

# GLOBAL EVOLUTION CLIMATE AND NATURE REPORT

INTEGRATED TCFD & TNFD  
DISCLOSURES

2024-2025

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## 1. Introduction

As an asset manager dedicated to emerging markets, we understand that the accelerating impacts of climate change and nature degradation pose systemic risks to economies, companies, and the long-term value of our portfolios. At the same time, emerging markets hold a pivotal position in the global transition, being home to vast natural capital, rapidly growing populations, and resource-intensive development pathways.

Natural resources are foundational to livelihoods, economic activity, and societal progress in these regions, yet they are also at risk. Biodiversity loss, ecosystem degradation, and rising climate vulnerability threaten hard-earned development gains and expose economies to physical and financial shocks. As many emerging markets remain reliant on fossil fuels while facing rising energy demand, the need to decouple growth from emissions is urgent.

From an ethical standpoint, it is essential to recognize that emerging markets are still navigating critical stages of development, addressing poverty, expanding access to energy and infrastructure, and building resilient institutions. Yet they are increasingly being expected to confront environmental challenges that stem, in large part, from the historical emissions and ecological degradation caused by centuries of industrialization in advanced economies. Integrating climate and nature considerations into our decision-making should therefore be accompanied by a commitment to just transition principles that promote shared prosperity and long-term resilience.

Since 2021, we have disclosed climate risks following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to provide our stakeholders with a clear view of the climate-related risks and opportunities that we as a corporate entity and asset manager is exposed to. Last year, we expanded our sustainability commitment by adopting the framework set forth by the Taskforce on Nature-related Financial Disclosures (TNFD) to strengthen our focus on biodiversity and ecosystem health, that are vital to the emerging markets' development.

This publication marks our second integrated TCFD-TNFD report, underscoring our ongoing commitment to addressing both climate- and nature-related risks and opportunities. The integration of these frameworks reflects the inherent interdependence between climate and nature, recognizing that the two cannot be addressed in isolation. By evaluating climate and biodiversity risks together, we gain a more holistic understanding of the complex environmental challenges and opportunities shaping our portfolios.

Since publishing our last report, we have taken meaningful steps to strengthen our internal policies, procedures, and analytical capabilities. This includes the strengthening of climate and nature-related considerations in our policies and procedures, the enhancement of our Environmental, Social, Governance ("ESG") framework to better capture interconnected nature and biodiversity-related risks, and improvements to our portfolio-level monitoring tools. These developments allow us to more systematically identify material environmental risks and exposures.

We view this as an ongoing journey, with this report representing a step in our efforts to enhance sustainability-related risk and opportunity management. As we refine our approach, we remain committed to transparently sharing our progress with stakeholders through comprehensive disclosures.

This report covers Global Evolution Asset Management A/S and its affiliates. The principles for integrating ESG into our investment process apply across the group and total assets under management. For segregated mandates, ESG preferences and investment guidelines are defined by and applied in accordance with each client's specific requirements.

### 1.1. Progress since last report

Over the past year, we have taken several key steps to strengthen our approach to managing climate- and biodiversity-related risks and opportunities across our investment activities. These initiatives reflect our ongoing commitment to align our practices with evolving sustainability standards and to strengthen our position to tackle climate and nature-related risks.

#### Policy Enhancement

We introduced a new Responsible Investment Policy, gathering all sustainability-related policies. The new policy clearly articulates our position on climate change and biodiversity. This ensures that we have a policy framework to guide our responsible investment practices. By embedding these principles into our core policy documents, we are reinforcing our accountability and commitment to responsible investment in these areas.

#### Refined Screening Approach

We strengthened our responsible investment procedures by expanding biodiversity considerations within our negative screening approach. This enhancement reflects our growing focus on biodiversity and its integration into policy frameworks. By deepening this connection, we have reinforced the alignment between our policy stance on biodiversity and the way these principles are embedded throughout our investment decision-making process.

#### Expanded Biodiversity Indicators

Over the past year, we enhanced our sovereign ESG framework by sourcing and integrating additional nature-related indicators. These new data points allow us to better evaluate how countries manage their natural capital, ecosystems, and biodiversity resources. By embedding these indicators into our analytical processes, we are strengthening our ability to identify both risks and opportunities associated with biodiversity loss and ecosystem degradation.

#### Enhanced Portfolio-level Monitoring

We enhanced our portfolio-level monitoring to provide a more comprehensive view of both climate and biodiversity risks. This includes improved data integration and analytical tools. However, challenges remain, particularly in achieving consistent data coverage across all holdings, reflecting the generally limited availability and quality of environmental data for companies in emerging markets.

## 1.2. About this report

We view the frameworks of the Task Force on Climate-related Financial Disclosures (TCFD) and the Taskforce on Nature-related Financial Disclosures (TNFD) as essential tools to help identify, assess, and manage the climate and nature-related risks and opportunities that impact Global Evolution as a corporate entity and our investments. These frameworks provide robust guidance for integrating environmental considerations into financial decision-making, enhancing our ability to respond proactively to emerging challenges and capitalize on opportunities.

This report follows the TCFD and TNFD guidelines, structuring the report around the following themes:

- **Governance:** Describes how climate- and nature-related risks and opportunities are overseen by the board and managed by executives.
- **Strategy:** Explains how these risks and opportunities affect the organization's business model, strategy, and financial planning.
- **Risk Management:** Outlines processes for identifying, assessing, and managing climate- and nature-related risks.
- **Metrics and Targets:** Presents the key indicators and goals used to measure and track progress on climate and nature performance.

Aligned with the TNFD requirements, we disclose the starting point for this report, including materiality, scope of disclosures, location of nature-related issues, integration with other sustainability-related disclosures, time horizon under consideration, and the engagement of indigenous communities:

- **Materiality:** We apply the principle of double materiality into our sustainability efforts. With this approach, we evaluate both how sustainability-related risks impact the financial performance of our investments and how the investments themselves impact the environment and society.
- **Scope of disclosures:** This report covers Global Evolution's roles as both a corporate entity and an investment manager. As a company, we monitor and address climate and sustainability risks and opportunities. As an investment manager, we analyze how to achieve long-term, risk-adjusted returns while promoting sustainability in the countries and companies we invest in. The report covers both emerging market sovereign and corporate fixed income investments, with greater focus on our core investment activities.
- **Location of nature-related issues:** Global Evolution's head office is located in Kolding, Denmark. We also have offices in London, Singapore, Luxembourg, and New York. With our offices being located in urban areas, we do not consider our direct operations to be highly interlinked with nature. The greatest interaction with nature is through our investments, which are located across emerging markets. In our nature-related assessment of our investments and issuers, we rely on third-party data estimates and the level of aggregation provided.
- **Integration with other sustainability-related disclosures:** TCFD and TNFD considerations will be integrated into our annual sustainability report. TCFD and TNFD data disclosure overlaps with data disclosures under the Sustainable Finance Disclosure Regulation (SFDR) Level II requirements for Article 8.
- **Time horizon:** We consider climate risk over the short (<5 years), medium (5-10 years), and long term (>10 years).
- **Engagement with Indigenous peoples, local communities, and affected stakeholders:** Our engagement efforts are focused towards governments and corporates in which we invest. Given that our direct operations are located in urban office buildings, we do not find it applicable to conduct engagements with Indigenous people and local communities regarding our direct operations.

## 2. Governance

Global Evolution has integrated environmental issues and dynamics into our investment process for several years, and the TCFD and TNFD recommendations are well-designed to complement our investment process and consequently an initiative that we endorse and support.

We believe that strong governance and ethical business practices are fundamental to ensure clients' and stakeholders' trust, and to maintain successful investment activities. Global Evolution's ESG governance framework is structured as follows:

BOARD	MANGENENT BOARD	RESPONSIBLE INVESTMENT COMMITTEE
<p>The Board of Global Evolution Asset Management A/S approves the Responsible Investment Policy that establishes the overall principles for integrating sustainability considerations into investment decisions.</p>	<p>The Management Board is responsible for ensuring that ESG-related policies are in place and approved by the Board of Directors. Further, the Management approves the Responsible Investment Procedure.</p>	<p>The Responsible Investment Committee is responsible for the Responsible Investment Procedure and the Procedure's alignment with the Responsible Investment Policy. Further, the Responsible Investment Committee recommends inclusion/exclusion decisions for the CEO's approval.</p>
RESEARCH DEPARTMENT	RISK MANAGEMENT	LEGAL & COMPLIANCE
<p>The Research Department is leading and developing sustainability-related work, including reporting to the TCFD, TNFD, UN PRI, UN Global Compact, and managing relations with the Emerging Market Investor Alliance. The responsibility for the work related to SFDR is shared responsibility with Legal and Compliance.</p>	<p>The Risk Management Team is responsible for implementing all ESG-related restrictions across funds and mandates. It performs pre-trade and post-trade checks to ensure alignment with the firm's screening criteria and exclusion list.</p>	<p>The Legal &amp; Compliance function oversees compliance with the ESG governance framework and that all activities align with relevant regulatory requirements, including the EU Sustainable Finance Disclosure Regulation (SFDR).</p>
INVESTMENT TEAM	ALL EMPLOYEES	
<p>The Investment Team adheres the all ESG-related policies and procedures established by the firm and takes ESG considerations into investment analysis and escalates any potential ESG concerns to the Responsible Investment Committee or Legal &amp; Compliance as appropriate.</p>	<p>All employees at Global Evolution are responsible for carrying out the firms' ESG objectives and upholding the firm's policies and procedures.</p>	

### 3. Strategy

Climate change and nature loss are among today’s most urgent challenges, threatening e.g. clean water, food security, and economies. Rising temperatures and environmental degradation reduce water availability, damage agriculture, and destabilize industries dependent on natural resources such as farming, fishing, and tourism.

Nature and climate are deeply linked. Healthy ecosystems absorb carbon and buffer against extreme weather, while climate change weakens these systems through events like wildfires and habitat loss. These developments present both risks and opportunities for our business and portfolios. Global Evolution is committed to identifying and managing material risks in line with TCFD and TNFD frameworks. Table 1 summarizes our understanding of key physical and transition risks.

**Table 1: Overview over TCFD and TNFD risk categories**

Climate-related changes	Category	Description
Physical risks	Carbon-related (TCFD)	Carbon-driven physical risks are the risks of damage to physical assets resulting from rising temperatures and climatic changes. Risks can be both event-driven (e.g. storms and floodings) and longer-term shifts in climate patterns (e.g. rising temperatures and heat waves).
	From biodiversity loss (TNFD)	Physical risks from biodiversity loss result from the degradation and/or depletion of natural capital and associated changes to ecosystem services, such as food and water supply.
Transition risks	Carbon-related (TCFD)	Carbon transition Risks refers to risks arising from the global low-carbon transition as economies shift toward reducing carbon emissions. These include regulatory changes, shifting market demands, technological disruptions, and reputational impacts associated with the transition.
	Nature-related (TNFD)	Nature-related transition risks refer to the challenges businesses face as economies shift toward protecting and restoring natural ecosystems. These risks arise from changes in regulations, market preferences, or technologies aimed at addressing biodiversity loss, deforestation, water scarcity, and other environmental issues.

Prepared by Global Evolution

In the following sections, we address these risks in relation to 1) Global evolution’s activities as a corporate entity, and 2) our investments.

#### 3.1. Climate and nature-related consideration in Global Evolution’s corporate operations

We recognize that Global Evolution as a corporate entity is affected by climate and nature-related risks, and we hold ourselves accountable by reviewing and taking climate action in relation to our own corporate activities.

In table 2 we provide an overview of our assessment of potential risks and opportunities for Global Evolution as a corporate entity. Our analysis is rooted in our belief that changing nature and climate patterns can have material risks that should be managed systematically, while at the same time the same global trends create opportunities for our activities. We have identified four key categories with material risks and opportunities to Global Evolution including resources, market and products, reputation, and regulatory.

**Table 2: Overview of climate risks and opportunities for the organization**

Category	Risk assessment	Opportunity assessment	Time horizon	Mitigation response
Resource	As a corporate entity, Global Evolution is expected to pursue sustainable operations, e.g. reducing GHG emissions. Not finding the right balance could interfere with investments from missing information, e.g. from fewer investor trips that are high in GHG emissions.	As a corporate entity, Global Evolution can continue to pursue resource efficiency in operations and seek carbon neutral certifications.	Short to long-term	Since 2020, and covering the period through 2024, our parent company Conning and its subsidiaries, including Global Evolution, have been certified carbon neutral using high-quality instruments. <sup>1</sup> Through these efforts, Global Evolution's carbon emissions have been offset through several high-quality carbon offset projects. In 2024, such projects included clean cooking, renewable energy, and afforestation. As part of our certification, we are calculating our company carbon footprint. This footprint is reviewed by a qualified independent third party in line with the requirements of The CarbonNeutral® Protocol. We report on our carbon emissions under 'Metrics & Targets'.
Market and products	Global Evolution may not be able to meet client demands of climate and nature-related products, especially given limited data availability in Emerging Markets ("EM").	Global Evolution can continue to work on new product offerings to meet growing client demand for sustainability-aligned products.	Medium to long-term	Global Evolution is committed to continuously evaluating and refining its product portfolio to align with evolving client demands and preferences. We are in continuous dialogue with our clients on their appetite for sustainability-focused strategies to ensure that our offerings remain relevant and responsive to the market's needs, particularly in areas of increasing importance such as sustainability. In line with this commitment, all our public funds comply with the Sustainable Finance Disclosure Regulation (SFDR) Level II requirements for Article 8.
Reputation	Divergent views between Global Evolution and investors on EM issuers' carbon and nature profiles and sustainability actions could create reputational risks and impact Global Evolution's client relationships.	Global Evolution can strengthen its thought leadership status in the EM fixed income context, advocating for the importance of a just transition where no country should sacrifice growth and prosperity to reach net zero.	Medium to long-term	As an investment manager specialized in frontier and emerging markets and with ESG as part of our DNA, we have extensive knowledge of challenges and opportunities in these markets. We are committed to staying at the forefront of global trends, analyzing their implications for emerging markets, and proactively incorporating these insights into our strategies. Our internal research plays a key role in this process, offering valuable perspectives that we regularly share with our investors to foster informed decision-making. We actively engage in meaningful dialogue with our clients to advocate for a fair representation of emerging markets within the broader context of climate and sustainability-related risks. Through these discussions, we aim to align expectations regarding the measures we implement to manage such risks effectively. We also work with our owner to align policies and leverage resources for risk management.
Regulatory	New environmental and sustainability disclosure requirements could increase compliance costs and interfere with investment strategies. Failing to comply with regulations could result in fines for Global Evolution and reputational risks.	Global Evolution continues to adapt to legal frameworks and actively use frameworks to strengthen its ESG analysis.	Short-term	Compliance is a fundamental pillar of Global Evolution's business success and Global Evolution's sustainable future, and we believe that strong governance and ethical business practices are fundamental to ensure clients' and stakeholders' trust, and to maintain successful investment activities. In the area of sustainability integration both in our inward sustaining of the future success of our organization, and the outward, sustainability of the entities in which we invest, compliance is key to provide stewardship and controls in order to protect the interests of our clients and shareholders. Consequently, the areas of risk management, IT, operations, and investment management undergo substantial oversight and reporting requirements to ensure compliance with laws and regulations in the relevant areas.

<sup>1</sup> CarbonNeutral® company certification: Conning Holdings Limited (CHL) and its subsidiaries (together, "Conning") have been certified as carbon neutral in the period 2020-2024 through the use of high-quality instruments, in accordance with The CarbonNeutral Protocol (<https://www.carbonneutral.com/the-carbonneutral-protocol>) and the GHG Protocol Scope 2 Guidance. All credits adhere to standards approved by the International Carbon Reduction and Offset Alliance (ICROA). To achieve this certification, Conning works with Climate Impact Partners, a specialist in carbon market solutions for climate action. As part of this certification, the firm's global operations complete an independent assessment of their greenhouse gas emissions. The contract is subject to renewal.

### 3.2. Climate and nature-related considerations in investment management

As an emerging markets asset manager focused on sovereign and corporate fixed income, we are acutely aware of the material climate- and nature-related risks embedded in our portfolios. These risks are particularly pronounced in emerging markets, which are home to the majority of the world's biodiversity<sup>2</sup> and fossil fuel reserves<sup>3</sup>, and play a pivotal role in shaping the global response to both climate change and biodiversity loss.

Natural resources underpin economic development and societal well-being in these regions, providing livelihoods, ecosystem services, and GDP contributions through sectors such as agriculture, forestry, mining, and energy. However, economic growth has historically come at an environmental cost – leading to deforestation, rising emissions, and ecosystem degradation<sup>4</sup>. Emerging markets now face the complex challenge of advancing development while decoupling growth from environmental harm and building resilience to the physical impacts of a changing climate.

Climate-related and nature-related risks – both physical or transition – can directly influence the creditworthiness of sovereign and corporate issuers. Physical risks include the rising frequency of extreme weather events, water stress, and biodiversity loss, which can disrupt economic activity and damage infrastructure. Transition risks, such as tightening environmental regulations, shifts in global demand, and the introduction of nature-related disclosure frameworks, can also affect issuers' economic performance, funding costs, and bond spreads.

At the same time, these transitions present opportunities for innovation, resilience, and long-term value creation. Significant investments are required to support emerging markets' low-carbon transition<sup>5</sup> and biodiversity<sup>6</sup> and ecosystem conservation; however, many emerging markets lack the financial resources needed.

Tables 3 and 4 summarize the key climate- and nature-related physical and transition risks we have identified as most relevant to our investment universe. These risks are assessed based on their potential to impact issuer fundamentals, credit ratings, and bond valuations over short-, medium-, and long-term horizons.

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<sup>2</sup> Adenle, A. A., Stevens, C., & Bridgewater, P. (2015). Global conservation and management of biodiversity in developing countries: An opportunity for a new approach. *Environmental Science & Policy*, 45, 104-108.

<sup>3</sup> Dudley, B. (2019). BP statistical review of world energy 2016. *British Petroleum Statistical Review of World Energy*, Bplc. editor, Pureprint Group Limited, UK.

<sup>4</sup><https://www.iea.org/commentaries/the-relationship-between-growth-in-gdp-and-co2-has-loosened-it-needs-to-be-cut-completely>

<sup>5</sup> Standard Chartered (2022). Just in time. <https://www.sc.com/en/insights/just-in-time/>

<sup>6</sup> BloombergNEF (2024). Biodiversity Finance Factbook

**Table 3: Key climate-related risks**

Category	Sovereign issuer risk	Corporate issuer risk	Risk time horizon
<p><b>Climate-related physical risks</b></p> <p>Risks arising from acute and chronic impacts of climate change, including extreme weather events and long-term shifts in temperature and precipitation</p>	<ul style="list-style-type: none"> <li>• Disruption of key economic sectors from extreme weather events (e.g. floods, droughts, storms), impacting productivity, trade, and livelihoods</li> <li>• Increased public spending on disaster response, infrastructure repair, and health services due to climate-induced damage and displacement</li> <li>• Reduced agricultural output, water availability, and energy generation due to shifting climate patterns</li> <li>• Social unrest and political instability from food insecurity, heat stress, and resource scarcity</li> <li>• Weakened fiscal capacity from lower tax revenues and rising climate adaptation costs</li> <li>• Higher borrowing costs as climate vulnerability becomes a factor in sovereign credit ratings and investor risk assessments</li> </ul>	<ul style="list-style-type: none"> <li>• Operational disruption in climate-exposed sectors (e.g. agriculture, construction, logistics) from extreme weather and chronic climate impacts</li> <li>• Supply chain interruptions from climate-related events damaging sourcing regions, transport routes, or critical infrastructure</li> <li>• Rising costs from climate-proofing assets, insuring against physical risks, and responding to damage.</li> <li>• Asset impairment or devaluation due to increased exposure to flooding, heat, or drought</li> <li>• Business continuity risks and more frequent operational shutdowns due to climate emergency events requiring evacuation or temporary closure</li> <li>• Higher insurance premiums or reduced coverage due to more frequent or severe climate hazards</li> </ul>	Short to long-term
<p><b>Climate-related transition risks</b></p> <p>Risks arising as global markets, regulations, and technologies shift toward low-carbon economies to mitigate climate change</p>	<ul style="list-style-type: none"> <li>• Declining fossil fuel exports due to reduced global demand, climate policies, and cross-border carbon pricing</li> <li>• Public spending pressures to meet net-zero commitments, decarbonize infrastructure, and support affected industries and workers</li> <li>• Stranded assets and reduced revenues from lacking demand for fossil fuel and carbon-intensive sectors</li> <li>• Rising borrowing costs or capital flight for countries perceived as climate laggards or lacking credible transition pathways</li> <li>• Economic and social instability during abrupt transitions without adequate support for vulnerable populations</li> <li>• Shifting geopolitics from shifting demands for fossil fuels and minerals</li> </ul>	<ul style="list-style-type: none"> <li>• Increased regulatory and compliance costs due to evolving emissions standards, carbon pricing, and mandatory climate disclosures</li> <li>• Revenue decline from shifting consumer and investor preferences toward low-carbon products and services.</li> <li>• Technological obsolescence and stranded assets in carbon-intensive industries (e.g. coal, cement, heavy manufacturing)</li> <li>• Stranded assets and reduced revenues in fossil fuel and carbon-intensive sectors</li> <li>• Reputational risks and investor exclusion for firms seen as resisting or delaying the low-carbon transition</li> <li>• Supply chain pressures as corporate buyers demand decarbonization across value chains</li> </ul>	Medium to long-term
<p><b>Climate-related Opportunities</b></p> <p>Opportunities associated with the global transition to a low-carbon economy, investment in climate resilience, and clean technologies</p>	<ul style="list-style-type: none"> <li>• Economic diversification through investment in renewable energy, low-carbon transport, and green infrastructure</li> <li>• Attraction of climate-aligned capital via green, sustainability-linked, or adaptation bonds</li> <li>• Job creation and industrial development in clean energy, energy efficiency, and sustainable agriculture</li> <li>• Improved fiscal and debt sustainability from reduced fossil fuel dependency and more stable energy systems</li> <li>• Enhanced global competitiveness through leadership in climate policy and innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue growth from low-carbon products, clean energy, and climate adaptation services</li> <li>• Cost savings from energy efficiency, circular economy models, and reduced resource consumption.</li> <li>• Access to green and sustainability-linked financing and preferential procurement criteria</li> <li>• Competitive advantage through early adoption of climate technologies and resilience strategies</li> <li>• Strengthened brand and investor appeal through credible climate action and net-zero targets</li> </ul>	Medium to long term

Source: Global Evolution in-house assessment

**Table 4: Nature-related risks for sovereign and corporate issuers**

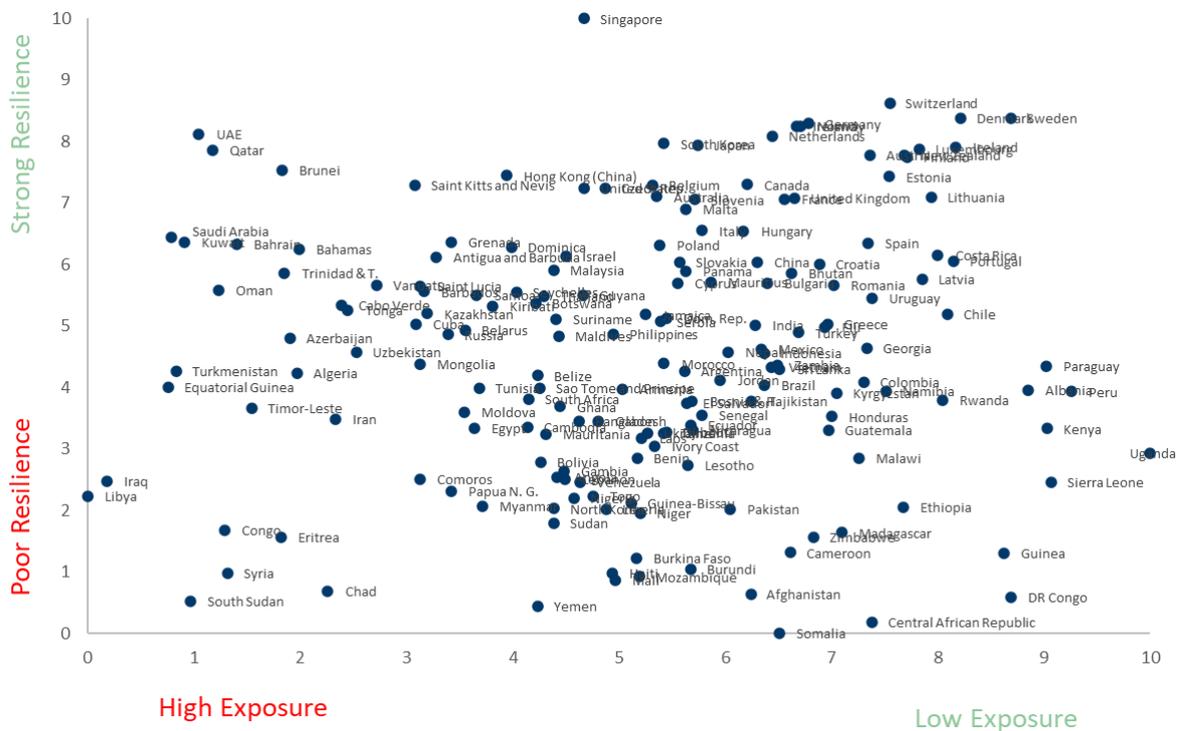
Category	Sovereign issuer risk	Corporate issuer risk	Risk time horizon
<p><b>Nature-related physical risks</b></p> <p>The degradation and/or depletion of natural capital and associated changes to ecosystem services, such as food and water supply.</p>	<ul style="list-style-type: none"> <li>Economic disruption of sectors heavily reliant on natural resources</li> <li>Reduced human capital levels (health and productivity) as diseases spread from ecosystem change and poor water quality</li> <li>Declining revenues as biodiversity loss affect availability and quality of nature-dependent goods</li> <li>Social unrest, political instability, and interstate tensions from resource scarcity (e.g. water) and food insecurity may lead to reduced productivity and decreased investor sentiment</li> <li>Increased government spending to fund biodiversity restoration and welfare costs from unemployment and health deterioration</li> <li>Weakened fiscal stability from reduced revenues from lower productivity, reduced tax incomes, and weakened export earnings</li> </ul>	<ul style="list-style-type: none"> <li>Operational disruption in resource-dependent sectors due to ecosystem degradation and biodiversity loss</li> <li>Lower production output from biodiversity and ecosystem loss</li> <li>Supply chain and input disruptions as ecosystem decline, habitat loss, and extreme events (e.g., floods, droughts, fires) damage sourcing regions and reduce availability of key natural resources like freshwater, raw materials, and biomass</li> <li>Asset devaluation as nature loss diminishes the productivity or viability of land, facilities, or natural capital-dependent investments</li> <li>Higher input and operational costs from resource scarcity, degraded infrastructure, and increased need for adaptive technologies.</li> <li>Greater insurance costs or coverage loss as nature degradation and climate-driven biodiversity risks increase exposure to physical damage.</li> </ul>	Short to long-term
<p><b>Nature-related transition risks</b></p> <p>Risks arising as global standards shift towards greater protection and restoration of biodiversity and ecosystems in response to the global biodiversity crisis.</p>	<ul style="list-style-type: none"> <li>Reduced economic growth and revenue as global markets and trade partners shift toward stronger nature-positive practices</li> <li>Job losses and reduced GDP in natural capital-dependent countries from stricter biodiversity regulations</li> <li>Increased public expenditure to finance nature restoration, conservation, and infrastructure adaptation in line with national and international biodiversity goals</li> <li>Heightened risk of capital flight as investors divest from sovereigns with weak nature-related governance, transparency, or performance metrics.</li> <li>Social instability and inequality triggered by abrupt shifts in nature-related policies without adequate support for affected communities and workers.</li> </ul>	<ul style="list-style-type: none"> <li>Rising compliance costs from adapting to stricter biodiversity and nature-related regulations across operations and supply chains.</li> <li>Regulatory fines and legal liabilities for non-compliance with biodiversity or nature disclosure requirements.</li> <li>Higher borrowing costs for companies with significant biodiversity impacts as investors may seek to reduce negative impacts of portfolios</li> <li>Loss of market share and reputational damage as consumers and stakeholders shift toward nature-positive brands and hold companies accountable for ecosystem impacts and nature stewardship.</li> <li>Investor divestment from firms with high biodiversity footprints or weak nature-related governance.</li> </ul>	Medium to long-term
<p><b>Nature-related opportunities</b></p>	<ul style="list-style-type: none"> <li>Biodiversity conservation initiatives</li> <li>Diversification of economies away from natural resource dependence</li> <li>Green and sustainability-linked bonds</li> </ul>	<ul style="list-style-type: none"> <li>Reducing risks through proactive management</li> <li>Gaining competitive advantage through innovative, nature-positive products and business models</li> <li>Green and sustainability-linked bonds</li> </ul>	Short to long-term

Source: Global Evolution in-house assessment

### Mapping climate-related impact on investments

In deepening our understanding of potential transition risks in a frontier and emerging markets context, we have developed a proprietary transition risk assessment framework. Inspired by Peszko et al. (2020), we assess both exposure and resilience to transition risks. Exposure refers to the extent to which countries are exposed to economic hardship from a low-carbon transition, their position to transition away from fossil fuels, and their potential to benefit from a global low-carbon transition. Resilience relates to countries' capacity to respond to risks and opportunities, relating to the quality of institutions and flexibility of economic structures to adapt to the global low-carbon transition. Countries' exposure and resilience to the low-carbon transition is mapped in figure 1.

**Figure 1: Country-level transition risks and resilience<sup>7</sup>**



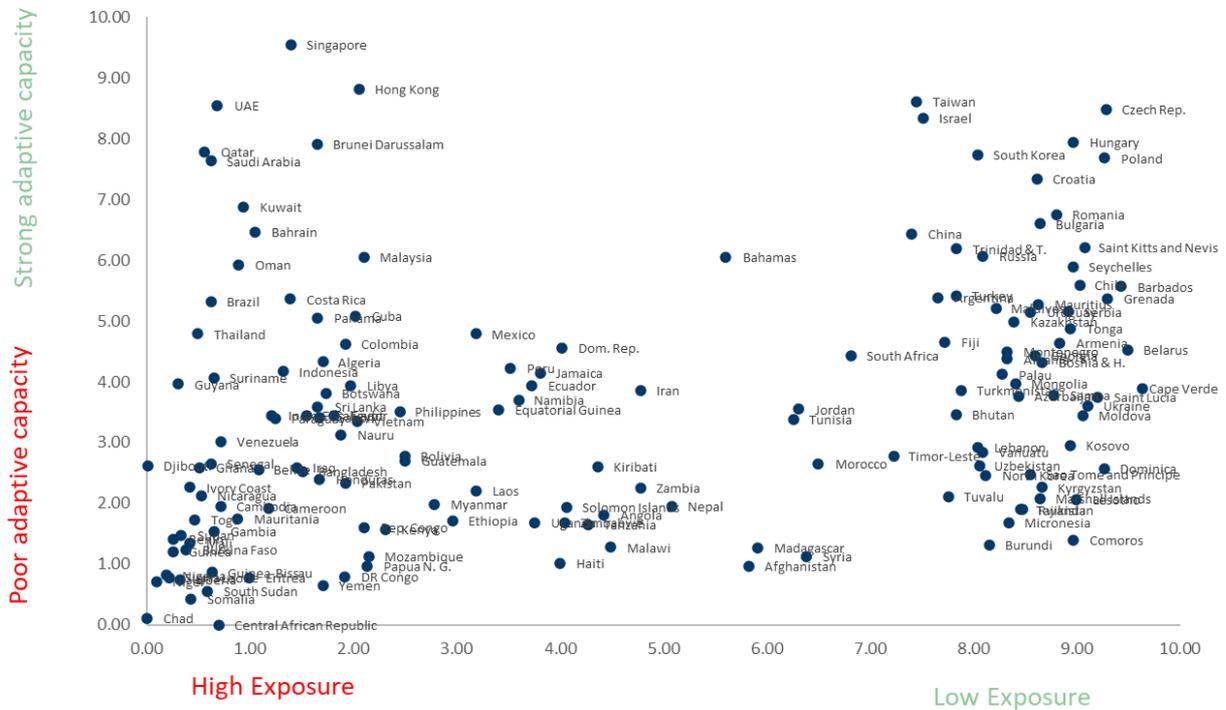
Source: Global Evolution proprietary Transition Risk Framework. Based on data available 2025-Q1.

For companies, transition risks are largely dependent on sectors, national and international policies, and internal initiatives to strengthen resilience. Due to poor data coverage of corporate issuers, we rely largely on qualitative assessments of these risks.

In assessing climate-related physical risks, we consider both countries' exposure to climate change and their adaptive capacities to adjust to or take advantage of the anticipated stresses resulting from climate change. By combining exposure and adaptive capacity indicators, we develop a holistic view of each country's relative vulnerability to physical climate risks. This assessment feeds into our broader country-level risk analysis, helping to identify potential long-term credit implications. It also guides the prioritization of our engagement with sovereign issuers and policymakers. Countries' exposure and adaptive capacities to climate-related physical risks are mapped in figure 2.

<sup>7</sup> In assessing sovereign transition risk exposure, we take into consideration three dimensions; 1) sovereign policy frameworks for low-carbon transitions, 2) sovereign economies' fossil fuel and carbon dependency, and 3) renewable energy resources. We take a dynamic assessment approach by considering current levels, a 5-year trend, and a forward-looking view. Countries are scored on a scale 0-10 with 0 representing highest risk among all countries in the world. Full methodology is available on request.

**Figure 2: Country-level physical risk and adaptive capacity in emerging markets**



Source: Verisk Maplecroft, processed by Global Evolution to normalize on a scale 0-10 (among all countries in the world). Data as of 2025-Q4.

Companies are inherently influenced by the physical climate risks faced at the country and regional level, as these risks shape the broader operating environment in which businesses function. Rising temperatures, water scarcity, and the increasing frequency of extreme weather events can disrupt infrastructure, supply chains, and access to essential resources.

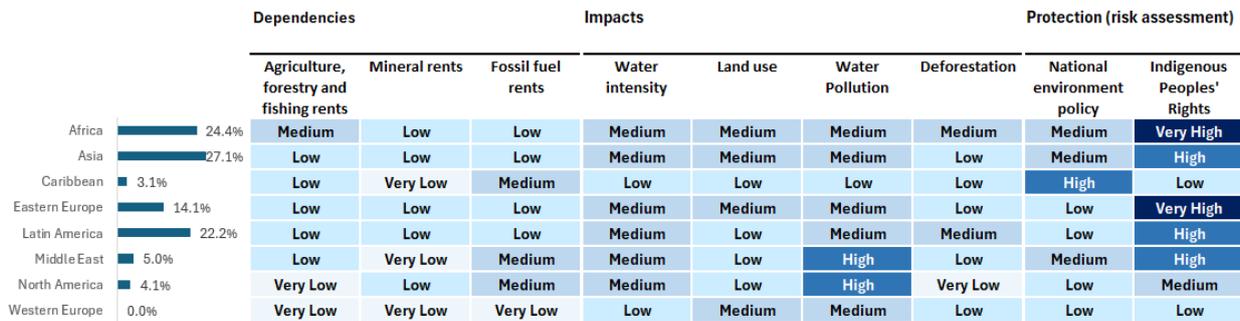
**Nature-related impact and dependency of investments**

Following the TNFD recommendations, we have analyzed and mapped our investments’ nature-related dependencies and impacts, and hence our analysis is based on the principles of double materiality. We have conducted the assessment for our sovereign and corporate investments respectively, to help identify areas of our investments that may have high concentrations of higher-risk dependencies and impacts.

In our evaluation of nature-related dependencies and impacts on sovereign investments, we have relied on key indicators deemed essential for understanding nature-related risks associated with sovereign bonds. Regarding dependencies, we assess each country's reliance on natural resources for economic output, focusing on agriculture, forestry, fishing, minerals, and fossil fuels, which we identify as the most exposed sectors within emerging markets. Our analysis of nature-related impacts encompasses water withdrawal, land use (particularly agricultural land), and deforestation. While we regard these as the most significant factors, other indicators, such as the status of threatened species and critical habitats, could also be considered. Additionally, we have incorporated a dimension that evaluates governments’ levels protection of the environment and the rights of local communities. This helps us identify risks of environmental degradation and civil unrest, which represents risk to GDP growth and bond prices.

For the purpose of this report, we have mapped dependencies, impacts, and protections on a regional level (based on an average of all countries within a region) as depicted in figure 3. However, countries within a region can have very different dependencies, impacts and protective measures with some countries exhibiting very high risks and other countries very low risk. We are therefore more attentive to idiosyncratic country profiles and average levels in our portfolios.

**Figure 3: Nature dependence and impact heat map for sovereigns**

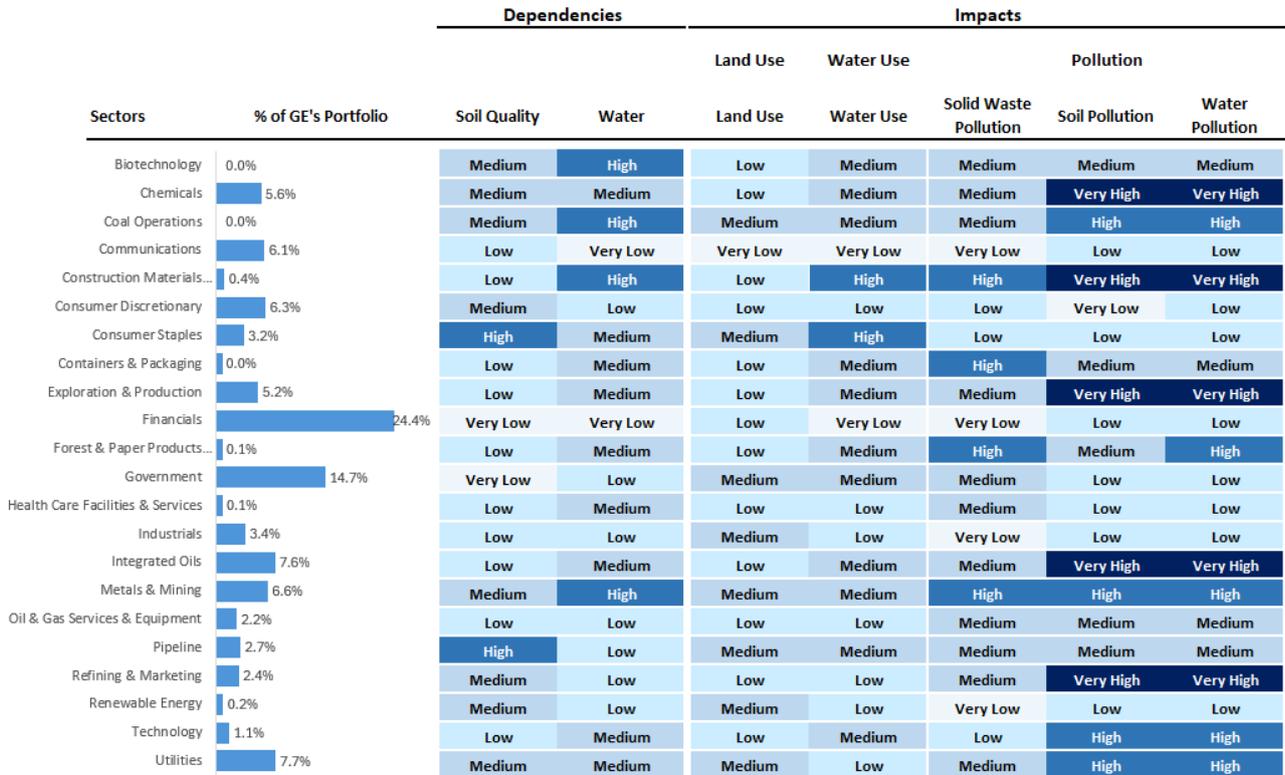


Sources: Prepared by Global Evolution based on World Bank and Verisk Maplecroft data. As of December 31, 2024.

In our evaluation of the nature-related dependencies and impacts of our corporate investments, we have utilized the ENCORE database, following the assessment framework recommended by the Taskforce on Nature-related Financial Disclosures (TNFD). Dependencies and impacts were initially analyzed at the level of each relevant subsector, and subsequently aggregated at the sector level as depicted in figure 4. This methodology ensures that the risk assessment for each sector is confined to the risks stemming from its pertinent subsectors.

One of the largest sector exposures within emerging markets corporate investment universe lies within the financial sector, which presents low or very low nature-related risks. However, we also have some exposure to sectors with significant nature-related dependencies, including metals and mining, commodities pipelines, and construction materials. Additionally, we hold investments in sectors that have substantial negative impacts on nature, notably exploration and production, integrated oils, and chemicals. Crucially, we evaluate the ESG efforts of the companies in our portfolio, acknowledging that firms can manage their dependencies and mitigate negative impacts to varying extents, depending on their level of ambition and commitment to sustainability.

Figure 4: Nature dependence and impact heat map for corporate sectors



Source: ENCORE database. Prepared by Global Evolution, as of Dec. 31, 2024

### 3.3. Scenarios and resilience

Global Evolution considers three key scenarios, which each would have implications for the extent and severity of transition and physical risks to our portfolios. The scenarios provide a basis for our top-down monitoring of the developments in transition and physical risks and our bottom-up country assessments (as further elaborated upon in the chapter on 'Risk Management'). The scenarios are presented in table 5, which includes an overview of the underlying assumptions of the scenarios, implications for transition and physical risks, as well as considerations to Global Evolution's exposure and resilience under the three scenarios.

Given the strong interconnection between climate-related and nature-related risks, the three scenarios address both types of risks. However, we recognize that the ambition levels and speed of implementation of climate and nature policies may vary and do not always align. This creates numerous intermediate combinations of scenarios. Yet, to simplify understanding, we have structured the scenarios under the assumption that climate and nature policies are pursued with equal levels of ambition.

**Table 5: Global Evolution Climate and Nature Scenarios**

Drivers	Orderly	Disorderly	Too little too late
<b>Policy action</b>	Early, ambitious action: Climate and nature-related policies are introduced early and becomes gradually more stringent	Late, disruptive, and unanticipated action: Climate and nature-related policies not introduced until 2030, but with urgent implications	NDC or current policies: Climate and nature-related policies are implemented in some jurisdictions, but insufficient
<b>Temperature</b>	1.5°C	<2°C	2.6°C (NDCs) – >3°C (current policies)
<b>Carbon emissions</b>	Carbon emissions are gradually reduced	Rapid reduction of emissions	Emissions will continue to increase before eventually decreasing slightly
<b>Transition risks implications</b>	Economies and companies adapt to the low-carbon and nature-positive transition resulting in lower GDP loss from planned action	Economies and companies are not prepared for sudden carbon policies, resulting in higher GDP loss	Economies and businesses continue as usual and adapts to current climate and nature-related policies
<b>Market pricing: Transition risks</b>	Smooth price-in	Sudden price-in triggered by rapid policy action	Less significant price-in
<b>Physical risks implications</b>	Economies and companies will adapt to the rising temperatures and changing weather patterns. Extreme weather events will continue as usual without significant surge. Nature loss will be low to moderate with continued provision of ecosystem services.	Delayed action will cause biodiversity and ecosystem degradation as well as a surge in extreme weather events. Possibility of severe collapse in a single ecosystem (e.g. pollination)	Extreme weather events will be more frequent and severe over time from higher temperatures. Nature loss will become severe over time and several ecosystems at high risk of collapsing.
<b>Market pricing: Physical risks</b>	Less significant price-in	Progressive price-in	Progressive but more severe price-in
<b>Global Evolution Exposure and Resilience</b>	<p>Many EM countries are dependent on fossil fuels and natural resources for economic output. EM countries also have the largest reserves of minerals needed for the green transition.</p> <p>The smooth transition allows for and adjust portfolios according to risks and opportunities.</p>	<p>The market value of Global Evolution's portfolios could take a sudden drop as businesses and economies suddenly would need to adapt to sudden policies and possible ecosystem collapse.</p> <p>Although policy action and reduction of emission is sudden compared to other scenarios we expect signals to show, allowing for some risk adjustment; however this scenario holds greatest risks to our portfolios.</p>	<p>Exposure to carbon and fossil fuel dependent EM economies does not entail significant risk as economies will need to adjust less and over longer time to the low-carbon transition.</p> <p>Severe price-in of physical risks is likely to hit EM countries the hardest due to their vulnerability to climate change and dependence on nature.</p> <p>The slow transition allows for adjusting portfolios according to risks and opportunities.</p>

Source: Global Evolution in-house assessment. Inspired by NGSF scenarios 2022<sup>8</sup>

<sup>8</sup> NGFS (2022). Climate Scenarios Database: Technical Documentation V.3.1. Accessed through [https://www.ngfs.net/sites/default/files/media/2022/11/21/technical\\_documentation\\_ngfs\\_scenarios\\_phase\\_3.pdf](https://www.ngfs.net/sites/default/files/media/2022/11/21/technical_documentation_ngfs_scenarios_phase_3.pdf) and NGFS (2022) Scenarios for central banks and supervisors. Accessed through [https://www.ngfs.net/sites/default/files/medias/documents/ngfs\\_climate\\_scenarios\\_for\\_central\\_banks\\_and\\_supervisors .pdf.pdf](https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors.pdf.pdf)

## 4. Risk Management

We understand the critical importance of assessing and managing climate and nature-related risks that may impact both our business operations and our investors. In the chapter on Strategy within this report, we outlined our current efforts to enhance resilience against these risks as a corporate entity, along with general considerations of how environmental risks could influence our investments. Recognizing that our investment activities face the highest exposure to such risks, this chapter on Risk Management focuses on our approach to evaluating and addressing the risks associated with our investments rather than as a corporate entity.

Given the potential impact on our portfolios, we are committed to integrating environmental risks into our decision-making processes alongside other financial and non-financial factors. Climate and nature-related risks are becoming increasingly important in our investment strategies, and we are dedicated to continuously deepening our understanding of these challenges while refining our methodologies for addressing them.

To manage environmental risks, as well as broader ESG risks, we employ a three-pillar approach: negative screening, ESG integration, and engagement. Table 6 provides a summary of these pillars, and the remainder of the chapter elaborates on how each is applied to effectively manage risks within our investment framework.

**Table 6: Managing ESG risks in investment decisions**

Pillar	Objective	Approach
<b>Negative screening</b>	To exclude issuers with exceptional poor ESG performance	<ul style="list-style-type: none"> <li>Our Responsible Investment Procedure has established negative screening process with a set of unconditional ESG criteria automatically leading to exclusions, and a set of discretionary criteria for review-based exclusions. The screening process incorporates climate and biodiversity considerations.</li> </ul>
<b>ESG integration</b>	To integrate climate-related risks and opportunities into our investment decisions	<ul style="list-style-type: none"> <li>Proprietary analytical frameworks for holistic sovereign and corporate ESG assessment across a variety of ESG issues</li> <li>Country and company deep dives</li> <li>Thematic analysis on relevant ESG topics impacting investments, including physical and transition risks</li> <li>Quantitative models</li> <li>Portfolio monitoring</li> </ul>
<b>Engagement</b>	To engage with issuers on key risks and opportunities	<ul style="list-style-type: none"> <li>Direct engagement with issuers</li> <li>Indirect engagement through organizations</li> </ul>

Source: Global Evolution

### 4.1 ESG negative screening

Our negative screening analysis excludes countries and companies with exceptionally poor ESG levels. By design we only exclude a small part of our defined universe, as our investment philosophy favors issuers with opportunities for improvements, even when improving from very low levels.<sup>9</sup>

<sup>9</sup> ESG considerations thus play an important role in our assessment of creditworthiness along other factors such as macro-economic, financial and commodities. Consequently, even though we aim to achieve a positive ESG impact in the countries where we invest, there may be situations where we invest in countries where non-ESG factors outweigh a possible ESG downsides.

For our sovereign investments, we conduct a negative screening on a quarterly basis. This assessment combines unconditional exclusion criteria, a quantitative scoring framework, sanctions screening, and qualitative analysis. The quantitative framework evaluates both current environmental performance and the strength of environmental regulation. The overall ESG score assigns equal weight to environmental, social, and governance factors. Countries identified as having elevated risks are reviewed by Global Evolution’s Responsible Investment Committee, which determines whether exclusions are warranted.

Our corporate investments are subject to sector-based exclusions with defined revenue thresholds, which among others include sectors with significant environmental harm (including tar sands, coal mining, and palm oil production). Exclusions also apply to companies with elevated ESG risks or violations of international norms (sanctions, UN Global Compact (UNG), and OECD guidelines) where the Responsible Investment Committee determines that there is limited potential for improvement.

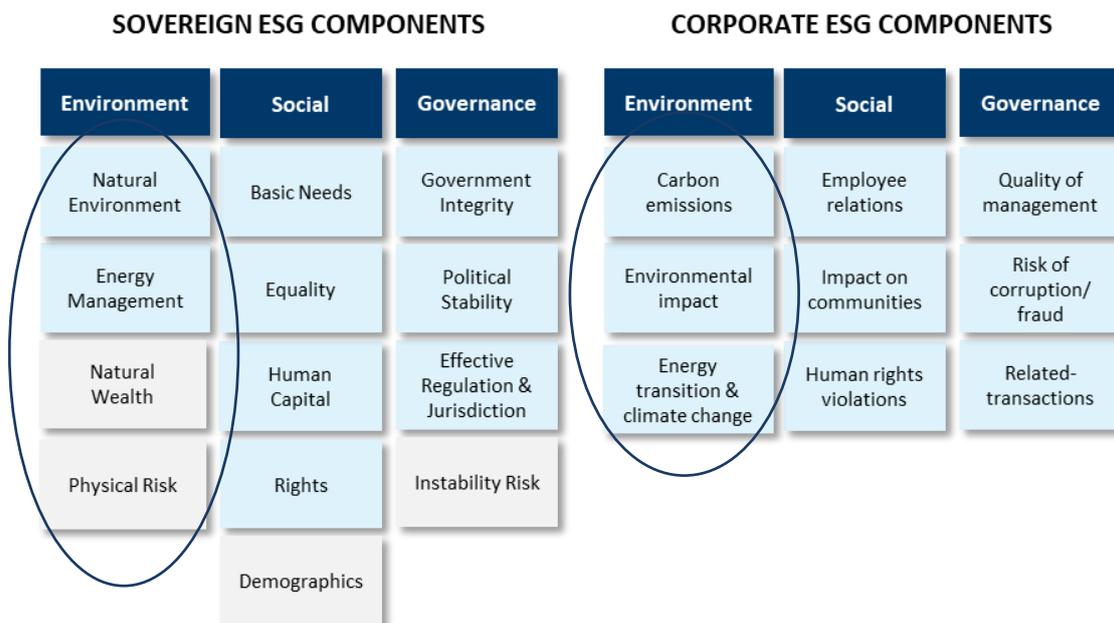
**4.2 ESG integration and positive screening**

As a frontier and emerging markets investor, ESG considerations have been included in our investment decisions since our inception. Given emerging markets’ lower income levels, ESG conditions are typically less developed and hence play an important role for countries’ socio-economic and financial development. Therefore, by incorporating ESG factors alongside financial and non-financial considerations into our analysis, we form a more complete picture of risks and opportunities facing emerging markets countries and companies. The key approaches include ESG ratings, thematic analysis, qualitative country and company deep-dives, quantitative models, and portfolio monitoring.

*ESG ratings*

In our investment process, we include insights from our extensive sovereign and corporate analytical ESG frameworks, which are designed to give detailed information of countries and companies’ ESG metrics considered relevant to guide and shape portfolio managers’ understanding of investment risks and opportunities. Both our sovereign and corporate ESG assessment frameworks include climate and nature-related components as highlighted in figure 5.

**Figure 5: Global Evolution ESG assessment frameworks**



Source: Global Evolution

Global Evolution’s sovereign ESG framework integrates key climate and nature-related dimensions. The blue boxes in figure 5 represent ESG dimensions that can largely be influenced through government interventions, whereas the grey boxes represent risks of more exogenous nature to a country that governments will need to navigate and build resilience to. Climate and nature-related dimensions represented in our sovereign ESG assessment framework include the following underlying indicators:

- *Natural environment*: Natural Environment Policy, Deforestation, Water, Waste Management, and air pollution
- *Energy management*: Decarbonization Policy Support, Carbon Consumption per Capita, Carbon Intensity of Economy, and Renewable Energy
- *Natural wealth*: Valuation of nonrenewable assets (fossil fuel and minerals) and renewable assets (agricultural land, forests, mangroves, fisheries, and protected areas) per capita and per GDP.
- *Physical risk*: Adaptive Capacity to Climate Change, Climate Change Exposure, and Climate Change Sensitivity

Recognizing that companies’ sustainability risks are highly affected by country-level risk, our corporate sustainability analysis also relies on the insights from our sovereign ESG framework, while our separate corporate ESG framework addresses climate- and nature related dimensions relevant for assessing corporate entity-specific risks. Environmental considerations include a variety of metrics related to companies’ emissions, their environmental impacts, and their exposure to transition and climate change. The framework’s climate and nature-related dimensions include:

- *Carbon emissions*: Industry level of emissions, issuer vs. peers, carbon intensity trend and reduction objectives
- *Environmental impact*: Industry level of waste and pollution, issuer vs. peers, controversies / risk of litigation
- *Energy transition and climate change*: Industry and issuer exposure to energy transition and to climate change, and ability to manage these risks.

To enhance accessibility and usability, country overviews and detailed ESG data are seamlessly integrated into our internal ESG platform. This platform provides real-time access to ESG indices, allowing users to monitor levels, trends, and developments across key metrics. By centralizing this information, the platform supports dynamic analysis and fosters a more agile investment decision-making process. Furthermore, it enables us to track changes in ESG performance over time, helping to identify emerging risks and opportunities.

#### *Qualitative country and company deep-dives*

While our ESG assessment frameworks provide crucial insights into risk levels, we recognize the inherent challenges associated with data availability and timeliness, particularly in emerging markets where robust ESG data can often be limited or slow to reflect changes. To address these gaps, a key component of our risk assessment process is our in-house qualitative analysis of corporate and sovereign issuers. This qualitative approach allows us to go beyond the numbers, enabling a deeper understanding of recent developments that may not yet be captured in quantitative data.

Through this method, we gain insights into the underlying drivers shaping a country’s ESG conditions and trajectory. By analyzing political, social, and environmental dynamics, we can form forward-looking views on potential outcomes and their implications. For example, the election of a new president in a country may result in a series of impactful reforms targeting governance, social equity, or environmental sustainability. While such reforms are likely to have significant socio-economic and ESG implications, these changes often take years to manifest in traditional ESG ratings or datasets. Our qualitative assessments bridge this gap,

ensuring that our investment decisions reflect the most current and nuanced understanding of both risks and opportunities in the markets we operate.

#### *Thematic analysis*

Our thematic analysis are aimed at understanding a variety of ESG issues that influence our investments. These analyses take the shape of both short insight briefings on current events and more thorough analysis of global trends. While our ESG frameworks do provide insights into climate and sustainability-related risks, we find that understanding physical and transition risks, require deeper insights which we develop through more thorough analysis and tools. We take a combination of top-down and bottom-up approaches to assessing climate-related analysis. Our top-down analysis provides us a wider context to understanding global climate-related developments, which can have material implications for emerging markets fixed income funding costs. Our bottom-up analysis is focused on issuer-specific risks and opportunities under the global climate-related developments.

#### *Quantitative models*

By integrating fundamental macroeconomic, financial, and ESG factors into our valuation models, we estimate forward-looking signals for the valuation of sovereign credit spreads and currencies. Accordingly, ESG considerations are embedded directly within the core valuation process, rather than treating them as a separate overlay. This allows ESG risks and opportunities to be reflected systematically and consistently in relative value assessments across countries and over time.

#### *Portfolio Monitoring*

We have developed a tool to monitor environmental indicators, transition risks, and physical risks at the portfolio level. By tracking these metrics, we gain valuable insights into how our investments are exposed to environmental risks. Importantly, portfolio-level environmental indicators represent aggregated data from individual issuers' metrics. While these aggregates provide a high-level view of potential exposures, understanding the unique characteristics and risk profiles of individual issuers is often of even greater importance. Nonetheless, portfolio-level aggregates serve as a tool for identifying potential overexposures to specific environmental risks. They act as a starting point for deeper analysis, enabling us to pinpoint areas requiring further investigation and proactive management.

### **4.3. Engagements**

Engagement is an integrated part of our investment process for both our sovereign and corporate investments. Global Evolution prioritizes engagements efforts to gain essential insights to our bottom-up country and company analysis. Seeking out more information on issuers' commitment and attitudes towards sustainability issues helps us become better informed around risks and opportunities.

As fixed income investors in emerging markets, we are not prescriptive on issuers' expenditure; however, we do engage in mutually respectful discussion around which initiatives and policies related to the environment, citizens' wellbeing, and governance practices could provide long-term benefits for all stakeholders. Two examples of such environment-related engagements are provided on the next page.

We take the opportunity to convey our views on key ESG risks and opportunities in various settings. We engage directly with sovereign policy makers and companies individually or as part of small groups and as an active member of the Emerging Markets Investor Alliance (EMIA). Through EMIA, we collaborate with other asset managers on building advocacy campaigns targeted specific issuers.

**Example of Global Evolution sovereign engagement: Fossil fuel subsidies and biodiversity potential in Bolivia**

*Background:* We visited Bolivia during a period of significant political transition. After two decades under the left-wing political party Movimiento al Socialismo (MAS), the country now appears poised to shift toward a more orthodox economic approach. Both candidates that were advancing to the October 2025 runoff expressed support for reducing fiscal spending and promoting more sustainable economic development. In particular, the long-standing system of fuel subsidies has strained public finances and hindered environmental progress, making subsidy reform a central issue. At the same time, Bolivia's exceptional biodiversity offers untapped potential as a foundation for sustainable growth.

*Engagement:* While in Bolivia, we met with both run-off candidates, who both acknowledged the fiscal and environmental costs of subsidies and outlined differing approaches to reform. Jorge "Tuto" Quiroga argued for rapid and deeper cuts, while Rodrigo Paz emphasized a more gradual transition. We urged both candidates to replace costly, untargeted subsidies with well-designed social safety nets to protect vulnerable populations from adjustment costs while restoring fiscal sustainability. We also explored the potential for debt-for-nature swaps, noting Bolivia's pioneering role in 1987, when it executed the world's first such arrangement to support forest conservation. The practical scope is currently limited, as a large share of Eurobonds has been repo'ed by the national pension fund until maturity. We emphasized that Bolivia's extraordinary biodiversity could serve as a strategic economic asset, supporting climate resilience, tourism, and long-term revenue generation if properly protected and integrated into development planning.

*Comment:* Bolivia's upcoming political transition presents a chance to advance fiscal reform and a more sustainable development model. The commitment from both candidates to address subsidies is encouraging, though the pace of adjustment and strengthening of social safety nets will be key to maintaining social stability. Bolivia's exceptional biodiversity is a valuable but underutilized asset.

**Example of Global Evolution corporate engagement: Eskom's decarbonization path**

*Background:* Eskom is South Africa's state-owned electricity utility, operating under the Department of Public Enterprises and generating about 90–95% of the country's electricity supply. Around 80% of Eskom's electricity capacity comes from coal-fired power stations. However, much of this infrastructure is decades old, plagued by frequent breakdowns and inefficiencies that underpin South Africa's ongoing load shedding crisis. Given its dominance in the national power system, Eskom's decarbonization trajectory is central to South Africa's climate commitments. While having maintained a net zero commitment for several years, Eskom has been vague in articulating a net zero pathway.

*Engagement:* Eskom's leadership placed a noticeably stronger emphasis on sustainability. The Group Executive for Renewables outlined an ambitious plan to cut coal-fired capacity from 41 GW to 18 GW between 2025 and 2040, while expanding renewables from under 1 GW to 32 GW. By 2040, low-carbon sources (renewables, hydro/PS, and nuclear) are expected to make up about 60% of total capacity, with coal contributing less than one-quarter. To support this shift, "Eskom Green" has been established as a standalone subsidiary to attract independent power producers and funding. New renewable capacity will come from new sites (59%), repowering of existing stations (35%), and land-leasing initiatives (6%).

*Comment:* Based on our insights, we note a clear strategic shift with stronger emphasis on phasing down coal and scaling up renewable capacity. This represents a significant and pragmatic step forward taking into consideration Eskom's starting position and operational constraints. We acknowledge that coal will continue to play an important role over the years in the context of energy security. Although the Management is taking measures to address the debt burden, it remains a challenge that can continue to slow investment in renewable energy.

## 5. Metrics and Targets

This chapter introduces climate and nature-related metrics monitored by Global Evolution and a discussion of these metrics in the context of emerging markets.

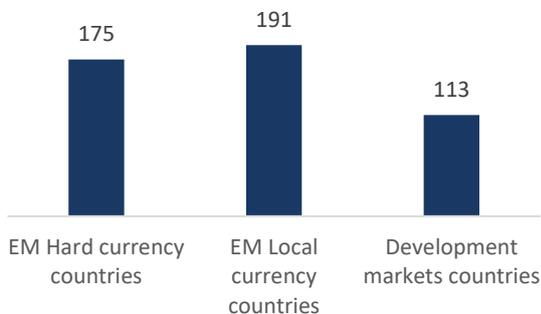
### 5.1. Metrics

We use a range of both external and internal metrics to monitor our investments with nuance. Operating primarily in frontier and emerging markets, we face challenges around data availability, quality, and bias.

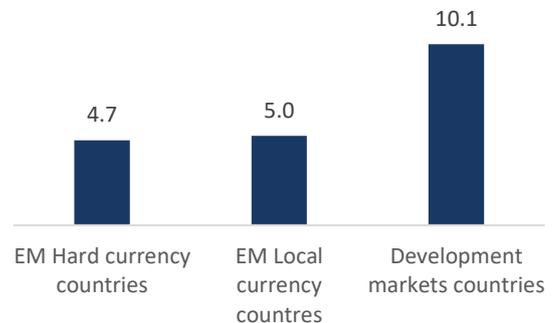
Data gaps remain a key issue in emerging markets, where sustainability regulations and disclosure requirements lag behind those in developed economies. Many companies lack the resources or incentives to collect and report ESG data, and the absence of standardized frameworks increases the risk of inaccuracies. While sovereign data are often compiled through international collaborations, resulting in more consistent – though estimated – figures, corporate data tend to be less reliable.

Carbon metrics can also be misleading. For instance, the commonly used ‘Co2 intensity’ indicator, does not account for differences in development stages or the offshoring of emissions. Many advanced economies have outsourced carbon-intensive production to emerging markets, reducing their domestic emissions on paper while shifting environmental burdens abroad. When adjusting for trade and population, developed markets’ per-capita consumption emissions far exceed those of emerging markets. It is very evident from figures 6 and 7 that different metrics leads to different conclusions, highlighting the importance of a nuanced assessment.

**Figure 6: Co2 intensity, kilo tons per GDP**



**Figure 7: Co2 consumption, tons Co2 per capita**



Source: Global Carbon Project, IMF, World Bank, Bloomberg, JP Morgan.

Note: Calculated as the unweighted average across countries in hard currency, local currency, and developed markets indices as of November 2025<sup>10</sup> using latest available carbon data (2024).

Similar biases exist in nature-related metrics. Emerging markets depend heavily on natural resources such as agriculture, forestry, and mining – activities essential for livelihoods yet often linked to environmental degradation. However, the resulting environmental costs are frequently assigned to producing countries, even when driven by global demand. This dynamic unfairly penalizes emerging markets while overlooking the shared responsibility of importing nations.

In essence, developed economies benefit from decades of industrial and financial advantages that ease their transition to low-impact industries, while emerging markets face structural and financial barriers. To ensure fairness, climate- and nature-related assessments must consider each country’s stage of development and

<sup>10</sup> Local Currency index = JP Morgan GBI-EM Global Diversified. Hard Currency Index = JP Morgan EMBI Global Diversified. Developed Markets index = J.P. Morgan Global Government Bond Index. Please see index definitions on page 28.

role in global supply chains. A more contextualized approach supports balanced evaluations and promotes sustainable progress in emerging markets.

#### *Reporting of metrics*

We are committed to transparency in ESG reporting and have carefully selected a set of climate- and nature-related metrics of our sovereign and corporate investments. We monitor the chosen metrics because they give relevant information to understand fund exposure in relation environmental risks and they help us identify areas for further risk management and engagement priorities.

By tracking these metrics at both the issuer and portfolio levels, we gain an indicative understanding of how well our investments are positioned to manage and adapt to climate and nature-related risks. Monitoring at the issuer level allows us to evaluate the specific risks and opportunities associated with individual entities, providing granular insights into their performance, resilience, and alignment with sustainable practices. At the portfolio level, these metrics offer a broader perspective on the aggregate exposure of our investments to environmental risk. Combined, we gain insights to assess vulnerabilities and identify emerging opportunities for long-term sustainability.

By integrating this analysis into our investment strategy, we can make more informed decisions, enhance risk management, and proactively engage with issuers to encourage practices that mitigate climate and nature-related risks while promoting resilience and value creation. This approach ensures that we remain adaptive and forward-thinking in navigating the dynamic challenges of sustainability.

Additionally, these metrics play a pivotal role in helping us pinpoint areas where enhanced risk management strategies are needed. They guide our engagement priorities by identifying where we can work proactively with stakeholders or investee entities to mitigate risks, promote sustainability, and encourage alignment with global goals. This approach not only strengthens our risk management framework but also ensures that we are contributing to the broader effort to address climate change and drive positive ESG outcomes.

For the purpose of this TCFD/TNFD report, we report weighted-average values for all our investments, although we usually focus on entity and portfolio level. Table 7 outlines key metrics for our sovereign investments, while Table 8 outlines key metrics for our corporate investments. We continue to refine and expand our metrics toolbox as we expand our analytical approach and access new data.

**Table 7: Disclosure of key climate and nature-related metrics: Sovereign investments**

Metric	Description	Data disclosure	Source
Total territorial Co2 emissions	Co2 emissions data include emissions from fossil fuel combustion and cement production within national territory and offshore areas within country jurisdiction. Equivalent to scope 1 and 3 emissions. Reported as million tons Co2.	265	Global Carbon Project/Haver
Carbon intensity	Territorial Co2 emissions divided by GDP at Purchasing Power Parity ("PPP), providing a direct measure of emissions intensity of the economy. Territorial Co2 emissions data include emissions from fossil fuel combustion and cement production. Reported as kilo tons Co2 per billion GDP, PPP, Current International dollar.	164	Global Carbon Project; IMF/Haver
GHG Intensity	The portfolio's weighted average of sovereign issuers' Country GHG intensity (tons CO2e/EUR M GDP). The portfolio's weighted average of sovereign issuers' Country GHG intensity (tons CO2e/EUR M GDP).	986.01	MSCI
CO2 consumption per capita	Average carbon consumption per capita. Calculated as (territorial emissions – exported emissions + imported emissions)/population. Equivalent to scope 1 and 2 emissions divided by population size. Reported as tons Co2 per capita.	4.5	Global Carbon Project/Haver
Renewable electricity	Renewable electricity is the share of electricity generated by renewable power plants in total electricity generated by all types of plants. Reported as % renewable of total electricity supply.	39%	Verisk Maplecroft
Transition risk exposure	The extent to which countries are exposed to economic hardship from a low-carbon transition, their position to transition away from fossil fuels, and their potential to benefit from a global low-carbon transition. Indexed 0-10 (0=lowest exposure, 10=highest exposure)	5.5	Global Evolution proprietary framework
Transition risk resilience	The abilities of countries' capacity to respond to risks and opportunities, relating to the quality of institutions and flexibility of economic structures. (0=poorest adaptive capacity, 10=highest adaptive capacity)	4.4	Global Evolution proprietary framework
Physical risks exposure	The degree to which countries are currently exposed to the physical impacts of climate extremes, the changes in climate extremes, and the future changes in climate over the next three decades. Indexed 0-10 (0=lowest exposure, 10=highest exposure)	4.5	Verisk Maplecroft
Physical risks adaptive capacity	The abilities of a countries' institutions, economy and society to adjust to, or take advantage of, existing or anticipated stresses resulting from climate change. Indexed 0-10 (0=poorest adaptive capacity, 10=highest adaptive capacity)	4.5	Verisk Maplecroft
Freshwater withdrawal intensity	Freshwater intensity of economies. Measured as million cubic meters freshwater withdrawals per GDP, PPP, Bil. CID.	28	Word Bank and IMF
Deforestation	Weighted average annual percentage point change in forest area (% of land area).	-0.08	World Bank
Water Pollution	Assesses a wide range of physical and chemical drivers resulting from industrial, agricultural and domestic activities. Reported on a scale 0-10 (0=high pollution, 10=low pollution)	3.6	Verisk Maplecroft
Natural environment policy	We assess the extent to which sovereigns have adopted natural environmental policy framework through a variety of chosen indicators including both national and international policies with largest weighting given to national policies. Reported on a scale 0-10 (0=poor protection, 10=strong protection)	5.8	Verisk Maplecroft

Note: All metrics are reported as weighted average of all Global Evolution sovereign and supranational investments as of December 31<sup>st</sup> 2024. We have obtained 100% coverage for all indicators.

**Table 8: Key climate and nature-related metrics – corporate investments**

Metric	Description	Data disclosure	Coverage	Source
Scope 1 GHG emissions	Sum of portfolio companies' Carbon Emissions - Scope 1 (metric tons) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash (EVIC).	1,247,698.85	59.44%	MSCI
Scope 2 GHG emissions	Sum of portfolio companies' Carbon Emissions - Scope 2 (metric tons) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash (EVIC).	166,923.45	59.44%	MSCI
Scope 3 GHG emissions	Sum of portfolio companies' Total Emissions Estimated - Scope 3 (metric tons) weighted by the portfolio's value of investment in a company and by the company's most recently available enterprise value including cash (EVIC).	4,785,819.95	61.65%	MSCI
Total GHG emissions	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with the market value of the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	6,111,895.68	59.44%	MSCI
Carbon footprint	The total annual Scope 1, Scope 2, and estimated Scope 3 GHG emissions associated with 1 million EUR invested in the portfolio. Companies' carbon emissions are apportioned across all outstanding shares and bonds (based on the most recently available enterprise value including cash).	1,590.47	59.44%	MSCI
GHG intensity of investee country	The portfolio's weighted average of its holding issuers' GHG Intensity (Scope 1, Scope 2 and estimated Scope 3 GHG emissions/EUR million revenue).	2,129.98	64.20%	MSCI
% of non-renewable energy consumption	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	89.69	45.58%	MSCI
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	5.38%	65.10%	MSCI
Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as weighted average	0.01	1.41%	MSCI
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	81.19	22.62%	MSCI

Note: All metrics are reported as weighted average of all Global Evolution corporate and quasi-sovereign investments as of December 31<sup>st</sup> 2024. Data is sourced from MSCI and calculated by Global Evolution.

As part of our CarbonNeutral® company certification<sup>11</sup>, we have calculated our company carbon footprint since 2022 and plan to continue to do so going forward. Our carbon footprint data is reviewed by a qualified independent third party in line with the requirements of The CarbonNeutral Protocol. Table 9 illustrates the calculated estimates of Global Evolution’s Scope 1 (direct emissions), Scope 2 (emissions from energy usage), and elements of Scope 3 (emissions from within the company’s value chain, such as business travel, waste, and employee commutes).

**Table 9: Metrics for Global Evolution’s corporate operations**

Metric	Carbon emissions 2024	Carbon emissions 2023	Unit
Scope 1	50	64.8	Tons Co2 equivalent
Scope 2	42.5	38	Tons Co2 equivalent
Scope 3	217.8	230.4	Tons Co2 equivalent
Total carbon footprint	310.3	333.2	Tons Co2 equivalent

Source: Global Evolution based on third-party provided estimates<sup>12</sup>

## 5.2. Targets

There is no doubt that climate and nature action are among the most pressing issues of our times. Climate change and nature degradation have consequences for the livelihoods of billions of people, and developing countries are generally more exposed to physical and transition risks compared to more advanced economies, due to their geographical location and dependence on natural resources for economic output. While the idea of setting climate and biodiversity targets for emerging markets portfolios is well-intended, it raises important questions about fairness and feasibility.

From a **climate perspective**, setting carbon reduction targets for emerging markets portfolios risk ignoring the historical context of global emissions. Developed countries have built their wealth and infrastructure on decades of carbon-intensive industrialization, contributing significantly to the current climate crisis. In contrast, emerging markets face the dual challenge of fostering economic development and reducing emissions, often with fewer resources and less historical responsibility for the problem. These countries must also invest in adaptive capacity to withstand the climate impacts disproportionately imposed on them by developed nations' emissions. Adding to this challenge is a significant funding gap: an estimated \$95 trillion is required for emerging markets to transition to net zero;<sup>13</sup> without collective responsibility and substantial support from wealthier nations, this transition is unlikely to succeed. Furthermore, there is no universal metric for setting targets that adequately account for equity, leaving emerging markets at risk of being unfairly burdened in the global transition to a low-carbon economy. We believe that a just transition is needed, where

<sup>11</sup> CarbonNeutral® company certification: Conning Holdings Limited (CHL) and its subsidiaries (together, “Conning”) are certified as carbon neutral in the period 2020-2024 through the use of high-quality instruments, in accordance with (<https://www.carbonneutral.com/the-carbonneutral-protocol>) and the GHG Protocol Scope 2 Guidance. All credits adhere to standards approved by the International Carbon Reduction and Offset Alliance (ICROA). To achieve this certification, Conning works with Climate Impact Partners, a specialist in carbon market solutions for climate action. As part of this certification, the firm’s global operations complete an independent assessment of their greenhouse gas emissions. The contract is subject to renewal.

<sup>12</sup>Detailed breakdown can be provided upon request to [marketing@globalevolution.com](mailto:marketing@globalevolution.com)

<sup>13</sup> Standard Chartered (2022). Just in Time.

frontier and emerging markets should not sacrifice growth and prosperity as the world moves towards net zero.<sup>14</sup>

From a **biodiversity and ecosystem perspective**, emerging markets' richness in biodiversity and ecosystems and status of being large producers of goods with high environmental footprints (e.g. fossil fuels, metals, and agriculture) means that they are increasingly being called upon to shoulder a significant burden in protecting the planet's ecosystem. The burden of adopting stringent biodiversity targets often falls disproportionately on emerging markets, which host much of the world's remaining biodiversity yet have limited resources. Meanwhile, biodiversity loss is driven not only by local pressures but also by global demand and climate change, meaning emerging markets are asked to address problems they did not solely create. Although developed nations have made various pledges to assist emerging markets in achieving environmental perspectives and funding is flowing from the Global North, only a few countries have paid their fair share in biodiversity finance.<sup>15</sup> Expecting emerging economies to act as stewards of global biodiversity without the necessary financial and technical assistance is unfair and places unrealistic expectations on emerging markets to achieve outcomes they may not have the means to deliver to lower human capital levels and institutional weaknesses. It also leaves them with a trade-off between prioritizing investments in biodiversity or investments in e.g. industrialization and social services and with a risk of poor outcomes.

For these reasons, we do not find it meaningful to set carbon reduction or biodiversity targets for our portfolios. Targets could relatively easily be achieved simply by changing portfolio weightings, tilting towards better-performing countries. However, optimizing an emerging markets portfolio towards high-performers – whether with a focus on current performance or positive trajectory – would typically lead to funding being directed away from countries that have not yet developed the human capital and technological capacity needed for more carbon efficient and nature-positive practices. Directing capital away from these countries does not solve the underlying issue of these countries needing to build the capacity to address environmental challenges would lead to higher costs of capita, which is counter-intuitive to global climate and nature goals and would only deepen global inequalities and social unrest.

We will continue to monitor industry standards in target setting, however, at this point in time, we do not believe there is sufficient knowledge, metrics, nor tools for setting fair and well-informed targets.

## 6. Moving forward

We remain committed to deepening our understanding of, and response to, climate- and nature-related risks and opportunities. As these issues continue to evolve and intersect with global financial stability, we recognize the importance of integrating them more fully into our investment analysis, risk management, and decision-making processes. Our efforts are guided by the goal of contributing to resilient portfolios, sustainable development, and long-term value creation.

Looking ahead to next year, we plan to strengthen our analytical capabilities by placing greater emphasis on climate scenario data and forward-looking risk assessments. Expanding our access to and use of climate scenario datasets will enable us to better evaluate the potential implications of different transition and physical risk pathways on sovereign and corporate credit profiles. In parallel, we aim to broaden our analytical toolbox to further integrate climate- and nature-related factors into our investment processes and enhance our ability to capture cross-cutting risks and opportunities.

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<sup>14</sup> World Economic Forum (2022). Why net zero without a 'just transition' is not an option.  
<https://www.weforum.org/agenda/2022/05/why-net-zero-without-a-just-transition-is-not-an-option/>

<sup>15</sup> <https://odi.org/en/publications/a-fair-share-of-biodiversity-finance-an-update-for-cop16/>

We will continue to advance our engagement and advocacy efforts, maintain our commitment to transparent reporting, and explore new avenues for improving how we assess, manage, and disclose climate- and nature-related financial risks.

## 7. Definitions of Indices

Index	Definition
<b>J.P. Morgan EMBI Global Diversified</b>	is the J.P. Morgan EMBI Global Diversified Index (EMBI GD): The index is a market capitalization-weighted total return index of U.S. dollar and other currency denominated Brady bonds, loans, Eurobonds and local market debt instruments traded in emerging markets.
<b>J.P. Morgan GBI-EM Global Diversified</b>	is the J.P. Morgan Government Bond Index for Emerging Markets Global Diversified (J.P. Morgan GBI EM GD): The index is a comprehensive global local emerging markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure.
<b>J.P. Morgan Global Government Bond Index</b>	The goal of the GBI Global includes investment-grade or above developed markets and since inception it has maintained the same composition of 13 countries

## 8. Disclaimer & Important Disclosures

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