

East Capital Global Emerging Markets Sustainable H2 2023 Impact Report

This report sets out the Principal Adverse Impact (“PAI”) indicators according to the EU’s Sustainable Finance Disclosure Regulation (“SFDR”). It then highlights the key metrics the portfolio management team uses to assess the impact of the fund’s investee companies on the surrounding world.

	Units	Metric		% Coverage	
		Fund	Benchmark ¹	Fund	Benchmark ¹
Climate and other environment-related indicators					
Scope 1	Tonnes	2,764	-2	73%	79%
Scope 2	Tonnes	2,882	-2	73%	79%
Scope 3	Tonnes	9,845	-2	71%	79%
Carbon footprint	Tonnes / EURm invested	35	195	73%	80%
GHG intensity (Scope 1 + 2)	Tonnes / USDm revenue	86	305	68%	80%
Exposure to fossil fuel sector ³	%	1	9	92%	100%
Non-renewable energy consumption	%	84	86	52%	65%
Non-renewable energy production	%	0	7	34%	31%
Negative biodiversity impact	%	0	4	92%	100%
Emissions to water	Tonnes / EURm invested	0.00	0.00	0%	1%
Hazardous waste	Tonnes / EURm invested	1.3	14.0	74%	78%
Social and employee indicators					
Violation of UNGC or OECD guidelines ⁴	%	0	7	92%	100%
Lack of compliance mechanisms	%	68	67	89%	98%
Gender pay gap	%	0	1	0%	0%
Female board members	%	16	17	92%	99%
Controversial weapons ⁴	%	0	0	92%	100%
Voluntary indicators					
Lack of deforestation policy	%	87	86	89%	99%
Lack of human rights policy	%	16	25	86%	99%

- Our fund’s **GHG intensity is 72% below the benchmark**; primarily because we do not invest in fossil fuel companies and because we do consider carbon intensity versus peers as part of the investment process. We would typically not invest in companies with a carbon intensity considerably above peers.
- Our **fund’s exposure to negative biodiversity impact / hazardous waste is nil / very low**, we would not invest in such names according to our processes as we actively avoid misalignment with SDGs.
- Violation of global guidelines are part of our exclusion screening process.
- Due to lack of data on gender pay gap in emerging markets, we focus on **board gender diversity**. Our fund performs worse than the benchmark, partly due to our strong bias towards small and mid-caps names. Currently 16% of the board members of the fund’s holdings are female, a slight improvement from 14% in the previous period. This remains a key engagement priority of ours.

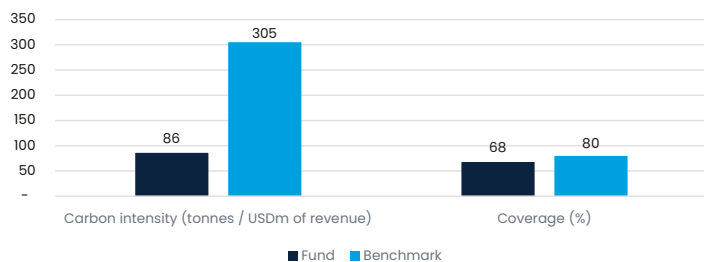
¹ MSCI Emerging Markets Index. No specific index has been designated as a reference benchmark for the purpose of attaining environmental or social objectives.

² We do not report data for the benchmark because this is an absolute measure that is related to the size of the fund, i.e. owning 1% of a company with 100 tonnes of Scope 1 emissions would result in 1 tonne of Scope 1 emissions attributable to the fund.

³ This relates to a port management company whose fossil fuel exposure is insignificant (i.e. less than 5%) and purely for internal use.

⁴ While coverage by the data provider is below 100%, our investment and screening processes imply full portfolio coverage on this parameter.

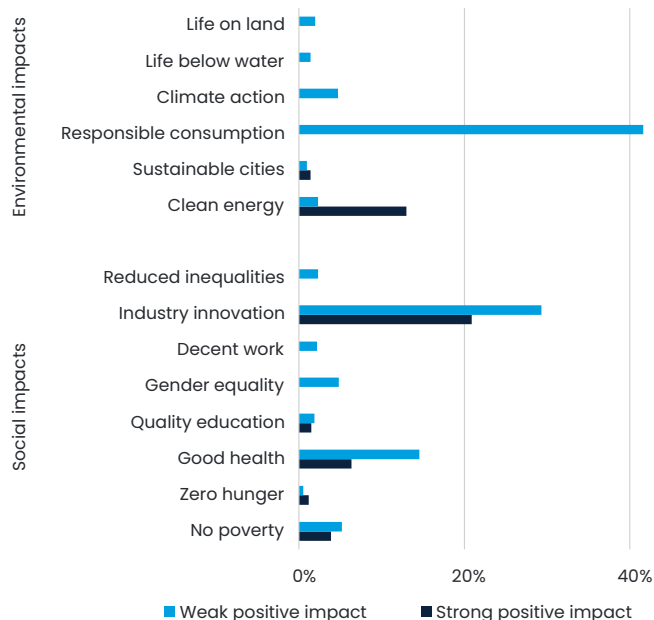
Carbon intensity versus benchmark



- We typically consider carbon intensity as one standard, easy-to-compare metric when assessing companies.
- Data coverage has been increasing, in part due to engagement efforts from investors like ourselves; for example, we actively participate every year in the CDP Non-Disclosure Campaign to **improve climate related data** in portfolio companies. Beyond disclosure efforts, we participate in Climate Action 100+ and Net Zero Engagement Initiative.

SDG impact

- We assess SDG impact using a proprietary tool, which is explained in detail in a [PRI case study](#) and was recently selected as a [best practice responsible investment example for China](#).
- East Capital SDG VCA (value chain analysis) combines revenue exposure and SASB mapping to identify the two most material SDGs for a company's value chain. The tool gives a score of -100 to 100, based on current impact and 3-5 year outlook. Impact is assessed based on materiality, intentionality, additionality and criticality.
- We currently assess that **57%** of the fund has a **strong positive impact** on one or more SDGs. Because we require a score of above 25 ("weak positive impact") to be included in the portfolio, **100%** of our companies have **a positive impact on one SDG**.



Case studies

Sustainable cities

Empower, the world's largest district cooling company. District cooling is 50% more energy efficient than air conditioning, crucial in UAE where A/C accounts for 70% of overall GHG emissions.

Clean energy

Renew, India's largest renewable energy company by total energy generation capacity, with a total portfolio of 13.7 GW as of Q2 2023, around 11% of India's total renewable capacity (excluding hydro).

Industry and innovation

Sungrow, one of the world's largest inverter companies, provides a key input for the solar value chain, and makes significant steps to decarbonise its own operations, achieving 45% renewable power usage in 2022, and targeting 100% by 2028.

Good health

Oncosclinicas, Brazil's leading cancer clinics and labs chain, uses partnerships with first tier US institutions to bring latest treatments to Brazil.

No poverty

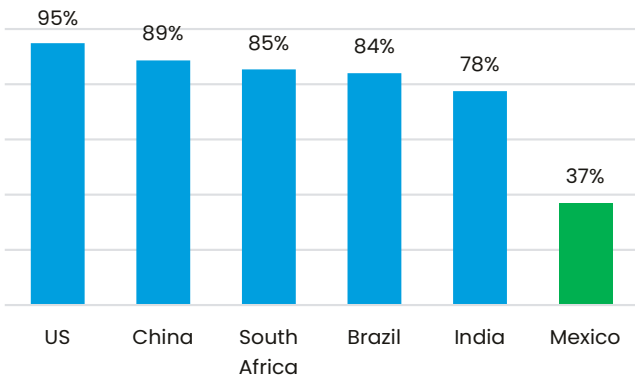
Gentera is the leading microfinance institution in Mexico and Peru and provides financial services to the underserved segment in the region. They have been the gateway for more than 13m people to the financial system.

Stewardship

- For 2023, we voted at **87** meetings (95%) of the 92 shareholder meetings where we were able to vote; in **28** meetings (30%) we voted against some items (**10%** of the votable items).
- We voted against items that are not aligned with [our voting policy](#), such as insufficient gender diversity at board level or overly long auditor tenure.

Voting is the least we can do in terms of exercising our shareholder rights, and we typically follow up with management when we vote against items to ensure they understand the rationale for our actions.

Case study: SDGs as a lens for structural growth, % of population aged 15+ with a bank account (2021)¹



In H2 2023, we visited Mexico and went out into the field with a microfinance company, Gentera, which we invest in.

Mexico has a very low level of financial penetration which provides exceptional structural growth opportunities for the bank.

In the picture, Portfolio Manager David Nicholls is visiting a long-time client of Gentera, a shopkeeper, who has enjoyed 16 disbursements from the bank; she was very positive about the service and the rates offered by the bank compared to competitors.



Sustainable investment definition

- ESG analysis at East Capital is done by the Portfolio Managers and Analysts who cover the companies using robust proprietary tools, such as East Capital ESG scorecard and East Capital SDG VCA.
- We classify “sustainable investment” using 3 binding elements that leverage the results of these proprietary tools. These elements are outlined to the right.
- As of 31 December 2023 we assess that **97%** of the fund can be classified as sustainable. There are two companies that do not meet our criteria due to low ESG scores. These holdings, however, meet the minimum safeguards to the extent they are not an excluded sector and have a good track record. We also hold a small amount of cash for liquidity purposes, which also cannot be classified as a sustainable investment.

1. Sector based and norms-based screening

- Companies with >5% of their revenues from fossil fuels, weapons, tobacco, gambling, pornography and alcohol;
- We also use a third-party provider to check for breaches of UN Global Compact.

2. SDG VCA tool of at least 25

- This ensures companies have a net positive impact on the SDGs - we have removed 6 companies due to too low a score and screened out many more.

3. Company is classified as sustainable as per our “three step test”

- Contribution to E and/or S >60% score in E&S section of ESG scorecard.
- No significant harm to E or S No red flags related to E&S issues and compliance in screening.
- Good governance practices >60% in G section of ESG scorecard and no more than 2 red flags related to G.

¹ Source: World Bank Global Findex Database

Important information: Investment in funds always involves some kind of risk. Past performance is no guarantee for future performance. Fund units may go up or down in value up and investors may not get back the amount invested. Full information on East Capital’s funds, such as the prospectus, key information document in English and financial reports can be obtained free of charge from East Capital, from our local representatives and are available on East Capital’s website. The availability of East Capital’s funds may be limited or restricted in some countries. The information about East Capital’s funds is only directed at those investors located where East Capital is authorized to make this information available and is not intended for any use which would be contrary to local law or regulation. Every effort has been made to ensure the accuracy of the information herein, but it may be based on unaudited or unverified figures and sources, for which under no circumstances East Capital shall be answerable.