

Managing corporate governance risks and opportunities

East Capital Explorer has two documents that define and describe the ESG perspective in relation to our investments; The Principles of Responsible Investments and The Code of Conduct. East Capital acts as an active owner on behalf of and in close collaboration with East Capital Explorer.

Frontier and emerging markets are, by definition, more complex than more developed markets. This may include - to a varying degree - weaker frameworks and legal systems and a shorter history of managing and developing policy on issues related to corporate governance, democracy, human and labour rights, environmental challenges and corruption. We have seen significant developments and markets in our investment region maturing considerably since East Capital was founded in 1997. We are confident that this development will continue, albeit at varying pace and not always in a linear manner. It is East Capital's experience and firm belief that foreign investments, over time, contribute to positive development in less developed markets, as constructive engagement in most cases is seen to have greater positive effect than exit or isolation.

It is clear that there are corporate governance risks in all markets, not only in those that are more complex. All countries have their own culture and ground rules such as the legal system, regulatory frameworks, codes or local best practices. Investors need to be attentive of the specific rule set on each market which determines investors' expectations on the market place and market specific risks. Specialist investors, with an active stock picking approach such as East Capital, can leverage their knowledge, experience, local resources and network to make more informed investment decisions and avoid unnecessary risks.

We believe we stand a lot to gain by being as well-informed as possible, including trying to understand and assess relevant and material Environmental, Social and Governance (ESG) related risks and opportunities and how these may impact the long term value and position of a company. Typical corporate governance factors include, among other things; who are on the executive management team and on the Board of Directors? Is the current shareholder structure supportive for minority investors? Is the company sufficiently transparent and are reports and communication clear and dependable? We view challenges related to environmental and social issues as clear management and board issues, and therefore include them in our corporate governance reviews. In our investment region, East Capital is among the most active foreign



Louise Hedberg during a visit to the steel company Severstal in St. Petersburg.

investors which includes voting at general shareholders meetings, engaging in constructive direct dialogue with companies on issues which are key to creating shareholder value, nominating independent board members and collaborating with other investors.

Activities during 2014

Private Equity

In the Private Equity-investments, East Capital acts as an active owner on behalf of East Capital Explorer. This includes maintaining regular dialogue with company management teams and other shareholders, being represented on the board, filing resolutions and voting at shareholders' meetings. The more significant influence that we typically have in these companies also allow us to work together with the companies to set and deliver on relevant and material ESG targets. Our investment managers' perspective on the ESG factors in East Capital Explorer's two most relevant Private Equity-investments are described further below.

Starman

The ESG issues related to Starman's sector are more limited than in many other sectors. Starman's direct environmental impact is more limited since the company rents capacity in existing networks. The company has already implemented certain energy efficiency measures in the main premises in Tallinn which are both innovative and have had a positive effect on costs. Among social factors, Starman's share of what can be categorised as pornographic content remains insignificant. Starman's entrepreneur driven structure makes the governance perspective and issues such as management and board composition and succession planning relevant. In March 2014, we sadly and very unexpectedly saw

the passing of Peeter Kern, CEO and one of the two Starman founders. Thomas Tiivels, deputy CEO, was able to immediately assume the CEO position which allowed the continued smooth running of operations. Although Peeter Kern's great personality and innovative ideas are greatly missed, we are very confident that the Starman will continue to grow and develop in the same spirit. In May, Starman's board was strengthened with further industry expertise with Johnny Svedberg, formerly responsible for Tele2's business in Russia and Baltics, joining the Board at the AGM.

Melon Fashion Group

In Melon Fashion Group the most relevant and material ESG targets are currently to develop a responsible purchasing programme (supply chain) as well as continue to build best practice corporate governance which includes composing a suitable board and establishing routines for professional and timely financial reporting.

During 2014, MFG continued to develop the responsible purchasing programme that was launched in 2013. Activities included updating the Code of Conduct that all current suppliers and new suppliers must sign and adhere to, initiating factory audits aimed at reviewing both technical and social aspects and continuing the fabric testing process that was initiated in 2013. On the governance side the board is currently well composed with significant sector expertise from global retail concepts including IKEA and H&M as well as clothing brands such as Polarn&Pyret. Over the past couple years, MFG's reporting has significantly improved and the company now publishes its financial reports in accordance with IFRS. During the fall, East Capital Explorer began to publish MFG's results

on its website which contributes to further transparency (www.eastcapitalexplorer.com/en/investors-media/financial-reports). To be able to work closer to the company amid the turbulence in Russia, it was in December decided that Kestutis Sasnauskas, head of Private Equity and partner of East Capital and the Chairman of MFG, would step in as acting CEO after the previous CEO had stepped down, while David Kellerman would resume the position as Chairman.

Indirect investments through funds

Utilizing our shareholder rights

During 2014, the investment manager continued to, where possible, utilizes its right to nominate independent candidates to boards and participate in nomination committee processes in the listed companies held in the funds. Where East Capital is not able to nominate a director on its own, nominations may be filed in collaboration with other minority investors. In total, East Capital contributed to electing a total of 13 independent directors in companies held by funds in East Capital Explorer's portfolio, 7 of which were in Russia, 5 in the Balkan region and 1 in Georgia. During the 2014 AGM season, the investment manager was the most active ever in exercising its voting rights, voting in more than 30 companies held in funds included in East Capital Explorer's portfolio.

Engagement and dialogue

East Capital is continuously engaging with a number of portfolio companies and institutions on specific governance topics such as protecting minority rights in conjunction with corporate actions such as share capital increases, effective capital structures and dividends or improving transparency. During the year, the investment manager initiated a legal action in one of the holdings in the East Capital Deep Value fund, where East Capital did not agree with the fair value offered to minority investors in a management buy-out of the company. The aim of the legal action is to secure a higher fair value which would positively contribute to the value of the fund.

In addition to the many company meetings dialogues and engagements carried out directly by East Capital's investment team, East Capital is also a member of an external engagement forum, joining forces with other investors to initiate a dialogue with the companies that are alerted to have confirmed violations of international conventions and norms in the norms based screening process that East Capital carries out twice per year. The ultimate aim is always to initiate and support positive change in the company.



Company visits offer a good opportunity to raise and discuss ESG related issues. Picture taken during Peter Elam Håkansson's visit at Bank Saint Petersburg's headquarters.

The following ESG tools are currently applied to all Public Equity funds, Private Equity funds, Real Estate funds as well as special fund products managed by the East Capital Group:

- **Exclusion criteria:** East Capital does not invest in any company knowingly producing weapons, tobacco products or pornography or known to generate a significant part of its turnover from sale of such products.
- **Norm-based screening:** East Capital conducts a norm-based screening on all portfolios on a semi-annual basis using external service providers. The screening alerts East Capital of any holdings that are alleged to have breached the spirit of international conventions and norms on human rights, labour standards, environmental pollution, health & safety or bribery. The screening results can be used as an input for any decision to initiate an engagement dialogue with the company.
- **Voting and Engagement:** East Capital's general policy is to exercise voting rights if it is deemed to be in the best interest of the investors. The Investment Manager will reach their voting decisions independently and will not delegate decision making to any third party, although they may take third party recommendations into consideration.

East Capital will also evaluate whether it is relevant and suitable to initiate an engagement dialogue with portfolio companies that, in East Capital's view, do not

satisfactorily manage the ESG risks and opportunities relevant to their operations. East Capital's experience has shown that an engaged dialogue usually has greater impact on a company - as opposed to simply exiting the investment - and will more often lead to convincing the company to initiate positive change. An exit may, however, be used as a last resort if a company does not respond in an adequate manner.

- **Guiding policy documents:** Both guiding policy documents were adopted by the Board in 2008 and are revised annually.

The Principles of Responsible Investment specifies our expectations on East Capital to implement an investment process that includes both the financial outlook as well as an assessment of risks and opportunities related to relevant and material environmental, social and governance factors.

The Code of Conduct governs the principles of conduct and guidance for the Company's Board Members and for its employees.

The policies can be found on: www.eastcapitalexplorer.com/en/about-east-capital-explorer/our-responsibility

East Capital's collaboration with other shareholders, investor initiatives or associations:

Signatory of:



Signatory of the United Nations PRI Principles Since 2012



Investor Protection Association (IPA), Moscow Since 2002



Carbon Disclosure Project Since 2014

Corporate Governance

Governance structure

For East Capital Explorer AB (publ) (“Company”), corporate governance refers to the manner in which we operate and are organized to maintain the interests of all shareholders in the context of achieving our goal of delivering long-term, attractive returns.

Purpose and nature of the Company

East Capital Explorer is a public limited liability company investing, directly and indirectly, in companies located in Russia and other countries within the Commonwealth of Independent States (CIS), the Balkans, the Baltic States, Central Asia and Central Eastern Europe. Our indirect investments are undertaken through a selection of the East Capitals’ current and future funds.

East Capital Explorer is closely associated with East Capital. The co-operation and relationship is governed by an Investment Agreement agreed between the Company and East Capital PCV Management AB (“East Capital”), a Company within the East Capital Group. The Investment Agreement sets out the terms of the co-operation as well as the investment policy governing the investment activities of East Capital Explorer Investments S.A. (“ECEX Investments”), in which all invest-

ment activities are conducted. Our Company’s Board and Audit Committee continuously monitor the investment activities, to ensure that all activities are performed in line with set out obligations, and in the best interest of our shareholders. These important monitoring functions comprise both the evaluation of East Capital’s performance, as well as ensuring that the investment activities comply with the Investment Agreement and the Investment Policy. The Board may also, from time to time, approve deviations or amendments to the Investment Policy and regularly review whether the Investment Policy is adequate in the current markets.

The structure was established in 2007 and was initially described in East Capital Explorer’s prospectus to list on the NASDAQ OMX Stockholm, Mid Cap from November 2007. In order to meet the requirements set out in the EU Directive (2011/61/EU) on Alternative Investment Fund Managers (“the AIFMD Rules”), the investment structure was adapted to the AIFMD Rules in August 2014.

Framework for corporate governance

Corporate governance at East Capital Explorer is based on both external and internal frameworks. External frameworks comprise the

Swedish Companies Act, the rules of NASDAQ OMX Stockholm Rule Book including the Swedish Code of Corporate Governance (“the Code”), as well as other applicable Swedish and foreign laws and regulations. The Company’s internal framework includes the Articles of Association, the Investment Agreement with East Capital, the Company’s code of conduct, the rules of procedures for the Board of Directors, the charter of the Audit Committee, the instructions to the CEO and the policies adopted by the Company.

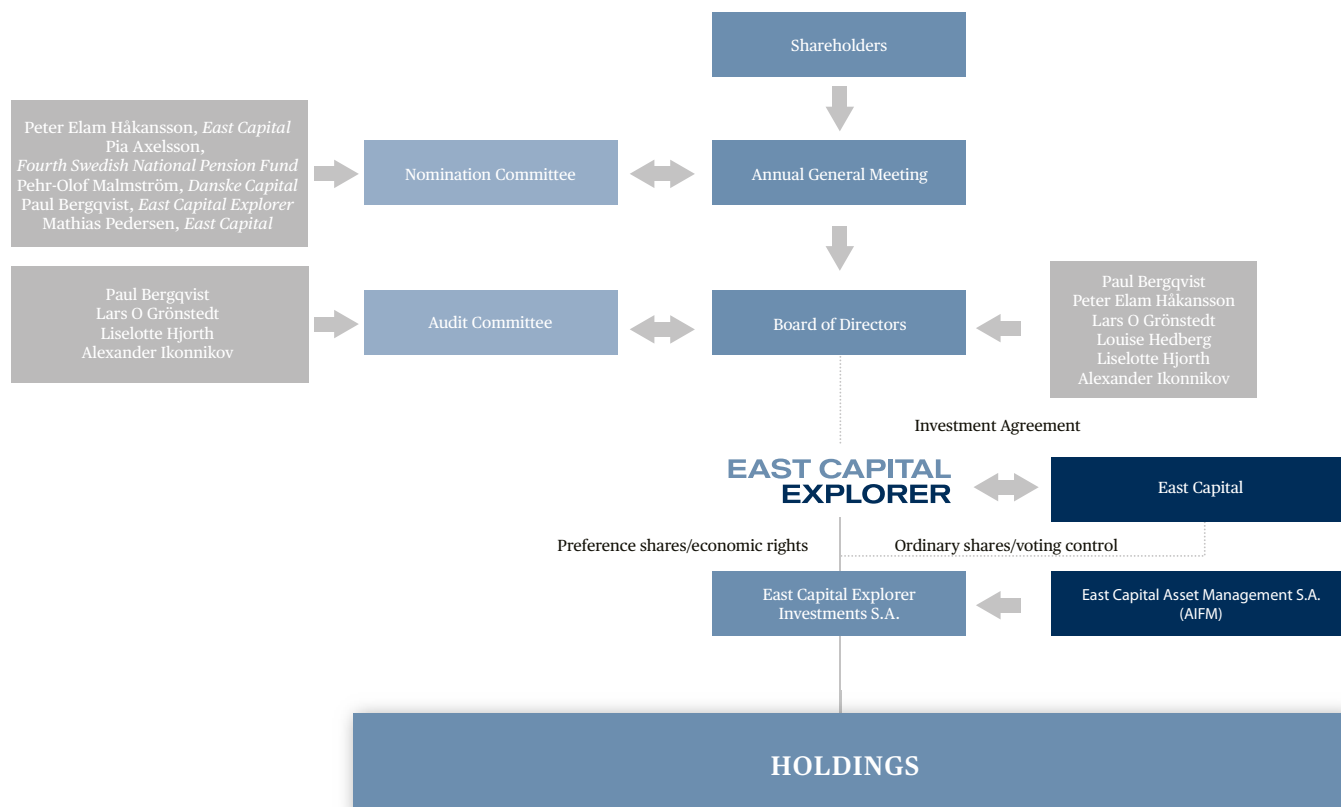
The Company complies with the Code. In 2014, the Company has deviated from the rule that a Board member shall not be the Chairman of the Nomination Committee. The deviation from the Code is explained further in section Nomination Committee below.

Further information on corporate governance is available on the Company’s website, www.eastcapitalexplorer.com. The separate corporate governance section includes:

- East Capital Explorer’s Articles of Association;
- The Nomination Committee’s principles and work;
- Information regarding the Annual General Meeting,

Additional information regarding the Company’s shares and provisions of its articles of association regulating the appointment of Board members and certain amendments of the articles of association can be found under the “East Capital Explorer share” on page 12-13 and “Board of Directors” on the Administration Report on page 51.

Governance structure



The investment structure

The investments are carried out by East Capital Explorer Investments S.A. (“ECEX Investments”), which holds the investment portfolio. ECEX Investments qualifies as an alternative investment fund under the Luxembourg laws implementing the AIFMD Rules. In order to manage the new regulatory requirements in a cost-efficient manner, the portfolio management operations were transferred from Sweden to Luxembourg, where East Capital has an existing organization adapted to meet the requirements of the AIFMD Rules. To facilitate this reorganization the operations previously managed under East Capital Explorer Investments AB were consequently transferred to the new Luxembourg based subsidiary, ECEX Investments, in August 2014.

In accordance with the AIFMD Rules, ECEX Investments has appointed East Capital Asset Management S.A. (“ECAM SA”), a wholly owned subsidiary within the East Capital Group, and licensed as an Alternative Investment Fund Manager (“AIFM”) under the AIFMD Rules, as the AIFM of ECEX Investments. ECAM SA performs the portfolio management and risk management functions of ECEX Investments, including investment decisions within the Investment Policy, accordance with the terms of the Investment Agreement. The investment decisions are made by an Investment Committee of ECAM SA, although a number of investment decisions needs to be addressed by the Board of the Company for prior approval (see further below). Currently, Peter Elam Håkansson, Partner and Chairman, East Capital, Company’s CEO, Mia Jurke and the General Counsel of East Capital, Magnus Lekander have been appointed to the Investment Committee by ECAM SA.

ECEX Investments is owned by the Company and East Capital. The Company holds all financial rights, while East Capital controls the shareholder votes of ECEX Investments.

The current structure creates appropriate conditions for making investments in accordance with what is stated in the

Company’s Investment Policy and the listing prospectus, while offering operational competitive advantages by allowing for a short decision-making process within the framework of the Investment Policy and in compliance with the AIFMD Rules. By appointing ECAM SA as the AIFM of ECEX Investment we believe that the requirements of the AIFMD Rules can be met in a cost-efficient manner. It also creates stability and a clear division of responsibilities between East Capital and the Company’s Board.

Investment Agreement and the Investment Policy with East Capital

The investment activities are governed by the Investment Policy agreed between the Company and East Capital under the Investment Agreement. The Investment Agreement prescribes the terms and conditions upon which the investment activities shall be performed in ECEX Investment and stipulates the allocation of the duties and responsibilities between East Capital Explorer and East Capital (including ECAM SA). The Agreement also provides the Company preferential access to new Alternative Investment Funds launched by East Capital.

The Investment Policy stipulates the key geographical segments and investment themes and the types of investments which may be undertaken in the ECEX Investment’s portfolio. It also stipulates certain limitations to ensure an appropriate risk level. The Investment Policy is expected to be revised from time to time, as the investment environment is changing. The Board can also approve deviations from the current Investment Policy. Any change in the Investment Policy will be made in consensus between East Capital Explorer and East Capital. The key elements of the Investment Policy can be summarized in the following points:

Investment Themes

East Capital Explorer’s main investment theme is domestic growth and the Company targets companies in fast growing sectors,

such as Retail and Consumer goods, Financials and Real Estate.

Countries

East Capital Explorer may invest in the Balkans, the Baltic States, Central Asia, Central Eastern Europe and the CIS countries, including Russia.

Asset types

East Capital Explorer invests primarily in direct investments in selected companies in the region. The Company can also make investments into future East Capital Private Equity Funds and Real Estate Funds as well as in existing and future East Capital Alternative Funds. East Capital Explorer also has the possibility to make limited investments in East Capital’s open-ended daily-traded funds.

Investments can be made in several asset types, including shares, fund units, options, convertibles, derivative instruments and other equity-related instruments. Debt investments are also permitted if related to an equity investment. In conjunction with investments in the real estate sector, investments can also be made in land, real estate and other property.

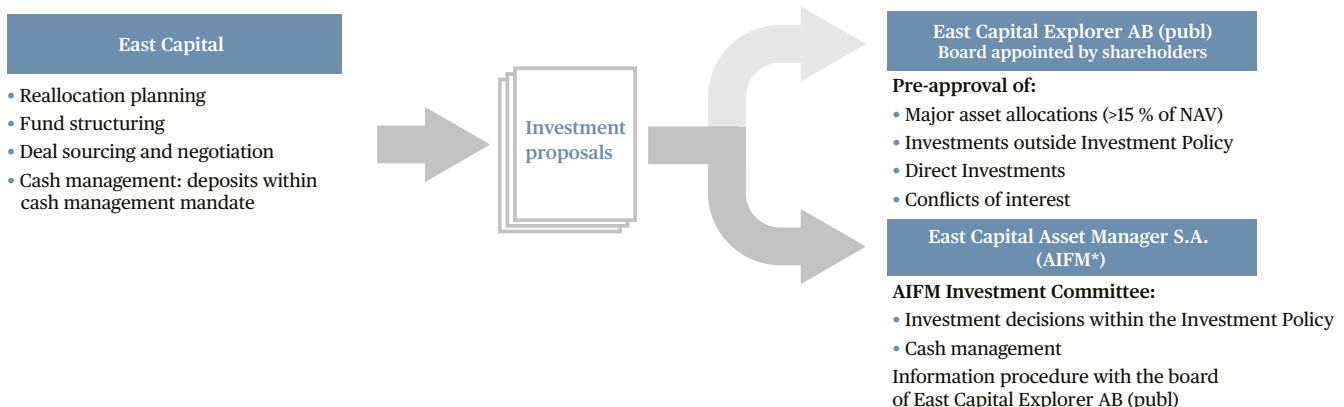
Functions of the Board of the Company

Although the ordinary investment management activities are assigned to the AIFM - ECAM SA - under the Investment Agreement and in accordance with the AIFMD Rules, the Company’s Board will need to give its pre-approval in relation to the following decisions:

- Decisions on investments constituting more than 15 percent of NAV at the time of the investment;
- Direct investments (with no co-investment by East Capital);
- Deviations to the Investment Policy; and
- Investments implying a conflict of interest between East Capital Explorer and East Capital, not contemplated by the Investment Policy.

The Board further decides on other matters related to its own capital structure, such as initiating shareholder distributions or increasing the capital available for investments by issuing

Investment decision process



* Appointed Alternative Investment Fund Manager in accordance with EU Directive (2011/61/EU)

new shares. It can also incur debt, although within the limitations set out in the Investment Policy.

The Board and executive management of the Company continuously monitor the Investment Policy and evaluate whether it continues to be in the best interest of the shareholders of the Company. The Board would initiate changes in the Investment Policy, should the Board find that an update or revision is needed.

The Board also evaluates existing investments, monitors management performance, and decides on management remuneration.

Another function of the Board is to monitor that the investment activities in ECEX Investments and the AIFM are carried out in accordance with the Investment Policy and the Investment Agreement. This task is mainly carried out by the Company's Audit Committee. The Board members also have access to all relevant material relating to the investment activities in ECEX Investments. The Company also has the right to appoint the auditor for ECEX Investments.

Duties of the executive management team

The executive management team is responsible for the internal controls necessary to review and to monitor the investment activities by the AIFM. These duties include monitoring the development in the holdings and the potential risks in the portfolio as well as the financial reporting from ECEX Investments and its service providers. The executive management team reports regularly to the Board with respect to these matters. Currently, the CEO of the Company, Mia Jurke is member of the Board of ECEX Investments as well as member of the Investment Committee of ECAM SA designated for ECEX Investments. Examples of monitoring activities are:

- Active participation in the work of the board of ECEX Investments.
- Continuous discussion and contact with key individuals in East Capital and participation in East Capital's meetings relating to the ECEX Investments portfolio
- Active participation in the work and decision-making of ECAM SA's Investment Committee for ECEX Investments.
- Continuous review of the internal procedures and processes in order to assure the accuracy of the East Capital Explorer's portfolio reporting.

Termination of the Investment Agreement

Under certain circumstances East Capital Explorer has the right to terminate the Investment Agreement, for example if East Capital does not act in accordance with the Investment Policy or the Investment Agreement.

The Company also has the right, at its total discretion and without any breach of the Investment Agreement, to give notice to terminate the Investment Agreement with the approval of a majority of at least 75% of the votes cast, as well as shares represented at a general meeting of shareholders of the Company.

Board of Directors

Composition of the Board

According to the articles of association of the Company, the Board shall consist of three to six members without deputies. Further, East Capital always has the right to appoint one Board member. Board members are elected by the Annual General Meeting for a one-year term. The 2014 Annual General Meeting re-elected Paul Bergqvist, Lars O Grönstedt, Louise Hedberg and Alexander Ikonnikov to the Board. Karine Hirn had declined re-election and Peter Elam Håkansson was elected as new member of the Board. The meeting re-elected Paul Bergqvist as Chairman of the Board. Liselotte Hjorth was elected as new member of the Board at the Extraordinary General Meeting on 19 August 2014.

Independence of the Board

Under applicable regulations, Paul Bergqvist, Lars O Grönstedt, Liselotte Hjorth and Alexander Ikonnikov are regarded as independent in relation to the Company and its management, as well as the major shareholders of the Company. The independent members of the Board have been proposed based on their significant experience from international management and business, specifically within Eastern Europe and Russia, as well as their executive positions and board work in various listed companies.

Peter Elam Håkansson and Louise Hedberg and are not defined as independent in relation to the Company and its management as they are affiliated with the East Capital and, due to the Investment Agreement and other relationships, must be regarded as having extensive business ties with the Company and affiliated enterprises. Regarding the Board members' independence in relation to major shareholders, it should be noted that in 2014 the East Capital, together with its related parties, was a major shareholder of the Company, as the term is defined in the Swedish Code of Corporate Governance and, therefore, Peter Elam Håkansson and Louise Hedberg are not regarded as independent from major shareholders of the Company. As of 31 December 2014, there were no other major shareholders of the Company, as defined in the stock exchange rules and Swedish Code of Corporate Governance.

For more information about each Board member please see pages 38-39.

The Board and its work

The work of the Board is governed by the rules of procedure adopted by the Board. The Chairman of the Board, Paul Bergqvist, directs the work conducted by the Board and maintains continuous contact with the CEO and the Company's other management functions to monitor its operations. The Board has also prepared and approved a Charter for the Audit Committee, a work instruction for the CEO, as well as a number of policy documents.

The Company's CEO, Mia Jurke, former Acting CEO, Catharina Hagberg*, former CFO,

Mathias Pedersen** and CFO & Head of Investor Relations, Lena Krauss also participated in the Board meetings during 2014 to report on their respective areas. Other representatives from East Capital are invited, from time to time, to participate in Board meetings in order to make presentations on particular investment proposals and the development of the investment portfolio or other matters.

The Board holds at least five ordinary Board meetings per year. Additional meetings may be held for example to discuss and decide on investment proposals.

Board meetings and main discussions

Board meetings and main discussions During 2014, a total of 19 Board meetings were held. The main discussions held during the meetings were:

Meeting	Main discussion
1/2014	Telephone meeting to discuss the preference shares proposal
2/2014	Telephone meeting to discuss the preference shares proposal
3/2014	Telephone meeting to discuss the preference shares proposal
4/2014	Meeting to approve the Year-end report 2013 and the notice and statements to be made in connection with the Extraordinary General Meeting
5/2014	Telephone meeting to discuss the preference shares proposal
6/2014	<i>Per capsulam</i> meeting to approve the notice and statements to be made in connection with the Annual General Meeting 2013
7/2014	Meeting to approve the Annual Report 2013
8/2014	Telephone meeting to consider an investment proposal
9/2014	Board meeting held in conjunction with Annual General Meeting
10/2014	Approval of the Interim Report 1 January - 31 March 2014
11/2014	Telephone meeting regarding the AIFMD adaptation
12/2014	<i>Per capsulam</i> meeting to approve the notice and statements to be made in connection with the Extraordinary General Meeting
13/2014	Board meeting held in conjunction with Extraordinary General Meeting
14/2014	Approval of the Interim Report 1 January - 30 June 2014
15/2014	Strategy meeting and review of Investment Policy
16/2014	<i>Per capsulam</i> meeting regarding an investment proposal
17/2014	Approval of the Interim Report 1 January - 30 September 2014
18/2014	Telephone meeting to consider an investment proposal
19/2014	Telephone meeting to consider an investment proposal

Evaluation of the Board

The work of the Board is continuously evaluated and the evaluation is used to develop the work and processes in the Board, and as a basis for the Nomination Committee's evaluation of the composition of the Board. During 2014, an evaluation of the Board was carried out through an external consultant

with broad experience of board evaluations. The evaluation included individual interviews with each member comprising a range of questions about the work of the Board. The results were also evaluated against an average benchmark of board evaluation processes completed by the consultant in other listed companies. The results of the evaluation in 2014 were, overall, positive and above the applied benchmark. As a result of the evaluation, the Board has identified certain areas in which the work procedures of the Board can be further improved during 2015. In addition, two independent members of the Nomination Committee conducted an evaluation of the Board's work to continue to develop the processes in the Board and provide input to the Nomination Committee's work to prepare proposals to the Annual General Meeting 2015. During 2009-2013, the Board internally evaluated its activities in assistance to the work of the Nomination Committee.

Audit Committee

The Audit Committee is appointed to serve the Board in an advisory function with respect to financial reporting, valuation and auditing matters. The Charter of the Audit Committee governs the work of the Committee.

The Audit Committee shall consist of at least three members appointed by the Board from among the independent members of the Board. The Audit Committee comprises Paul Bergqvist (Chairman), Lars O Grönstedt, Liselotte Hjorth and Alexander Ikonnikov.

The Audit Committee may invite, as it sees fit, representatives from the Company, ECEX Investments or East Capital as non-member attendees in the meetings and may appoint appropriate legal counsel, audit expertise and independent valuation expertise for consultation in the performance of its duties. Anders Malmeby and Mårten Asplund, auditors in charge, representing the Company's auditor KPMG, participate in all meetings at which financial reports are approved, in order to present the findings to the Committee prior to approval of the reports by the Board.

The Company's CEO, Mia Jurke, former Acting CEO, Catharina Hagberg*, former CFO, Mathias Pedersen**, CFO & Head of Investor Relations, Lena Krauss and Financial Controller, Farzad Bahador respective Helena Frank also participated in the Audit Committee meetings during 2014 to report on their respective areas.

Audit Committee meetings and main discussions

During 2014, a total of six Audit Committee meetings were held. Topics of the main discussions held during the meetings were:

Meeting	Main discussion
1/2014	Discussion regarding the Year-end report 2013 and Internal Audit Report
2/2014	Discussion regarding the Annual Report 2013
3/2014	Discussion regarding the Interim Report 1 January - 31 March 2014 and policy review
4/2014	Discussion regarding the Interim Report 1 January - 30 June 2014
5/2014	Telephone meeting regarding the external valuations of direct investments
6/2014	Discussion regarding the Interim Report 1 January - 30 September 2014 and review of Investment Policy

*Catharina Hagberg was acting CEO until May 2014 as Mia Jurke was on maternity leave

**Mathias Pedersen left East Capital Explorer on 1 May 2014

*** Helena Frank was hired as Financial Controller until September 2014

Directors' fees and executive remuneration

On 22 April 2014, the Annual General Meeting resolved to leave the Directors' fees in the Company unchanged and that the Chairman of the Board will receive an annual compensation of SEK 770,000 for the period until the 2015 AGM. Each member of the Board, other than the Chairman, will receive an annual compensation of SEK 330,000 for the same period. Board members Peter Elam Håkansson and Louise Hedberg waived their Directors' fees. The Meeting resolved, in accordance with the proposal of the Nomination Committee, that the remuneration to a Director may, subject to a specific agreement with the Company, be invoiced through a Company or entity registered in the country where the Director is tax domiciled. In order for the Company to enjoy cost neutrality, the invoiced remuneration shall be adjusted for social security charges and value added tax.

Remuneration for work in the Audit Committee was also left unchanged and totaled SEK 100,000 for the Chairman of the Audit Committee, and SEK 50,000 per year to other members of the Committee.

The Extraordinary General Meeting on 19 August 2014 approved the board remuneration and the remuneration for work in the Audit Committee to Liselotte Hjorth until the next

Annual General Meeting proposed by the Nomination Committee, amounting to SEK 222,932 and SEK 33,772 respectively, corresponding to the remuneration received by other Directors of the Board of Directors in proportion to the length of the mandate.

Remuneration Committee

In light of the Company's limited number of employees, the Board has concluded that no Remuneration Committee should be established. The duties that would have been assigned to a Remuneration Committee are, instead, performed by the Board as a whole.

CEO

The CEO is responsible for the day-to-day administration of the Company in line with the instructions from the Board, other guidelines and policies. Together with the Chairman of the Board, the CEO prepares the agenda for Board meetings and prepares the requisite materials and information to allow for decision-making at Board meetings. In addition, the CEO ensures that the Board continually receives information regarding East Capital Explorer's development and market information from East Capital to be able to undertake valid decisions.

The CEO has no significant assignments outside the Company. For more information concerning the CEO, see page 37.

Remuneration of Executive Management

Remuneration to the CEO and the CFO consists of fixed salary, variable salary and pension and insurance benefits. The Board determines, at its own discretion, whether the executive management should be paid any variable salary. The decision is supported by key performance indicators ("KPI"), where the share price performance and the discount to NAV are the two weightiest criteria. Targets are set and evaluated annually by the Board. During 2014 the Board decided to grant both the CEO and CFO a variable salary for 2013 corresponding to 22.75% of fixed salary, out of a maximum variable salary corresponding to 50% of the fixed salary. CEO Mia Jurke's variable salary was adjusted to correspond to working time during 2013. Catharina Hagberg, the former Acting CEO, was not participating in the KPI evaluation for 2013, but the Board decided to grant her a variable salary of SEK 150,000.

During 2015, a variable salary for 2014 amounting to 20% of fixed salary was paid to the CEO and present and previous CFO, respectively, out of a maximum variable sal-

The composition of the Board

Name	Position	Citizenship	Independent	Shareholdings as of 19 March 2015	Elected	Board meeting attendance 2014	Audit Committee	Audit Committee attendance 2014
Paul Bergqvist	Chairman	Swedish	Yes	37,717 shares	2007	18/19	Yes	5/6
Peter Elam Håkansson	Board member	Swedish	No	153,957 shares	2014	11/11	No	n/a
Lars O Grönstedt	Board member	Swedish	Yes	190 shares	2012	18/19	Yes	5/6
Louise Hedberg	Board member	Swedish	No	300 shares	2012	19/19	No	n/a
Liselotte Hjorth	Board member	Swedish	Yes	1,000 shares	2014	6/7	Yes	3/3
Alexander Ikonnikov	Board member	Russian	Yes	20,000 shares	2007	19/19	Yes	6/6

ary corresponding to 50% of fixed salary. The variable salary was adjusted to correspond to actual working time during 2014 in the case the individual did not work the complete year. The CEO and the CFO have individual premium-based pension plans, pursuant to which the Company pays premiums corresponding to 10% of their respective fixed salaries, up to 10 Swedish income base amounts and premiums corresponding to 20% of the fixed salaries on the portion of the fixed salary exceeding 10 Swedish income base amounts.

For detailed information on the remuneration to executive management, see Note 4 on page 60.

Share-related incentive program

East Capital Explorer does not have any share-related incentive programs.

The Annual General Meeting

The Annual General Meeting of Shareholders ("AGM") is the Company's highest decision-making body and where shareholders exercise their influence. The AGM must be held within six months from the end of the financial year. All shareholders who are registered in the register of shareholders and who notify the Company of their intention to attend the AGM in time are entitled to take part at the meeting. Shareholders may vote for the full number of shares they own and may be accompanied by a maximum of two assistants. Shareholders who cannot attend the AGM in person may be represented by proxy.

The AGM decides on, among other things, matters such as the election of the Board, when applicable the appointment of auditors, dividend distribution, adoption of the income statement and balance sheet, and discharge from liability of the members of the Board and CEO. Shareholders are entitled to propose that an issue be addressed by the meeting provided a legitimate request has been submitted to the Company well in advance of publication of the notice of the AGM.

The AGM is an important channel in communicating with shareholders. In connection with the AGM, all shareholders are invited to a seminar about our markets and investments. Shareholders are encouraged to participate at the AGM and all shareholders receive a printed invitation and notice to attend the meeting.

The full Board and Company management attend the AGM and are available to answer questions from the shareholders.

Annual General Meeting 2014

The 2014 AGM was held on 22 April 2014 at Nalen in Stockholm. All documents from the 2014 AGM including notice, documents presented at the AGM and the full minutes from the meeting are available at www.eastcapitalexplorer.com.

The 2014 AGM was attended by approximately 100 persons, including shareholders representing a total of 43 percent of the shares in the Company, all the members of the Board, all employees as well as a number of invited guests.

Extraordinary General Meeting 2014

East Capital Explorer held two Extraordinary General Meetings ("EGM") during 2014, the first on 24 March and the second on 19 August. All documents from the 2014 EGMs, including notices, the documents presented and the full minutes from the meetings, are available at www.eastcapitalexplorer.com.

Nomination Committee

The duties of the Nomination Committee include evaluating the Board and its work prior to the AGM and the preparation and presentation, to the AGM, of resolutions regarding the election of the Chairman of the meeting, members of the Board, Chairman of the Board, as well as regards the appointment of auditors, when appropriate. The Nomination Committee also proposes resolutions regarding remuneration to the members of the Board, remuneration (if any) for Committee work, fees to be paid to the Company's auditors, and the process for electing a Nomination Committee for the next AGM. All shareholders have the opportunity to submit proposals to the Nomination Committee.

The work of the Nomination Committee 2015

In accordance with a resolution by the 2014 AGM, the Nomination Committee for the 2015 AGM comprises five members; three members appointed by each of the three largest shareholders in the Company who choose to participate in the Committee, East Capital Explorer's Chairman of the Board and a representative of East Capital. The 2015 Nomination Committee consisted of:

- Peter Elam Håkansson, the East Capital (Chairman)
- Pia Axelsson, The Fourth Swedish National Pension Fund
- Pehr-Olof Malmström, Danske Capital
- Paul Bergqvist, as Chairman of the Board in East Capital Explorer
- Mathias Pedersen, as representative for the East Capital

The composition of the Nomination Committee was published through press releases and on the Company's website on 17 October 2014. Board member Peter Elam Håkansson has been appointed as Chairman of the Nomination Committee. The Nomination Committee thereby deviates from the Code provisions, rule 2.4, that is, that a Board member shall not be Chairman of the Nomination Committee. The reason for this deviation from the Code is that the Nomination Committee believes that participation in the Nomination Committee is a central component of the exercise of ownership and that it is, therefore, reasonable that a representative of the largest shareholder, East Capital, is Chairman of the Nomination Committee.

No fees were paid to the members of the Nomination Committee for their work in the Committee.

Shareholders have been invited to submit proposals to the Nomination Committee. The Nomination Committee's proposals prior to

the 2015 AGM are specified in the notice of the AGM and are also available on www.eastcapitalexplorer.com.

Annual General Meeting 2015

The 2015 AGM will be held on 21 April 2015, at 3.00 p.m. at IVA's Conference Center in Stockholm. For more information please visit: www.eastcapitalexplorer.com.

Audit

External auditors

At the 2011 AGM held on 12 April 2011, the registered auditing Company KPMG AB was re-elected auditor of East Capital Explorer for a four-year term until the close of the 2015 AGM. The Company's auditors in charge are Anders Malmeby and Mårten Asplund.

Compensation to auditors

The Company's auditor receives compensation for audits and other requisite reviews, as well as for advisory services occasioned by observations made in the course of such audits and reviews. During financial year 2014, the audit fee amounted to EUR 50t.

Communication with the Company's auditors

The Audit Committee maintains regular contact with the auditor. In addition, the auditor participates in the Audit Committee meetings at which the interim reports and full year report are addressed to give his observations from the audit and assessment of the Company's internal controls. The Board meets with the auditor once a year, where the auditor reports its observations directly to the Board without the presence of the CEO and the CFO.

Auditors - KPMG AB

Auditor in charge:

Anders Malmeby
Born 1955

Authorized public accountant at KPMG AB. Chairman of the Board of KPMG AB. Auditor in charge for East Capital Explorer since 2013.

Other auditing assignments: Boule Diagnostics, Concentric, Gamla Livförsäkringsaktiebolaget SEB Trygg Liv, Bankgirocentralen (BGC).



Auditor in charge:

Mårten Asplund
Born 1972

Authorized public accountant at KPMG AB. Auditor in charge for East Capital Explorer since 2013.

Other auditing assignments: Trygg Hansa, East Capital, Länsförsäkringar Liv, Nordea Liv, Strukturinvest Fondkommission



Staff



Mia Jurke
CEO since 2011.
Born 1973.

Education

Master of Science in Business Administration from the University of Uppsala.

Work experience

2008-2011 CEO of East Capital Asset Management AB, 2006-2008 Product Manager for East Capital (Lux), 2005-2007 Head of Portfolio Administration at East Capital, 1998-2005 E. Öhman J: or Asset Management and E. Öhman J: or Funds AB (2000-2005 Head of Administration).

Shareholding in East Capital Explorer AB
2,376 shares as of 19 March 2015



Lena Krauss
CFO & Head of Investor Relations since 2014. Born 1976.

Education

Master of Science in Economics and Finance from the Swedish School of Economics and Business Administration in Helsinki.

Work experience

2008-2013 Senior Vice President, Agency Manager and Senior Consultant at Diplomat Communications AB, Stockholm.
2004-2007 Investor Relations Director at Tele2 AB, Stockholm.
2004 Partner at Shared Value Ltd, London.
2000-2003 Equity Research Analyst at Alfred Berg ABN AMRO, Stockholm, London and Helsinki.

Shareholding in East Capital Explorer AB
1,050 shares as of 19 March 2015



Farzad Bahador
Financial Controller since 2014.
Born 1982.

Education

MBA från INSEEC, Grande École de Commerce, Paris.

Work experience

2013-2014 Senior Financial Controller, SEB Group Finance, Stockholm
2009-2013 Group Controller, SEB Group Finance, Stockholm
2007-2009 Revision, Deloitte AB, Stockholm

Shareholding in East Capital Explorer AB
0 shares as of 19 March 2015



Kristina Karusuo
Administrative Coordinator & Regulation Responsible Officer since 2010. Born 1987.

Education

Business administration studies at Stockholm University School of Business.

Work experience

2007-2009 Intern Client Service and Administration, East Capital.

Shareholding in East Capital Explorer AB
0 shares as of 19 March 2015

Board of Directors



Paul Bergqvist
Chairman of the Board since 2007

Independent of the Company, Company management and the Company's major shareholders. Born 1946.

Education

Engineering and business studies at Linköping University.

Work experience

2000-2006 Deputy CEO of Carlsberg A/S, 1995-2000 CEO Pripps-Ringnes AB, 1992-1995 CEO Procordia Beverage AB, 1988-1992 Deputy CEO PLM AB.

Other board assignments

Board member and Chairman of Sveriges Bryggerier AB, AB Pieno Zvaigzdes and Östkind's Häradsallmänning.

Shareholding in East Capital Explorer AB
37,717 shares as of 19 March 2015



Peter Elam Håkansson
Board member since 2014

Dependent in relation to the Company and its Management. Dependent in relation to the Company's major shareholders. Born 1962.

Education

Master of science from the Stockholm School of Economics and has also studied at I'EDHEC in Lille.

Work experience

Peter Elam Håkansson is a founding partner of East Capital, Chairman and Chief Investment Officer leading East Capital's investment teams in Eastern Europe and Asia. Peter has worked with emerging and frontier markets since the early nineties. Prior to founding East Capital, Peter held a series of senior positions at Enskilda Securities in London, Paris and Stockholm - where his last role was Head of Equities and Global Head of Research.

Other board assignments

Chairman of the foundation running Swedish Music Hall of Fame, member of the Board of Bonnier Business Press AB, Atlantic Grupa in Croatia, Inter Peace Sweden and the Advisory Board of Stena Long Term Equity. Number of board assignments in the East Capital Group.

Shareholding in East Capital Explorer AB
153,957 shares as of 19 March 2015



Lars O Grönstedt
Board member since 2012

Independent of the Company, Company management and the Company's major shareholders. Born 1954.

Education

BA in languages and literature from Stockholm University and an MBA from Stockholm School of Economics.

Work experience

Currently a senior advisor to Nord Stream, 2001-2006 CEO of Handelsbanken and its Chairman 2006-2008.

Other board assignments

Chairman of Vostok Nafta Investment Ltd and Scypho Group, Vice Chairman of Riksgälden, member of the Board of Pro4U and Institute for International Economic Studies, Stockholm University.

Shareholding in East Capital Explorer AB
190 shares as of 19 March 2015



Louise Hedberg
Board member since 2012

Dependent in relation to the Company and its Management. Dependent in relation to the Company's major shareholders. Born 1974.

Education

Master of science from the Stockholm School of Economics and has completed studies in Sustainable Development at the Stockholm University/Stockholm Resilience Centre.

Work experience

Since 2010 Head of Corporate Governance at East Capital, 2007-2010 Head of Communications/IR at East Capital Explorer, 2002-2007 Investor Relations manager at Dometic Group, 1998-2002 Financial communications consultant at JKL Group.

Other board assignments

Board Member of East Capital (Lux) SCA, SICAV-SIF and East Capital (Lux).

Shareholding in East Capital Explorer AB

300 shares as of 19 March 2015



Liselotte Hjorth
Board member since 2014

Independent of the Company, Company management and the Company's major shareholders. Born 1957.

Education

Bachelor of Science in Business Administration and Economics from University of Lund.

Work experience

A number of positions within the SEB Group, and most recently as Global Head of Commercial Real Estate and Member of the Management Board of SEB AG in Frankfurt, Germany.

Other board assignments

Board member of White arkitekter AB, Kungsliden AB, Hoist Finance and German/Swedish Chamber of Commerce.

Shareholding in East Capital Explorer AB

1,000 shares as of 19 March 2015



Alexander Ikonnikov
Board member since 2007

Independent of the Company, Company management and the Company's major shareholders. Born 1971.

Education

PhD in Economics, Moscow State University of Oil and Gas. Chartered Director by the IoD, UK.

Work experience

Since 2005 Senior partner of Board Solutions, 2001-2004 Co-founder/CEO of the Investor Protection Association in Russia, 1998-2001 Deputy CEO, NAUFOR (National Association of Securities Market Participants in Russia), 1996-1998 Head of the Department of External Economic Affairs and Investments at the Ministry of Fuel and Energy, Russia.

Other board assignments

Chairman of the Russian Independent Directors Association, Independent director and head of the nomination and remuneration committees in the National Settlement Depository (Central Securities Depository), Russia. Also independent director and member of the personnel and remuneration committee in Sollers Plc, Russia. Non- Executive director in Saint-Petersburg International Mercantile Exchange.

Shareholding in East Capital Explorer AB

20,000 shares as of 19 March 2015

Managing our risks

East Capital Explorer's business involves different types of risk. In addition to the risks that we take in our investments with the intent to create value for our shareholders, there are also a number of business risks and financial risks with possible impact on our business. Risk management deals with risks and opportunities affecting value creation or value preservation.

Managing risks is an important part of achieving our objectives as an investment company. The main business risks and how we manage them in our day-to-day business are outlined below. Our financial risks are presented in Note 14 on pages 71-73.

Political risks

Political systems are generally less stable in emerging markets than in developed economies and the legal systems are often less mature. This may imply certain specific investment and ownership risks. For example, amendments to the regulatory framework for the financial markets including changes on the protection of minority shareholders' rights, could adversely impact our business. Political risks also include the capacity of a country's leadership to govern, and its ability to decide on and implement reforms which are well-needed for the transition phase the entire region is experiencing. In the aftermath of the credit crisis, all of the countries in our investment universe face various challenges and not all of them have the same readiness to tackle these challenges, or to withstand new crises.

Managing these risks:

- Political risks vary between countries and sectors, and our access to local presence, experience, know-how and to the network of East Capital, that has been established during more than 17 years of operations, provides us with the ability to integrate a well-grounded analysis of the political risks inherent in the investment decisions.

- Our access to East Capital's network in the region, and their connections with other foreign investors active in these countries, is also valuable when jointly applied measures are made in order to make regulatory progress on issues important to us as

foreign investors. Examples of such issues are the promotion of good corporate governance, independent regulatory regimes and authorities and anti-corruption measures to limit political intervention and to ensure the integrity of local business activity.

- East Capital also regularly meets with politicians and macro economists to discuss the political situation and future trends. East Capital's advisory committees, also consisting of several highly experienced external advisors, are an additional source of knowledge.

- East Capital avoids association with any political groups and strives to keep neutral in its investment activities, thus reducing the likelihood of being a direct target of political intervention.

Country risks

Investing in emerging markets may generally imply a higher level of risk in the business environment than when investing in more developed countries. These markets are less mature and, thereby, also more volatile and more vulnerable to external shocks, as experienced during 2008/2009, 2011 and 2014. This is common to all the countries in our investment region and not just associated with exposure to one specific company or investment in a fund. Country risks also include instability in financial, legal and political systems and other country specific aspects, such as quality of corporate governance, reliability of settlement and clearing systems, lack of appropriate custody services, level of financial reporting and general availability to other reliable corporate information. If any of these country specific aspects should not develop as anticipated in any of the countries in our investment region, we are at risk of being less successful in our investments.

Managing these risks:

- Our access to East Capital's investment teams, with local presence and both personal and professional experience of living and working in our investment region, provides East Capital Explorer with the capability to analyze, integrate and, to the extent possible, mitigate or even avoid certain country specific risks. Through the knowledge and experience of the advisory committees associated with East Capital, the investment team has access to sophisticated analysis and expertise in order to better evaluate any country specific political or macroeconomic risk.

- Our portfolio is diversified between various countries and sectors in the region which, in a positive manner, spreads the risks in our

portfolio. An overall risk analysis of the portfolio is made on a regular basis and also in conjunction with new investments, respective disposals, in order to be able to assess the consequences of these transactions on the overall risk profile of the portfolio.

- Both East Capital Explorer and East Capital each have a Code of Conduct which clearly stipulates that corruption will not be tolerated in any manner or form. East Capital has, through its long term presence in the region, established a network of contacts and relationships which contribute to the avoidance of counterparties, projects and situations in which corruption and other inappropriate business practices are known.

Currency risk

Currency risk arises when the value of future transactions and reported monetary assets and liabilities in other currencies fluctuates due to changes in exchange rates. East Capital Explorer has prepared its reporting in EUR. The companies in which East Capital Explorer, directly or indirectly, invests often prepare their reporting in other currencies and can, in turn, also be exposed in their operations to other currencies. Many currencies within the investment region also show a significantly higher level of volatility than the EUR. Exchange rate fluctuations between the EUR and SEK and between the EUR and such other currencies can have a major, negative impact on our financial position and results.

Managing these risks:

- Currency risks are usually seen to comprise a part of the exposure in the investment operations and only in exceptional cases are these risks limited through currency/related derivatives.

- However, portfolio companies with major currency risks can, sometimes, select to apply currency hedging.

Interest rate risk

The Company is exposed to interest rate risk, partly, since surplus liquidity is invested on a short-term basis and, partly, since both our investments and the companies in which we invest can be financed through loans. Changes in interest rate levels can increase financing costs, respectively, decrease revenues from short-term investments. Changes in interest rate levels also affect valuations of portfolio holdings.

Managing these risks:

- The direct interest rate risk in East Capital Explorer is, currently, limited as there is no leverage in the portfolio as such and the portfolio is fully invested. However, there are possibilities of loan financing of certain types of investments and interest rate risks can be managed through longer tenures on the loans.
- To illustrate the indirect interest rate risk, through valuations of and interest rate risks in the portfolio companies, an annual external valuation is conducted of the portfolio's direct and real estate investments, where current interest rates are reflected in the valuations. The company also makes a sensitivity analysis of all direct investment, where the discount rate is presented as one of the factors.

Investment strategy risk

Our business plan and objectives are dependent on the availability of interesting investments. This includes timing the market to enter and exit at the most beneficial moment. There is a risk that we are neither efficient in choosing or developing our investments, nor successful in timing the market conditions at the most profitable moment.

Managing these risks:

- Our access to the experienced investment team at East Capital provides us with a structure to make well-grounded investment decisions and to effectively follow-up on the companies to which we have investment exposure.
- Our Investment Policy ensures that the focus is kept on the agreed countries and sectors, and that the model for creating investment exposure is in agreement with our view on risk-return and yield.
- The members of our Board have been selected on the basis of their respective experience of doing business in our investment region and their own merits relevant to the Board composition as a whole. This provides the Board with the right background to evaluate the investment activity of the Investment Manager, and also contributes to the continuous discussions with East Capital on the investment opportunities in our region.
- The independent members of the Board also continuously review the Investment Policy to assess whether revisions may be justified as the investment environment changes. Any possible changes will be addressed by the Board together with East Capital, in order to make the investment strategy suitable over time.
- East Capital continuously reports on the latest developments in the investment region and follows up on the investments as a standing item at all Board meetings. This provides the Board with updated information on which

to base its evaluation of the investment activity and the suitability of the Investment Policy.

Company specific risk

Our success depends on our ability to provide our shareholders with a portfolio of interesting and profitable investments. This also includes being able to manage our investments effectively during our ownership and to create progress on investor friendly issues, such as corporate governance. There is a risk that certain companies, from time to time, may be adversely affected by internal and external factors and that they will, thereby, have a negative impact on the value of our investments.

Managing these risks:

- Diversification is key to managing company specific risk. However, now, when we are primarily focused on direct investments within private equity and the real estate sector, the level of diversification has decreased during recent years and is expected to decrease even further in the future. At the same time, we are now seeking controlling ownership in the companies in which we invest, which, at the same time, reduces the risk of minority ownership. This also makes possible more clearly defined influence over the company in order to support other risk-reducing measures and provide competence to the companies' boards and management. The portfolio is also diversified between various sectors and types of investments such as cash flow generating investments, investments with a high growth potential and investments with a high potential for revaluation which provides a good risk diversification in the portfolio.
- Our access to the experienced investment team at East Capital provides us with a structure to make well-grounded investment decisions and to effectively follow-up on the companies to which we have investment exposure. Investments in real estate are managed by East Capital's own real estate team comprised of 15 individuals and who have a high level of expertise and experience within real estate management.
- For each direct investment, a so-called due diligence is executed in the scope deemed reasonable considering the circumstances applying. In the same manner, East Capital undertakes a review of each investment undertaken in East Capital's funds. However, as the review process is based on available information, which can be limited, it is possible that not all of the relevant risks are identified.
- When managing the unlisted portfolio companies to which we are exposed through our private equity investments, East Capital aligns interest with both the management, as well as with other major shareholders, in order to set a common agenda for the investment period and preferred exit strategy.

- One important aspect in managing investments includes introducing and following up on improvements in corporate governance issues which we, as investors, firmly believe help to strengthen the operations of a company.

Operational risk

Well-structured and relevant internal administrative processes and systems are important in any corporate structure to minimize the operational risks related to the business operations. Lack of internal control, inadequate administrative systems and processes, infrastructure or technology failures, risk of theft or fraud or risks that East Capital Explorer's or East Capital's reputation in the marketplace is damaged could lead to unexpected economic losses or loss in confidence in us. As many operative functions are outsourced to East Capital, East Capital Explorer is highly dependent on the successful ongoing operations of East Capital.

Managing these risks:

- Operational risks are managed on the basis of our structure for internal control, including adequate routines and instructions, a clearly defined division of responsibility, IT based support and reporting systems with relevant authorizations, our internal structure for information and reporting, as well as both information and physical security. An overview of our operational risks is also executed regularly to identify our risks and the measures which can be executed to reduce such risks.
- Through East Capital, we also have access to risk management functions adapted to the investment activities and operations of East Capital, which should also reduce the overall operative risks related to our business.
- Through a service agreement with East Capital we are able to cost-efficiently source general office and administrative resources from East Capital including office premises, reception, HR and IT. The costs for the service agreement are continuously evaluated by the Board and are estimated to be significantly more cost-efficient than if we were to source these services on our own. An evaluation of these services is also undertaken regularly to identify any possible deviations in the execution of the services.
- As a part of our ongoing monitoring of East Capital, when needed, we also engage external advisors to audit certain functions or processes of East Capital, in order to identify and address any risks related to the operative functions that are administrated by East Capital.

Related party risk

Due to the fact that the investment operations are executed by East Capital, we have ensured our shareholders access to one of the most capable and merited investment teams active in the region. We rely on East Capital's capacity to manage our investment activities rather than having our own in-house investment teams. This could imply a risk that the investments undertaken are not in accordance with the best interest of the Company, or could imply a breach of limits and authority, and thereby unauthorized risk exposure.

Managing these risks:

- Considering our close relationship with East Capital, we have paid specific attention to ensuring the best interests of our shareholders. This includes a detailed Investment agreement between East Capital and East Capital Explorer that effectively stipulates the manner in which the investment activities should be undertaken, and assures that conflicts of interest between ourselves and East Capital can be appropriately handled.
- In particular, in order to avoid any concerns related to the merits of a direct investment presented by East Capital where no other East

Capital fund or other co-investors simultaneously participate, such direct investment needs to be approved by our Board. This way, the investment can be evaluated on its own merits by the members of the Board who are independent from East Capital.

- Similarly, investments may not be made in any new funds launched by East Capital with terms which materially adversely deviate from the terms of any prior fund managed by East Capital without the consent of our Board. This prevents East Capital from introducing new terms which could be unfavorable to us.
- Furthermore, all investment proposals implying a deviation from the investment policy in place or proposals where a conflict of interest which cannot be foreseen to arise from the investment agreement needs to be approved by the Board.
- Managing this risk also means avoiding investment situations in which the fairness or suitability of a transaction, or its valuation, could be questioned. For this reason, our Investment Policy clearly stipulates that unlike investments in East Capital other funds, we shall only invest into East Capital's future private equity funds and real estate funds, to avoid valuation issues or a discussion concerning the terms or timing at which we invest.

- The Audit Committee of East Capital Explorer, comprising all four independent Board members, has extended responsibilities compared to many other companies' audit committees. The Audit Committee is also responsible for initiating the review of our Investment Policy and monitors East Capital's compliance with the Investment Policy and our Investment Agreement. In practice, this means reviewing all investment proposals and decisions made on East Capital Explorer's behalf.

- Our independent Board members have important duties in this regard in order to safeguard the interests of our shareholders, as they resolve conflicts of interest (which are not already contemplated by the Investment Agreement), for example, in relation to direct investments in which there is no other East Capital entity investing at the same time on the same terms, or when assets are acquired from any other East Capital fund.

- In order to ensure full transparency in the day-to-day investment activities and to enable the Audit Committee to fulfill these responsibilities, all members of the Board also receive all relevant materials relating to the investment activities in ECEX Investments.

Internal Control

This section describes the manner in which the internal control regarding the investment management and financial reporting is organized.

The internal control within East Capital Explorer is designed to manage the risks within the financial reporting processes and this includes, for example, ensuring an efficient and reliable accounting of buy and sell transactions of securities, and ensuring the valuation of the securities holdings, as well as that the information is efficiently and correctly communicated to the market.

As investment management is outsourced to East Capital, the structure has been built also to ensure the best interest of our shareholders. The Board is responsible for the monitoring of the investment activities, and is ensured access to all relevant information through the Investment Agreement and relevant policies.

The internal control is usually described according to the framework developed by the committee of Sponsoring Organizations of the Treadway Commission (COSO).

According to this committee's definition, internal control is comprised of the following components: control environment, risk assessment, control activities, information and communication and monitoring. Provided below is a description of East Capital Explorer's internal governance and control regarding COSO's five components.

Control environment

Control environment means the overall structure of the Company ensuring sound internal control as regards to investment activity and financial reporting. A good control environment is comprised of, amongst other things, clearly defined responsibilities and authorisations, as well as by the establishment of relevant policies which can be used in effectively controlling the operations.

East Capital Explorer has prepared policies for all of the company's significant areas, both as regards the business operations, as well as regards the financial reporting. The policies provide necessary guidance to various employees in their work. The Company has an annual process in which the management reviews the policies and, as required, updates them. All of the governance documents are approved annually by the Board of Directors.

Given the specific nature of the Company's operations, one of the Board's most important functions is monitoring the investment activities of ECEX Investments, which holds the investment portfolio (see detailed description of the investment structure under "Corporate Governance" on page 32). The Investment Agreement regulates the activities of East Capital and the rights and obligations of the Company in relation to the investment management organisation. The Investment Agreement also includes the Investment Policy which stipulates the limitations of the management of the portfolio. The Investment Policy is updated on an ongoing basis by East Capital Explorer together with East Capital to address any changes in the company's structure or operations, to ensure that the agreement and Investment Policy reflect the assignment and the framework which is to apply to the management. The changes in the Investment Agreement are approved by the Board of Directors.

The Company's Accounting and Reporting Policy as well as its Information Policy contain detailed provisions regarding the manner in which financial and other information regarding East Capital Explorer shall be managed and reported to the company,

and stipulate, among other things, that the company shall fulfill its obligations pursuant to applicable law, regulations and stock exchange regulations. East Capital Explorer monitors this area on the basis of generally accepted practices in the stock market and regularly follows up the Company's compliance with the listing agreement.

Risk assessment

The Company's management is responsible for the internal control required in order to manage the significant risks in the ongoing operations. Each year the Company's employee undertakes an operational risk analysis with the support of East Capital's Risk Control function. This risk analysis includes all categories of risk, both external risks and internal risks, referring, for example, to portfolio reporting, financial reporting and compliance with statutory requirements. The risk of improprieties is also assessed and is a specific focus area.

The risk analysis is documented and followed up regularly during the year. It also serves as the basis of an assessment of significant internal control areas where the Company's management is responsible for the forming of a control system to identify and prevent these risks. All risks deemed as material are to be reported to the Company's Board of Directors. The Board of Directors also updates, on an ongoing basis during the year, major changes in the Company's risk profile.

Control activities

East Capital Explorer has designed controls for significant parts of the operations. The controls are comprised of both overall controls and more detailed control activities to prevent, identify and correct possible errors and deviations.

Within financial reporting, there are documented work routines for how the work is to be undertaken and work routine descriptions specifying responsibilities as regards financial reporting. During fall 2014, the finance function was strengthened with a Financial Controller, a function which had previously been outsourced.

As the company's core operations are outsourced, an important part of the control structure is related to the fact that the Company regularly follows up and controls to ensure that the investment activities are executed in accordance with the Investment Policy and with the Investment Agreement established with East Capital. The board has access to all relevant material related to the investment activities in ECEX Investments. Furthermore, the Company regularly requests that representatives from the East Capital make presentations to the Company's Board regarding the investment portfolio in order to assist the Board to better monitor the compliance of the Investment Agreement. Currently, the CEO of the Company, Mia Jurke

is member of the Board of ECEX Investments as well as member of the Investment Committee of ECAM SA designated for ECEX Investments. The majority of the monitoring work is performed by the Audit Committee and the Executive Management of the Company.

East Capital Explorer works continuously with the elimination and reduction of significant risks impacting the internal control regarding investment management and financial reporting. Examples of control activities implemented in order to manage these risks are:

- Participation in the work of the Board of Directors of ECEX Investments.
- Participation in ECAM SA's Investment Committee as regards ECEX Investments' portfolio
- Ongoing review of documentation for decisions and formalities in conjunction with the investment activities.
- Right for the Company's management to participate in the valuation committee meetings at East Capital ensuring control of the valuation process.
- Documented processes and routines for financial reporting and descriptions of work routines for personnel.
- Outsourcing agreement with third parties which are followed up through established questionnaires were third parties (for example, as regards IT, HR and Finance) confirm that the third parties comply with the agreements.
- Ongoing discussions and contacts with key individuals within East Capital, including members of the investment management team and the risk and compliance functions.

Information and communication

East Capital Explorer has produced governance documents aimed at ensuring the quality of the internal control regarding investment management and financial reporting. All policies are available in electronic form in a common database. The function for compliance also holds an introduction of the policies and consequences of deviations when new personnel begin their employment or when the Company has a new Board member. This is done to ensure a solid knowledge and understanding of the Company's rules and routines.

The Information Policy describes the manner in which East Capital Explorer is to communicate financial and other information to the market in accordance with stock market regulations. Furthermore, there are policies and instructions for, amongst other things, investments and ownership matters, as well as regards insider issues.

All material outsourcing agreements regulate that the outsourcing partner is obligated to

comply with relevant policies as well as rules and regulations applicable to the Company. Employees and outsourcing partners are also regularly informed about changes in policies applicable to them.

Monitoring

The monitoring of the internal control of the investment management and financial reporting is executed by the Board, the Audit Committee, and the Company's management. Monitoring of the internal control is undertaken by the board, in particular in respect to the financial activities of the Company. The Audit Committee meets on a regular basis in order to manage and discuss accounting issues, financial reporting, internal audit, the appropriateness of policies etc. The Company's management monitors, on an ongoing basis, compliance with policies, instructions and administrative agreements. For services included in the Service Agreement, questionnaires are sent out twice each year where the outsourcing partners evaluate and confirm that they comply with East Capital Explorer's regulations and the agreements in place. Furthermore, the function for compliance undertakes regular follow-ups of the compliance with policies, which is documented and any significant observations are communicated to the Board of Directors.

To further evaluate and improve the internal control, East Capital Explorer established, during 2008, an internal control function. This undertakes ongoing audits of the internal control and presents reports to the Board and management providing recommendations for improvements in the internal governance and control.

Internal Audit is the Board of Directors' independent audit function which is assigned with the ongoing audit of the operations within the Company. The specific areas for review are decided in a three year internal audit plan which is approved by the Board. Internal Audit's work is based on a risk analysis undertaken by the Company management within East Capital Explorer and representatives from Ernst & Young to which the internal audit function is outsourced. The focus for the work with the internal audit is on the outsourced aspects of the operations, including the investment management, and on the significant internal routines and compliance with policies. The results of these internal audit reviews are reported to the Audit Committee, as well as to the Board.

Stockholm, March 2015
Board of Directors of East Capital Explorer AB (publ)

Fees

East Capital Explorer's investment structure has been designed to avoid duplication of fees, which means that fees related to fund investments are paid only at underlying fund level. During 2014, East Capital Explorer was charged with a total of EUR 6.1m in management fees, that is, including both management fees at fund investment level as well as on direct investments. No performance fees were applied, instead, a total of EUR 11.3m in previously accrued performance fees were reversed as a result of the new agreement regarding fees which was entered into in April 2014 between East Capital Explorer and East Capital.

Fee structure for direct investments

Fees for the management of direct investments are charged in the form of management fees and performance fees. The actual terms are (on the basis of the agreement entered into with East Capital in April 2014):

Management fees

- Management fees of 2 percent apply, based on the opening fair value of the investment. For real estate investments, the management fee is 1.75 percent.
- For portfolio values (calculated as East Capital Explorer's entire portfolio) in excess of EUR 400m, the management fee is reduced to 1 percent.

Performance fees

- Performance fees of 20 percent of profits are applied, on the premise that a threshold value of 8 percent per year has been achieved.

- Performance fees apply only when the asset has been divested.
- Payment of performance fees takes place earliest when all of the direct investments, together, with a 7 year history, shows a positive result and the Net Asset Value per share is in excess of SEK 100.

Fees related to direct investments are calculated per investment. However, the conditions for payment (see last point above) are impacted by the development of the collective investments.

Fees related to fund investments

Fees for the management of fund investments apply only in the respective fund and in accordance with that fund's terms and conditions. No further fees are paid as compensation for, for example, the allocation of the East Capital Explorer portfolio. Neither does East Capital Explorer pay any subscription fees

even if such fees can be charged by the respective fund. East Capital Explorer has also a number of special terms and conditions.

These are:

- A rebate of 50 percent on the management fees in the so-called UCITS funds (regulated, open-ended daily traded funds) calculated on the management fee for the retail class shares in the fund.
- No performance fees are to be paid before East Capital Explorer's net asset value per share amounts to SEK 100 (adjusted for distributions).
- For portfolio values (calculated as East Capital Explorer's entire portfolio) in excess of EUR 400m, the management fee is reduced to 1 percent.

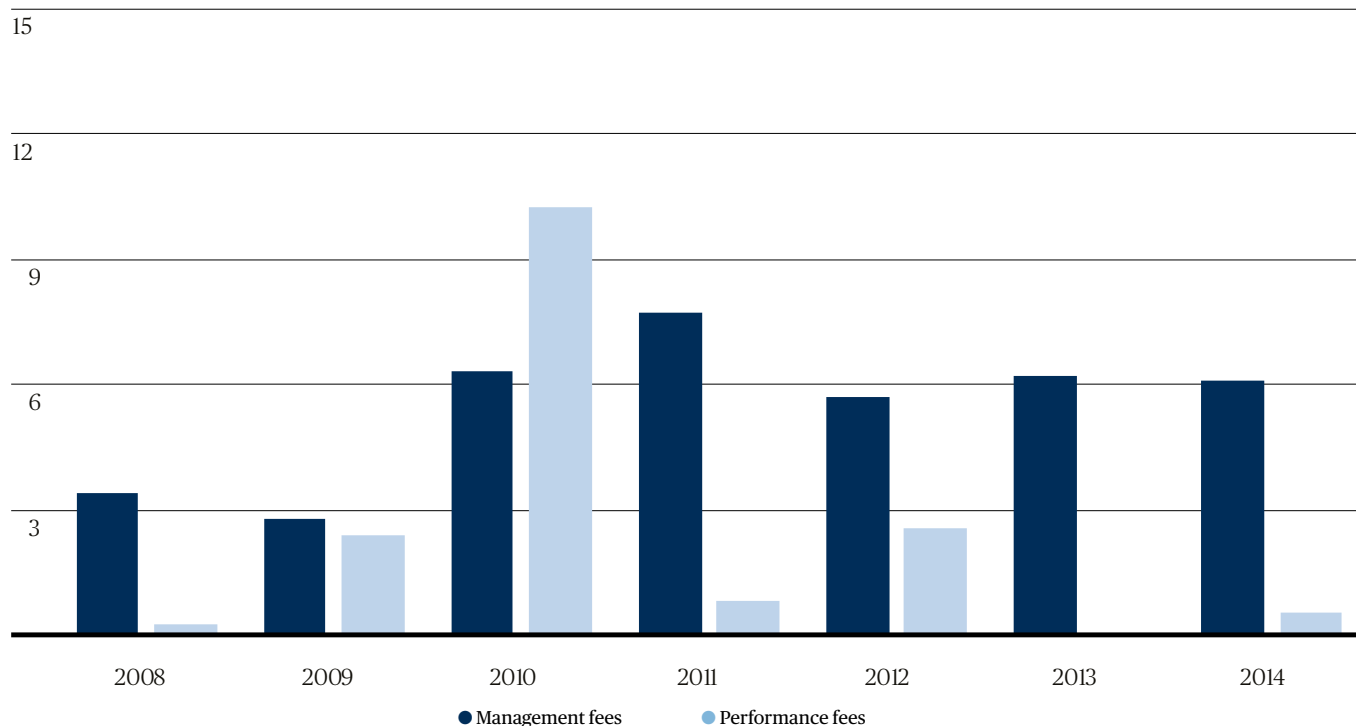
A summary of the respective fee structures for the funds in which East Capital Explorer had holdings as at the end of December 2014, is found on page 45.

Fees to East Capital in 2014

Fee for managing East Capital Explorer's investment portfolio (EUR thousands)	Management fees 2014	Performance fees ¹ 2014	Total fees 2014
Direct investments	-2,849	11,074	8,225
Other investments	-3,215	262	-2,953
Total	-6,064	11,336	5,272

¹ Positive performance fee due to reversal of earlier provisions for non-realised performance fees.

Paid management and performance fees, EURm



The paid fees are in applicable cases related to a positive development during previous periods. Positive development in current holdings can imply that performance fees will be paid when the conditions for payment has been fulfilled (see further page 44).

Fee structure for East Capital Explorer's fund investments

Fee for managing East Capital Explorer's investment portfolio as at 31 December 2014	Annual mgmt. fee	Base amount	Performance fee ¹	Hurdle rate ²
Fund				
East Capital Baltic Property Fund II	1.75% ³	Drawn Down Capital ⁴	20%	8%
East Capital Bering Ukraine Fund Class R	2.0%	NAV	20%	
East Capital Deep Value Fund	2.0%	NAV	20% +40% from the initial investment and 7% annually	
East Capital Frontier Markets Fund	1.0% ¹	NAV	No performance fee	N/A
East Capital Russia Domestic Fund	2.0%	NAV	20%	7% annually

¹ No performance fees are paid until the Net Asset Value per share is in excess of SEK 100

² The hurdle rate is the return that must first be achieved, in order for performance fee to apply

³ The management fee is reduced, pursuant to a separate agreement with East Capital

⁴ Drawdown capital refers to the amount that the investor has invested in the Fund (regardless of the size of the committed capital)

Redemption fees are not applicable to any of East Capital Explorer's fund investments.

Auditor's report

To the annual meeting of the shareholders of East Capital Explorer AB (publ), corp. id. 556693-7404

Report on the annual accounts

We have audited the annual accounts of East Capital Explorer AB (publ) for the year 2014, except for the corporate governance statement on pages 32 - 45. The annual accounts of the company are included in the printed version of this document on pages 49 - 79.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 32 - 45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the statement of profit or loss and other comprehensive income and statement of financial position for the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of East Capital Explorer AB (publ) for the year 2013. We have also conducted a statutory examination of the corporate governance statement.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act, and that the corporate governance statement on pages 32 - 45 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained as above is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual account.

Stockholm 19 March 2015

KPMG AB

Anders Malmeby
Authorized Public Accountant

Mårten Asplund
Authorized Public Accountant