



EAST CAPITAL GROUP

## East Capital Financial Services AB - Risk Management Objectives and Policies

East Capital Financial Services AB (“ECFS” or “the Company”), conducts regulated investment services comprising discretionary portfolio management, investment advisory and investor services on delegation from East Capital Asset Management SA (“ECAM”, the Group’s Luxembourg-based management company), and depot and account management services. The Company hosts the Group’s core investment management functions, including the CIO, portfolio management, trading, and middle office. The Company does not conduct proprietary trading, securities lending, or credit granting to clients. The Company has been categorised as a Class 2 investment firm in accordance with the IFR. Its activities are regulated under the Swedish Securities Market Act (2007:528) and Finansinspektionen’s regulations (FFFS 2017:2) on investment services.

ECFS is fully owned by East Capital Holding AB (“ECH”) and, together with Cadre Invest S.A, forms a consolidated situation (“the Consolidated Situation”) for IFR purposes, as the group is deemed to constitute a financial group. ECFS is the responsible institution for the Consolidated Situation. The Consolidated Situation encompasses ECFS and associated entities under common ownership, including Cadre Invest S.A. The capital requirements and risk assessments described in this document apply to both ECFS on a standalone basis and to the Consolidated Situation. The Consolidated Situation is subject to the same IFR requirements as ECFS standalone, including own funds requirements, K-factor calculations, liquidity requirements, and this disclosure.

This document describes the Company’s objectives and policies for risk management, covering the strategy and process for each material risk category. The Company conducts an annual internal capital and liquidity adequacy assessment in which risks are identified and assessed in relation to capital needs. The Company further conducts an annual operational risk self-assessment, which forms the basis for its assessment of operational risk capital requirements. This disclosure has been reviewed and approved by the Board of Directors of ECFS at its meeting on 21 April 2026, in accordance with the requirements of Article 47 of Regulation (EU) 2019/2033 and the EBA Guidelines on internal governance under Directive (EU) 2019/2034.

### 1. Risk Governance

The Company’s risk management model is based on three lines of defence.

All risk management activities carried out by management and staff in line functions constitute **the first line of defence**. Day-to-day risk management takes place within the business, as the part of the organisation that takes a risk also owns it. All employees have an individual responsibility to contribute to a sound risk culture by adhering to the Company’s internal regulations on risk management.

**The second line of defence** comprises the Risk Control Function and the Compliance Function, which support and control the first line’s risk management and compliance work. The Risk Control Function monitors that there is risk awareness and a willingness to manage risks on a daily basis, provides support to the business, and ensures that the tools, systems, and procedures necessary to maintain the ongoing management of risks are in place. The Compliance Function works proactively to promote quality in regulatory compliance through

information, advice, monitoring, and follow-up, thereby supporting the business. Its particular areas of responsibility include client protection, market conduct, measures to prevent money laundering and terrorist financing, and regulatory compliance and control.

**The third line of defence** is the Internal Audit Function, which conducts independent and regular review of governance, processes, and systems of internal control across both the first and second lines.

The Company's business shall be characterised by a comprehensive risk awareness with limited risk-taking that can be justified in business decisions and with calculated profitability. The business is exposed to a range of risks, both intentionally taken risks and consequential risks. The Company has defined risk appetite for risks, approved by the Board. These risks shall be managed both preventively and reactively through sound risk control.

Set out below are the Company's objectives and policies for risk management based on capital needs, and the strategy and process for each risk category.

## 2. Risk to client (RtC)

### Risk description

ECFS is primarily exposed to Risk-to-Client arising from its discretionary portfolio management, investment advisory services, depot/custody operations and client order handling. The firm provides investment management services including discretionary portfolio management under a MiFID II mandate, advisory and investor services on a delegated assignment from East Capital Asset Management SA ("ECAM"), and depot and account management services. ECFS and the Consolidated Situation do not conduct proprietary trading, securities lending or credit granting to clients, which materially limits the scope of RtC.

### Risk appetite and objectives

ECFS maintains a low risk profile with limited risk-taking. The Company's risk appetite is characterised by preventive measures aimed at avoiding or limiting risks and their effects. Capital is maintained well in excess of regulatory requirements for ECFS and the Consolidated Situation.

### Strategies and processes

K-factor volumes are calculated on rolling averages and monitored continuously. K-AUM and K-ASA are based on 15-month and 9-month rolling averages respectively; K-CMH on a 9-month average; and K-COH on a 6-month average. An annual Risk Control and Self-Assessment ("RCSA") workshop is conducted with representatives from the relevant functions.

### Organisational structure and governance

The Board of Directors holds ultimate responsibility for risk management and internal controls. The CEO manages day-to-day operations and consults the Risk Control Function on material matters. The three-lines-of-defence model is in place: business functions (first line), Risk Control and Compliance functions (second line), and Internal Audit (third line). No separate risk committee has been established given the firm's size and risk profile.

## Reporting and monitoring

ECFS reports quarterly to competent authorities on own funds, capital requirements, K-factor data and concentration risk for the Company and the Consolidated Situation. Material risk events are reported to the CEO and Board. Internal Audit performs annual independent reviews of the risk management framework.

## Hedging and mitigation policies

Client assets are held on segregated accounts maintained at a Swedish bank, providing protection in the event of ECFS insolvency. ECFS does not hold any derivative instruments. Client money held (K-CMH) is placed in segregated third-party accounts, reducing the applicable risk coefficient. Portfolio management is delegated from ECAM under regulated agreements. ECFS maintains oversight and middle office functions to ensure continuity of service.

## 2. Risk to market (RtM)

ECFS does not carry out any proprietary trading on its own account. Neither K-NPR (net position risk) nor K-CMG (clearing margin given) applies. The RtM capital requirement is SEK 0 for both the standalone entity and the Consolidated Situation.

## 3. Risk to firm (RtF)

ECFS has no exposure in the formal RtF K-factor categories (K-TCD, K-DTF, K-CON) as it does not trade on its own account. The RtF K-factor requirement is SEK 0 for both the standalone entity and the Consolidated Situation.

## 4. Operational risk

### Risk description

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes, people, systems or external events, including legal risks. ECFS identifies five components:

- **Organisational and personnel risk** – risks related to organisational structure, staffing and human error, including weak corporate culture.
- **Process risk** – losses from deficient manual or automated processes, causing inefficiency, non-compliance or erroneous client reporting.
- **External risk** – events outside ECFS's direct control, including external fraud, corruption, disasters and outsourcing failures.
- **Legal risk** – fines, claims or penalties from failure to comply with laws and regulations, including weaknesses in archiving of legal documents.
- **ICT risk** - treated as an integral component of operational risk and managed in line with the operational risk framework, including compliance with the DORA regulatory framework implemented in 2025.

## Risk appetite and objectives

ECFS operates with high ethical standards and strong regulatory compliance. The primary objective is to reduce the frequency and impact of operational risk events in a cost-effective manner. The Risk Management Policy sets the general requirements for operational risk management.

## Strategies and processes

Annual RCSA workshops are held with relevant representatives across all the functions at the Company. Operational risks are assessed using an RCSA matrix. The capital requirement is calculated as impact (SEK) multiplied by probability of occurrence for each identified risk.

## Organisational structure and governance

Three-lines-of-defence model: business managers own day-to-day operational risk (first line); the Risk Control Function and Compliance Function monitor effectiveness and report material weaknesses to the CEO and Board (second line); Internal Audit performs independent testing of first- and second-line controls (third line). All internal policies are reviewed at least annually.

## Reporting and monitoring

Operational risk incidents are logged and reported through the firm's incident management process. Key risk indicators are monitored at function level. Material events are escalated to the CEO and Board where required. Internal Audit provides an annual independent review of the second line of defence.

## 5. Liquidity risk

Liquidity risk is the risk that ECFS or the Consolidated Situation cannot meet its payment obligations at the required time. ECFS participates in the group cash pool (with East Capital Holding AB as the main account holder), providing centralised liquidity management. A separate dedicated liquidity buffer is maintained to meet the solo regulatory requirement. Both the standalone entity and the Consolidated Situation meet applicable liquidity requirements with good margin.

Rather than holding capital buffers, ECFS maintains dedicated liquidity buffers appropriate to current conditions and defined stress scenarios. The Board of Directors approves liquidity reserve levels. Compliance with the solo liquidity requirement is monitored continuously by the Finance department, with quarterly reporting to competent authorities.

## 6. Concentration risk

As ECFS does not operate a trading book or conduct proprietary trading, formal K-CON concentration risk under Part Four of IFR (Articles 35–42) does not arise. The Company's credit risk concentration is limited to liquid funds held at established banking counterparties (managed through diversification) and intra-group receivables from East Capital Asset Management SA and East Capital Holding AB, assessed as carrying negligible credit risk given the Group's robust capitalization.

## 7. Environmental, social and governance (ESG) risks

The employees are a crucial prerequisite for long-term value creation and a sustainable business. Employee engagement, retention and sustainability are therefore regarded as mutually reinforcing and strategically prioritised areas. A stable organisation with high competence and continuity reduces both operational risks and costs, while simultaneously contributing to a lower environmental footprint.

Sustainability risk is defined as an environmental, social or governance-related event or circumstance that, if it occurs, may have an actual or potentially material negative impact on the Company's operations or on the investments made on behalf of clients. The Company continuously evaluates the sustainability risks of its operations as an integrated part of the risk management framework.

To strengthen resilience and ensure a sustainable staffing structure, the Company works systematically to promote an inclusive and developmental work environment, integrate the sustainability perspective into HR processes, and follow up on and continuously improve ways of working and results.

## 8. Credit risk and market risk

### Credit risk

Credit risk refers to the risk of loss arising from a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to balances held at bank accounts and intra-group receivables. The exposure to banks is managed by placing liquid funds with established banks. For intra-group receivables, credit risk is assessed as limited as the counterparties consist of companies within the same group.

The maximum credit exposure corresponds to the carrying values of assets at the balance sheet date.

### Market risk

Market risk (currency and interest rate risks) is primarily related to foreign currency exposures on holdings in foreign currency. ECFS and the Consolidated Situation are exposed to limited interest rate risk as the majority of assets and liabilities are very short-term, normally only one or a few days.

The Company is exposed to market risk primarily through exchange rate fluctuations related to the Group's cash pool accounts in EUR. A change in the exchange rate of  $\pm 1\%$  would, based on the balance sheet date, impact results and equity by approximately  $\pm$ SEK 2.8m.