

SFDR Website Product Disclosure

East Capital Global Emerging Markets Sustainable Article 9

Summary

This Sustainability Related Disclosure concerns East Capital Global Emerging Markets Sustainable (“the Fund”). It is prepared in accordance with Regulation (EU) 2019/2088 on Sustainability Related Disclosures in the Finance Sector (“the SFDR”). This Disclosure is updated as of 31 December 2022. The following text is a summary of all the information contained in the different sections of the disclosure.

No significant harm to the sustainable investment objective

We ensure that sustainable investments do not cause significant harm through our Red Flag analysis, sector-based screening, and norms-based (controversy) screening. These are also part of our “Three-Step-Test” for defining sustainable investments, in line with Article 2(17) of the SFDR.

Sustainable investment objective of the financial product

The Fund’s objectives are long-term capital growth and positive contribution to the UN’s Sustainable Development Goals (SDGs) through exposure to companies in emerging markets.

The underlying philosophy of the Fund is that all companies can and should have such positive contribution to SDGs outcomes across their value chains, even if the revenue alignment is not fully obvious. Hence, we have created a proprietary SDG Value Chain Assessment Tool (“the SDG VCA Tool”) to assess this, and will only include companies if we believe they do drive a net positive outcome, as discussed in more detail below.

Investment strategy

The Fund aims to achieve long-term capital appreciation and positive impact on the Sustainable Development Goals through exposure to companies in emerging markets. There are three key binding elements of the investment strategy used to select the investments to attain our sustainable investment objective: (1) *Sector-based and norms-based screening*, (2) *SDG Value Chain Assessment (VCA) Tool Score >25*, and (3) *Company is classified as sustainable as per our Three-Step-Test*. The Test is based on the definition of sustainable investments in Article 2(17) of Regulation (EU) 2019/2088, and uses a combination of proprietary tools and data from external service providers. We assess governance practices of companies in our proprietary Red Flag analysis, which includes questions on management structures, accounting standards, audit quality, social factors, and tax compliance. In addition, our proprietary ESG Scorecard is used to assess good governance practices at a more granular level.

Proportion of investments

A minimum proportion of 90% of total investments are classified as sustainable in our ‘Three-Step-Test’. The Fund will invest at least 10% in sustainable investments, with an environmental objective that are not aligned to the EU Taxonomy and in sustainable investments with a social objective, respectively. Subject to this minimum, the Fund may flexibly allocate between the different types of sustainable investments based on availability and attractiveness of investment opportunities, whilst keeping the aggregate allocation to sustainable investments with environmental and/or social objectives to a minimum of 90%. We strive to have a broadly balanced distribution between environmental and social objectives in the portfolio, since the UN SDGs address both and we believe that both must be promoted in order to achieve long term sustainable development. The purpose of the Fund’s “non-sustainable” investments is to hold necessary ancillary liquidity. We have several tools for ensuring minimum environmental or social safeguards for all investments. For example, no investments will be made into certain sectors, and no investments will be made into holdings deemed Non-Compliant in the norms-based screening.

Monitoring of sustainable investment objective

Following investment, we monitor how our holdings (and hence the Fund) are achieving the investment objective by regularly updating our proprietary ESG tools (the ESG scorecard, the SDG VCA Tool and the climate dashboard). Furthermore, the portfolio is quarterly reviewed to confirm compliance with the sector-based and norms-based screening criteria, and the results of the review are reported to the Board and to the Investment Committee.

Methodologies

The key analytical tools we use are:

- (1) ESG Scorecard which contains over 50 questions related to environmental, social, and governance factors, and is filled in by analysts and calibrated with our ESG team,
- (2) SDG VCA Tool which identifies the two most material SDGs for a given company, and assesses how that company's activities impact those SDGs, and company dialogue, and
- (3) Climate dashboard, which looks at carbon intensity over time for all portfolio holdings as well as any climate targets the companies may have. This tool also helps us to produce more accurate portfolio carbon footprints than external providers, as we are able to manually input data from foreign language reporting.

Data sources and processing

We use a variety of data sources, including company reports and other ESG related disclosures, as well as external data sources. We process data by adding it to our proprietary ESG tools. We try to avoid using estimated data, specifically when assessing the attainment of the sustainable investment objectives. For example, with regard to alignment with the UN SDGs, if there is no data available, we will not give companies "the benefit of the doubt" by attributing positive impact.

Limitations to methodologies and data

Given the emerging market context, we do not always have the full information set that we require regarding how companies impact our sustainable investment objective. Where data is not available, we will ask companies and/or endeavour to make our own assessment on impacts through a variety of sources (including other stakeholders, peer companies, and local news).

Due diligence

As fundamental public equity investors, we do extensive research on companies prior to investment. The sustainability aspects of the companies are assessed using our proprietary tools, which are calibrated with and reviewed by our ESG team. We also use a norms-based screening from an external service provider. The Management and Board of Directors receive risk reports on a quarterly basis which include sustainability risks.

Engagement policies

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. We have an Active Ownership Policy, part of our ESG Policy, available on our website, which clearly sets out our approach towards active ownership.

Attainment of the sustainable investment objective

No specific index has been designated as a reference benchmark for the purpose of attaining the sustainable investment objective.

No significant harm to the sustainable investment objective

We ensure that sustainable investments do not cause significant harm through our Red Flag Analysis, sector-based screening, and norms-based (controversy) screening. These are also part of our “Three-Step-Test” for defining sustainable investments, in line with Article 2(17) of the Sustainable Finance Disclosure Regulation (SFDR).

Sector-based screening

The first step of the investment process is the sector-based screening, through which we exclude companies in sectors that we deem to have an unacceptably high risk of causing significant harm to the environmental or social objectives of the Fund; this includes any company known to generate >5% of its revenues from fossil fuels, tobacco, gambling, pornography, alcohol, and conventional weapons. The threshold is 0% for unconventional weapons.

Upon new investment, the investment team shall ensure that the new holding is compliant with the exclusion criteria for the Fund. In cases of doubt about compliance with the exclusion criteria, the investment team consults the ESG team. The portfolio is annually reviewed by the investment team to confirm compliance with the exclusion criteria. The portfolio is also screened for exposure to certain sectors on a quarterly basis using external data sources; the results are reported to the Board and to the Investment Committee.

Indicators for adverse impacts

With regard to how indicators for adverse impacts on sustainability factors are considered, such indicators are included in our proprietary Red Flag Analysis as well as in our proprietary ESG Scorecards and in our norms-based screening.

The Red Flag Analysis 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 covers 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, as stated in Annex I of Regulation (EU) 2019/2088. In order to assess this, we use a tool from an external service provider that compares the PAI Indicators for each company with a range of peer companies. Given the emerging markets context, not all PAI Indicators are available for each company, though we make best efforts in order to ensure there are no unacceptably high risks, for example operations in biodiversity sensitive areas.

On the climate indicators, we also have a climate dashboard that shows the carbon intensity (CO₂e / USDm of revenue) of every company, among other key metrics. These metrics are presented during bimonthly meetings, and outliers, based on either lack of disclosure or relatively high carbon intensity, are discussed in order to confirm the eligibility of the position as well as to initiate or follow up engagements with companies.

Compliance with international norms

With regard to whether investments are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, we assess companies in terms of compliance with international norms and standards as part of our controversy (norms-based) screening. This screening, provided by an external service provider, captures severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. Assessments are underpinned by references to the OECD

Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions.

Upon new investment, the investment team checks and confirms the status of the new holding in regard to norms and controversies as part of the Red Flag analysis. Furthermore, the Fund's portfolio is checked on a quarterly basis by the ESG team, which highlights any company that is on the Watchlist. The review is based on the results in the norms-based screening, information that has been publicly disclosed by issuers, as well as other relevant information that may have come to our attention.

The Fund will not invest in or hold any company that is deemed Non-Compliant with the above-described norms and standards.

Sustainable investment objective of the financial product

The Fund's objectives are long-term capital growth and positive contribution to the UN's Sustainable Development Goals (SDGs) through exposure to companies in emerging markets. As such, the Fund's holdings all drive positive SDG outcomes across their value chains as measured by our proprietary SDG value chain assessment tool, which is explained in a PRI case study [here](#). The Fund is also committed to have a total minimum proportion of 90% sustainable investments with an environmental and/or a social objective.

A reference benchmark has not been designated for the purpose of attaining the sustainable investment objective pursued by the Fund.

Investment strategy

Investment criteria

The Fund aims to achieve long-term capital appreciation and positive impact on the Sustainable Development Goals through exposure to companies in emerging markets. The strategy is based on a robust investment process driven by our seven investment criteria. These are:

1. *Access to structural growth*
2. *Long term competitive position and strong management*
3. *Strong free cash flow or highly profitable investments*
4. *Areas where there is difference from consensus*
5. *Reasonable valuation or significant upside*
6. *East Capital ESG Score above 70%*
7. *East Capital SDG Value Chain Analysis score greater than or equal to 25*

These criteria, complemented with an 'on-the-ground' approach, means the Fund has a high active share (typically above 70%) and significant proportion of off-benchmark stocks. The investment team incorporates a strong top-down lens (i.e., analysing top-down factors that may cause a stock to underperform despite strong

fundamentals), consensus-based decision-making process and dynamic allocation approach to reduce the impact of bias on investment decisions and sell down positions in which the team no longer has high conviction.

The robust ESG integration at all stages of the process helps to create a high-quality portfolio with relatively lower risks than the market average and to identify areas with strong structural growth. We aim to be broadly country neutral and have a maximum relative weight of 4% per company.

Binding elements

There are three key binding elements of the investment strategy used to select the investments to attain our sustainable investment objective:

1. Sector-based and norms-based screening

When selecting themes or potential names to invest into, we first screen out sectors that are deemed to have an unacceptably high risk of causing significant harm to the environmental or social objectives of the Fund; this includes companies with >5% of their revenues from fossil fuels, weapons, tobacco, gambling, pornography and alcohol. Companies considered in breach of the UN Global Compact principles and other international norms are also screened out, as well as companies that have more than 3 Red Flags in the Red Flag Analysis. In terms of investment ideas and themes, we look for alignment with the UN SDGs, for example energy storage, inclusive finance or healthcare.

2. SDG VCA Tool Score of at least 25

When we have identified potential investment ideas, different sustainability aspects are discussed, and the Sustainable Development Goals (SDG) Value Chain Assessment (VCA) is completed.

The tool identifies the two SDGs that are most material to a company’s value chain and looks at metrics created by the Sustainable Accounting Standard Board (now part of IFRS Foundation) as well as revenue alignment to assess how a company’s activities impacts those SDGs. This is done on a current and forward-looking basis. In order to be classified as having a positive impact, we require 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.

We believe that SDGs outcomes are broadly evenly split between environmental and social objectives, as follows. This ensures that the Sub-Fund addresses both social and environmental objectives, which is described in more detail in the section about the Sub-Fund’s asset allocation.

	SDG	Environmental or social objective?
1	No poverty	Social
2	Zero hunger	Social
3	Good health	Social
4	Quality education	Social
5	Gender equality	Social
6	Clean water	Environment
7	Clean energy	Environment
8	Decent work	Social

	SDG	Environmental or social objective?
9	Industry innovation	Social
10	Reduced inequalities	Social
11	Sustainable cities	Environment
12	Responsible consumption & production	Environment
13	Climate action	Environment
14	Life below water	Environment
15	Life on land	Environment
16	Peace institutions	Social

The tool uses a simple five-point rating system: strong positive impact, weak positive impact, neutral impact, weak negative impact, strong negative impact. Impact is assessed using the four principles identified below:

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?

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. As part of ensuring that no investments cause significant harm, the Tool also looks at whether the company's activities are significantly misaligned with any of the SDGs.

As such, the VCA Tool produces a score from -100 to +100. The score is a simple average of the current impact and expected impact over the next three to five years for the two material SDGs. For each of these four parts of the tool, 100 is given for strong positive impact, 50 for weak positive impact, zero is given for neutral impacts, -50 for weak negative impact and -100 for strong negative impact.

The Fund will only invest in companies with a score of 25 or over. As such, we consider that all holdings drive net positive SDG outcomes across their value chains.

3. *Company is classified as sustainable as per our Three-step-test*

In order to attain the sustainable investment objective, the Fund is committed to have a minimum proportion of 90% sustainable investments with an environmental and/or a social objective. To be classified as a sustainable investment, i.e., an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices, as outlined in Article 2(17) of Regulation (EU) 2019/2088, a company must satisfy all of the following criteria:

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

Step 1: >60% scores in the E and S sections of the ESG scorecard, which includes sustainability indicators and other information related to E and S objectives

Contribution to E and/or S

Step 2: No Red Flag related to environmental or social issues

No significant harm to E or S AND

Compliant in controversy (norms-based) screening and in sector-based screening¹

Step 3: >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

Good governance practices

AND

No more than 2 Red Flags related to governance issues

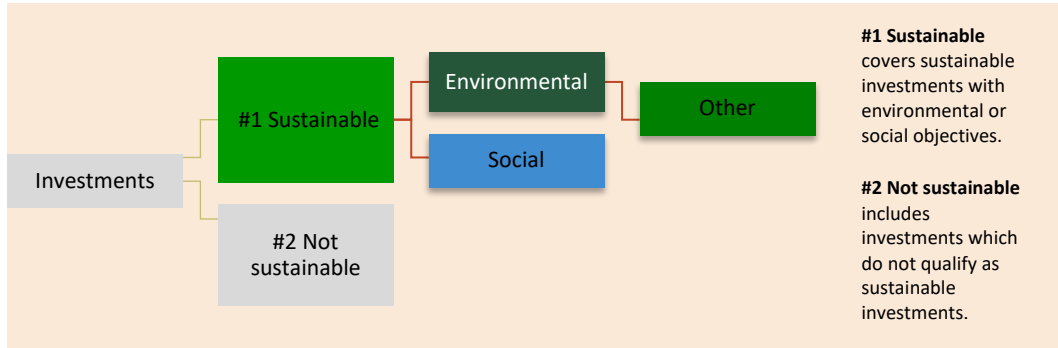
The environmental and social sections in the ESG Scorecard consider how well a company manages any material environmental and social risks and opportunities that it is exposed to. The sections contain specific questions and indicators in key areas such as biodiversity, climate change, water usage, supply chain management, and labour rights. As such, if a company has a score of >60% in both of these sections, we consider that the company contributes to relevant environmental and/or social objectives through effective management of risks and opportunities related to those objectives.

Assessment of good governance practices

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance. We assess governance practices of companies in our proprietary Red Flag Analysis, which includes questions on management structures, accounting standards, audit quality, social factors, and tax compliance. In addition, our proprietary ESG Scorecard is used to assess good governance practices at a granular level. The ESG Scorecard's Governance section contains 40 questions on topics such as capital allocation, board and management structure, employee relations, and transparency.

¹ The **norms-based screening** captures severe, systemic and structural violations of international norms as enshrined by the UN Global Compact Principles. 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. The **excluded sectors** are weapons, tobacco, pornography, gambling, alcohol and fossil fuels.

Proportion of investments



The Fund’s objectives are long-term capital growth and positive contribution to the UN’s Sustainable Development Goals (SDGs) through exposure to companies in emerging markets. The Fund only has direct exposure in investee entities.

A minimum proportion of 90% of total investments are classified as sustainable in our “Three-Step-Test”, which is based on the definition of sustainable investments in Article 2(17) of Regulation (EU) 2019/2088. Furthermore, these companies score at least 25 in the SDG VCA tool.

The Fund will invest at least 10% in sustainable investments, with an environmental objective that are not aligned to the EU Taxonomy and in sustainable investments with a social objective, respectively. Subject to this minimum, the Fund may flexibly allocate between the different types of sustainable investments based on availability and attractiveness of investment opportunities, whilst keeping the aggregate allocation to sustainable investments with environmental and/or social objectives to a minimum of 90%. In general, we strive to have a broadly balanced distribution between environmental and social objectives in the portfolio, since the UN SDGs address both kinds of factors and we believe that both environmental and social characteristics must be promoted in order to achieve long term sustainable development.

The purpose of the Fund’s “non-sustainable” investments is to hold necessary ancillary liquidity, in accordance with the guidance from the European Commission (SFDR EC Q&A 14/07/21). We are of the opinion that these investments do not hinder the Fund from delivering on its sustainable investment objective.

We have several tools for ensuring minimum environmental or social safeguards for all investments. For example, no investments will be made into certain sectors, and no investments will be made into holdings deemed Non-Compliant in the norms-based screening. In addition to the screening done for each company prior to investment, the portfolio is screened quarterly and all companies on the Watchlist are highlighted.

Monitoring of the sustainable investment objective

Following investment, we monitor how the Fund’s holdings are achieving the investment objective by updating our proprietary ESG tools (the ESG scorecard, the SDG VCA Tool, and the climate dashboard) when new information has come to the attention of the investment team, for example when a company updates its sustainability disclosures, when there are news about the company, or when we have company meetings. If any new information about a company would lead to revised scores or assessments, such that the company falls below our thresholds for sustainable investments (the Three-Step-Test) or no longer lives up to our minimum safeguards criteria, we would sell out of the name.

Furthermore, the portfolio is quarterly reviewed to confirm compliance with the sector-based and norms-based screening criteria, results of the review are reported to the Board and to the Investment Committee. The quarterly review includes measurements of the proportion of sustainable investments, as to ensure compliance with the minimum proportion of sustainable investments.

Methodologies

The ESG Scorecard

Analysts and portfolio managers fill in an ESG Scorecard for each holding in the Fund. The Scorecard contains over 50 questions related to E, S and G, and covers several sustainability indicators that are used to measure the attainment of the sustainable investment objective, including, among others:

- disclosure according to relevant standards and support for key initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD), CDP, the Sustainability Accounting Standards Board (SASB), the UN Global Compact and the Science Based Targets initiative (SBTi),
- understanding and management of environmental and social risks and opportunities, including sustainability competence at board level, relevant policies, and how ESG and sustainability risks are addressed in the value chain ,
- support for labour and human rights,
- revenue exposure to the UN's Sustainable Development Goals (SDGs), and
- key corporate governance indicators such as, among others, capital allocation, board composition, auditor tenure, management structures, corruption, cyber security, remuneration of staff and tax compliance.

The ESG Scorecards structure our review of relevant and material ESG risks and opportunities. By filling in and regularly updating the Scorecards, we ensure that the entire investment team integrates relevant and material sustainability related risks and opportunities in their fundamental analysis, ensuring holistic assessments of company quality as well as attainment of the Fund's sustainable investment objective.

The SDG VCA Tool

In addition to the sustainability indicators in the ESG Scorecard, the Fund uses a proprietary tool called the SDG Value Chain Assessment (VCA). The tool identifies the two most material SDGs for a given company and requires an assessment of how that company's activities impact these SDGs, both currently and forward-looking. In the SDG VCA, impact is based on the concepts of materiality, intentionality, additionality and criticality and each company receives a score ranging from -100 to 100. This tool is critical in identifying how the Fund's investments are aligned with the investment objective.

The Fund typically only invests in holdings receiving a score of 25 or above; upon the introduction of the Tool, six companies were removed due to having an unacceptably low SDG VCA score. Since all of the Fund's holdings have a score of at least 25, we consider that all holdings drive positive SDG outcomes as measured by this Tool.

Company dialogues

When a new company is added to the portfolio, we will write to the company to set out our expectations, and will likewise engage with the company on behalf of the Fund if the company analysis has shown material sustainability risks or opportunities on which we can have an impact.

Data sources and processing

We use a variety of data sources, including company reports and ESG related disclosures, as well as external data providers such as Bloomberg and Refinitiv. We also collect information by having dialogues with company representatives and making company visits. This is especially relevant in the context of emerging markets, where ESG disclosure is still not at the level where we would like it to be.

We process data by compiling it into our proprietary ESG tools, as discussed above. In terms of data quality, we have a strong preference for audited sustainability data, although we accept that this is not always available. Our way of combining external providers' data with our own in-house research and on-the-ground presence also contributes to ensuring data quality.

We try to avoid using estimated data, specifically when assessing the attainment of the sustainable investment objectives. For example, with regard to alignment with the UN SDGs, if there is no data available, we will not give companies "the benefit of the doubt" by attributing positive impact. Since our sustainability and impact analysis are mainly based on primary data sources rather than estimates, which are only used given that certain conditions are fulfilled (described above), the proportion of estimated data is 0%.

Limitation to methodologies and data

Given the emerging market context, we do not always have the full information set that we require regarding how companies impact our sustainable investment objective. For example, as of December 2022, only 66% of the companies in the Fund's portfolio reported Scope 1 and 2 carbon emissions. Although company disclosure in emerging markets is rapidly improving, the lack of data is an important limitation to our methodologies outlined above.

Where data is not available, we will ask companies and/or endeavour to make our own assessment on impacts through a variety of sources (including other stakeholders, peer companies, and local news). We do not believe this negatively impacts the attainment of the sustainable investment objective, because we always take a conservative approach with estimations, i.e., we will not give companies the benefit of the doubt in any circumstance.

Due diligence

As fundamental investors, we do extensive research on companies prior to investment. Companies' sustainability aspects are assessed using our proprietary tools, as presented above.

We apply a norms-based screening from an external service provider prior to investment, to ensure that the underlying holdings comply with international norms, standards, and underlying conventions, with regards to human rights, labour rights, the environment, and business ethics. On a quarterly basis, we check that our sector

exclusion criteria are not breached by any holding; on an annual basis, the investment management team reviews and confirms the compliance with the exclusion criteria.

The ESG Scorecard and sustainability related research is completed by the analyst or portfolio manager covering the stock, however, the Scorecard will also be reviewed by the ESG team (typically the Chief Sustainability Officer), to ensure consistency and robustness of the research. The Scorecards are updated when needed and at least once a year.

Furthermore, the Management and Board of Directors receive risk reports on a quarterly basis with the inclusion of sustainability risks. Internal and external ESG research data is used for regular monitoring of sustainability risk, both on fund level and company level. Any material findings are being reported in the risk report provided to the Management and Board of Directors.

Engagement policies

We consider good corporate governance as well as environmentally and socially responsible behaviour as essential in managing a company with the aim of maximising long-term shareholder value.

There are several issues that we address as owners, including but not limited to: equitable treatment of all shareholders, compliance with international conventions and norms, board and management quality, capital allocation issues, communication and disclosure practices, reporting and auditing, environmental and social risks and opportunities, and business ethics.

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, including in the case of sustainability-related controversies, 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.

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 will likely divest our holding.

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

- Face-to-face discussions with managements and boards in company visits,
- Letters addressed to the management of our portfolio companies, highlighting key issues of concern including explicit requests for additional information,
- Annual "CIO to CEO Letter" and "Letter from your new shareholder" upon addition to portfolio,
- 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, and
- Providing our clients with various forums for interaction with local portfolio companies.

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

Attainment of the sustainable investment objective

No specific index has been designated as a reference benchmark for the purpose of attaining the sustainable investment objective.