PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

December 2022

GlobalEvolution

PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS STATEMENT

Global Evolution Fondsmæglerselskab A/S,
LEI code 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 principal adverse impact statement is applicable as of March 10, 2021. Subsequent versions shall reference the period covered as of this date.

The purpose of this summary is to convey to the stakeholders of Global Evolution that we support, respect, and adhere to the principles in the SFDR regulation by diligently disclose and report of our policies, processes, and approaches to integrating sustainability in the investment process for emerging market corporate and sovereign debt.

We aim 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 the 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.

Our financial products promote environmental or social characteristics but does not have as its objective a sustainable investment.

Description of principal adverse sustainability impacts

There is likely to be adverse impacts on sustainability through our investments, and we recognize that this is possible because of the nature of both sovereign debt investing being budget financing without direct traceability of a dollar invested to the end impact on relevant environmental, social, and governance-related outcomes and similarly for corporate debt investment as we provide funding for companies. Consequently, there may be unintended consequences of an investment in our products on sustainability outcomes, and the purpose of this section is to describe and account for our approach with respect to potential principal adverse impacts.

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 unintended adverse impacts. We monitor various ESG related metrics similar to those described in the draft RTS, Annex I, Table 1 (data provider: Verisk-Maplecroft). We subscribe to such data from multiple third-party data provider.

Based on this data, we conduct our due diligence and at a continuous basis assess the potential principal adverse impacts of our investments. The actions we furthermore take during the reference period and actions we plan to take to avoid or reduce the principal adverse impacts identified include country visits and meetings with sovereign and corporate decision makers where we engage directly. Further to this we engagement indirectly through third-party advocacy groups and official sector institutions such as the IMF and the World Bank.

The literature on economic development indicates that countries coming from lower levels of development may emit increasing amounts of greenhouse gasses ("GHG") as part of the development process towards higher living standards[1]. But as their industrialization process matures, carbon emission is driven by a more efficient use of technologies, i.e., countries develop their industries and produce the same output but with less GHG emission per unit produced so "carbon efficiency" improves along the development path.[2] This supports the theoretical and empirical background for our approach to investing in emerging and frontier markets with a sustainability perspective.

Description of policies to identify and prioritize principal adverse sustainability impacts

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

[1] Cohen, et. a. (2018), Decoupling of Emissions and GDP: Evidence from Aggregate and Provincial Chinese Data, IMF Working Paper, WP/18/85, and Cleveland, et. al. (2001)

[2] This is also described as the Environmental Kuznets" relationship. Cleveland, et. al. (2001), The Economics of Nature and the Nature of Economics, Advances in Ecological Economics, International Society for Ecological Economics, Edward Elgar.

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.

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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

Not applicable in this version.