SUSTAINABILITY RISK POLICY

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1. INTRODUCTION

Global Evolution Fondsmæglerselskab A/S (including its subsidiaries, hereafter "Global Evolution") is committed to promote sustainability through prosperous socio-economic developments and diminishing environmental impacts. The purpose is to conserve our planet for future generations by ensuring a sustainable ecosystem, society, and economy.

Our mission is to generate attractive returns for our investors whilst contributing to sustainability in the countries and companies where we invest. The promotion of sustainability has the potential to increase the resilience of the real economy, the stability of the financial system, and strong corporate fundamentals. This is relevant to our business, our investors, and other stakeholders since such dynamics may impact the risk-return of our financial products.

Integrating sustainability risks into an investment process require in our opinion five key pillars: Philosophy; Identification; Assessment; Integration; and Reporting. This policy provides an elaboration of our approach.

2. LEGAL BASIS

As part of realizing the promotion of sustainability through our investment process, we follow and comply with the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") in order to ensure transparency with regard to the integration of sustainability risks. We consider also the principal adverse impacts of our investments on sustainability and relay the necessary sustainability-related information with respect to our financial products and investment process.

In accordance with SFDR article 2(22) we perceive sustainability risk as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

3. SUPPORT

Global Evolution is a signatory of the United Nations Global Compact ("UNGC"); a strategic policy initiative for companies and non-businesses committed to aligning their operations and strategies with the ten principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. We continuously support the UN Global Compact 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. Furthermore, our activities relating to environmental, social, and governance factors shall be characterized by credibility, consistency, and commitment.

Global Evolution is furthermore a signatory of the Principles for Responsible Investment ("PRI"); a strategic policy initiative for businesses committed to aligning their operations and strategies with six principles for responsible investment supported by the United Nations.

In addition, we support and endorse the recommendations of the Task Force for Climate-related Financial Disclosures ("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.

4. SUSTAINABILITY RISK PHILOSOPHY

We wish to use our influence to be positively impactful and in the best interest of our investors engage with emerging market issuers to promote greater transparency on ESG issues and encourage development. We do this by lending money to governments and companies in emerging market to build the physical and human infrastructure necessary to help lift millions of their citizens out of absolute poverty and address Environmental, Social and Governance ("ESG") issues.

Our approach is one of positive engagement, choosing the carrot rather than the stick: We believe engagement is a more valuable approach to encourage emerging market issuers to act in the most beneficial way to improve ESG issues rather than leaving countries in isolation.

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.

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.

In recent decades sustainable development issues and their integration into investment decision process has grown more relevant and often discussed. Rather than absolute ESG performance, a better indicator of future investment gains is positive ESG momentum; i.e. a company`s ESG scores can be average but improving. Studies have found that companies with average ESG scores that have positive momentum made the biggest contribution to financial performance. Firms with high ESG scores did not experience improved financial performance. However, rising ESG scores improved risk-adjusted returns across the board as we would expect.

[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.

5. SUSTAINABILITY RISK IDENTIFICATION

At Global Evolution, we view management of sustainability issues as a necessary component of our investment strategy and continue to evolve our framework as we believe it is fundamental to the long-term success of our Product. Global evolution has established the appropriate governance systems, risk management and controls to support our intention to integrate sustainability considerations across our investments. Global Evolution operates with a framework for conducting proprietary qualitative ESG research and analysis for each of the investee countries and companies in the Products.

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.An additional, more experimental 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 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.

6. SUSTAINABILITY RISK ASSESSMENT

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.

The ESG ratings are optimized through simulations of the variables and weightings by including indicators with substantial influence on the sustainable economic and socio-economic development of countries. The ESG ratings inform our investment process and serve as ongoing input to our quantitative valuation and credit rating models. The ESG scores are utilized for the negative screening process whereby we exclude certain countries from our investable universe.

7. SUSTAINABILITY RISK INTEGRATION

Global Evolution's research and assessments clearly indicate with econometric evidence that ESG improvements are statistically significantly correlated with both government bond yields and exchange rates of emerging market countries which feeds into a better regulatory environment for the emerging market corporates.

In recent decades sustainable development issues and their integration into investment decision process has grown more relevant and often discussed. Numerous academic publications have examined various aspects of integrating sustainability aspects in the mechanism for making strategic decisions.

Rather than absolute ESG performance, a better indicator of future investment gains is positive ESG momentum, the company`s ESG scores can be average but improving. Studies have found that companies with average ESG scores that have positive momentum made the biggest contribution to Sharpe ratios.

Firms with high ESG scores did not experience improved financial performance, likely because these factors were already reflected in the firm's financial performance. However, rising ESG scores improved risk-adjusted returns across the board as we would expect.

Recent studies have concluded that ESG information is able to provide different positive or negative effects that can be significant for investment decisions. Specifically, ESG disclosures impact company`s reputational risks, cost of capital (Khan et al. 2015, Chen et al. 2011), stock price movements (Clark et al. 2015). Analysis of the main barriers in ESG data integration had shown that the biggest issues of using ESG information relate to the lack of non-financial reports comparability, their timeliness and reliability (Amel-Zadeh and Serafeim 2017; CFA 2017) as well as to cost of gathering and assurance (KPMG 2017). Due to these barriers, ESG analysis in most cases has the form of a qualitative input that is used alongside traditional investment quantitative models.

8. SUSTAINABILITY RISK REPORTING

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.

9. REVIEW AND APPROVAL OF THIS POLICY

This policy is approved by the Board of Directors and must be reviewed as and when required, but at least on an annual basis. A new version of the policy will only be issued, if the review determines that changes are required.

Version	Approval Date	Revision details	Made by	Approved by
1	9 March 2021		OJ	BOD
2	28 November 2023	Date updates and incorporation of Corp. Debt. investments	OJ	BOD