Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant East Capital Asset Management (LEI:21380076GF79IHJFGS03) and East Capital Financial Services (LEI:549300FI05DYHTJ4QM91).

Summary

East Capital Asset Management (LEI:21380076GF79IHJFGS03) and East Capital Financial Services (LEI:549300FI05DYHTJ4QM91), consider principal adverse impacts of their investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of East Capital Asset Management (ECAM) and East Capital Financial Services (ECFS) hereinafter refered to as "East Capital Group", "we", "us".

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022. We consider the mandatory and two voluntary principal adverse impact indicators on entity level by analyzing principal adverse sustainability indicators on investee and on an aggregated portfolio level. The assessment of the principal adverse impacts on sustainability factors is further described in East Capital Group's ESG policy. Principal adverse impact indicators are considered in the ESG integration process and may influence active ownership practices, including but not limited to, engagements, voting instructions in shareholders' general meetings where applicable as described in East Capital Group's Active Ownership- Voting and Engagement Policy. It should be noted that despite significant improvements over the last few years, the quality and availability of reported data relating to principle adverse impacts remain limited and constrain our ability to undertake quantitative and qualitative analysis of principal adverse impacts. This issue is exacerbated for smaller companies, companies located and/or operating outside of the European Union, and companies in emerging and frontier markets, which represent a significant part of our investment universe. We strive to bridge quantitative data gaps through direct (individual or collaborative) engagement with issuers, publicly advocating for enhanced and consistent disclosures, as well as using specialist data providers, and actively participating in industry initiatives.

Description of the principal adverse impacts on sustainability factors

The mandatory indicators defined by the Sustainable Finance Disclosure Regulation, outlined in Table 1, must be considered to ensure that adverse impact on key sustainability factors is taken into consideration. For each indicator, and subject to aforementioned limitations in data quality and availability, we have included a narrative to describe actions taken and action planned, and targets set for the next reference period to avoid and/or reduce principal adverse impacts, where applicable. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022. This information will be reported on an annual basis on 30 June.

Table 1 **Indicators applicable to investments in investee companies**						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	2836,14 tCO2e	N/A	N/A	We exclude fossil fuels for our article 9 products and for a selected range of our article 8 products. We analyze and monitor our holdings' carbon footprints using internal and external frameworks and pursue active ownership practices to mitigate and reduce our portfolios' aggregated greenhouse gas emissions. One of our investment managers, appointed by the management
		Scope 2 GHG emissions	2038,87 tCO2e	N/A	N/A	
		Scope 3 GHG emissions	21541,84 tCO2e	N/A	N/A	
		Total GHG emissions	26416,84 tCO2e	N/A	N/A	
	2. Carbon footprint	Carbon footprint	26434,07 tCO2e	N/A	N/A	
	3. GHG intensity of investee companies	GHG intensity of investee companies	324,61 tCO2e/mEUR	N/A	N/A	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0,8%	N/A	N/A	
	5. Share of non-renewable energy	Share of non-renewable energy consumption and non-renewable	62,09% non-renewable energy consumption	N/A	N/A	

		consumption and production	energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	15,93% non-renewable energy production			company, has committed to the Net Zero Asset Managers initative, to support the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celcius and to support investing aligned with net zero emissions by 2050 or sooner.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	NACE A: 13,82 GWh/mEUR revenue NACE B: 1,34GWh/mEUR revenue NACE C: 93,37GWh/mEUR revenue NACE D: 0,18GWh/mEUR revenue NACE E: no data NACE F: 0,08GWh/mEUR revenue NACE G: 0,08GWh/mEUR revenue	N/A	N/A	

			NACE H: 1,57GWh/mEUR revenue NACE L: 0,41GWh/mEUR revenue			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	3,87%	N/A	N/A	Just as portfolio diversification reduces risk and uncertainty, biodiversity does the same for natural assets that all economies rely on for sustainable growth. As responsible long-term investors, we want to make a positive contribution towards the slowing and eventual reversal of biodiversity loss. To achieve this, we undertake to integrate biodiversity loss considerations into our investment selection and stewardship activities through our nature framework, which consists of four main dimensions: i) integration of biodiversity risks into

						our investment analysis, ii) mobilizing stewardship efforts, iii) exclusion and negative screening in our portfolios and iv) engaging with wider stakeholders including regulators and governments. For more information, please refer to East Capital Group's ESG Policy.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	1,91t/mEUR	N/A	N/A	Risks and opportunities related to water are assessed in proprietary ESG integration tools across the group and also as an integrated part of the do no significant harm test. We signed the CDP letter to governments for UN Water Conference 2023. The letter summarizes key policy asks before the UN Water Conference in March 2023, to ensure a planned and equitable transition to a

						water secure world by 2030. We responded to CDP Capital Markets consultation on how best to leverage the growing Forests & Water Security disclosure data into useful and beneficial tools and/or services for signatories.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	3,25t/mEUR	N/A	N/A	Risks and opportunities related to waste are assessed in proprietary ESG integration tools across the group and also as an integrated part of the do no significant harm test.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,27%	N/A	N/A	As part of the controversy (norms-based) screening, companies are assessed in terms of compliance with international norms, standards and underlying conventions.

	Development (OECD) Guidelines for Multinational Enterprises					The controversy screening is intended to capture severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. The assessments are underpinned by references to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions. Our article 9 strategies and selected article 8 strategies cannot hold companies in breach of international norms, standards and underlying conventions. A dialogue is initiated with the investee company in cases where there are solid grounds for arguing potential violations.

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	29,52%	N/A	N/A	As part of the controversy (norms-based) screening, companies are assessed in terms of compliance with international norms, standards and underlying conventions. The controversy (norms-based) screening is intended to capture severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. The assessments are underpinned by references to the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	14,85%	N/A	N/A	Average unadjusted gender paygap of investee companies is

						addressed in our proprietary ESG analysis. An engagement may be initiated with issuers should there be strong evidence and rationale in the analysis to do so.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	26,39%	N/A	N/A	Board gender diversity of investee companies is addressed in our proprietary ESG analysis. An engagement may be initiated with issuers should there be strong evidence and rationale in the analysis to do so.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	N/A	N/A	No investment shall be made in any company known to have exposure to controversial weapons (anti-personell mines, cluster munitions, chemical weapons and biological weapons) across all sub-funds within our group. Upon new investment, the investment teams

						shall ensure that the new holding is compliant with the exclusion criteria for the portfolio to which the new holding is added. Portfolios are annually reviewed by the investment management teams to confirm compliance with the exclusion criteria. This review is based on information that has been publicly disclosed by issuers as well as any other relevant information that may have come to the investment management teams’ attention at the time of the review. If an issuer’s type or scope of operations is unclear or difficult to define in relation to the exclusion criteria, the investment teams may recommend further screening and analysis.

Indicators applicable to investments in sovereigns and supranationals						
Adverse sustainability indicator		**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Environmental	15. GHG intensity	GHG intensity of investee countries	No data	N/A	N/A	Our exposure to sovereigns and supranationals is minimal. We will improve our reporting ability on a best effort basis.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	No data	N/A	N/A	Our exposure to sovereigns and supranationals is minimal. We will improve our reporting ability on a best effort basis.
Indicators applicable to investments in real estate assets						

Adverse sustainability indicator		Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	0%	N/A	N/A	Tenants are screened according to their economic activity. We tend to avoid properties with tenants involved in activities deriving revenues from fossil fuels.
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	52%	N/A	N/A	We review the sustainability profile and energy efficiency of our property portfolios regularly, including the energy performance certificate coverage and levels. Minimum energy performance levels are set to new acquisitions. In the existing portfolio, focus is turned to properties with lower energy efficiency, and investments are planned to increase such levels. We plan to certify the

						portfolio (excluding properties in divestment phase) with sustainability assessments such as BREEAM or LEED, which also contributes to reviewing and improving energy profile of the assets.

Other indicators for principal adverse impacts on sustainability factors

In addition to the mandatory indicators presented in Table 1, we consider two additional indicators, one environmental and one social, presented in Table 2 and 3.

Table 2

Additional climate and other environment-related indicators

Adverse sustainability impact	Adverse impact on sustainability factors (qualitative or quantitative)	Metric	Impact [year n]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Indicators applicable to investments in investee companies						

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Water, waste and material emissions	15. Deforestation	Share of investments in companies without a policy to address deforestation	49,45%	N/A	N/A	We acknowledge that forests contain some of the highest levels of biodiversity. There is also a clear link between deforestation and obstacles to achieve net zero, as there is no solution to climate change without a solution to deforestation. Integrating these risks is important as deforestation poses a systemic risk to the global economy hence to the finance sector. We signed up to the Financial Sector Commitment Letter on Eliminating Commodity-driven Deforestation, since then renamed FSDA (Financial Sector Deforestation Action). In 2022 we signed up to the IPDD (Investor Policy Dialogue on Deforestation), a collaborative investor initiative supported by the PRI which was set up in 2020 to engage with public agencies and industry associations in selected countries on the issue of deforestation. In 2022 we introduced the EDA (End Deforestation Action) across East Capital Group. Besides, we actively contribute to the CDP non-disclosure campaign every year where issuers are encouraged to report forest data. Going forward, we intend to categorize identified holdings into high, medium and low deforestation risk, based on both their exposure to deforestation and human rights risk and the steps they are taking to mitigate such exposure to prioritize holdings for engagement. Active ownership efforts will

						be targeted at holdings where we have the most financial exposure and where we believe we have the most leverage and potential influence. We also intend to do more work on the risk exposure and impact of the banking sector, asking management of banks how they assess risks associated with climate change, biodiversity and deforestation on their business.

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Adverse sustainability impact	**Adverse impact on sustainability factors (qualitative or quantitative)**	**Metric**	**Impact [year n]**	**Impact [year n-1]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies						
Human Rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy	14,59%	N/A	N/A	Lack of a human rights policy of investee companies is addressed in our proprietary ESG analysis. An engagement with issuers may be initated should there be

						strong evidence and rationale in the analysis to do so.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

Selection of indicators

East Capital Group's ESG policy highlights what ESG areas we as owners deem to be crucial to identify and prioritize when considering principal adverse impacts on sustainability factors. Environmental factors include but are not limited to physical and transition risks, water and resource scarcity and biodiversity loss. Social factors include but are not limited to labor practices, human rights and health & safety. Business practices include, among others, good corporate governance in respect to management structures, employee relations and tax compliance.

PAI assessment

We have adopted different measures to ensure that principal adverse impacts are taken into account and mitigated throughout each step of our investment process, referred to in East Capital Group's ESG policy. Measures such as negative screening, norms-based screening, ESG integration and active ownership practices tend to help mitigate principal adverse impacts. Avoiding certain investments based on sectors, and violations of recognized international norms, standards and underlying conventions, contributes to identifying and avoiding multiple principal adverse impacts.

Indicators for adverse impacts are included in our norms-based screening that is provided by an external service provider, included in our Red Flag Analysis, and in our ESG proprietary analysis. The Red Flag analysis which is conducted pre-investment, consists of a set of questions which we deem to be crucial to consider for ensuring that investments do not cause significant harm. The questions are related to corporate governance, ethics, and corruption, and also cover international norms and standards, as well as severe and/or systematic environmental or social controversies. We have introduced one question specifically addressing the Principal Adverse Impact (PAI) indicators, which are outlined in Annex I of Regulation (EU) 2019/2088. In order to assess PAI indicators, the investment teams use a tool from an external service provider that compares the PAI indicators for each company with a range of peer companies. These in-house assessments are primarily done by analysts and portfolio managers and may also be discussed and/or verified with our ESG function to ensure that PAI indicators are adequately considered. The key adverse indicators for the portfolio holdings are periodically reviewed, and any potential outliers will be identified and discussed. Given our market context, not all principal adverse impact indicators are available for each company, though we make best efforts in order to ensure there are no unacceptably high risks of causing significant harm. Our active ownership practices such as proxy voting and individual or collaborative company engagement may mitigate principal adverse indicators of our portfolio holdings. Outliers on indicator level with no sign of improvement over time may trigger a revision of our ESG policy, making our ESG strategy more stringent in terms of sector exclusions, norms-based screening, and our active ownership practices.

Methodologies and margin of error

Primarily, we rely on the data quality from third party service providers. Reported data by investee companies may also be considered when available. The methodology to identify principal adverse indicators is subject to data availability and quality. However, we expect data availability and quality to improve over time.

Governance of policies

Responsible for design and implementation of the ESG policy is East Capital Group's Chief Sustainability Officer. Responsible for monitoring of implementation is the CEO of East Capital Group. The Board of Directors of East Capital Holding is responsible for the annual review of the ESG policy. The policy is subject to approval on a yearly basis.

Data sources

We obtain PAI data primarily from external data sources. The data is used to analyze an investee company's absolute exposure and relative to its peers. Additional data sources may be used subject to data quality and availability.

Engagement policies

East Capital Group includes several investment managers, with a common set of ESG frameworks and practices that define our role as owners. We are long-term, we see beyond the short-term gain and look for long-term investment value. We are active, and believe that dialogue with companies helps us make better-informed investment decisions, hence we strive to constructively engage on issues that are important to us as owners. We are responsible: our 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 behavior as essential in managing a company with the aim of maximizing long-term shareholder value.

When we have identified relevant areas of improvement on specific ESG issues or if we believe that a portfolio company has not met our expectations as owners, we will evaluate if it is suitable for us as investors to initiate an engagement process where we seek to encourage and influence the company to make necessary improvements. Such expectations may include, but is not limited to principal adverse impact of our holdings. We aim to be constructive and supportive in our dialogue with the companies. Our experience has shown that engaging with the company, either directly or collectively with other owners, usually generates greater positive effects as opposed to immediately exiting our investment. If the company does not respond in an adequate manner or undertake the necessary changes, however, we may ultimately decide to divest our holding in the company.

We strive to maintain active relationships with relevant stakeholders such as market institutions, stock exchanges, NGOs, governmental and public bodies that may be helpful for keeping up to date with local legislation and market practice for improving the institutional framework. Engagement with stakeholders are logged and documented to quarterly investment committee and board meetings, and in annual reporting. We also support different forums and initiatives for promotion of good market practice, corporate governance, other responsible practices and other relevant topics that may be in the joint interest of our investors.

We apply a range of methods to address ESG issues in our portfolio companies:

- Face-to-face discussions with managements and boards in company visits
- Letters addressed to the management of our portfolio companies, highlighting key issues of concern including explicit requests for additional information
- Annual "CIO to CEO Letter" to portfolio holdings
- "Letter from your new shareholder" upon addition to portfolios
- Nomination or endorsement of independent board members
- Voting in shareholders' meetings
- Dialogue with companies in conjunction with shareholders' meetings
- Collaboration with other shareholders and investor-led initiatives
- Dialogue with governments, stock exchanges and financial surveillance authorities to advocate improvements in the institutional framework with the purpose of promoting more well-functioning and transparent capital markets
- Providing our clients with various forums for interaction with local portfolio companies

Please, refer to East Capital Group's ESG Policy for more information on our engagement policy.

References to international standards

We deem it to be crucial for investee companies to comply with commonly accepted international norms and standards and underlying conventions. International norms and standards include, but is not limited to:

- UN Global Compact Principles
- OECD Guidelines for Multinational Enterprises Chapters
- UN Guiding principles on Business and Human Rights
- United Nations instruments
- International Labor Organization
- Other relevant instruments

One of the group's investment manager have committed to the Net Zero Asset Managers Initiative (NZAM). NZAM initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. Through this commitment, the Investment Manager sets portfolio decarbonization targets by which there is a target to achieve a 50% reduction in weighted average carbon intensity by 2030. The Investment Manager will engage with companies that are not aligned to promote environmental characteristics within this topic. The alignment is assessed through a proprietary ESG analysis.

Historical comparison

A historical comparison will be made as of 2024.