



# TUNDRA SUSTAINABLE FRONTIER FUND

## NORDIC ECOLABEL REPORT 2020



Fund  
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## TABLE OF CONTENT

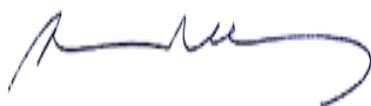
|       |   |
|-------|---|
| 03    | MESSAGE FROM THE CIO                        |
| 04    | TURN   TUNDRA RESEARCH NETWORK              |
| 05-06 | TOP TEN HOLDINGS (LIST)                     |
| 07-11 | TOP TEN HOLDINGS (DESCRIPTION)              |
| 12    | TUNDRA ESG RATING SYSTEM                    |
| 13-15 | 2020 ESG RATINGS                            |
| 16    | FUND SECTOR DISTRIBUTION                    |
| 17    | SUSTAINABILITY GUIDELINES                   |
| 18    | TUNDRA ESG PROCESS                          |
| 19    | ENGAGEMENT                                  |
| 20    | OUR COLLABORATIONS                          |
| 21    | UN GLOBAL COMPACT                           |
| 22    | BUILDING THE TUNDRA SDG PYRAMID             |
| 23    | WOMEN'S EMPOWERMENT PRINCIPLES<br>MY PLEDGE |
| 24    | PRINCIPLES FOR RESPONSIBLE INVESTMENT       |
| 25    | DISCLAIMER                                  |

Stockholm, October 2020

Tundra Sustainable Frontier Fund primarily gives you exposure to the 3.8 billion of the world's population which is expected to be the fastest-growing part of the world but have little representation in a Global Emerging Markets Fund. These countries' population will grow to an estimated size of 6.5 billion during the next 50 years, and will be the only part of the world where we will see an increase in the workforce. This journey is not without perils,, but their share of the world GDP, and their importance for investors will inevitably increase. Many of the world's largest companies, some of which you have not even heard of, will rise as a result of the demographic changes.

We are heading towards an exciting period. Many years of stimulus in developed markets have created a valuation gap where most of our markets are valued lower than before. You do not necessarily have to be pessimistic about other equity markets, but merely question how long this gap can continue to increase given the higher growth in our markets. Investment cycles can be long but they are called cycles simply because they fluctuate. If you are a long-term investor, it is reasonable at this stage of market development to consider diversifying your portfolio somewhat.

Our ambition is to find the best companies in the next generation of growth markets. We will strive to invest in companies that are prepared to take responsibility for the impact they have on the environment, that care about the society they work in, and that value their employees. Companies that also respect and value their shareholders. It is our responsibility as important investors to help them continue to develop towards a sustainable future. Imagine if your investment can contribute to that.



Mattias Martinsson  
Founder/Chief Investment Officer



Capital invested in a fund may either increase or decrease in value and it is not certain that you will be able to recover all of your investment. Historical return is no guarantee of future return. The value of invested capital may vary substantially due to the composition of the fund and the investment process used by the fund manager. The Full Prospectus, KIID etc. are available on our homepage. You can also contact us to receive the documents free of charge. See full disclaimer on [www.tundrafonder.se](http://www.tundrafonder.se).

The state of the origin of the Fund is Sweden. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Art. 10 Para. 3,3bis and 3ter CISA. The representative in Switzerland is OpenFunds Investment Services AG, Seefeldstrasse 35, 8008 Zurich, whilst the Paying Agent is Società Bancaria Ticinese SA, Piazza Collegiata 3, 6501 Bellinzona. The Basic documents of the fund as well as the annual report may be obtained free of charge at the registered office of the Swiss Representative.

## TURN | TUNDRA RESEARCH NETWORK

During the past year we have been active in the building of TURN | Tundra Research Network, a platform for impact in Low- and Middle Income Countries, LMICs (*Emerging and Frontier Markets*). The overarching aim of the network is to bridge the collaboration gap between business & policy makers, utilising local expertise.

There is an immense need for increased collaborations bridging business, academia, governmental institutions and non-governmental organisations in order to tackle systems-level challenges, such as climate change, global health issues and social inequalities just to mention a few. The TURN initiative builds on a systematic approach where country and sector specific challenges for sustainable growth are considered. With a profound understanding of frontier and emerging markets, extensive networks and close contact with business and academia we believe that we can stimulate a knowledge exchange between relevant actors in these countries. The scope and content of all projects to be included in TURN's universe will emanate from the UN's Sustainable Development Goals (SDGs).

TURN stands as a platform for collaboration projects in Tundra's core markets. Several projects are currently in the planning phase. Topics range from empowerment of women in entrepreneurship, transition to renewable energy, waste management, values and climate change, fair trade, human rights and more. We continuously have meetings with companies across our markets. The majority of these meetings are with holdings from our fund, as well as with companies that constitute potential new investments. In addition to company meetings, we meet with representatives from civil society, research and governmental institutions.

Visit the TURN webpage for more information: [www.tundrurn.org](http://www.tundrurn.org)



## LIST OF TOP TEN HOLDINGS

In the following pages the ten largest holdings of **Tundra Sustainable Frontier Fund** by end of August 2020 are presented. The table contains data on ESG score, share of portfolio together with opportunities and risks from a country and sector perspective. Then follows a general description of the ten portfolio companies together with information on their reporting and web pages. In the 2020 ESG Ratings the top ten holdings three are found in the category **Fern Green** (Very strong ESG), six are in **Pale Blue Sky** (Satisfying/strong ESG) and one is found in **Charcoal** (unsatisfying). (See ratings p. 13)

| COMPANY                                     | SHARE OF PORTFOLIO | ESG SCORE | OPPORTUNITIES  | RISKS  |
|---|--------------------|-----------|--|--|
| <b>SYSTEM LTD (PAKISTAN)</b>                | 8.42               | 7         | COUNTRY (C): Renewable energy, waste management initiatives, infrastructure and technology development<br>SECTOR (S): Digital transformation                                     | COUNTRY: Corruption, air pollution, water shortage, deforestation, unemployment, gender inequality<br>SECTOR: Public trust, cyber risk, supply chain management  |
| <b>FPT CORPORATION (VIETNAM)</b>            | 6.76               | 8.5       | C: Ending poverty, renewable energy, infrastructure and technology development, global supply chains<br>S: Digital transformation  | C: Political suppression, corruption, human rights violations, climate change, pollution, loss of biodiversity, freedom of press<br>S: Public trust, cyber risk, supply chain management                           |
| <b>MEEZAN BANK (PAKISTAN)</b>               | 3.92               | 8         | C: Renewable energy, waste management initiatives, infrastructure and technology development<br>S: Sustainable investment, ethical corporate governance structures, transparency | C: Corruption, air pollution, water shortage, deforestation, unemployment, gender inequality<br>S: Public trust, money laundering, market manipulation, data privacy & security                                    |
| <b>BEXIMCO PHARMACEUTICALS (BANGLADESH)</b> | 3.86               | 6.5       | C: Ending poverty, global supply chains, renewable energy, expanding labor force<br>S: Affordable healthcare, application of technology  | C: Corruption, poverty, inadequate healthcare, climate change, pollution, overburdened infrastructure, loss of biodiversity, freedom of press<br>S: Public trust, unethical conduct, waste management              |
| <b>MEDIA NUSANTARA CITRA (INDONESIA)</b>    | 3.72               | 7         | C: Vibrant startup ecosystem, travel industry, manufacturing, infrastructure<br>S: Digital transformation  | C: Corruption, infrastructure & governance issues, natural disasters, ethnic violence<br>S: Data privacy & security, discrimination and harassment lawsuits, anti-competitive practices, service & program quality |



| COMPANY                     | COUNTRY    | SHARE OF PORTFOLIO | ESG SCORE | OPPORTUNITIES   | RISKS  |
|-----------------------------|------------|--------------------|-----------|---|--|
| <b>LIEN VIET POST JOINT</b> | VIETNAM    | 3.47               | 4         | <p>C: Ending poverty, renewable energy, infrastructure and technology development, global supply chains</p> <p>S: Sustainable investment, ethical corporate governance structures, transparency</p> | <p>C: Political suppression, corruption, human rights violations, climate change, pollution, loss of biodiversity, freedom of press</p> <p>S: Public trust, loss of reputation, cyber risk</p>                         |
| <b>SQUARE PHARMA</b>        | BANGLADESH | 3.43               | 7.5       | <p>C: Ending poverty, global supply chains, renewable energy, expanding labor force</p> <p>S: Affordable healthcare, application of technology</p>  | <p>C: Corruption, poverty, inadequate healthcare, climate change, pollution, overburdened infrastructure, loss of biodiversity, freedom of press</p> <p>S: Public trust, unethical conduct, waste management</p>       |
| <b>HIGHTECH PAYMENT</b>     | MOROCCO    | 2.77               | 7         | <p>C: Ending poverty, strengthening human capital, financial inclusion, digital technology</p> <p>S: Digital transformation</p>   | <p>C: Political instability, unemployment, corruption, gender inequality, infrastructure quality, freedom of press</p> <p>S: Public trust, cyber risk, supply chain management</p>                                     |
| <b>GB AUTO</b>              | EGYPT      | 2.77               | 8         | <p>C: Renewable energy, improving healthcare, innovation, vocational training for growing young population</p> <p>S: Renewable energy, digital transformation</p>                                   | <p>C: Political instability, corruption, pollution, inadequate healthcare, unemployment, gender inequality, freedom of press</p> <p>S: Public trust, emissions, supply chain management</p>                            |
| <b>DG KHAN CEMENT</b>       | PAKISTAN   | 2.74               | 5         | <p>C: Renewable energy, waste management initiatives, infrastructure and technology development</p> <p>S: Utilising renewable resources, eco-labelling, recycling</p>                               | <p>C: Corruption, air pollution, water shortage, deforestation, unemployment, gender inequality</p> <p>S: Significant environmental concerns with carbon footprint and harmful emissions, worker health and safety</p> |

# DESCRIPTIONS OF TOP TEN HOLDINGS

## SYSTEMS LIMITED

<https://www.systemsltd.com/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: No**

Systems Limited is a Pakistani company involved in the development of software, information technology and financial technology. Systems Limited has an international presence in the UAE and Qatar and has attained partnerships with Microsoft, IBM and Huawei. In the Tundra ESG Rating System, the company's score has gone up from 5.5 in 2019 to 7 this year illustrating an increase in ESG awareness. The company is not a signatory of the UN Global Compact, however in their response to Tundra's ESG questionnaire, they stated that they comply with the 10 principles by supporting human rights and anti-corruption practices and ensure fair labour practices. Similarly, while the company has not officially aligned with the UN SDGs, it is clear that their actions support several goals including SDG#1 No Poverty, SDG#2 Zero Hunger, SDG#3 Good health and well being, SDG#6 Clean water and sanitation, SDG#7 Affordable and clean energy, SDG#8 Decent work and economic growth and SDG#10 Reduced inequalities. In light of Covid-19, the company laid out a detailed health and safety protocol for its employees. Systems recently implemented its whistleblowing policy and conducted related trainings in each department in all its offices. Lastly, the company has a separate CSR budget which focuses on promoting education by donating to NGOs as well as schools.

## FPT CORPORATION

<https://fpt.com.vn/en/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: Yes**

FPT Corporation was founded in 1988 and is headquartered in Hanoi, Vietnam. The company's core business sectors include technology, telecommunications and education. In the future direction, FPT will increasingly invest in establishing an ecosystem of Made-by-FPT products, accelerating services on cloud computing platform and improving the quality of solutions based on emerging technologies. FPT is among the companies with strong ESG practices in the fund; its ESG score has increased from 7.5 to 8.5 this year. FPT has integrated the UN Sustainable Development Goals and GRI standards in order to develop and report on their sustainability policies. Although the tech industry is characterised by its high proportion of male employees, FPT has strived to keep equal and fair opportunities for all employees regardless of gender. In 2019, the number of female employees increased by 5.3% and the number of female executives also grew by 15.8% compared to the 14.1% increase of their male counterparts. With offices across the country, FPT prioritizes applying the green office model when constructing its facilities and also enhancing the awareness of environmental protection among its employees.



### **MEEZAN BANK**

<https://www.meezanbank.com/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: Yes**

Meezan Bank is a Pakistani financial institution which offers various Islamic banking products and services. The company has strong ESG practices as reflected by its score of 8 in the Tundra ESG Rating System. The UN SDGs have been embedded within Meezan Bank's strategy with a focus on four of them: quality education, affordable and clean energy, decent work and economic growth and partnerships for the goals. To safeguard the bank's information assets, various security controls have been implemented including following best practices such as ISO 27001 Information Security Management System, Payment Card Industry Data Security Standard and National Institute of Standards and Technology. In 2019, the company led the financing of four wind power projects with a total capacity of 200MW. In the same year, the installation of solar power systems at Meezan Bank's head office and a further 10 branches reportedly led to a reduction of 158,000 kgs of CO2 emissions. Moreover, using energy-saving lights, being mindful of paper consumption through various initiatives, deploying energy efficient ATMs and employing automation strategies to optimise existing systems are some of the ways the company focuses on energy efficiency.

### **BEXIMCO PHARMACEUTICAL LTD**

<https://www.beximcopharma.com/>

**Sustainability Report: No**

**Reporting on Agenda 2030: No**

Beximco Pharmaceuticals Ltd (Beximco Pharma) is a leading manufacturer and exporter of medicines in Bangladesh, incorporated in 1976. The company adheres to global standards and its state-of-the-art manufacturing facilities have been accredited by the regulatory authorities of USA, Europe, Australia, Canada, Latin America and South Africa. Beximco Pharma is consistently building upon its portfolio and currently producing more than 500 products encompassing broad therapeutic categories. In our ESG Rating System, the company's score has improved to 6.5 (from 3.5 last year). Though the company has not official adopted the SDGs as corporate goals, its operations are directly and indirectly contributing to the achievement of the global goals. Beximco Pharma has implemented proper Occupational Health and Industrial Hygiene and Effluent Management System in its manufacturing sites, including management of solid wastes, liquid wastes, gaseous emissions, noise, odor and vibration. The company has organized a number of initiatives on health and wellbeing such as: World Antibiotic Awareness week, CME on rational use of antibiotics, Community Care Program and promoting Maternal and newborn health.





### **MEDIA NUSANTARA CITRA**

<https://mnc.co.id/en/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: No**

Media Nusantara Citra (MNC) is an Indonesian company in the broadcasting and cable TV industry. The company was founded in 2001 and operates free-to-air television channels as well as radio, print and online media, talent management and a production house. The newly-added company has good ESG practices as illustrated by their score of 7 in Tundra's ESG Rating System. In 2019, the company carried out 118 classes which included trainings for leadership roles and technical skills. MNC's foundation oversees the group's sustainability activities which revolve around assisting the government with infrastructure development, as well as contributing to the education, health and other needs of the vulnerable sections of society. A whistleblowing mechanism is in place where anonymity as well as protection is reportedly provided to complainants.. The company also claims to have a clearly articulated social purpose whereby it does not air negative content that may influence the community; for example, it focuses on family-driven content suitable for all ages and does not air violent content. While the company does not report on the UN SDGs, it claims to support SDG#9 Industry, innovation and industrialization.

### **LIEN VIET POST BANK**

<https://www.lienvietpostbank.com.vn/>

**Sustainability Report: No**

**Reporting on Agenda 2030: No**

Lien Viet Post Joint Stock Commercial Bank (LPB) is a Vietnamese retail bank founded in 2008. LPB provides banking products and services through its network of several bank transaction offices and postal transaction offices across 63 cities and provinces. The bank has been striving to become a leading retail bank in Vietnam by focusing on providing banking products and services for individuals, households and small and medium enterprises (SMEs) especially in the agriculture sector, expanding its activities to rural and remote areas via the post office network. LPB scored 4.0 in the Tundra ESG Rating System, same as in last year's ratings. The bank complies with environmental regulations and commits to energy saving across its offices. In 2019, LPB has also invested in employee training, especially with the increased application of E-learning. Vi Viet, LPB's e-wallet initiative, became the winner of the UN Capital Development Fund (UNCDF) SHIFT Challenge Fund Second Window in 2016 and received grants to promote financial inclusion for Vietnamese women.



### **SQUARE PHARMACEUTICALS LIMITED (SQUARE)**

<https://www.squarepharma.com.bd/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: No**

SQUARE is the largest pharmaceutical company in Bangladesh, founded in 1958. It is primarily engaged in the manufacture and marketing of generic pharmaceuticals, such as basic medication and animal health products, and also pesticide products. The company has strong ESG practices with a score of 7.5 points (7 in last year's rating) in our ESG Rating. SQUARE has been a signatory of the UN Global Compact since 2004. The company's CSR policy emphasizes gender equality, non-discrimination and fair treatment, human rights, commitment toward the environment, transparency and anti-corruption. SQUARE's outreach efforts include partnering with NGOs to make affordable healthcare available to low-income groups, organizing health awareness campaigns and operating a 24/7 free helpline for mothers and their babies.

### **HIGHTECH PAYMENTS**

<https://www.hps-worldwide.com/>

**Sustainability Report: No**

**Reporting on Agenda 2030: No**

Hightech Payment Systems SA (HPS) is a Morocco-based software company founded in 1995. The company designs and provides comprehensive, modular and integrated solutions that manage electronic payment business; the goal is to provide its clients with innovative technology solutions that transcend the entire payments value chain. HPS has grown rapidly to become one of the leading global cards and payments technology companies, with over 400 clients in 90 countries. HPS scored 7.0 points in the Tundra ESG Rating System. While HPS has not officially adopted the SDGs, the company has placed corporate social responsibility at the heart of its operations. The company's environmental strategies include maximizing the use of group servers and installing energy-saving lighting in all offices to reduce electricity consumption. The HPS Foundation has continued to provide education support in a number of rural communities, notably to encourage the education of young girls. This foundation serves as a rallying point for all HPS social initiatives and the efforts of its employees around education.





### **GB AUTO**

<http://www.ghabbourauto.com/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: Yes**

Ghabbour Auto (GB Auto) is an Egyptian company, founded in 1999. The company assembles, manufactures, distributes and offers sales and after-sales service of automotive vehicles primarily in the Middle East and North Africa. The company's score has greatly increased from 5.5 to 8.0 in the Tundra ESG Rating System. GB Auto has implemented a number of strategies to minimize environmental impact, such as transition to LED lighting, increasing its water recycling capacity, decreasing pollutive waste and improving air quality and ventilation. Additionally, GB Auto is in the process of initiating projects to replace diesel oil use with solar energy and natural gas across its operations, in an effort to reduce its carbon footprint and emissions. In terms of labor policies, the company has continued to support women in the workplace and strive to create an inclusive working environment. GB Auto aligns its efforts with as many of the SDGs indicators as possible, currently focusing on five goals: Goal 4 Quality education, Goal 5 Gender equality, Goal 8 Decent work and economic growth, Goal 10 Reduced inequalities and Goal 12 Responsible consumption and production.

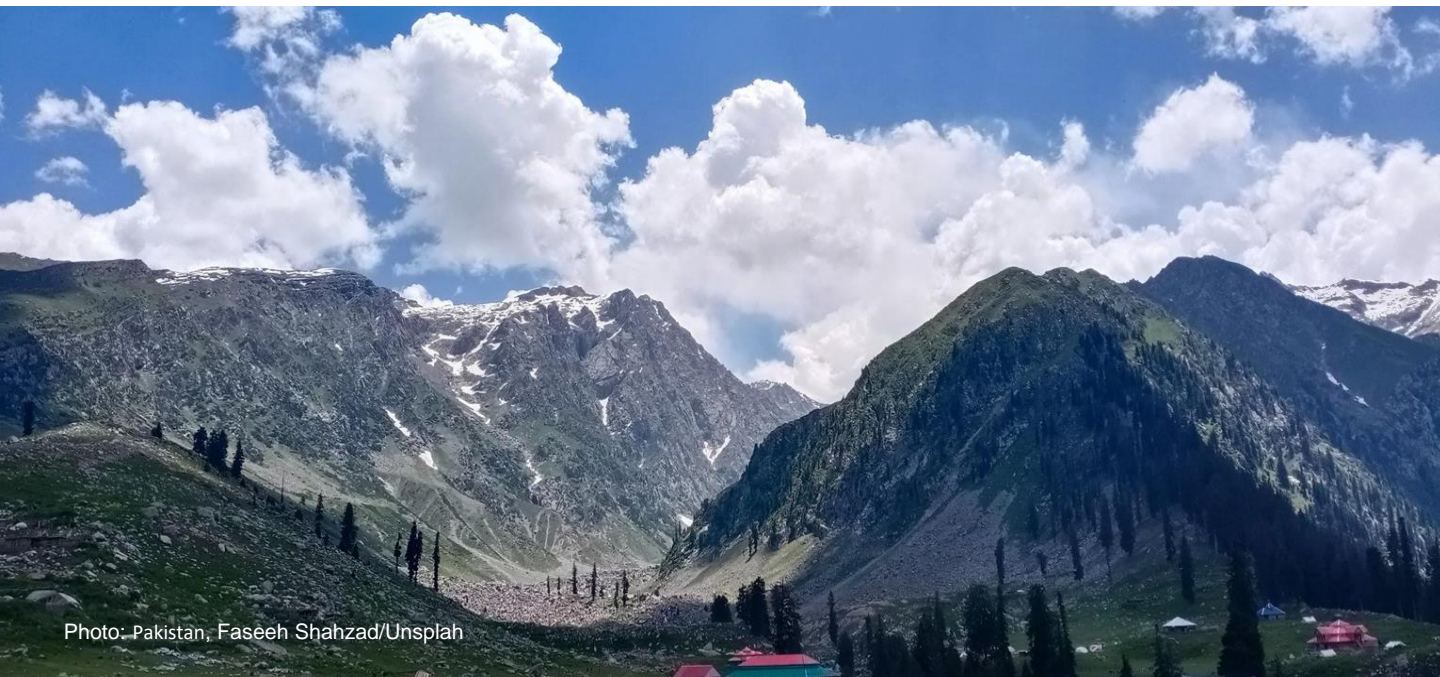
### **DG KHAN CEMENT**

<https://www.dgcement.com/>

**Sustainability Report: Yes**

**Reporting on Agenda 2030: No**

DG Khan Cement (DGKC) is a Pakistani manufacturer engaged in the production and sale of clinker as well as ordinary portland cement and sulphate resistant cement. The company is ISO certified for quality management systems (9001:2008) and environmental management systems (14001:2004). The company scored a 5 in Tundra's rating system this year, an increase from 3 last year. Reportedly the company replaces some of its dependency on coal usage by collecting and utilising waste from the city. For workers, the company conducts sessions on security, health and safety as well as mock exercises and drills to prepare for emergency situations. DGKC carries out various outreach activities for uplifting the community. These include a free dispensary facility, free ambulance service for locals at the DG Khan, Khairpur and Hub sites as well as fire fighting services for nearby areas. In case of any accidents or mishap, the company supplies equipment and services in adjoining areas. DGKC has a whistleblowing policy to discourage activities that are deemed illegal or dishonest.







## TUNDRA ESG RATING SYSTEM

*Tundra ESG Questionnaire* represents one of the ways in which we engage with portfolio companies. All companies in the *Tundra Sustainable Frontier Fund* are analysed regarding a range of criteria for sustainability, based on international guidelines pertaining to environment, social responsibility and corporate governance.

The aim of the *ESG Rating System* is to create a platform for systematic ESG dialogue with companies. All companies will be evaluated annually and written feedback including assessment scores will be shared with all companies in the fund. In this version of the questionnaire we have further developed the questionnaire to include more specific questions reflecting different sectors, and with follow-up questions to existing companies.

Each company has been rated based on responses provided in individual questionnaires, company website, Bloomberg data, and other sources of information. If information on a certain criteria was unavailable, the company received '0' for that item. In the upcoming feedback communication with companies, individual scores may be revised if a company can provide data demonstrating that the criteria has been or can be fulfilled.

This tool is continuously updated, and categories/questions may be subjected to change. Results in this report are presented at group level. Details of the scores are kept confidential and shared separately with each company. Overall scores for the ten largest companies in the Fund are shared in the this report. Some insights from the **ESG Rating Results 2020** are presented on the following pages. Since Autumn 2019 ESG-questionnaires are sent to companies as they enter the *Tundra Sustainable Frontier Fund*.

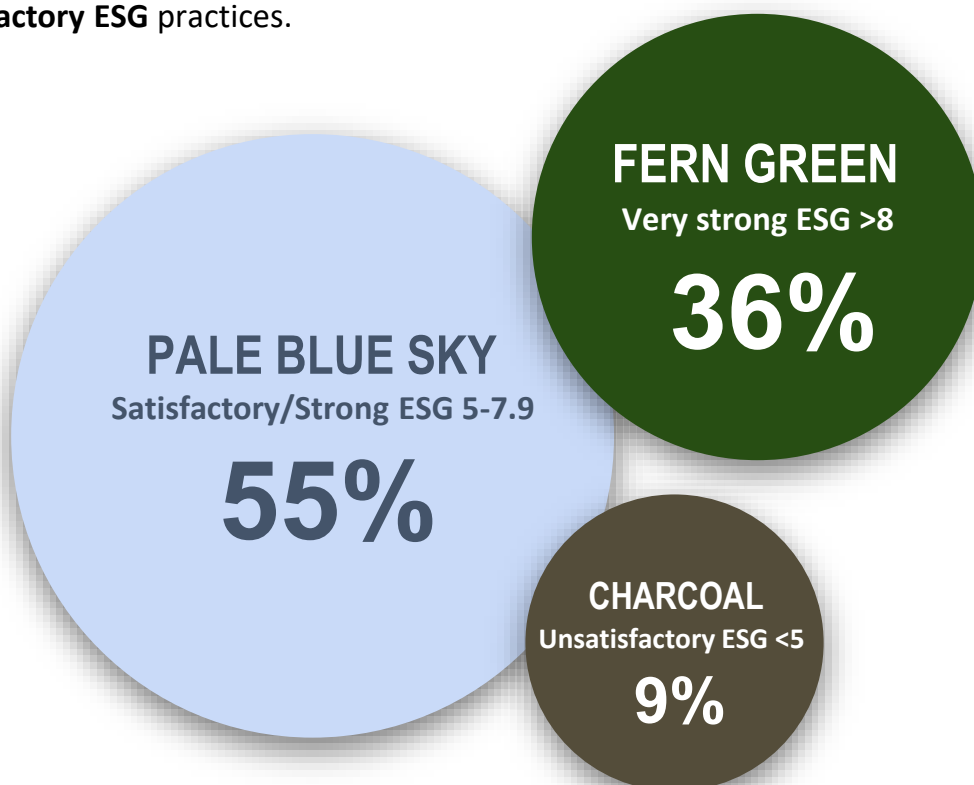
## 2020 ESG RATINGS

In this 2020 Edition of our ESG ratings, we introduce our new colour system where the best performing companies are classified as **Fern Green** – fern; a symbol of endurance and resourcefulness; a plant that can grow in difficult places. A satisfactory level of ESG is marked by light blue; **Pale Blue Sky** – representing the depth of understanding and dedication. These companies have started their introspective journey towards a more sustainable future. **Charcoal** – lightweight black carbon residue, spiritually believed to improve the ability to take action and perform - is for the companies in the lower end of the rating system. Those are companies that do not fulfill the criteria for good ESG practices or engagement yet. Our ambition is that this category will soon be redundant for portfolio companies in Tundra Sustainable Frontier Fund.

### 91% SATISFACTORY ESG



Out of 44 companies 91% had **Satisfactory/Strong ESG** practices considering international guidelines for their respective sectors (compared to 75% in 2018 and 62% in 2017). Out of these; 16 companies (36%) received 8 points or more and were classified as having **Very Strong ESG** practices (16% -2018; 11% -2017). As measured in proportion to AUM, 88,4% (76.6% - 2018; 72.5% -2017) of holdings had an ESG practice corresponding to the criteria for **Satisfactory/Strong ESG**. In total 4 companies (9%) (20.7% - 2018, 25% - 2017) had **Unsatisfactory ESG** practices.



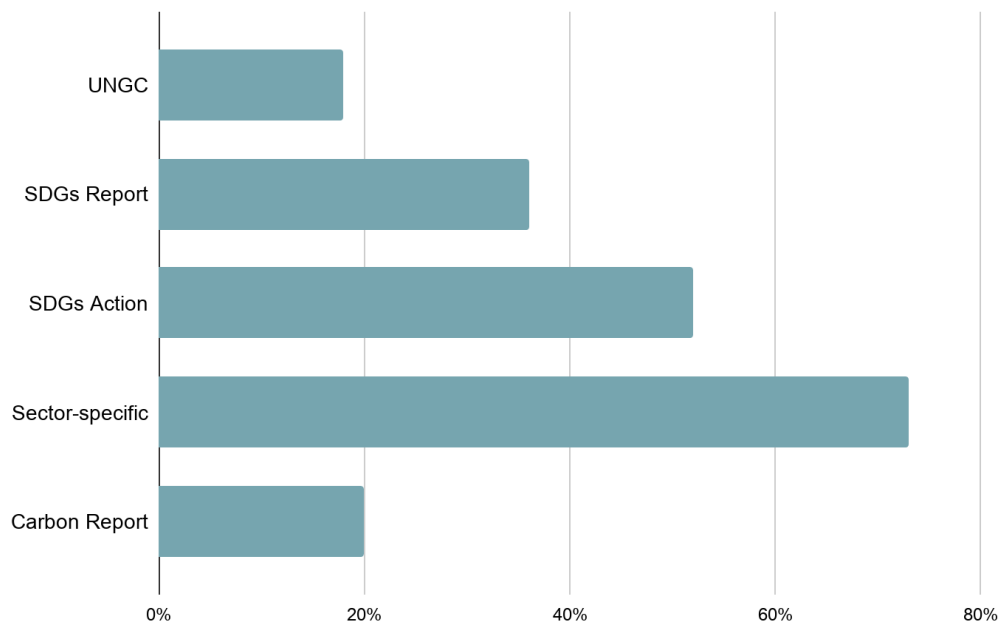
\*The analyses include companies that were in the *Sustainable Frontier Fund* 2020/08/30. Inactive companies and IPOs have been excluded.

## 2020 ESG RATINGS

The response rate for the *Tundra ESG Questionnaire 2019* reached 64% (58% - 2018, 54% - 2017) with large variations between countries and sectors. No further analysis of companies in different sectors per country was performed due to low numbers.

In our ESG Questionnaire, company compliance with international guidelines was assessed. These reflect a selection of initiatives considered relevant to the sectors and the countries in which Tundra operates.

A summary of findings based on our analysis: 18% of portfolio companies were signatories to the UN Global Compact (UNGC), 36% officially reported on the Sustainable Development Goals (SDGs) while 52% aligned with the global goals through their actions, 73% adopted a sector-specific international guideline and 20% reported on carbon emissions.



A more detailed ***Climate Report*** including our estimates for the fund’s carbon footprint and disclosure of internal emissions will be published later this year. As only one in five companies in the fund have reported on their emissions, our assessment builds on data collected over the last year. Even though the main part of portfolio companies follow sector-specific guidelines for environmental practices; many are still not compliant with international frameworks. A main focus for Tundra is to inform and educate companies on the importance of these international guidelines. During the year we have been engaging with portfolio companies through internal events; webinars focused on renewable energy/possibilities to finance a just transition and information on the Task Force on Climate-related Financial Disclosures reporting framework (TCFD), ESG questionnaires with country- and sector specific questions on policies and environmental actions. We have also engaged with companies through partners. Our commitment to the E in ESG is also manifested through our collaboration platforms; such as CDP, Climate Action 100+, PRI and the Nordic Swan Ecolabel among others.



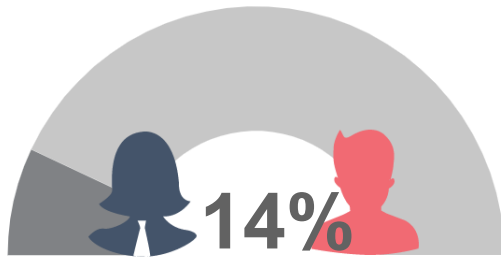
## 2020 ESG RATINGS

### GENDER EQUALITY

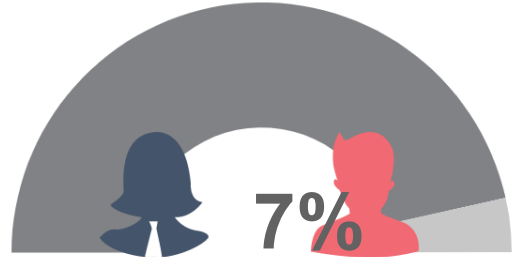
Economic participation of both genders along with equal opportunities for leadership is a core focus area for Tundra Fonder. For this reason, female representation on the Board of Director and in the Senior Management is an integral part of our analysis. Out of the 44 companies, 33 had least one woman on the Board of Directors marking an increase to 75% (compared to 61% in last year's ratings). As for senior management 30 companies (68%) had women represented. The average share of women on Board of Directors was 15%, and women held about 14% of positions within Senior Managements. The percentage of holdings in the fund with **no women at all** represented, neither on the Board of Directors nor in the Senior Management had decreased from last year's ratings from 15% to 7%.

Reporting on other aspects of gender equality for Tundra as an organisation will be included in our Communication on Progress (COP) through the UN Global Compact in early 2021.

#### AVERAGE FEMALE REPRESENTATION SENIOR MANAGEMENT



#### ZERO FEMALE REPRESENTATION BOARD OF DIR. & SENIOR MANAGEMENT



**31%** INDEPENDENT DIRECTORS  
BOARD OF DIRECTORS

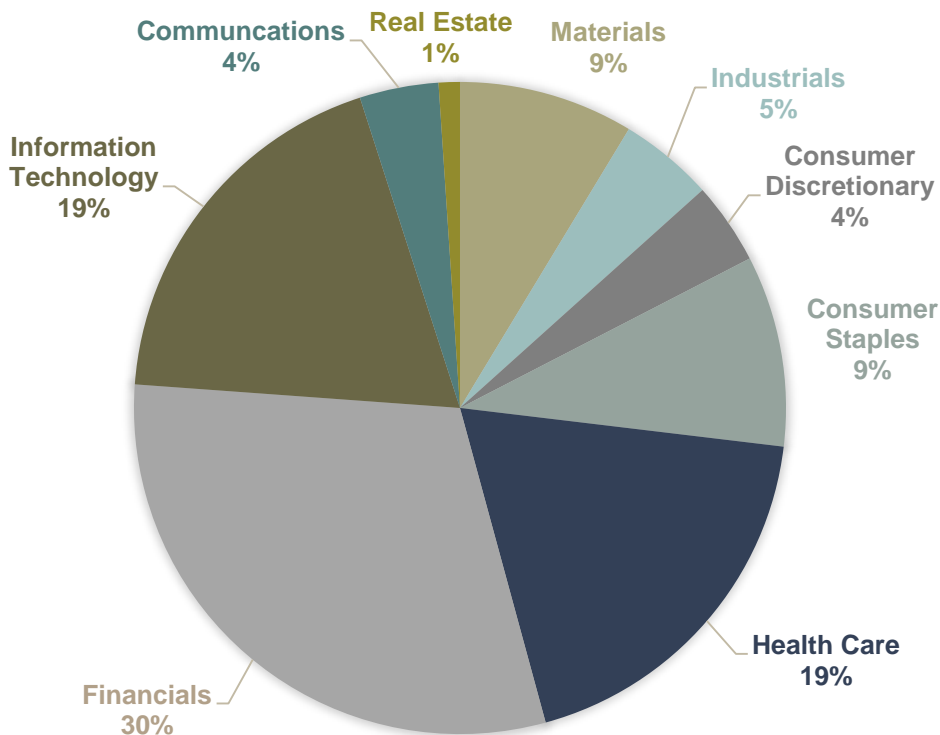


**75%** AT LEAST ONE WOMAN  
ON THE BOARD OF DIRECTORS

According to our findings, Nigerian holdings displayed the best gender parity with all five companies included in the fund displaying female representation on the Board of Directors as well as in the senior Management. Our analysis also demonstrated that only 50% of Egyptian and Sri Lankan companies in the fund had any women on the board, while Pakistan had the least percentage (33%) of companies with the senior management having women represented.

## SECTOR DISTRIBUTION

The chart below indicates distribution per sector in proportion out of AUM for 45 companies in the *Tundra Sustainable Frontier Fund* as of September 04, 2020.



Financial companies make up the largest sector within the fund. Risks in this sector mainly stem from weak corporate governance structures which can have an impact on reputational damage as well as result in regulatory sanctions. Ethical risks include money laundering and market manipulation. These institutions are also at a risk of losing customer confidence in the face of cyber attacks. Three out of the 10 largest holdings in the fund are from the information technology sector. Being vigilant about data security is one of the key risks for technology companies. Gender diversity in the usually male-dominated industry is a concern as well. While environmental risks compared to other industries may be low, companies that manage data centres can end up consuming large amounts of energy in this sector as well. The healthcare sector, which is the third largest segment of the fund, is prone to risks mostly related to product governance. This includes insufficient safety or quality checks on a product including, for example, incorrect labelling. Other risks also include corruption, breaching ethical standards and data privacy. Water and waste management are key environmental risks that need to be addressed as well.

For more details on specific risks for Tundras' focus countries, please earlier reports here on these links: ➡ <https://bit.ly/36wFv60> ➡ <https://bit.ly/2B8whia>

## SUSTAINABILITY GUIDELINES

Tundra’s ESG process is governed by international standards of responsible investing. These include screening for “sector-based, breaches, “norm-based” violations, “controversial weapons” (see below).

- **Norm-based breaches.** This includes screening for breaches that are in contravention of the UNGC (see figure below) - the guiding principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. During this screening, companies’ adherence to international norms for human rights, the environment, labour standards and anti-corruption are assessed.
- **Controversial weapons.** During this screening, a company’s involvement with prohibited or banned weapons is assessed. There is zero tolerance as far as these weapons are concerned. Companies with any involvement in controversial weapons are automatically excluded from the fund.
- **Sector-specific breaches.** The sector-specific screening includes exclusion of certain sectors in the fund. These are summarised as: alcohol, pornography, tobacco, weapons, gambling, fossil fuels and/or GMO. However, if the total revenue from a product from one of these sectors does not exceed 5%, the company may still be eligible for the sustainable fund.



### SECTOR BREACHES

Alcohol (Production/Distribution: 5%)  
 Pornography (Production: 0%/Distribution 5%)  
 Tobacco (Production: 0%/Distribution: 5%)  
 Weapon (5%)  
 Gambling (5%)  
 Fossil fuels (Extraction/Production 5%)  
 Nuclear power (Production 5%)  
 GMO (5%)

### NORM BREACHES

Environment  
 Human Rights  
 Labour Rights  
 Corruption

### CONTROVERSIAL WEAPONS\*

Nuclear Weapons  
 Biological Weapons  
 Chemical Weapons  
 Non-detectable Fragments  
 Blinding Laser Weapons  
 Anti-personnel Mines  
 Cluster Munitions  
 Incendiary Weapons  
 Depleted Uranium  
 Ammunition

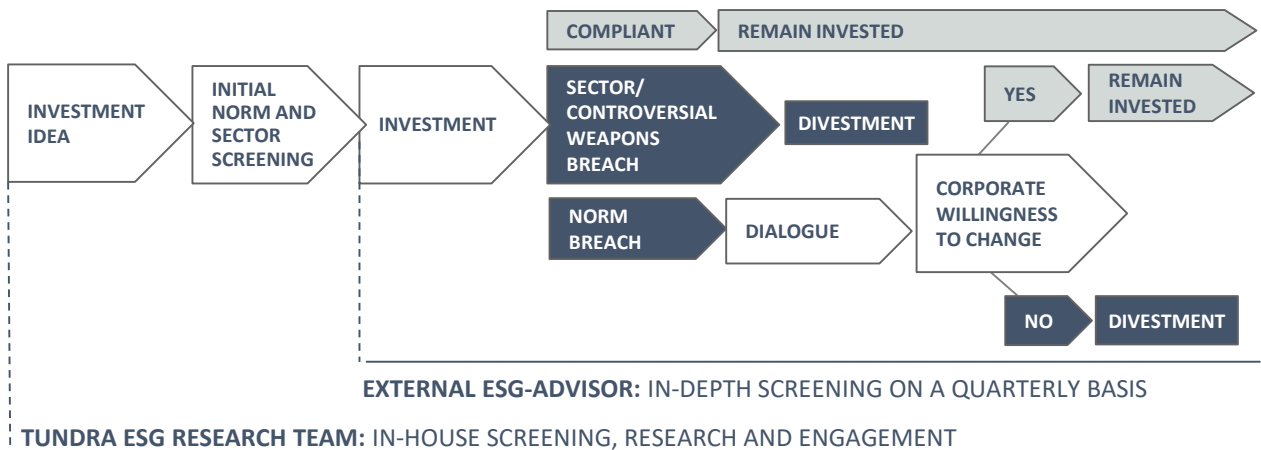
\*All production/distribution: 0%



# TUNDRA ESG PROCESS

Tundra’s ESG process is governed by international standards of responsible investing. It has a detailed sustainability screening process (see below). Following an investment idea; a preliminary screening is carried out, after confirmation that the prospective company does not belong to any excluded sectors, the investment decision is made. There is a limit system implemented that hinders acquisition of holdings in exclusion sectors. Tundra’s ESG team then carries out detailed research on the company to verify and assure compliance with international standards. A full list of companies is also shared with Sustainalytics, Tundra’s external ESG Advisor, on a quarterly basis. In case of a breach, a dialogue is established with the company. A breach in *controversial weapons* or a *sector* breach results in immediate divestment. If the breach is *norm-based*, in violation of international guidelines, the ESG team will create and implement a 12-month engagement strategy to work with the company management in order to ensure their willingness towards addressing the issue(s). Engagement takes the form of interviews, discussions, and answering quantitative data sets. If the company is unwilling to cooperate, the process will result in an immediate divestment. Divestments are reported in our monthly letters.

## TUNDRA PORTFOLIO MANAGERS & RESEARCH TEAM



Our local presence through research offices in Karachi, Pakistan and Ho Chi Minh City, Vietnam is important to our ability to regularly analyze companies in our markets. The ESG team constitutes a smaller unit of the larger investment team. As of October 2020 the ESG team comprise three people including Head of ESG, (Stockholm), Senior ESG Analyst (Karachi) and ESG analyst (Ho Chi Minh City). The ESG team cooperates closely with the Chief Investment Officer and financial research team to integrate ESG questions into financial analysis. To facilitate open communication; all of our offices are designed around open plan spaces. We also follow specific communication protocols i.e. PM meetings are held weekly including at least one member of the ESG team; corporate calls are held once a month and include all team members. On a more informal basis, a chat room has been created to encourage discussion between team members about current financial research, portfolio developments and on-going company specific research. There is a common server with data on companies and other research available to the entire investment team. Additionally a controversy sheet has been established, where each portfolio company is listed.

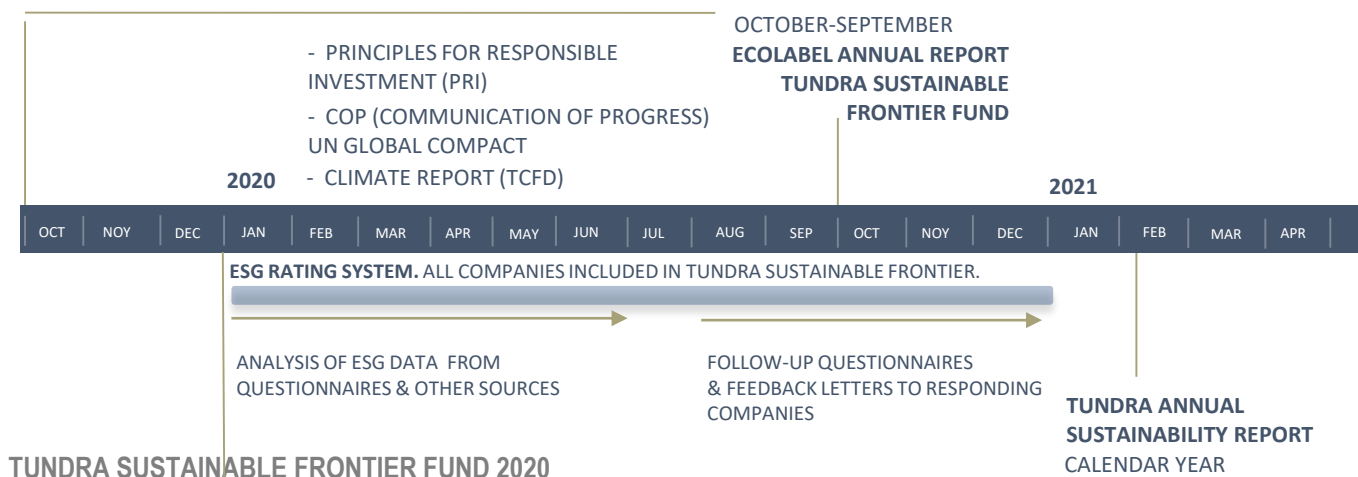
## ENGAGEMENT

ESG engagement is based on communication between investors and companies on aspects pertaining to environment, social responsibility and governance. We interact with our portfolio companies through meetings, telephone calls, conference calls, and e-mails. Our approach is based on an active local presence and in-depth analysis. We engage with our companies through our ESG questionnaires offering individualised feedback. This process allows companies to share company specific ESG related developments with us. Our personalised feedback gives companies a snapshot of their current level of ESG reporting versus other companies in their respective sectors, offering clear guidelines on how to improve further.

We believe collaborations are key. Signing on to initiatives relevant to us as an organisation (See Appendix “Our Collaborations”) we also collaborate with academia (researchers and universities in the Nordic countries as well as in our focus countries), NGOs in all the countries described as Tundra’s core markets, Stock Exchanges (e.g. Ho Chi Minh Stock Exchange, Pakistan Stock Exchange, Colombo Stock Exchange), journalists, and government representatives. Going forward it is our ambition to expand these collaborations. Tundra’s ESG team stands as an integrated part of the financial team including Head of ESG (Stockholm) Senior ESG Advisor (Karachi) and ESG analyst (Ho Chi Minh City). In addition to the in-house research team, our external ESG consultant Sustainalytics analyses all of our fund holdings on a quarterly basis.

Before any investment is made we undertake a thorough analysis of the company, which entails meetings with management including detailed analysis of management processes to make sure our interests are aligned. We maintain ongoing dialogue with all portfolio companies and ensure the medium- and long-term objectives are in line with our expectations as investors. We further continuously monitor the work of management and communications issued by the company’s main shareholders, including the circulated agenda for AGMs/EGMs. We typically participate in the AGM/EGM, either in person or by proxy, if we have an opinion on proposed agenda items or believe that important items are being left out, or if we want to support a particular candidate to the Board of Directors etc. We exercise our voting rights to improve company performance, or to protect our rights. This AGM-season we have chosen not to exercise our voting rights.

## ESG REPORTING CYCLE



## OUR COLLABORATIONS

We believe in sustainable development. At its core, sustainable growth is about building partnerships and creating opportunities for dialogue across varied stakeholder groups. Tundra supports and aligns its work with several global initiatives that encourage organisations to integrate ESG factors into their investment processes and strategies.

These initiatives include the *UN Global Compact (UNGC)*, the *Principles for Responsible Investment (PRI)*, the *Nordic Swan Ecolabel*, the *Women Empowerment Principles (WEPs)*, *Climate Action 100+* and the *Carbon Disclosure Project (CDP)*. We believe that signing up to these international initiatives demonstrates our commitment to sustainability, parallel to providing a tool for guidance. Partnering with global sustainability networks opens up avenues of collaboration e.g. investment in new technology, transitioning from fossil fuels to renewable energy, which ultimately have a huge potential to improve businesses.

Apart from integrating the ten principles of the *UN Global Compact* into our business, we follow the *OECD Guidelines for Multinational Enterprises* and the *ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy*. When screening companies included in our funds, we assess their adherence to international norms for human rights, environment, labour standards and anti-corruption. We also collaborate with civil society and governmental organisations to add perspectives on working conditions and human rights in the countries we work in. We make company visits, and regularly interact with our portfolio companies to assure compliance with the criteria set for our funds. We advocate transparency for our portfolio companies, and for all our stakeholders. We apply the same criteria for ourselves as an organisation as for others. We share reports, case studies, thematic reports, monthly data and other relevant disclosures on our website and in direct e-mails with our clients and investors. To ensure our portfolio companies adherence to regulations on human and labour rights we also have an external consultant (Sustainalytics) screen our portfolios on a quarterly basis. We also rely on in-house research, and analysis.





# UN GLOBAL COMPACT

Tundra is an active participant to the UN Global Compact and the UNGC Network Sweden. With over 11,000 participating companies across 156 countries, the UN Global Compact is the world's largest corporate sustainability initiative.

The UNGC initiative encourages SMEs, large corporations and entire cities to adopt socially responsible policies in four broad categories: human rights, labour, environment and anti-corruption. Tundra joined as a signatory in early 2017 and now stands as a participant in the UNGC. We aim to take part in meetings and events organised by the UNGC and affiliated local networks. We recommend that all of our stakeholders and our portfolio companies sign the ten principles (see below). To join the movement, companies need to complete an online application form and upload a digital copy of a Letter of Commitment signed by the CEO. For more detailed information on the UNGC and suggestions on how businesses can work with the SDGs, please visit: [www.unglobalcompact.org](http://www.unglobalcompact.org).

## THE TEN PRINCIPLES

### HUMAN RIGHTS

- 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2: make sure that they are not complicit in human rights abuses.

### LABOUR

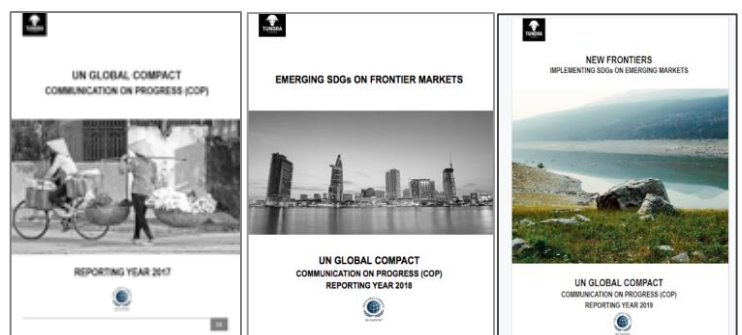
- 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4: the elimination of all forms of forced and compulsory labour;
- 5: the effective abolition of child labour; and
- 6: the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

- 7: Businesses should support a precautionary approach to environmental challenges;
- 8: undertake initiatives to promote greater environmental responsibility; and
- 9: encourage the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

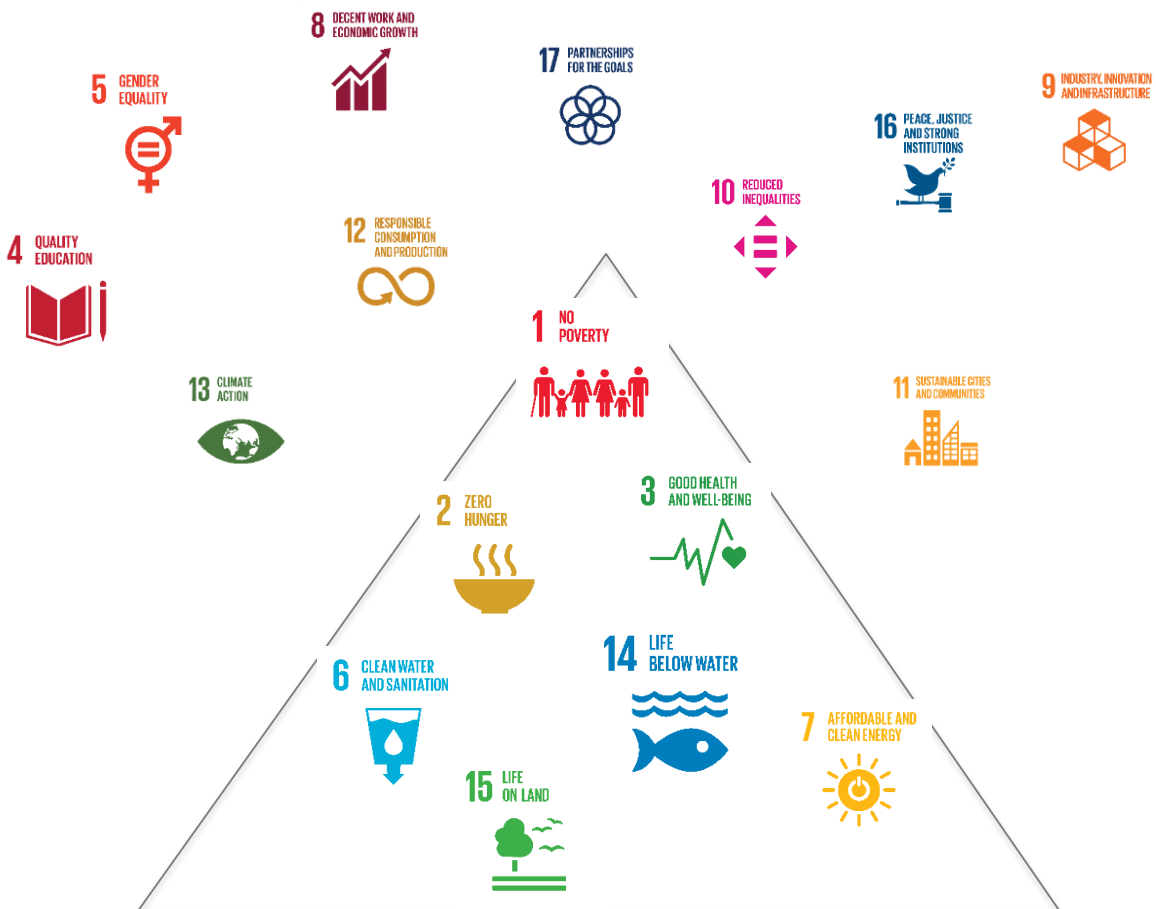
- 10: Businesses should work against corruption in all its forms, including extortion and bribery.



# BUILDING THE TUNDRA SDG PYRAMID

In these times of planetary urgency we consider Agenda 2030 and the 17 *Sustainable Development Goals (SDGs)* a relevant framework within our dedicated work in responsible investments. Our ambition is to continue our work of incorporating the global goals and into the core of our business. Transparency on how we intend to get there is a fundamental pillar.

Since we formalised our commitment to the Global Compact in early 2017 we have undertaken a range of activities that connects to Agenda 2030. Over the past years we have attended the **UN Global Compact Leaders Summit** in New York (2017, 2019). During 2019-2020 we took part in several meetings and web-meetings building on the SDGs including partners within the UNGC network for Sweden and the networks for the Nordic countries. In earlier reports we have applied a pyramid\* perspective on the SDGs; where we accounted for our perspectives on the global goals and how we see them as interconnected. During last year we have expanded on our range of SDGs. Read more in our **Communication of Progress** (to be published early 2021) where we focus on an additional number of SDGs and their targets to describe our efforts to implement the global goals into our business. This is not excluding other SDGs, but creating a model to build on for further action going forward.



\*Inspired by Maslow, A.H. (1943). A Theory of Human Motivation. *Psychological Review*, 50, 370-396.

## WOMEN'S EMPOWERMENT PRINCIPLES

In March 2018, Tundra signed the *CEO Statement of Support* for the Women's Empowerment Principles (WEPs). Globally over 3 700 companies have signed on to the WEPs, which encourage high-level business leadership on gender equality and women's empowerment.



The seven Principles empower women in the workplace, marketplace and community using sex-disaggregated data to communicate progress. Focusing on “*Equality Means Business*,” they offer a business case for corporate action emphasising that while gender equity is not only the right thing to do, it is also good for business and should be a priority. Developed through a collaboration between the UNGC and UN Women, the Principles are based on and an extension of the Calvert Women's Principles®.

## THE SEVEN PRINCIPLES

1. Establish high-level corporate leadership for gender equality.
2. Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
3. Ensure the health, safety and well-being of all women and men workers.
4. Promote education, training and professional development for women.
5. Implement enterprise development, supply chain and marketing practices that empower women.
6. Promote equality through community initiatives and advocacy.
7. Measure and publicly report on progress to achieve gender equality

## EQUILIBRE - MY PLEDGE <https://www.equilibre.lu/my-pledge>

Equilibre is an action tank dedicated to achieving gender complementarity in a socio-economic context. The aim is to use publicly available data for guidance and leverage, and influence local and corporate culture as well as policy solutions to make meaningful change for women/men and their families.

Tundra joined Equilibre as a signatory to *My Pledge* in 2019. *My Pledge* is an initiative aiming to ensure more diversity at public events in line with the recent #NoWomenNoPanel initiative. Thereby we are committing to advocate for gender diversity on panels and at public speaking events by asking questions on gender diversity when organizing, attending or sponsoring an event in any form.



# PRINCIPLES FOR RESPONSIBLE INVESTMENT

The PRI is an independent body that promotes responsible investments through its six principles, supported by the United Nations. The initiative was launched in April 2006 at the New York Stock Exchange.



“Developed by investors for investors”, the six aspirational principles encourage the incorporation of ESG concerns into everyday investment practices. Offering a list of possible actions for incorporating sustainable strategies, the PRI aims to develop a more sustainable global financial system. ESG issues can have a major impact on investments and should be considered alongside financial factors when investing, is the main rationale for this framework. The PRI has more than 3000 signatories across over 60 countries which represent over USD \$100 trillion. Tundra joined the PRI in early 2017 and we encourage stakeholders in finance to adopt the movement as well. For more information, please visit: [www.unipri.org](http://www.unipri.org)

## THE SIX PRINCIPLES

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.



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Investments in financial instruments are associated with risk and an investment may both increase and decrease in value or even become worthless. Historical returns are no guarantee of future returns. International investments, particularly those on new markets in developing and growth countries (such as Eastern Europe (including Russia), Asia, Latin America and Africa), are normally associated with a higher level of risk than investments in Swedish or other developed markets' securities. These risks include both political and economic uncertainty in other countries as well as currency fluctuations. These risks are particularly high on new markets since these countries may have relatively unstable governments and immature markets and economies.