



UN Global Compact Communication on Progress (COP)

- 1. Introduction:** In 2013, Global Evolution joined the United Nations Global Compact, a strategic policy initiative for businesses committed to aligning their operations and strategies with ten principles in the areas of Human Rights, Labor, Environment and Anti-Corruption. The sections below states our continued support to UN Global Compact; the practical actions to implement the Global Compact principles; our measurements of outcomes; as well as how we are communicating and engaging with stakeholders on progress.
- 2. Continued support to UN Global Compact:** Global Evolution is pleased to reaffirm our continued support for the UN Global Compact, and we hereby renew our ongoing commitment to the initiative and it's ten principles in the areas of Human Rights, Labour, Environment, and Anti-Corruption.
- 3. Practical actions to implement the UN Global Compact principles:** Global Evolution has a strategic commitment to ESG sustainability as an integral part of the approach to risk management and investment. Global Evolution employs its existing proprietary Sovereign Screening Process and proprietary ESG models in the context of socially responsible investment. The proprietary ESG models at Global Evolution is organized around each of the environmental, social and governance dimensions, respectively.

The ESG dimensions are shaped by standard ESG indicators, and as is referred to in existing research on ESG modeling, Global Evolution continue to enhance and develop these models. The proprietary *Global Evolution ESG Research Program* is formulated as a three-stage approach to aligning the investment process with ESG perspectives: The sovereign level; the sectoral level; and the corporate level.

Global Evolution continues to enhance and develop its ESG Research Program. The research program and the ESG models incorporates variables to assess performance on each of the four areas; human rights, labour, environment, anti-corruption, which is why our models are all-encompassing in that sense and delivers a full-fledged approach to assing the environmental, social and governmental parameters adhering under the ten principles.

- 4. Measurement of outcomes:** Our ambition includes the development and incorporation into our investment process of proprietary ESG models, as well as instigating a complementary ESG Research Program to inform the investment process and ensure that best practice from investment cases will be extracted for ongoing screening and research purposes. These qualitative targets have succesfully been met within the timeframe we had defined and are now functioning; though improvements is concurrently sought in the context of our ESG Research Program which continuously incorporates lessons from market trends and developments.

The proprietary ESG models have been operational for some time; and is interdependently linked to the ESG Research Program to continuously enhance the screening and investment optimization. The models and it's output for investment decisions are proprietary in nature, but some models features are displayed as part of our ESG Research Program



Furthermore, in terms of performance, our numeric findings available to our clients confirm to a high extent the evidence from the literature on the causality between sovereign bond yields and ESG ratings; that countries with higher ESG ratings perform dynamically better in terms of return on investment.

In some cases, the literature suggests that, for example, traditional funds had an annualized total return of 12.95% and -9.66% for one and three years, respectively, while ESG funds returned 16.89% and -6.88% for the same periods. This testifies to the important issue that funds incorporating ESG analysis in their investment decision making are likely to outperform traditional funds over time.

5. **Comminucating and engaging with our stakeholders:** Our corporate communication is both internal to employees and board members as well as external to stakeholders such as clients and afriiliated consultants as well as the media and other stakeholders.

With our continued growth over the last couople of years, we are increasingly aware of the role we play in the markets, economies and societies in which we practice. Our engagement with stakeholders on the ten principles and our proprietary apoproach to ESG modeling and country investment selection is consequently essential to our business operations. In client meetings, we continuously stress the significance of our dedication to the Global Compact principles reflected in our proprietary choice of ESG factors in our modeling. However, the interaction is also cross-directional since clients increasingly display this focus and seek discussions on these important issues. As a result, our ESG deliberations and careful analysis in the investment processes will play a central role in our screening and portfolio allocations going forward.

Yours sincerely

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