



CLIMATE TRANSPARENCY REPORT 2020

East Capital

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020-1071AC47-88F9-4B19-B9C9-07206AB92753/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	-	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Private				
SG 14.7 CC	-	Private				
SG 14.8 CC	✓	Private				
SG 14.9 CC	✓	Private				
SG 15.1	✓	Public				
SG 15.2	-	Public				
SG 15.3	-	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS

Name	East Capital
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ 5 - 9.99 billion AUM
Main Asset Class	>50% Listed Equity Internally Managed
Signed PRI Initiative	2012
Region	Europe
Country	Sweden
Disclosure of Voluntary Indicators	90% from 38 Voluntary indicators

East Capital

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1 Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Given that a significant proportion of our assets are invested in Russian equities, we view transition risks as highly material. In 2019/2020 we rolled out a proprietary model that analyses how sensitive our portfolios are to two carbon pricing scenarios. The first scenario is what we see as a realistic base case, and the second scenario is based on the IEA 2C scenario. The analysis is bottom-up, and where emissions data is not disclosed by companies we used rough estimates based on disclosed information where possible. The model produces outputs per company and for the portfolio as a whole and investigates the impact on EBITDA until 2050 and valuation as implied by the discounted cash flow method. The exercise yielded some highly interesting insights, helped raise awareness among the analyst/PM team with regards to climate exposure (as they were the ones that did the exercise) and has informed our engagement priorities for 2020.

We plan to roll this model out to the other countries in 2020-2021 and start to model physical risks. For the time being, physical risks and opportunities are considered in the environmental section of our ESG scorecard. We engage with companies that are exposed to climate related risk and opportunities but fails to manage it in an adequate way. We engage on our own but also through company dialogue together with Climate Action 100+.

In terms of products, in early 2019 we launched our sustainable emerging market fund, with an explicit exclusion criteria for fossil fuel (oil, gas and coal) producers, a structural overweight on companies well placed to benefit from the transition to a lower-carbon environment.

No

SG 01.7 CC Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

The transition scenario analysis, discussed in SG 01.6 CC, puts explicit timelines on the transition risks, through the carbon pricing that the companies will have to pay. Our base case carbon pricing scenario assumes that EU carbon border taxes will be imposed for steels and aluminium exporters by 2022. Such taxes are already being actively discussed by the European Commission under the green energy package.

The case for oil and gas producers is slightly less unclear, though we also expect that within the next five years, the companies will have to pay implicit or explicit carbon prices for their emissions on at least exports.

We also assume that by 2030, Russia will also have some form of carbon pricing, albeit it at a lower level than in Europe.

No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?
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Yes

No

SG 01.9 CC	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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Yes

	Describe
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Today, more than ever, we specifically like identifying the companies we see as "solution providers" to global sustainability related challenges - the companies that will contribute to the world successfully achieving the 17 Sustainable Development Goals and ensuring that future generations will be able to live in "the world we want".

In regards to climate related risks and opportunities on a company level, we have included specific questions in our proprietary ESG Scorecard to help us understand and consider a company's exposure and response to climate change within the context of its operations, its business and physical locations in order to make an assessment of the potential financial implications in terms of CapEx or OpEx, but also potentially make adjustments to our assumptions of future revenues, assets, liabilities. We are yet to see companies start reporting according to the recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), so our conclusions are still largely our own qualitative assessment of the management's and board's awareness, understanding and readiness to effectively strategize around and manage both risks and opportunities. Our conclusions from our ESG Scorecard may lead us to avoid investing, adjust our level of conviction or reassess our modelling assumptions.

Any specific conclusions on significant exposure to climate related issues in certain holdings, sectors, regions or portfolios are discussed and acted upon within the respective investment teams.

No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 07.5
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**SG 07.6
CC**

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

An ESG report is produced and communicated to the board on a quarterly basis. The ESG report cover our ESG framework, results and changes during the given period. Hence, ESG is an integral part of East Capital's quarterly board meetings.

**SG 07.8
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other
- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

ESG issues in asset allocation

SG 13**Mandatory****Public****Descriptive****PRI 1****SG 13.1**

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

Describe

In 2019 / 2020 we rolled out a proprietary model that analyses how sensitive our portfolios are to two carbon pricing scenarios. We primarily focused on our Russian holdings for this year, as this is where the largest portion of our assets are.

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13.3

Additional information. [OPTIONAL]

Our investment philosophy means we have a structural overweight in high-quality domestic stocks with strong ESG profiles. The result of this is that we have an underweight in sectors with poorer ESG profiles (for example state run energy companies) and countries (for example Poland, where 72% of the main index is state-owned and there are significant governance issues).

SG 13.4 CC	Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.
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- Initial assessment

Describe

In 2019/2020 we rolled out a proprietary model that analyses how sensitive our portfolios are to two carbon pricing scenarios. The first scenario is what we see as a realistic base case, and the second scenario is based on the IEA 2C scenario. The analysis is bottom-up, and where emissions data is not disclosed by companies, we used rough estimates based on disclosed information where possible. The model produces outputs per company and for the portfolio as a whole and looks at impact on EBITDA until 2050 and valuation as implied by the discounted cash flow method. We focused our efforts on our Russian holdings this year, and the analysis suggested that 15% of our Russia Fund's portfolio value was at risk in our base case and 39% under the 2C scenario, based on discounted cash flow valuation. However, even more interesting was the specific impact on companies, particularly steel companies, and the total lack of climate awareness among certain non-exporting companies. The latter will be a key engagement point going forward.

We plan to roll this model out to the other countries and strategies in 2020-2021 and start to model physical risks. We will also likely update our scenarios, based on regulatory developments and scientific research.

- Incorporation into investment analysis

Describe

Our ESG analysis is fully integrated in each step of the investment processes and is an essential part of our fundamental analysis.

- Inform active ownership

Describe

We engage with targeted companies which we consider are exposed to climate change but does not managing the risk in an adequate way. We engage through letters, meeting with C-suit level, board of directors and collaborate with other asset managers and initiatives.

- Other

SG 13.5 CC	Indicate who uses this analysis.
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- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6
CC**

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

Yes, the scenario analysis in SG 13.4 GC extends until 2050 which is well beyond our investment horizon.

No

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input checked="" type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input type="checkbox"/> Other (1)	
Other	<input checked="" type="checkbox"/> Other (2)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (2) please specify:</div> "Base case" created by us
Other	<input type="checkbox"/> Other (3)	

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)

other description (1)

We address companies' contribution to the Sustainable Development Goals as part of our ESG analysis allowing us to capture emerging companies contributing to the Agenda.

- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM			49	874	418
Currency	EUR				
Assets in USD			54	976	636

Specify the framework or taxonomy used.

East Capital Global Emerging Markets Sustainable invests in issuers whose products, services, technologies and infrastructure bring sustainable development solutions globally, among other types of investments. The fund's investment universe consists of companies in a variety of sectors, including clean energy and energy efficiency. Environmental, social and governance factors may directly influence the long-term business profitability of companies therefore the fund intends to gain exposure to companies that successfully manage sustainability risks and/or contribute to sustainable development in Emerging Markets. Company sustainability ratings are generated, and constantly assessed and updated, based on a proprietary ESG scorecard system.

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify
- None of the above

SG 14.5

Additional information [Optional]

In 2019/2020 we rolled out a proprietary model that analyses how sensitive our portfolios are to two carbon pricing scenarios. We primarily focused on our Russian holdings for this year, as this is where the largest portion of our assets are. Moreover, we conduct carbon exposure analysis which is a systematic assessment of the carbon risk and opportunities within some of our portfolios.

SG 15

Mandatory to Report Voluntary to Disclose

Public

Descriptive

PRI 1

SG 15.1

Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes
- No