UNITED NATIONS GLOBAL COMPACT

COMMUNICATION ON PROGRESS

March 2021

GlobalEvolution

UN GLOBAL COMPACT
2021 COMMUNICATION ON PROGRESS

Contents

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.

Global Evolution is a signatory of the United Nations Global Compact ("UNGC"), 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. We are pleased to reaffirm our continued support for the UNGC, and we hereby renew our ongoing commitment to the initiative and its ten principles.

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.

We also 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.

The sections below substantiate our continued support over several years to the UNGC the practical actions to implement the UNGC principles; our measurements of outcomes; and how we are communicating and engaging with stakeholders on progress.

2. IMPLEMENTING UN GLOBAL COMPACT PRINCIPLES

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 and the stability of the financial system. This is relevant to our business, our investors, and other stakeholders since such dynamics may impact the risk-return of our financial products.

Financing the debt that provides macroeconomic sustainability and is spent promoting productivity and raising infrastructure, such as electricity production, health, water, security, transport, and school systems, has a significant impact on reducing poverty levels.

Integrating sustainability risks into an investment process require in our opinion five key pillars: *Philosophy; Identification; Assessment; Integration; and Reporting*. 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 sustainability issues.

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. The qualitative identification of sustainability risk emerges from on-the-ground due diligence visits to the countries in the emerging markets universe where we conduct an in-depth due diligence including relevant ESG related issues, which are subsequently discussed and documented.

Based on quantitatively and qualitatively derived data on sustainability risk, we aggregate our views as proprietary ESG rating across all countries. The ESG ratings are published quarterly and shared with investors as requested. Importantly, changes in ESG ratings and the identification of the drivers is the basis of our sustainability risk assessments; of whether a country faces higher or lower sustainability risk dynamics.

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.

By integrating fundamental macroeconomic, financial and ESG factors directly into our valuation models, we estimate signals for valuations of credit spreads, rates, and currencies. These valuation models are based on machine learning algorithms as well as linear regression econometrics across the relevant emerging and frontier markets universe and then compare the fundamental fair value of the credit spreads, rates, and currencies with actual market levels.

The models simulate valuation signals as well as their statistical significance. Consequently, the material impact of sustainability risk indicators will feed through directly to the estimated valuation signals that are considered together with other quantitative and qualitative signals as part of our investment process.

Our proprietary credit rating model furthermore estimates high-frequency credit ratings and takes advantage of the dynamics of the fundamentals estimated in the valuation models, including macroeconomic, financial and ESG factors. Such high-frequency dynamics are applied to adjust the official and low-frequency credit ratings provided by e.g., S&P and Moody's and estimate ratings for non-rated countries. Consequently, the proprietary methodology provides indications of credit rating upgrades/downgrades that are not captured in the official credit ratings.

There is a clear correlation between the sovereign funding costs and ESG dynamics, with governance and human capital accumulation (under the "S" in ESG), unsurprisingly, the most prevalent. Consequently, by not integrating ESG dynamics into investment decisions, investors would sacrifice essential information. We recognize the importance of ESG considerations for investors and advisors globally and continue to help our investors achieve their individual ESG goals. Below we communicate our progress against implementation of the UNGC principles.

2.1. Global Evolution Sentiment Analytics

Sentiment drives markets: now we can measure it! We have developed something unique to our investment process under the agenda of sustainability research: sentiment indices towards sustainability indicators!

WHY? It is widely known that information can provide an edge in investing. Hence, financial practitioners have tried to gather as much relevant data as possible. However, the amount and nature of this information has changed significantly over time.

Buckminster Fuller described the ”knowledge doubling curve” in his book Critical path. He noticed that until 1900 human knowledge doubled approximately every century and by 1945 knowledge was doubling every 25 years. In 2013 a report from IBM predicted by 2020 (i.e., “today”) the knowledge would double every 12 hours. Hence, the amount and rate of change of information has increased exponentially and significantly.

Furthermore, the nature of relevant information has also changed. From purely “standard” sources like market prices and balance sheet information, it evolved to include others, for example unstructured text data from digital newspapers and social media. It is well known that prices of bonds and currencies trade to a high extent on sentiment and political risk.

Robert Shiller has taught us with Narrative Economics. Historically, market sentiment and political risk have been extremely difficult to observe and quantify, so information for one of the most important factors we every day consider as a central part of our investment process has not been available in a condensed and quantified format.

HOW? To quantify this unstructured text data, we have developed a robust IT infrastructure which is able to stream thousands of articles every day which are related to our investment universe. We start by filtering the huge amount of articles by making sure that the articles our model read is about our investment universe and that the content of these articles is about political issues.

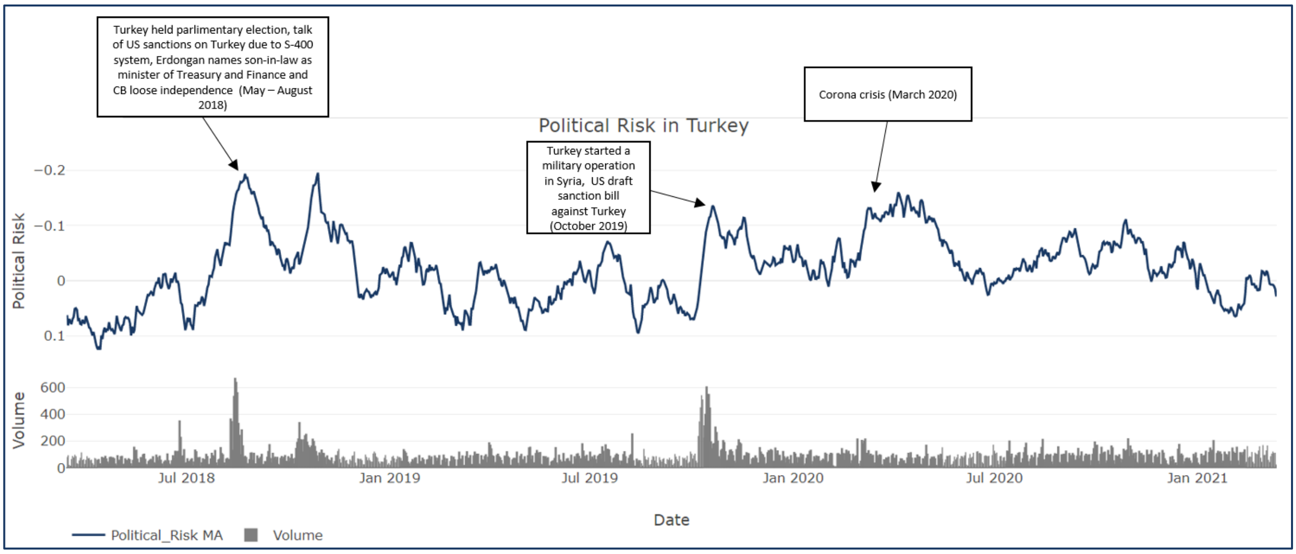
We were inspired by the approach of Baker, Bloom & Davis (2016) “Measuring Economic Policy Uncertainty” by stating that the articles should contain some specific words related to policy and economic. We currently have over 60 million news articles in the database which require over 1 terabyte to store (big data).

Given the news articles, we have developed a proprietary algorithm which reads every single article and “scores” the sentiment of the articles to determine whether it is a positive, neutral, or negative article related to political subjects – everyday in an unbiased and tireless manner.

Hence, a computer can now do this work for us. Instead of hiring hundreds of analysts we now have an algorithm to read news related to political risk and assess whether the news is positively or negatively biased. To achieve this, we use Natural Language Processing (NLP) which is a subfield of Artificial Intelligence (AI).

WHAT? The following illustrates our political risk index (a G index) for Turkey. The dark blue line is a 30-days exponential weighted moving average (EWMA) of the pure political risk score which varies between -1 (negative) to +1 (positive). An EWMA is chosen as recent articles weight more than past articles. Figure 1 illustrates that our political risk index can capture the idiosyncratic risk associated with Turkey the last 3 years.

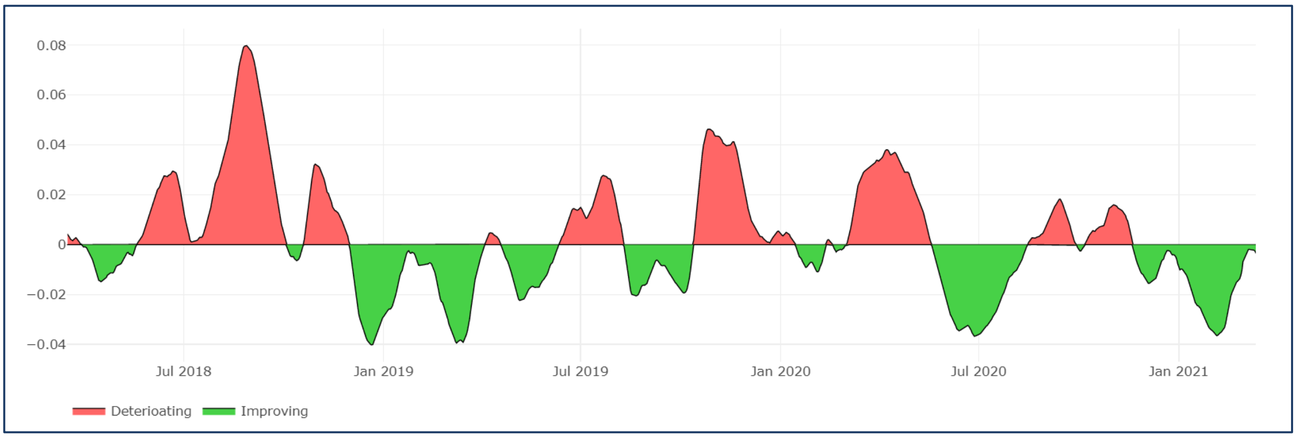
Figure 1. Political risk in Turkey



Source: Global Evolution proprietary data

In the summer 2018 the index is spiking significantly capturing the parliamentary election, the political noise regarding the S-400 missile system, the increased degree of nepotism and the loose of CB independence. The figure also illustrates the event where Turkey initiated a military operation in Syria and the possible US sanctions in autumn 2019. The volume of articles at these two idiosyncratic events also increased significantly. Finally, the index also captures some more global events for example the Corona crisis in March 2020.

Figure 2. Political regime dynamics in Turkey



Source: Global Evolution proprietary data

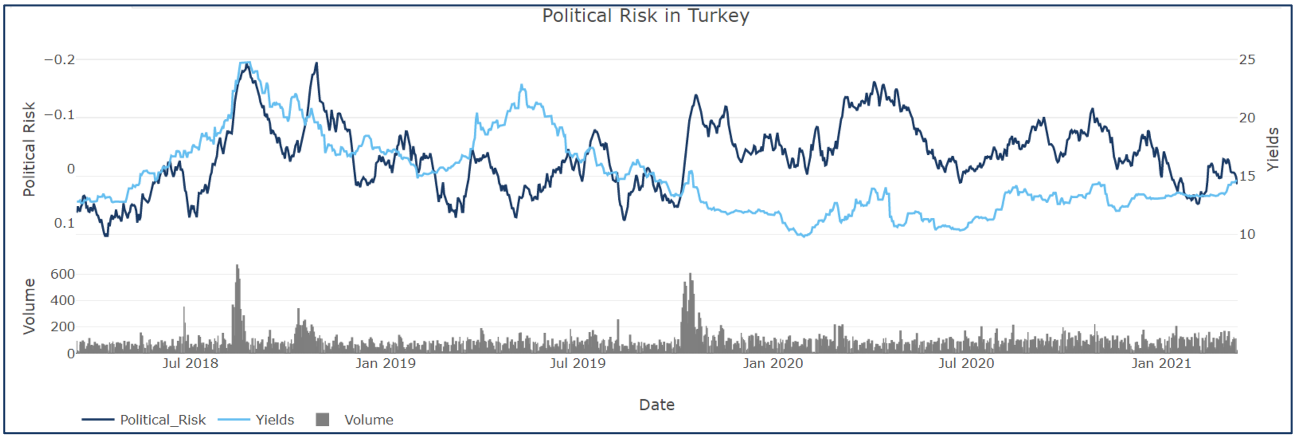
We have so far shown that our political risk index is reading the correct articles in terms of country and subject. Furthermore, we have also shown that the political risk is also able to assess the correct sentiment of these articles. However, it is also important to consider the rate of change instead of only the absolute level of the political risk index.

To assess this, we measure the momentum of the political risk by calculating the moving average convergence divergence (MACD) measure using a 30- and 90-days EWMA. Figure 2 illustrates this and shows a deteriorating regime when the 30-days EWMA crosses the 90-days EWMA from below and an improving regime when the 30-days EWMA crosses the 90-days EWMA from above. From this chart we also see that under the 3 events mentioned above, we clearly have a deteriorating political risk regime.

ADDED VALUE IN INVESTING? Important is it to identify dependency relations among our political risk index and key financial variables such as local yields, hard currency spreads and FX. Specifically, we want to examine whether our political risk index is correlated with these variables. And if so, is it leading, lagging or instantaneous. Figure 3 illustrates our political risk for Turkey together with the local yield.

At a first glance, one could argue that there is a relationship or causality between the political risk and yields. We see sell off in yields in all 3 events discussed earlier which could indicate a correlation. However, it could be misleading from a naïve human examination. Fortunately, we can take advantage of statistics and information theory to uncover complex causal relationships from observational data.

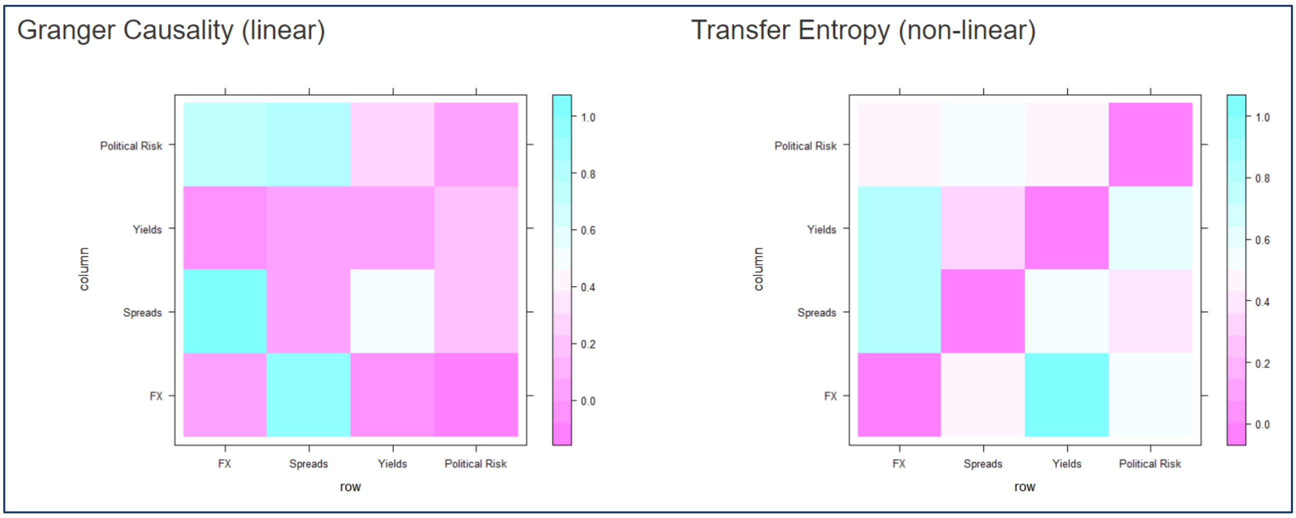
Figure 3. Political risk and local currency yields in Turkey



Source: Global Evolution proprietary data

Figure 4a and 4b show Granger causality and Transfer Entropy among the 4 variables: FX, Spreads, Yields and Political risk for Turkey in the period from 2018 March to 2021 March. A cell (x,y) presents the information flow from variable x to y in a 1 day lag. If the value is 0 there would be no information flow, whereas if the value is 1 there is an information flow from x to y.

Figure 4a,b. Causality between political risk and prices in Turkey



Source: Global Evolution

We observe that a Granger causality does not suggest that our political risk index has any leading effect if we assume a linear relationship. However, if we use Transfer Entropy and assume a non-linear relationship, we see that the political risk is leading yields the most and thereafter FX and Spreads indicating there could be some predictive power from our political risk and hence improve our investments. Consequently, our development of political risk (a G index) has the potential in many situations in our asset class to be a leading indicator; this type of work could very well serve as the holy grail of investing for the 2020s.

2.2. Complying with the Sustainability Finance Disclosure Regulation

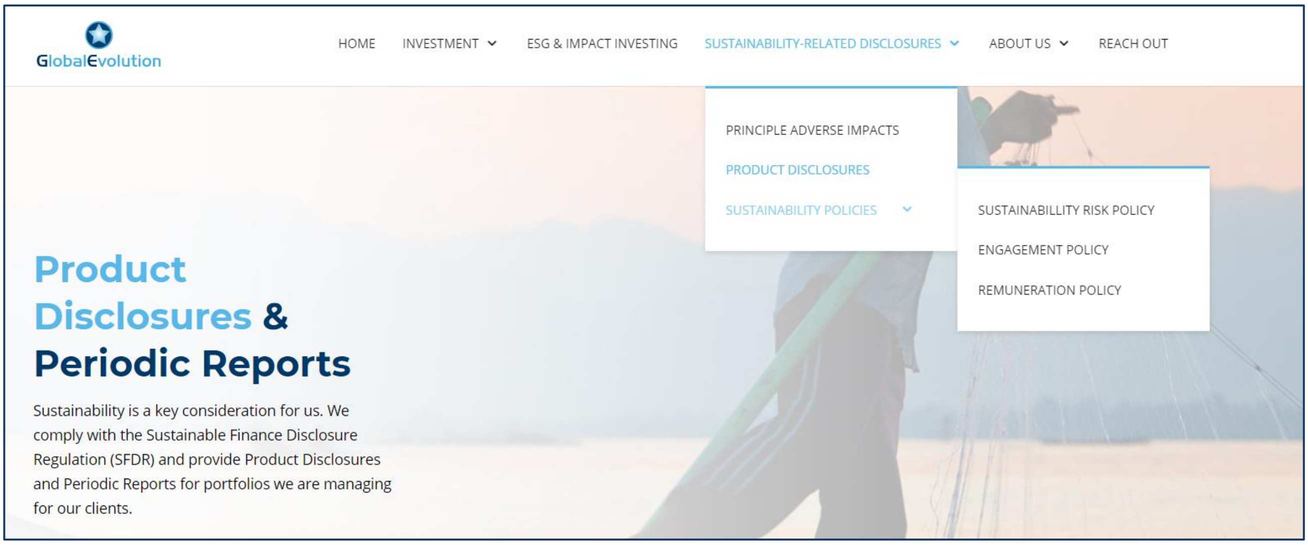
The world has embraced the importance of sustainability and so have we. In last year's report, we introduced our integration of SDG ratings into our ESG Research Program. At the same time, we raised our concern of "green-washing" and "rainbow-washing"[1]. In our view, the discourse about SDGs and ESG is not addressed in an appropriate way by some because they basically use the SDGs and ESG in vain as dubious "marketing stunts" without genuinely taking it seriously in their investment process.

With the introduction of the new EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector, also known as the Sustainable Finance Disclosure Regulation ("SFDR"), we now have a way to ensure our investors that sustainability is genuinely integrated when communicated.

[1] Green-washing refers to actions that people and companies take especially in climate-related areas that they would have done anyway with no regard to the climate, but to market their efforts in a pseudo-responsible way they portray themselves as taking climate-related issues into account even if such concerns were never part of their considerations. Similarly, for rainbow-washing which refers to the SDGs and the circular colorful representation of the 17 SDGs.

The regulation applies to financial market participants from March 10, 2021 and aims to reduce information asymmetries between investors and financial markets participants with regards to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, by requiring financial market participants to make pre-contractual and ongoing disclosures to end investors.

Figure 5. Complying with the Sustainability Finance Disclosure Regulation



Source: Global Evolution website: www.globalevolution.com

Global Evolution embraces the SFDR (Figure 5), and we believe that it will undoubtedly change the way financial markets participants will promote sustainability in the future.[2] As part of realizing the promotion of sustainability through our investment process, we follow and comply with the 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.

Our hope for the financial industry is that the SFDR will help shifting financial market participant’s focus toward internalizing the business case for integrating SDGs. For Global Evolution, this makes complete sense from both an ethical and business perspective, which is why we have been integrating ESG into our investment process for many years. We do this quantitatively through our proprietary model’s framework and qualitatively through positive engagement with policymakers, investee companies and other stakeholders.

[2] In compliance with the SFDR, we committed to providing our investors with the required sustainability-related disclosures on our website www.globalevolution.com.

2.3. Climate change and Task Force on Climate-related Financial Disclosures

The World is headed for much higher temperature increases than is desirable and has the potential to seriously damage our planet to the detriment of all mankind[3]. Therefore, Global Evolution is on journey with the rest of the World towards lower greenhouse gas (GHG) emissions and the adoption of new technologies that make industries and the sources of GHG emission more efficient. The purpose is to conserve our planet for future generations to ensure a sustainable ecosystem, society, and economy for our children.[4]

We therefore publicly declare our support for the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). In our annual TCFD report, we reflect on our concerns about climate change and our support of the recommendations while stating our expected corporate action plan to commence this existential journey for our company and our clients, and we describe our plans for implementing the recommendations by TCFD.

Our mission is to generate attractive returns for our clients whilst contributing to sustainability in the countries and companies where we invest. Since climate change is likely to affect markets and financial risks, our strategy naturally extends to systematically integrate carbon-related and "carbon efficiency" concerns into our investment process.

The literature on economic development indicates that countries coming from lower levels of development may emit increasing amounts of GHG as part of the development process towards higher living standards[5]. 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.[6] This is also described as the Environmental Kuznets" relationship.

Our approach to integrate carbon and climate-related concerns take a multi-pillared approach inspired by the TCFD thematic areas of organizational activity.

- *First*, our corporate governance structure will ensure oversight in management processes.
- *Second*, our strategies will be informed by climate-related concerns.
- *Third*, managing risks climate-related risks will be essential to protect our client's portfolios and our company while promoting sustainability in emerging markets (EM).
- *Fourth*, keeping our strategies fact-based and measurable, metrics and targets will be experimented with to inform our processes.
- *Fifth*, by systematically integrating climate-related factors into our investment process, we will strive to directly measure and track and disclose the carbon footprint of our portfolios transparently to our stakeholders and clients.

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[3] United Nations Environment Programme (UNEP), Emission Gap Report (2020).

[4] https://www.globalevolution.com/impact-investing/

[5] 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)

[6] 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.

Individual countries face different challenges and opportunities in terms of transition and physical risks; some countries are more commodity dependent so they must adjust a lot, and some countries more vulnerable to climate change so they must build resilience. Limiting carbon emission is key, and we find an interesting correlation that a 1% reduction in CO_2 emission will lead to approx. 1% increase in sovereign bond spreads.

In order to reach the target of 1.5^o temperature increase, we find that countries are likely to face a modest 20 basis points spread widening per year until 2030 which is statistically insignificant compared to normal market volatility. However, CO_2 emission may not all in EM since such countries may take a different path compared to advanced economies as industrialization and development gains traction.

The future is likely to be dominated by excessive carbon emission and it is likely that we will not reach the temperature targets by reducing carbon emission alone. We expect that innovative technologies will be—and must be—the focus of heavy investing which will help us overcome this massive challenge.

Consequently, as part of our strategy towards assessing the risks for our client's portfolios associated with climate-change we will support, monitor, and advocate for heavy investments in technological progress related to how we *make things; how we plug in; how we grow things; how we get around; and how we live*.[7] Essential here is what we do first, and how we establish sufficient and timely financing and support.

The year 2020 marks our efforts to first embark on this journey of climate-related disclosures, while we plan to address the recommendations by TCFD more substantially in 2022. The purpose of TCFD report is therefore to outline our implementation plan for 2021 of the TCFD recommendations. As we embark on this journey as supporters from 2020 onwards, we reflect and outline or plans to adopt and implement the TCFD recommendations over the coming months and years, recognizing that this will be done gradually in the speed necessary to uphold our fiduciary duties and while learning what is most important to navigate towards in this, rapidly evolving and relatively new, business area.[8]

2.4. Engagement

Global Evolution is committed to leaving a legacy of impact investing, which assists in the process of lifting nations out of poverty. 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 environmental, social or governance ("ESG") issues.

Sovereign engagement

We pursue sovereign engagement directly, via ongoing individual relationships with governments, or indirectly, via the community of like-minded EM investors and international financial institutions

[7] https://www.breakthroughenergy.org/
[8] The TCFD report is available on our website: https://www.globalevolution.com/sustainability-related-disclosures

such as the International Monetary Fund ("IMF") and the World Bank. We systematically use ESG factors to assess sovereign debt risk focusing on the direction of change rather than relative levels.

We aim to positively impact the countries in which we invest. We provide development finance to governments of the world's poorest countries. By lending money to the governments of developing nations, we are providing essential finance to build the physical and human infrastructure necessary to lift millions of their citizens out of absolute poverty. We believe engagement with the governments of emerging countries deliver better outcomes and encourage governments to act in a manner which we believe will be beneficial for the majority of its population.

Through relationships and ongoing meetings with policy makers we aim to wield influence over policy in so far as we, along with the broader EM sovereign debt investor community, influence the conditions at which they raise debt. Our engagement with policy makers is divided into four settings: direct engagement individually, direct engagement as part of an investor group, engagement via a third-party advocacy group such as the Emerging Market Investor Alliance or interaction with official sector institutions, such as the IMF or the World Bank.

Direct Engagement: Most policy maker engagement occurs in investor groups often hosted by investment banks or advisory companies. Interactions usually involve issuers visiting investors on issuance or non-issuance roadshows, or investors visiting issuer countries. The attendance of policy makers at the IMF annual meetings has meant that these have become a focus place for emerging market investors to meet with issuers. Interactions have in recent years become increasingly virtual. The importance of ESG advocacy among the emerging market investor community make these meetings an increasingly important forum to discuss ESG issues.

Indirect Engagement: Global Evolution is a member and active participant in the Emerging Market Investor Alliance ("EMIA"). EMIA was created to help "institutional emerging market investors support good governance, promote sustainable development, and improve investment performance in the governments and companies in which they invest." EMIA works in many areas and Global Evolution participates in various committees, such as the sovereign transparency committee. One of EMIA's more innovative strategies is to provide pre-issuer ESG engagement notes designed to focus discussion during interaction.

We actively engage with the IMF through meetings and joint visits to the countries, and we share a mutual interest in seeing governments improve their ESG policy mix of policies. The IMF and other IFIs also clearly have policy influence usually via financing conditions. In addition, our work with the UN Principles of Responsible Investments ("PRI"), UN Global Compact ("UNGC"), and the Task Force on Climate-Related Financial Disclosures ("TCFD") are indirect channels through which we aim to influence prudent decision-making in government bodies in the countries where we invest.

Global Evolution believes our engagement with country authorities has positively influenced reform and we aim to continue to engage in and promoting the importance of broad-based socio-economic developments, with inclusive growth and prudent incentives at the government level. We aim in all investment cases to make sure that principal adverse impacts of investments are properly considered.

Corporate engagement

We pursue corporate issuer engagement directly or indirectly as an important part of our investment process and integration of ESG factors in our analysis. The integration of ESG-related criteria in the assessment of companies aims to enhance our ability to identify likely outperformers and underperformers in each of the sectors. We believe that well-governed companies are more likely to provide better results over the long term.

As part of our commitment to positively impact the companies, we are fully committed to encouraging companies to improve their management of ESG issues. The corporate analysis builds on the sovereign ESG framework, augmented with a corporate ESG analysis. In addition, government regulations play an important part in setting corporate governance standards for each country. Global Evolution aim to positively impact the companies in which we invest. We provide development finance to companies in the world's poorest countries. By lending money to the companies of developing nations, we are providing essential finance to build the physical and human infrastructure necessary.

We believe engagement with the companies of emerging countries deliver better outcomes and encourage companies to act in a manner which we believe will be beneficial to improve their management of ESG issues. Our engagement with companies can be divided into three settings: direct engagement in small meetings (individually or as part of a small group), direct engagement in a public forum and indirect engagement via intermediaries.

Direct Engagement: Many company engagements occur in investor groups often hosted by investment banks or advisory companies. Direct engagements with companies on a bilateral basis are infrequent given the efficiencies that companies can achieve by meeting with groups of investors instead. When bilateral meetings do arise, they allow us to spend more time on matters that are of specific interest to us. Interactions usually involve issuers visiting investors on issuance or non-issuance roadshows, or investors visiting issuer companies. Interactions have in recent years become increasingly virtual. The importance of ESG advocacy among the debt investor community make these meetings an increasingly important forum to discuss ESG issues. It provides a platform for companies to clarify on their strategy and the relationship between ESG factors, their business model and financial performance.

Engagements in public forums usually occur during an earnings update call, a business update call (such as to announce a major acquisition) or during a capital raising exercise for the company. As these meetings are made public, they can include both equity and debt investors. Depending on the jurisdictions and the nature and size of the business activities, most companies conduct quarterly performance updates which include the opportunity for investors to ask questions.

Indirect Engagement: Investment banks frequently seek out investors' opinions on behalf of issuers, either in direct relation to an issuance or to solicit investor feedback in relation to a proposed issuance. This engagement channel, as well as direct engagement with issuers in small group meetings, represents most of our engagement with issuers.

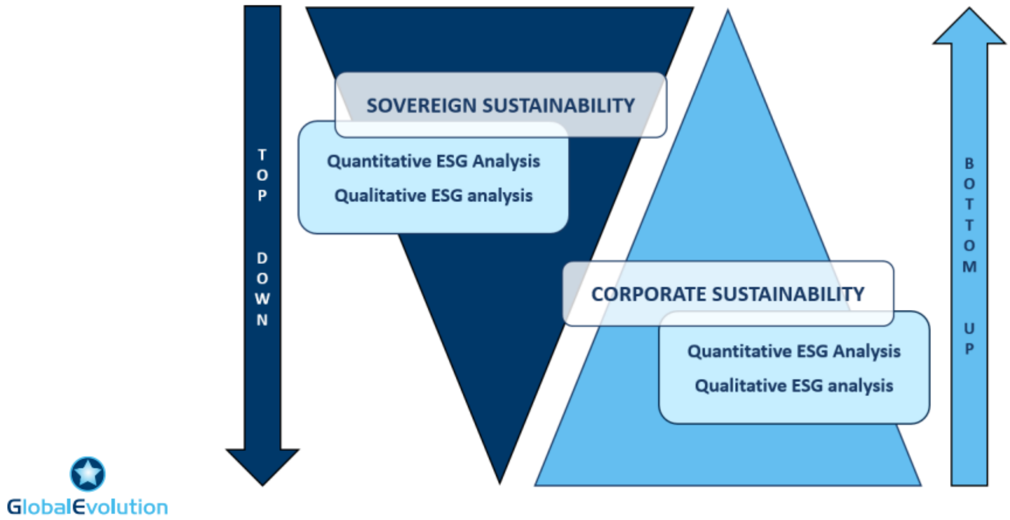
2.5. ESG integration efforts for corporate debt

As part of our strategies in emerging and frontier market corporate debt, we are embarking on a journey to integrate ESG from a highly advanced quantitative perspective (figure 6). We expect that our sovereign expertise in ESG will inform to a high extent from a top-down perspective our corporate ESG integration. The qualitative perspective is still critical, and our team is well-equipped to conduct such due analytical work as part of credit risk analysis.

Figure 6. ESG in corporate emerging markets

ESG status for EM Corporate Debt

- **Focus:** Current focus is on developing our ESG process and framework, building on our sovereign know-how
- **Priority**: Adding value in the investment process; less on "ticking-the-box"
- **Integration:** Value comes from high quality data and by including ESG into valuation modelling
  - **Data**:
    - NLP driven and high-frequent for sentiment towards corporate earnings risk, corporate governance risk sentiment, industry risk sentiment; sector sentiment, other...
    - Data Providers currently under review: Refinitiv, TrueValueLabs; MSCI, Sustainalytics
  - **Framework**
    - ESG approach with sovereign top-down overlay and bottom-up corporate ESG analysis



Source: Global Evolution

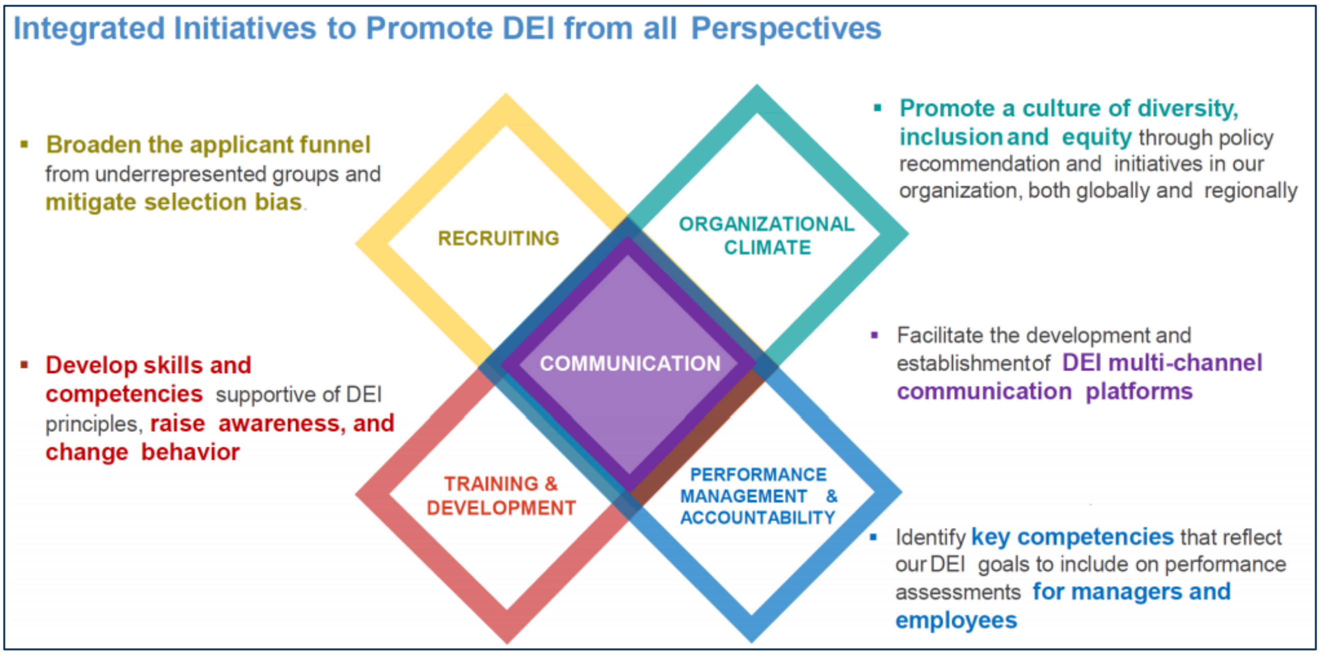
The approach expected to take from a quantitative angle will involve data from prominent providers—integrating importantly both *internal* corporate information (self-reporting by companies captured in "traditional" ESG rating) and *external* corporate information (AI-extracted information using natural language processing (NLP) for companies captured in "innovative" ESG indices). These efforts have been commenced and will be further extended throughout 2021.

2.6. Corporate diversity, equity, and inclusion (DEI) initiative

Are we on the right track; what can we do better? That was the key question in the context of the diversity, equity, and inclusion (DEI) issues that may arise as part of our rapid corporate growth. We have launched an internal council to reflect and advise on DEI issues such as

- giving fair opportunity for recognition, reward, and advancement for all (equitable treatment),
- being a place where everyone feels welcome and empowered to express their unique identities and to have the opportunity to contribute their full potential (inclusiveness),
- through building a diverse team across race, ethnicity, gender, gender identity, sexual orientation, age, socio-economic status, and religious beliefs (diversity)?

Figure 7. Diversity, equity, and inclusion promoted in Global Evolution



Source: Global Evolution

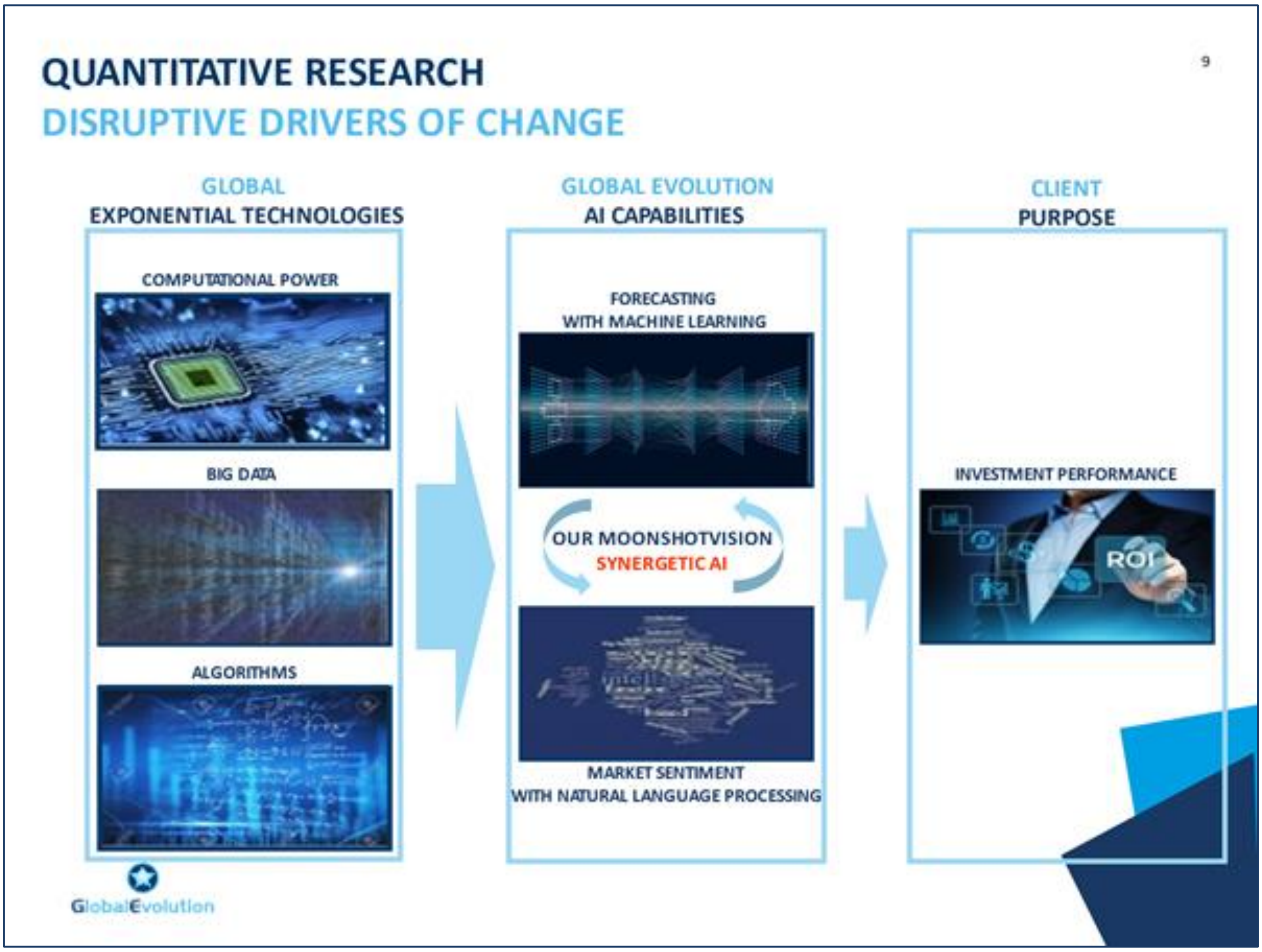
This internal DEI efforts can be categorized as an element of internal ESG efforts that we believe will further enable each individual colleague to bring their "whole selves to work" in a increasing satisfactory manner, and furthermore increase productivity and the quality of decisions made in the company.

Issues under the umbrella of recruiting, organizational climate, communication internally and externally, training and development, and performance management and accountability are topics of discussion and reflection in the council (see figure above).

2.7. World Bank advisory

Global Evolution's Director of Research spoke once again at World Bank conference on ESG in emerging markets. The World Bank plays a leadership role in promoting and financing sustainable development through its innovative bond issuance program, sustainable finance advisory services and debt management advisory work.

Figure 8. Artificial intelligence and its relevance for Global Evolution investment process



Source: Global Evolution

At this virtual conference, our Director of Research emphasized how disruptive technologies are requiring more from asset managers and illustrates the Moon-shot vision by Global Evolution to exploit the potential synergies between adopting different types of artificial intelligence (AI) in as part of the investment process (see figure above). This has the natural purpose of information investment decision at a more advanced level than previously was possible by using machine learning and NLP as the key technologies to develop proprietary data and forecast models.

The World Bank and PRI highlighted recommendations in the recently launched World Bank guide for sovereign debt managers (Engaging with Investors on Environmental, Social and Governance (ESG) Issues) and PRI guide for sovereign debt investors (ESG Engagement for Sovereign Debt Investors), followed by a panel discussion with Heads of Debt Management Offices and investors on their motivations, practical experience, and expectations in engaging on ESG in sovereign debt.

2.8. Climate change and Global Evolution corporate carbon neutrality

Global Evolution pledges to be net carbon neutral as a company by the end of 2021. Our pledge is driven by inspiration by the Paris Agreement and by support for combatting extensive climate change in the world. We will offset the emission coming from our business travels and other activities, and our goal is to be a leader among asset managers in emerging market debt investing.

2.9. 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 practices from investment cases will be extracted for ongoing screening and research purposes.

These qualitative targets have successfully been met within the timeframe we had defined in the context of our ESG Research Program which continuously incorporates lessons from market trends and developments. Our proprietary Valuation and Rating Framework which incorporates ESG dynamics is interdependently linked to the ESG Research Program to continuously enhance the screening and investment process. The models and their output for investment decisions are proprietary in nature.

Furthermore, in terms of our research on the causality between sovereign bond yields and ESG ratings, countries with higher ESG ratings perform dynamically better in terms of return on investment. This testifies to the important issue that funds incorporating ESG analysis in their investment decision making are likely to outperform traditional funds over time.

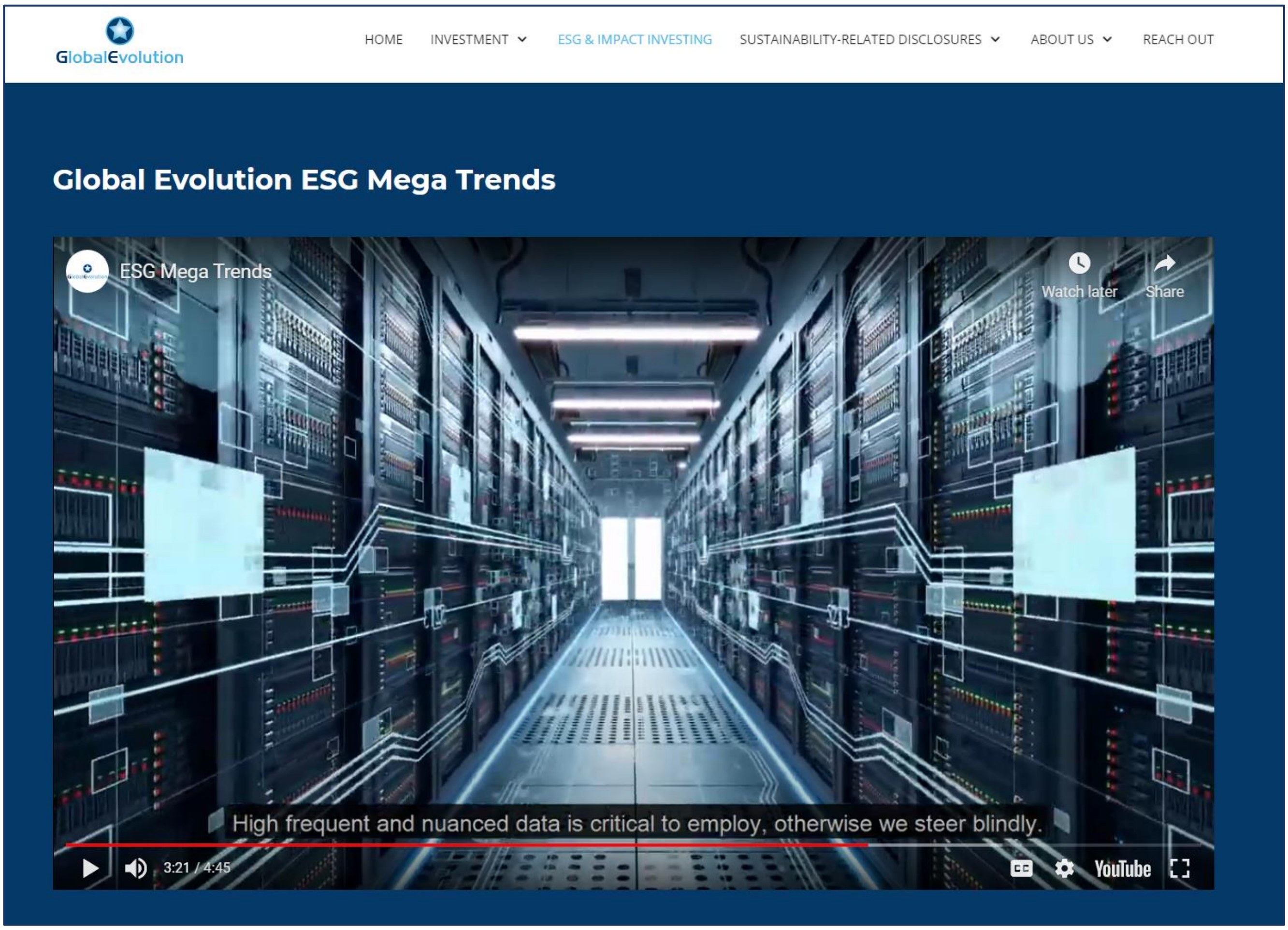
2.10. Communicating and engaging with our stakeholders

Our corporate communication is both internal to employees and board members as well as external to stakeholders such as clients and affiliated consultants as well as the media and other stakeholders. With our continued growth, 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 approach to ESG modeling and country investment selection is consequently essential to our business operations.

In client meetings, we consistently stress the significance of our dedication to the Global Compact principles reflected in our choice of ESG factors in our proprietary modeling. In addition, we experience that the interaction with our clients is also cross-directional since clients increasingly display this focus and seek discussions on these important issues. Consequently, our ESG deliberations and careful analysis as part of the investment processes will play a central role in our screening and portfolio allocations going forward.

The devil lies in the detail; but so does opportunity. The promotion of sustainability in the world is tied to AI and innovative data; something we are currently integrating in our investment process in Global Evolution. In short, AI makes us smarter and better. We communicate this message virtually (Figure 9) in a video on our website **(Link)**.

Figure 9. ESG mega trends



Source: Global Evolution

Yours sincerely,

Morten Bugge	Ole Jorgensen
Founder, CEO, and CIO, Global Evolution	Research Director, Global Evolution

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