the appointment of an independent board member to oversee internal processes and agreeing an action plan covering an acquisition halt, an equity injection, and the disposal of unprofitable subsidiaries.

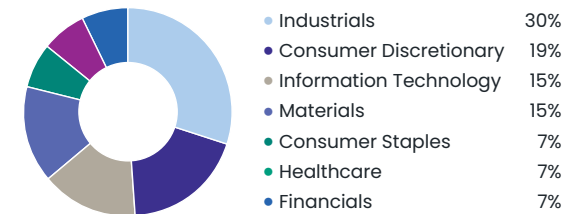
Bewi ASA, a Norwegian materials company focused on EPS plastic recycling, had a sustainability-linked bond with a step-up coupon tied to recycling volume targets. By the end of 2024, the company had collected 33,000 tonnes against a target of 45,000 tonnes, triggering the coupon step-up and compensating bondholders for the shortfall. We engaged with management at their capital markets day to understand the reasons behind the miss. While the target was not met, volumes had grown from under 1,000 tonnes in 2018 to over 33,000 tonnes in 2024, and we were satisfied that the sustainability-linked structure had functioned as intended, with bondholders appropriately compensated and the company’s overall sustainability progress continuing in the right direction.

These examples highlight how sustainability performance and financial risk are connected, and how structuring our investments accordingly ensures our work translates into tangible value for our investors.

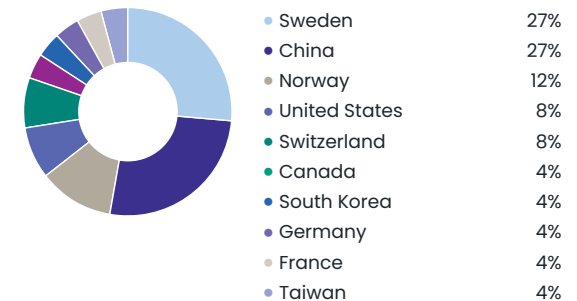
Engagement type



Sector



Geographical Breakdown

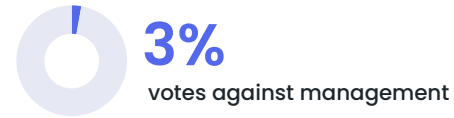
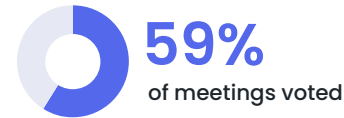
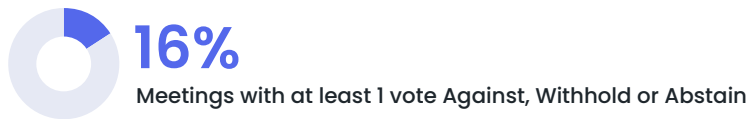
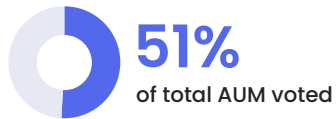


Espiria – Voting

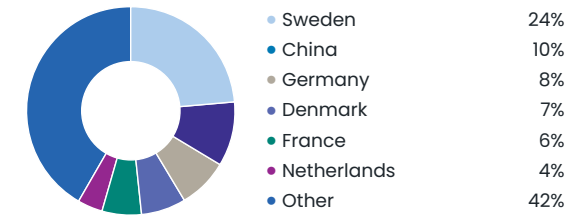
During 2025, Espiria continued to execute well on the existing voting framework by members of the investment team, following their own analysis of voting decisions.

Espiria participated in voting for 59 companies during the year, representing 51% 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 **72 AGMs and/or EGMs:**



Geographical Breakdown



Fund	% of AUM voted	% of meetings voted 2025
Espiria 30	62%	67%
Espiria 60	62%	67%
Espiria 90	48%	64%
Espiria Global Innovation	38%	54%
Espiria Hållbar Framtid	47%	59%

Shareholder Rights Directive II (SRD II)

Stewardship and Voting Disclosure

Our approach to stewardship

In accordance with the Shareholder Rights Directive II (SRD II), East Capital Group publishes information on its engagement policy and how it has been implemented, including how we exercise our voting rights. Stewardship is an integral part of our investment process. We vote in the best interests of our clients, guided by our Active Ownership Policy, proprietary ESG analysis and company-specific assessments. All voting decisions are made independently within the investment teams on a case-by-case basis.

Voting activity 2025

During 2025, East Capital cast votes against management in 5% of all items voted and in 14% of meetings. Espiria cast votes against management in 3% of all items voted, corresponding to 16% of meetings. Full voting statistics, including geographical and fund-level breakdowns, are presented on pages 33–35 of this report.

Definition of significant votes

Under SRD II, we define significant votes as those where we vote against management on matters we believe are material to the long-term interests of the company and its shareholders. In addition, votes in companies where we own 5% or more of the total outstanding shares are classified as significant regardless of subject matter, reflecting our heightened responsibility as a substantial shareholder.

Significant votes frequently concern: executive compensation and bonus structures; election or re-election of board members where independence, diversity, tenure or overboarding are in question; remuneration policies for directors and executives; auditor appointment and tenure; proposals affecting shareholder rights such as pre-emptive rights or share issuance structures; and transparency and disclosure matters where we believe companies could meaningfully improve.

We consider these votes significant not only because they address material governance risks, but because they require the portfolio manager to actively justify the decision. Any deviation from management's recommendation reflects a deliberate and strategic choice rooted in our responsibility as asset managers and our commitment to protecting long-term shareholder value.

Integration with engagement

Where we vote against management or abstain, we may communicate our concerns directly to the company, initiate or continue dialogue with the board or management team, and collaborate with other investors where relevant. If concerns are not addressed over time, voting decisions may escalate as part of a broader engagement strategy. Our full engagement and voting records are reported quarterly to our investment committees and Board of Directors, and are published annually in this Sustainable Investment Report.

For further information, please refer to East Capital Group's Active Ownership Policy, available at eastcapital.group.

Selected significant votes

East Capital (2025)

Company	Resolution	Vote	Rationale
Metlen Energy & Metals (Greece)	Approval of ESG-linked executive remuneration	Against	The company experienced a workplace fatality involving a subcontractor during the year. Despite this, the incident was not reflected in the ESG bonus calculation, as management took the position that subcontractor fatalities fall outside the scope. We disagree. We believe material safety events throughout a company's operations — including those involving contractors — should be factored into executive incentive outcomes. Approving ESG-linked remuneration without accounting for this fatality would undermine the credibility of the programme and conflict with our expectation that incentive structures genuinely reflect sustainability performance. This vote falls within our definition of a significant vote as it concerns an executive compensation proposal where we believe the structure is misaligned with long-term shareholder and stakeholder interests.
Alibaba Group Holding (China)	Re-election of long-tenured independent non-executive directors; ratification of external auditor	Against	Two nominees proposed for re-election as independent non-executive directors had served on the board for more than ten years. We consider extended tenure to compromise director independence, as long-standing relationships with management can erode the objectivity required for effective oversight. Separately, PwC has served as the company's external auditor since FY2014. Auditor tenure of this length raises concerns about independence and the rigour of scrutiny applied to financial reporting. We voted against both resolutions. These fall within our definition of significant votes as they concern board member elections where independence is in question and an auditor-related vote.
Varun Beverages (India)	Approval of business diversification into alcoholic beverages manufacturing	Against	We voted against the company's proposal to expand into the manufacture of alcoholic beverages. This activity falls within our sector exclusion criteria, and approving the resolution would have been inconsistent with our investment framework and our obligations to clients invested in strategies subject to those exclusions. Beyond the exclusion itself, we also consider this a material strategic risk: entering a heavily regulated, politically sensitive sector represents a meaningful departure from the company's core business model and raises questions about long-term capital allocation discipline. This is a significant vote as it concerns a matter we consider material to the long-term interests of the company and its shareholders.
Multiple India-listed companies (incl. HDFC Bank, ICICI Bank, Bharti Airtel, Shriram Finance, Gravita India)	Election of board directors	Against	Across a number of holdings, the proportion of women on the board fell below our 30% minimum threshold. In each case, we voted against director elections to communicate our expectations clearly. We consider gender diversity at board-level to be a material governance factor: boards with a diverse range of backgrounds and perspectives are better positioned to challenge management, manage risk and support sustainable long-term performance. These votes fall within our definition of significant votes as they concern the election of board members where diversity is in question, and in each case required the portfolio manager to assess and justify the decision based on company-specific circumstances.
Converge ICT Solutions (Philippines)	Election of board directors by cumulative voting	Against	We do not support the use of cumulative voting as a mechanism for electing board members. While we have no objection to the individual candidates put forward, cumulative voting can allow concentrated shareholders to exercise disproportionate influence over board composition in a way that may not reflect the interests of all shareholders. We consider this a structural governance concern and voted against on that basis. This is a significant vote as it relates to a proposal affecting shareholder rights and board composition, and required a deliberate, reasoned decision to deviate from management's recommendation.

Selected significant votes

Espira (2025)

Company	Resolution	Vote	Rationale
Microsoft Corporation (USA)	Shareholder proposal: report on whether the European Security Program could be misused to enable censorship of legitimate speech (Proposal 5)	For (against mgmt. recommendation)	We supported this shareholder proposal because it raises a proportionate and narrowly scoped governance question that existing disclosures do not adequately address. Microsoft's European Security Program is framed as a cybersecurity initiative, but its government-facing AI capabilities create plausible reputational and governance risks if the programme's scope expands or is repurposed. Current freedom-of-expression audits operate at a general level and do not specifically address these risks. A targeted, non-confidential board-commissioned report would provide incremental transparency and allow shareholders to assess whether the programme remains aligned with Microsoft's stated commitments to free speech. This is a significant vote as it concerns a transparency and disclosure matter material to the long-term reputational and governance interests of the company, and because voting for a shareholder proposal against management's recommendation is a deliberate deviation we believe is necessary to protect shareholder value.
Microsoft Corporation (USA)	Shareholder proposal: report on human rights risks associated with datacenter expansion in high-risk jurisdictions (Proposal 8)	For (against mgmt. recommendation)	We supported this proposal because the siting of datacenters in jurisdictions with weak human rights protections raises material risks related to privacy, surveillance, and potential complicity in censorship — risks not adequately addressed in current reporting. While Microsoft describes UNGP-aligned due diligence and its Trusted Cloud Principles, disclosures remain at a process level and do not demonstrate the effectiveness of mitigations in specific markets. As Microsoft expands its cloud infrastructure globally, we believe a one-off, non-confidential board-commissioned report on country-level human rights risks is both proportionate and necessary to provide meaningful accountability. This is a significant vote as it concerns a transparency and disclosure matter material to the long-term governance and reputational interests of the company, and required a deliberate decision to vote against management's recommendation.
Boliden, ING Groep, Signify, Husqvarna, Smurfit WestRock (various markets)	Proposals to issue shares excluding pre-emptive rights for existing shareholders	Against	Across several holdings, we voted against proposals that would allow the company to issue new shares without offering existing shareholders the right to participate on a pro-rata basis. Pre-emptive rights are a fundamental shareholder protection: they preserve the economic interest and voting weight of existing investors and guard against dilution. We consider any proposal to waive these rights — particularly where the issuance threshold is above 10% — to be a material governance concern. These votes fall within our definition of significant votes as they concern proposals directly affecting shareholder rights, and each required the portfolio manager to assess and justify a decision to oppose management's recommendation.
Siemens AG, Infineon Technologies, Merck KGaA (Germany)	Proposals to hold virtual-only shareholder meetings	Against	We voted against proposals to conduct shareholder meetings in a virtual-only format at three German companies. Our governance policy requires companies to hold meetings in person or in hybrid format. Virtual-only meetings limit shareholders' ability to participate meaningfully, ask questions in real time, and hold management and the board to account in an open forum. In the case of Merck KGaA, the proposal covered the period to 2027 with no hybrid option offered, which we consider particularly restrictive. These votes are significant as they concern proposals affecting shareholder rights and the governance mechanisms through which shareholders exercise their ownership responsibilities.
Sungrow Power Supply (China)	Approval of management incentive plan	Against	We voted against the proposed management incentive plan on the grounds that performance targets were set too low to represent genuine alignment between management rewards and shareholder interests. Incentive plans should require meaningful outperformance relative to a credible baseline. Where targets can be met through ordinary business performance, the plan risks rewarding management for outcomes that do not reflect exceptional value creation. This vote falls within our definition of significant votes as it concerns an executive compensation proposal where we believe the incentive structure is misaligned with the long-term interests of shareholders, and it required a deliberate, justified decision to vote against management's recommendation.

East Capital Awards

Celebrating excellence in emerging markets: East Capital Awards 2025 honours Diagnostyka, Inter&Co, Fawry and Laureate Education

For more than twenty years, East Capital has recognised outstanding portfolio companies that contribute to progress and transformation across emerging and frontier markets. Established in 2004, the annual East Capital Awards highlight companies that demonstrate strong performance alongside a commitment to sustainable value creation.

The Awards cover four categories: **Best Growth**, recognising companies with strong development in sales, market share and profitability; **Best IPO**, awarded to the most successful listing during the year; **Discovery of the Year**, highlighting companies with promising long-term potential; and **Best Corporate Governance**, recognising high standards in transparency, accountability and governance practices.

Through these Awards, East Capital aims to promote companies that not only deliver financial performance but also contribute to the development of well-functioning markets and responsible business practices.

In 2025, the Awards reflect the breadth of East Capital's investment universe, with recognised companies from Poland, Brazil, Egypt, Mexico and Peru. The selected companies illustrate how long-term investment in growth markets can support both financial returns and sustainable development.



The 2025 **Best Corporate Governance Award** went to **Laureate Education**, the largest private higher education provider in Mexico and Peru. Both countries are high-potential markets, especially Mexico which is underpenetrated, with only 36% of Mexicans entering higher education. Of Laureate's 472,000 students, 47% are first-generation university students (i.e., the first in their families to attend higher education). Under CEO Eilif Serck-Hanssen, the company has transformed from a sprawling, leveraged global operator into a focused, efficient business with best-in-class capital allocation discipline, driving a 30% return on invested capital. Laureate also boasts a strong net cash balance sheet and excellent free cash flow generation and continues to post mid-teens EBITDA growth. This is thanks in part to its strong digital offerings and improving margins.

Since 2019, Laureate has used its strong free cash flow to return almost USD 3 billion to shareholders, primarily through stock buybacks. The market has responded positively to these efforts, with the stock price rising by 66% in 2025 and by 122% since the beginning of 2024. Over the same period, the Mexican index has remained broadly flat (in USD). Improved investor relations efforts have supported stock price performance, with the management team dedicating more time to engaging with global investors.

[More about East Capital Awards](#)

Impact reporting

Measuring impact from our sustainable funds

East Capital Group publishes semi-annual impact reports for its Article 9 funds:

- ▶ East Capital Global Emerging Markets Sustainable
- ▶ East Capital Global Emerging Markets ex China
- ▶ Espiria Hållbar Framtid

These reports provide a transparent, data-driven overview of how the funds contribute to sustainable development and how sustainability risks and adverse impacts are identified, measured and managed.

Each report reflects the specific portfolio composition, exposures and outcomes of the respective fund, providing a consolidated view of how sustainability is integrated into our investment process and supports long-term value creation.

The reports include:

- **Principal Adverse Impact (PAI) indicators**, in accordance with the SFDR, covering climate, environmental, social and employee-related impacts, typically presented alongside a relevant benchmark.
- **Climate-related metrics**, including carbon footprint, greenhouse gas intensity and exposure to fossil fuels and other environmental risk factors.

- **SDG Impact**, assessed using our proprietary East Capital SDG VCA (Value Chain Analysis), which evaluates companies' contribution to the UN Sustainable Development Goals (SDGs) and identifies the most material SDGs across each company's value chain.
- **Stewardship**, including voting and company engagement on ESG-related matters.
- **Case studies**, illustrating how selected investments contribute to both sustainable outcomes and financial returns.
- **Sustainable investment framework**, including sustainability analysis, classification and the definition of sustainable investments, based on our proprietary East Capital ESG Scorecard and SDG VCA methodology.

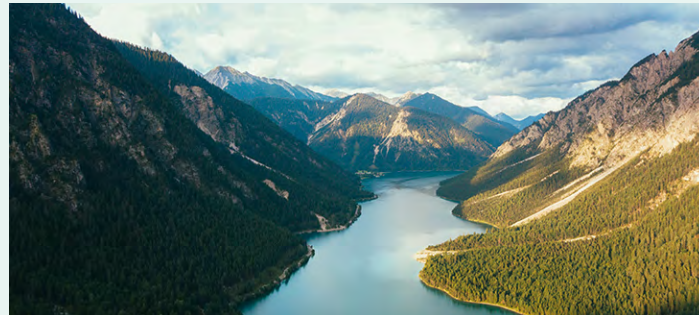
Article 9 funds



East Capital Global Emerging Markets ex China



▶ [H2 2025 Impact Report](#)
East Capital Global Emerging Markets ex China



East Capital Global Emerging Markets Sustainable



▶ [H2 2025 Impact Report](#)
East Capital Global Emerging Markets Sustainable



Espiria Hållbar Framtid



▶ [H2 2025 Impact Report](#)
Espiria Hållbar Framtid

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 through a number of published articles on key topics.

► During the year, we published an article on the water crisis in [India India's water needs lead to investment opportunities](#) as well as an article on gender diversity [Women in the boardroom, where do we stand?](#).

► Our media contributions and interviews covered topics such as how Asian financial institutions and issuers approach nature and biodiversity risks, and how investors turn to AI to monitor ESG controversies in-house.

► We also co-published a case study with Robeco on the engagement with Alibaba, which was featured in [Nature Action 100's first-ever progress report](#).



► We joined a number of conferences around the world, speaking on a variety of topics. Karine Hirn joined the Moody's APAC climate conference as a keynote speaker from Hong Kong. This digital global event attracted more than 600 participants. Karine spoke about the trends that are shaping climate finance in Asia and globally, as well as how East Capital Group approaches climate risks and opportunities in emerging and frontier markets.



► SISD (Swedish Investors for Sustainable Development) invited Karine Hirn to join a panel on the theme of *Scaling investments in countries that need it the most* at the SISD in a New Era conference in Stockholm, where she shared her views on how public equity investors can and should take part in the sustainability journey of emerging and frontier markets.

► Held for the first time ever in Luxembourg, the UCITS & AIFMD Luxembourg 2025 conference featured a panel titled *Evolving challenges and opportunities in sustainable investment* where Karine Hirn contributed with her views from Asia and with investor perspectives spanning more than 25 years of responsible investment.

► The Asia Corporate Governance Association convened its annual forum in Seoul, South-Korea, bringing together more than 300 participants from all over the world. We were honored to participate in the plenary session dedicated to *Geopolitics - Challenges to Boards*, in which we shared our opinions on what investors should expect from boards and the best practices we have observed and encouraged in our holdings.



► We were pleased to host a delegation of asset owners, asset managers and representatives from regulatory bodies in Taiwan at our headquarters in Stockholm, where we exchanged views on responsible investment practices and ambitions.



► We hosted a Eurosif seminar, *The Forthcoming Review of SFDR - Perspectives from Brussels and the Swedish Fund Industry*, in Stockholm. The seminar was a resounding success, with more than 50 participants joining onsite, representing Swesif and Eurosif members, all eager to learn more about the evolving regulatory landscape for investors under the scope of the Sustainable Finance Disclosure Regulation.



Working for positive change since 1997

For over 28 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, Partner & Co-founder, East Capital Group.



Huizi Zeng, Head of ESG at 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.”



George Svensson, ESG Analyst at East Capital Group, adds:

“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.

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.

Contact us

Private Investors

Phone: +46 8 505 97 777
direct@eastcapital.com

Institutions


Phone: +46 8 505 88 555
pro@eastcapital.com

www.eastcapital.group

 [Follow us on LinkedIn](#)

 [Follow us on X](#)

 [Follow us on YouTube](#)

 [Follow us on Facebook](#)



EAST CAPITAL GROUP

WORKING FOR POSITIVE CHANGE
SINCE 1997