

PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS



GlobalEvolution

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: Global Evoluiton Fondsmæglerselskab A/S (529900TWA1FCOZ9ZOM88)

Summary

Global Evolution Fondsmæglerselskab A/S (hereafter “Global Evolution”), LEI code 529900TWA1FCOZ9ZOM88 considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated principal adverse sustainability impacts statement of Global Evolution Fondsmæglerselskab A/S.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022.

We consider principal adverse impact on entity level by measuring and monitoring the aggregated negative impact on sustainability factors of our funds/mandates investments. In our funds/mandates, we consider the mandatory principal adverse impact indicators and 8 voluntary indicators defined by the Sustainable Finance Disclosure Regulation (SFDR)¹, subject to data availability and quality. Principal adverse impact assessment is described in our engagement policies and processes. The aim is to minimise, by relevant means at our disposal, the principle adverse impacts on sustainability of our investments. We strive towards this aim through our quantitative and data-oriented approach but also through our qualitative approach of engagement and on-the-ground due diligence processes as described in our Pre-Investment Policy. We support and engage with recognized principles and organization towards the end-goal of promoting sustainability in the world, to which our engagement policies and sustainability risk policies speak.

Information on the principal adverse impact of our funds/mandates investments for the reference period 1 January to 31 December will be reported, subject to data availability and quality, each year by june 30th.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Description of the principal adverse impacts on sustainability factors

For the purposes of this statement, by “principal adverse impacts” is meant the negative, material or likely to be material effects on sustainability factors caused, compounded by or directly linked to our investment decisions.

We prioritise and report on principal adverse impacts of our investment decisions on sustainability factors on basis of and covering the indicators listed in the table below. For each of these indicators, we have included information to describe the actions that we have taken and actions that we plan to take/targets set to avoid or reduce the principal adverse impacts identified.

Information on the impact of our investments on these indicators will be published by 30 June 2023, and continuously on an annual basis. This information will cover the period of 1 January until 31 December of the preceding year. Information on impact compared to previous year will be reported by 30 June 2024, and continuously on an annual basis.

‘Impact’ in the section ‘Description of the principal adverse impacts on sustainability factors’ in the Table below is a figure on impact as the average of impacts on 31 March, 30 June, 30 September and 31 December of the reference period.

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact [year 2022]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
		Scope 2 GHG emissions	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
		Scope 3 GHG emissions	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
		Total GHG emissions	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	2. Carbon footprint	Carbon footprint	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	3. GHG intensity of investee companies	GHG intensity of investee companies	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates

	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates

		invested, expressed as a weighted average				
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global	Share of investments in investee companies without policies to monitor compliance with the UNGC	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates

	Compact principles and OECD Guidelines for Multinational Enterprises	principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises				
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates

Indicators applicable to investments in sovereigns and supranationals

Adverse sustainability indicator		Metric	Impact [year 2022]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Environmental	15. GHG intensity	GHG intensity of investee countries	1.01	N/A	This indicator includes emissions from energy use and land use, land-use change and forestry, including CO ₂ , CH ₄ , N ₂ o, and F-gases. GHG is divided by GDP converted from USD to EUR. GHG data is sourced from Verisk Maplecroft and GDP data is sourced from Haver/IMF.	<p>ESG integration: In our proprietary ESG framework, carbon intensity is considered alongside carbon consumption per capita and regulatory efforts (e.g. Paris Agreement, NDC, and carbon taxes). Considering a nearly \$95 trillion funding gap for emerging markets' transition, we do not seek to reduce the carbon intensity of the portfolios, as this would divert capital away from those countries in most need of investments.</p> <p>Engagement: In 2022 we strengthened our engagement approach and consider decarbonization</p>

						as key theme for our sovereign engagement efforts. In 2023 we aim to double down on our sovereign engagement, including risks and opportunities related to a green transition.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	35	N/A	This indicator reflects severe and extensive violations of international treaty provisions related to human rights. As nearly all countries in the world experience some form of social violations – whether from state or non-state actors – we count only countries with a risk score <2.5 on a scale 0-10 where 0 reflects the largest extent and most severe forms of rights violations. Data is sourced from Verisk Maplecroft.	<p>Exclusion: Considerations to social violations are given in our quantitative and qualitative exclusion process. Moreover, our compliance team track countries that are subject to sanctions and block for investments that are prohibited from investments.</p> <p>ESG integration: Social violation indicators are part of our analytical ESG framework and hence part of our overall assessment.</p>

Indicators applicable to investments in real estate assets

Adverse sustainability indicator		Metric	Impact [year 2022]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	N/A	N/A	N/A	Not applicable given investment universe of our funds/mandates

Other indicators for principal adverse impacts on sustainability factors

Adverse sustainability indicator		Metric	Impact [year 2022]	Impact [year n-1]	Explanation	Actions taken, and actions planned and targets set for the next reference period
Green securities	17. Share of bonds not issued under Union legislation on environmentally sustainable bonds	Share of bonds not issued under Union legislation on environmentally sustainable bonds	N/A	N/A	The green bond standard has not yet been adopted by the EU, and hence no bonds are currently considered issued under the legislation.	We will monitor development in the EU legislation on environmentally sustainable bonds.
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column	3.94	N/A	Average income inequality is measured through the GINI coefficient and standardized on a scale 0-10, where 0 reflects a perfectly unequal society and 10 reflects a perfectly egalitarian. The PAI is reported as a weighted average based on country exposure. Data is	<p>ESG Integration: In 2022, the GINI index became integrated into our analytical ESG framework, and hence is now a stronger element of our overall risk assessment.</p> <p>Engagement: Income inequality has many sources (e.g. economic stability, tax and labor policies, education levels) that differ between countries. We engage with</p>

					sourced from Verisk Maplecroft.	sovereigns on underlying risks.
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column	3.19	N/A	The chosen indicator measures the practices of state and non-state actors limiting the right of citizen to express opinions as well as state's efforts to protect the freedom of expression. Countries are scored on a scale 0-10 where 0 reflects the lowest level of freedom of expression. The PAI is reported as a weighted average based on country exposure. Data is sourced from Verisk Maplecroft.	<p>Exclusion: Freedom of opinion and expression is included to our quantitative sovereign exclusion screening.</p> <p>ESG integration: Freedom of opinion and expression indicators are included to our analytical ESG framework and hence part of our overall risk assessment.</p>
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column	3.88	N/A	The chosen indicator measures a country's overall human rights performance, reflecting state and non-state actors' violations of human rights, as defined in international human rights treaties, as well as states'	<p>Exclusion: Our sovereign exclusion methodology includes an assessment of selected key human rights and further consideration is given in our additional qualitative exclusion analysis.</p> <p>ESG Integration: We take a holistic view in assessing</p>

					<p>commitment and accountability for improvement. Countries are scored on a scale 0-10 where 0 reflects the poorest human rights performance. The PAI is reported as a weighted average based on country exposure. Data is sourced from Verisk Maplecroft.</p>	<p>ESG including fundamental rights, political rights and civil liberties, which are each represented in our analytical ESG framework.</p> <p>Engagement: In 2023, Global Evolution will take part of Emerging Markets Investor Alliance’s newly established program on Health, Education, and Human Rights to join forces and collaborate with other investors on sovereign engagement campaigns within this area.</p>
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column	3.48	N/A	<p>The chosen indicator reflects the strength of anti-corruption legislation, the efficacy and independence of anti-corruption bodies and the prevalence of corruption in the investment countries. Countries are scored on a scale 0-10 where 0 reflects the most extreme risk of corruption. The PAI is reported as a weighted average</p>	<p>Exclusion: Corruption is included to our quantitative sovereign exclusion screening.</p> <p>ESG Integration: Assessment of the perception of public sector corruption is included to our analytical ESG framework and hence part of our overall risk assessment.</p> <p>Engagement: For countries scoring poorly on corruption, we engage we engage with Ministries of</p>

					based on country exposure. Data is sourced from Verisk Maplecroft.	Finance on fiscal transparency when opportunities for engagement arise.
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes	2.04	N/A	This indicator provides the weighted percentage of investee countries listed on the EU list of non-cooperative jurisdictions. Data is sourced from Verisk Maplecroft.	While we consider transparency and general considerations to the general function of judiciaries, we do not actively manage risk based specifically on the EU list of non-cooperative jurisdictions. We accommodate clients' individual exclusion policies, also when exclusions include countries listed on the EU list of non-cooperative jurisdictions.
	23. Average political stability score	Measure of the likelihood that the current regime will be overthrown by the use of force using a quantitative indicator explained in the explanation column	8.58	N/A	The chosen indicator is a forecast of the risk of a country experiencing the onset of a major destabilizing event – in the form of civil war, adverse regime change, or genocide/politicide – within the next 12 months. Country risk is scored on a scale 0-	ESG Integration: A variety of indicators related to political stability is included to our proprietary ESG assessment, e.g. government stability, civil unrest, conflict intensity, and interstate tensions. High-frequent sentiment data gives daily warning signals on country instability

					10 where 0 represents highest risk. The PAI is reported as a weighted average based on country exposure. Data is sourced from Verisk Maplecroft.	
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column	4.8	N/A	The chosen indicator assesses the system of rules and rights governing society. This system is evaluated based on judicial effectiveness, judicial independence, transparency of public and private institutions, and efficient regulatory systems. Rule of law is assessed on a scale 0-10 with 0 representing the lowest level of rule of law. PAI is reported as a weighted average based on country exposure. Data is sourced from Verisk Maplecroft.	ESG Integration: The elements of rule of law is integrated to our proprietary analytical ESG framework and hence part of our risk assessment.

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

Global Evolution's Sustainability Risk Policy and Engagement Policy were approved by its Board of Directors on 8 March 2021. The Portfolio Management team and Research team are jointly responsible for the implementation of the policies within organisational strategies and procedures.

Global Evolution have considered ESG factors in our investment process through many years. The systematic integration of environmental, social and governance characteristics and level of sophistication have constantly improved, and the continued development is considered to be fundamental to our investment process.

Identifying sustainability risks across the environmental, social, and governance areas requires both a quantitative and qualitative approach. Our quantitative approach involves subscribing to raw data sets for E, S, and G indicators that we bring alive through our proprietary database in order to systematically monitor the data.

Another aspect of our review and identification of sustainability risk is to monitor news and media thoroughly both in-person and through the application of algorithms. We utilize a proprietary AI-driven quantitative approach to high-frequency tracking of sustainability-related news and the market sentiment by using natural language processing ("NLP") to identify market sentiment towards a specific sustainability theme. The quantitative AI-driven approach constitutes a very promising path to extract unique and innovative high-frequent information on sustainability risk factors.

The firm uses Verisk Maplecroft and Dow Jones as main ESG-related data providers as support and basis for our internal research. Furthermore, for raw carbon-related data the Global Carbon Project is the source. ESG-related data from Verisk Maplecroft is used for proprietary ESG ratings and quantitative valuation models, and increasingly NLP driven indices for sentiment scores towards E, S, and G themes. NLP driven indices are based on data scraping from Dow Jones news article database.

The qualitative identification of sustainability risk emerges from on-the-ground due diligence visits to the countries in the emerging markets universe where we conduct an in-depth due diligence including relevant ESG related issues, which are subsequently discussed and documented. Based on quantitatively and qualitatively derived data on sustainability risk, we aggregate our views as proprietary ESG rating across all countries. The ESG ratings are published quarterly and shared with investors as requested. Importantly, changes in ESG ratings and the identification of the drivers is the basis of our sustainability risk assessments; of whether a country faces higher or lower sustainability risk dynamics.

We track all portfolios and strategies from an ESG standpoint and facilitate risk reports that provide a qualitatively assessment of the effects of sustainability risk. The margins of error from any quantitative methodology relies critically on the quality algorithms and data. Consequently, we validate both at an ongoing basis with the purpose of diligently reducing the risks of potential margins of error being at unacceptably high levels. When information is not directly available, we use direct and indirect engagement to use best efforts to obtain relevant information. We believe engagement with the governments of emerging countries deliver better outcomes and encourage governments to act in a manner which we believe will be beneficial for the majority of its population.

Engagement policies

Direct Engagement: Most policy maker and company engagement occur in investor groups often hosted by investment banks or advisory companies. Interactions usually involve issuers visiting investors on issuance or non-issuance roadshows, or investors visiting issuer in their home countries. The attendance of issuers at the IMF/World Bank annual meetings is another source of direct engagement.

Indirect Engagement: Global Evolution engage indirectly through third-party advocacy groups and official sector institutions such as the IMF/World Bank. Investment banks is another source of indirect engagement as they frequently seek out investors' opinions on behalf of issuers, either in direct relation to an issuance or to solicit investor feedback in relation to a proposed issuance. In the regulation we observe indicators related to sovereign and corporate investments and the suggested approach to measure these. While this is not necessarily the most appropriate approaches to measure potential principal unintended adverse impacts, we concede that the indicators serve to approximate an appropriate list of indicators to measure such potential principal adverse impacts.

References to international standards

Global Evolution is a signatory and supporter of several international standards for underpinning a sustainable future. In particular, our support is aligned with the objectives in the Paris Agreement as well as the objectives and principles advocated for by the PRI, the UNGC; and the TCFD.

- We continuously support the UN Global Compact (“UNGC”) through our implementation of the principles and focus on outcomes by integrating sustainability indicators as well as by communicating and engaging with stakeholders on progress achieved.
- We support the PRI by committing to aligning our operations and strategies with six principles for responsible investment supported by the United Nations Global Evolution has achieved the top A+ rating, scoring 30 out of 30 points, in the PRI annual assessment for 2017-2020.
- In addition, we support and endorse the recommendations of the Task Force on Climate-related Financial Disclosure (“TCFD”) against which we annually report our climate-related action plans and perspectives on how climate change scenarios affect risk in emerging and frontier market sovereign and corporate debt investing.

Historical comparison

The earliest historical comparison will be provided in June 2024