

TUNDRA SUSTAINABLE FRONTIER FUND



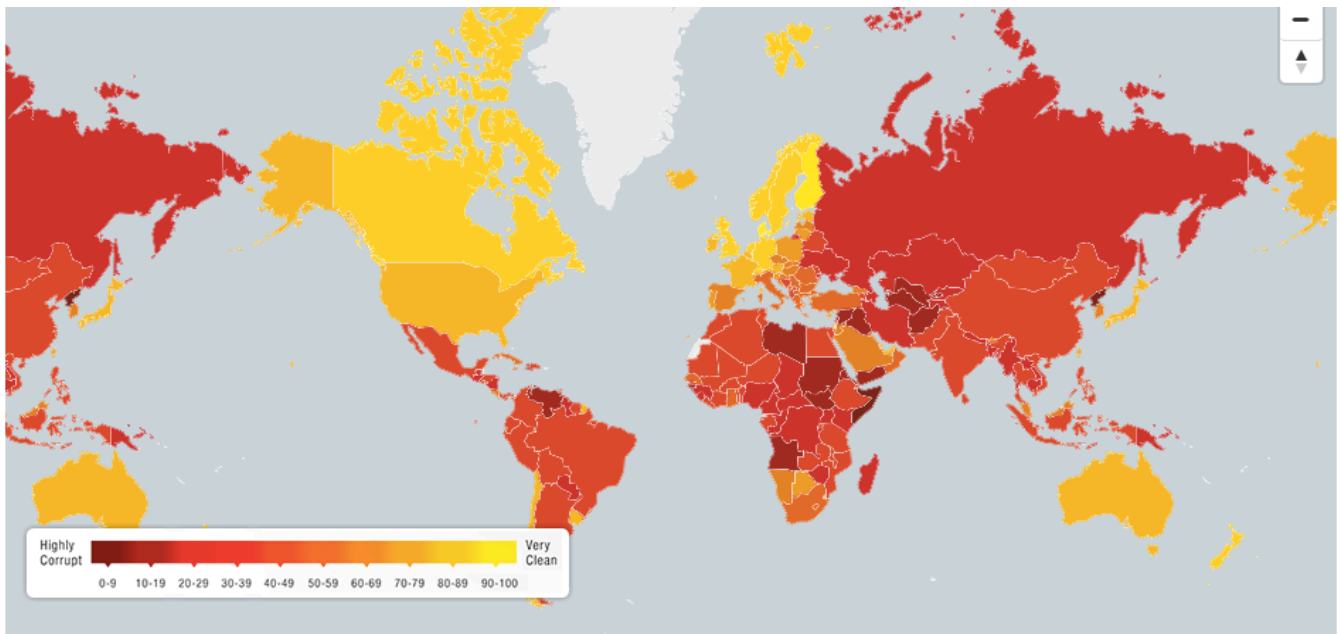
QUARTERLY SUSTAINABILITY REPORT
Q3 2016

Introduction	3
Current portfolio	
Company Violation Watch	4
Country focus and corporate governance reports	
Pakistan	5
Sri Lanka	6
Vietnam	7
Conclusions, Engagement and Selected references	8
Appendix I	
Sustainable Development Goals (SDGs)	9
Appendix II	
Sustainability guidelines	10
Appendix III	
Tundra's ESG process	11
Disclaimer	12

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. Please contact us if you require any further information: +46 8-55 11 45 70.

INTRODUCTION

This report summarizes the third quarter of this year, and highlights the best practices of good corporate governance of the companies included in the Tundra Sustainable Frontier Fund. Globally, there is a consensus that mechanisms for corporate governance compel a company to self-regulate, which in turn leads to accountability, better risk management and an efficient use of resources. Most companies that have exemplary corporate governance strictly adhere to a few rules; these include having a clear strategy for the organization, the discipline to enforce that strategy, guidelines for ethical behaviour, business transparency and social responsibility. To further display their commitment for the greater good, companies in the last decade increasingly have been employing sustainable initiatives that form the benchmark for good practices. These include the OECD's *Principles of Corporate Governance*, United Nation's *Global Compact*, the UN-supported *Principles of Responsible Investment* and the *Global Reporting Initiative* among others. It is observed that companies that are operating in countries where the public sector is more prone to corruption due to a lack of state control, usually are the ones that face high levels of bribery or fraud in their day-to-day businesses. Thus, it is fair to say that the governance of a country may be linked to, and even influence, its corporations.



The world map according to the Corruption Perceptions Index 2015. **Source:** *Transparency International*

The map above illustrates perceptions of corruption, across the globe in the yearly report from Transparency International [1]. As can be seen, most of the frontier markets fall under the mid- to highly corrupt level, corresponding to a score of **0-50** (a lower score indicates a higher level of corruption). Forty (out of the 46 included in the index) nations in Africa can be described as seriously corrupt. Traditionally, many international investors consider entering into continents such as Africa to be associated with a high risk. Judging from this map of Africa it is not difficult to understand that there is a general sense that lawlessness and corruption prevails. However, in recent years, external laws on anti-bribery demanding good governance, along with local laws against corruption, guide the reduction of fraudulent practices in many of these countries. In fact, one of the main hurdles to smooth governance is the implementation

of these law [2]. This is where corporate companies, watchdog bodies and the government have to come together and strictly enforce regulations. Argentina, a country generally also considered to have a high level of corruption (32/100 in the Corruption Index), has been struggling with consequences of its government's lack of transparency and problems with money laundering. However, with the recent "anti-corruption wave" in Latin America, a new trend is setting [3]. People are taking a stand and protests against corruption scandals are increasing. Following major events such as the tax evasion scandal that led to the resignation of the president of Guatemala or the leak of the Panama Papers, countries like Argentina are demanding accountability from corrupt rulers and bureaucrats. The sustainable developmental goal 16 (#SDG16, see Appendix I) underlines the importance of effective, accountable and transparent institutions at all levels.

CURRENT PORTFOLIO

By the end of the third quarter of 2016, there are 48 companies in the Tundra Sustainable Frontier Fund. Three companies were added during the period. First, an Argentinian company, Grupo Supervielle S.A., that provides financial services to individuals and small to medium enterprises, based in Buenos Aires. The second company is a logistics company (people transportation) - Daewoo Pakistan Express Bus Service Ltd. The company is due for listing in the first half of 2017. A separate case study on this company will be launched at a later stage. Lastly, a tractor manufacturing company established in 1964 called Millat Tractors Limited was also added to the fund. One Argentinian financial conglomerate (Cresud S.A) was sold during the period, but the transaction was not related to any ESG issues.

COMPANY VIOLATION WATCH

Richard Pieris & Co

The rubber and plantation giant, Richard Pieris & Co (RPCo) in Sri Lanka has been going through an unusually dramatic activity in the last few months. In August, all three independent directors at RPCo had resigned from their positions. It is alleged that the committees served by these directors – namely the *Audit Committee, the Related Party Transactions Review Committee, the Nominations Committee and the Remuneration Committee* – did not take them seriously. According to sources, independent directors at the company seem to have been appointed only to fulfil regulatory requirements while “their contributions at board level are observed to be influenced by their appointing authorities”.

Allegations of insider trading also surfaced this month when a working director of the company was summoned by the *Securities Exchange Commission* (SEC) in relation to matters pertaining to its subsidiary, Kegalle plantations. The same plantation was under fire in 2009 when SEC doled out a tough warning to the company on insider trading.

Tundra is in the midst of establishing a dialogue with the company and/or the resigned directors.



Atale Estate – one of the estates at the Kegalle Plantation.
Photo: Richard Pieris & Co

COMPANY VIOLATION WATCH

Masan Group

In July this year, residents from Vietnam’s *Dai Tu District* lodged complaints against Nui Phao Mining Co Ltd. Allegedly, the mining company was accused of causing environmental damage in the northern province of Thai Nguyen. The mining company is a subsidiary of Masan Group, one of the companies in Tundra Sustainable Frontier Fund.

In the wake of these allegations, the Ministry of Natural Resources and Environment conducted an inspection in the Nui Phao mine in August. Before the inspection began, a comprehensive plan was created in partnership with the local Provincial People’s Committee. Collaborations have also been established with other agencies and experts in order to determine the impact of these violations on the environment and the local inhabitants. If the findings in the report deem it necessary, a resettlement plan will also be devised for the residents. The company insists that it has complied with the World Bank’s Equator Principles which are the “gold standard for the development of the community and the environment around mining projects”.

Tundra has initiated a dialogue with the company. A list of our concerns have already been communicated to them and a follow-up meeting has been scheduled.



Nui Phao is the world’s largest tungsten mine with an estimated reserve of 66m tons. Photo: Mining Global

PAKISTAN

According to a survey undertaken by Transparency International in 2010, 49% of the citizens in Pakistan were reported to have paid a bribe for at least one service. Accordingly, around 73% of the people felt that the government's efforts to fight corruption were ineffective. The institution perceived to be the most corrupt in the country is the police. Many citizens, especially women and ethnic/religious minorities, would prefer to not report a crime because they know they will be met with demands for bribes or even face abusive behaviour. However, if a complainant does reach the police station, there is no guarantee that their complaint will actually be registered. Unless the complainant has powerful connections, the police will not register a case so as to avoid their legal duty to investigate. On the flip side, the country's police faces a myriad of limitations which include a lack of funds, pitiable working conditions, lack of trained personnel etc. which only exacerbate the problem [4]. While these perspective are likely to reflect the reality, as far as the governance of the country is concerned, it should also be mentioned that the financial and private sector of the country is one of the best practises in the region. In 2015, Khaleej Times reported that the Pakistani stock exchange was the world's best performing frontier stock market with a benchmark index that has gained 15% [5]. In June 2016, MSCI took a decision to upgrade Pakistan to emerging markets status as there were improvements in the country's transparency and liquidity. This will be implemented in May 2017.

Short facts

Capital: Islamabad
Population: 188 900 000
Area: 796 095 km²
Income Level: Lower Middle Income
Adult Literacy Rate : 57% (2012)
Corruption Perception Rank: 117/168
State Anti-Corruption Body: National Accountability Bureau
Financial Regulatory Body: Securities Exchange Commission of Pakistan

Sources: WorldBank, Transparency Intl

REPORTS FROM COMPANIES

Gul Ahmed

The textile manufacturing and retail company enjoys superior reputation in the market. It has a detailed statement of business conduct and ethics code which the company insists is adhered to when undergoing or recommending any action. On its board of seven, the company has three independent, non-executive directors.

Habib Bank Ltd.

The largest private bank in Pakistan, Habib Bank Ltd. (HBL) has expanded extensively since its inception in 1941. The bank even has an international presence which is operational in over 25 countries. The company complies with the Code of Corporate Governance and applies its principles in its day-to-day functions and decision-making processes. HBL's board comprises seven directors with three categorized as independent, non-executive directors. In 2015, the bank won 15 awards owing to its performance; one of these was the 'Safest Bank Award' by the Global Finance Magazine. The Bank is also among the top 25 companies on the Pakistan Stock Exchange for 2014 and 2015. This award is given to companies that excel in profitability, market activity and corporate governance.

K-Electric Ltd.

The power utility company is one of the largest employers in the country with 11,000 employees. Karachi Electric Ltd. (KE) has a detailed Code of Conduct for its Board of Directors (BoD) and employees. There are 13 Board of Directors at the company, with one independent director. At the Asian Power Awards 2015, KE was awarded the 'Power Utility of the Year' for Pakistan. At present, the company's major shareholder (Abraaj Group) is evaluating the possibility of a divestment and a preliminary agreement has been made with Chinese Shanghai Electric.

Avanceon Ltd.

In 2014, the engineering company which provides automation solutions conducted two workshops which covered the role, importance and structure of the board, strategic planning, risk management etc. In its ethics program, the company trains employees and provides a mechanism to report wrongdoing, a system for detection and conducting inquiries, and taking corrective action. The company has an elaborate whistle blowing policy which relates to finance, accounting, internal control and anti-corruption matters. Out of the seven directors on the company's board, three are listed as independent.

Century Paper & Board Mill

As the name suggests, the company manufactures paper and paperboard. The company's Code of Ethics focuses on corporate governance principles, transparency, fair business practices and business risk management, to name a few. The company has eight directors on the board, with one being an independent. In 2012, the company was awarded 'Best Corporate Award' on its Annual Report for the year 2010 by the Institute of Chartered Accountants of Pakistan. The award promotes excellence in corporate reporting in Pakistan and the awarding institution insists that the award helps improve a company's overall corporate governance.

Pakistan State Oil

The company markets and distributes petroleum, oils and lubricants. Recently, the company became a signatory to the United Nations Global Compact. The company will adhere to the Compact's principles regarding human rights, labor and anti-corruption, to name a few. In February 2015, the government of Pakistan dissolved the board of Pakistan State Oil allegedly over their failure to prevent the petrol crisis in Punjab in January. By the end of the year, a reconstituted board of management with four new board members came together for their first meeting.

SRI LANKA

Nepotism, cronyism, paying bribes for services and in order to avoid bureaucratic red tape are a few examples of corruption prevalent in Sri Lanka. The country is, however, among the better performers in frontier markets with a score of 83/168 on the Corruption Perception Index. The new government (represented by Prime minister Wickremasinghe/President Sirisena, elected in January 2015), was commended by Ban Ki-moon for their efforts and commitment to good governance (*yahapalayanaya* in Sinhalese) and reconciliation [6]. The Governmental capacity has been reduced in the past decade due to the efforts and activities demanded to rebuild the country after the devastating impact and loss of infrastructure following the tsunami in 2004. The country also faces

difficulties following a lack of coordination between the national and district levels concerning allocation of responsibilities. Obviously the 26-year long conflict (1983-2009) between the government and a militant organization called the Liberation Tigers of Tamil Eelam (LTTE) have contributed to the difficulties faced by the country presently [7]. In the immediate aftermath of the war, the government allegedly carried out several violations which included depriving almost 300,000 displaced people of their civil liberties. Individuals suspected of links with the LTTE were randomly selected, detained and/or tortured for further investigation [8]. In an effort to uphold justice and accountability for the violations during the conflict, the new government along with the Human Rights Council, aims to establish a special hybrid court which will integrate international judges and prosecutors with an independent Sri Lankan prosecuting body. In June, the new government brought in the 19th amendment to the constitution. It places new checks on the power of the executive and seeks to restore the independence of police, judicial, human rights, and election commissions [7].

REPORTS FROM COMPANIES

Access Engineering Plc

A civil engineering firm, AE was established in 2001. The company has a substantial Code of Ethics in place which is overseen by its internal audit department. There are three independent directors on the board of 10. The company was awarded the Best Corporate Citizen Sustainability Award by the Ceylon Chamber of Commerce in 2014.

Cargills Ceylon Plc

The company has 12 directors, out of which four are independent. The company also demonstrates compliance with its corporate governance disclosures. Cargills declares that only responsible business practices are employed during its processes and functions. The company also states that it has a zero-tolerance policy towards bribery and corruption.

Tokyo Cement Co. (Lanka) Plc

The company is the largest manufacturer and supplier of cement in Sri Lanka. Out of the ten board of directors, four are independent. A number of sub-committees (such as the audit, remuneration and nomination committee) help the board govern the company.

Richard Pieris & Co

One of the largest conglomerates in the country, the company is known for its rubber and plantations.

Short facts

Capital: Colombo
Population: 20 970 000
Area: 65 610 km²
Income Level: Lower Middle Income
Adult Literacy Rate : 91% (2010)
Corruption Perception Rank: 83/168
State Anti-Corruption Body: Commission to Investigate Allegations of Bribery or Corruption
Financial Regulatory Body: Securities & Exchange Commission of Sri Lanka

Sources: World Bank, UNDP HDIs

As explained earlier, the company has been under fire recently with a myriad of allegations. Chief of these is an accusation of insider trading which was heightened when the three independent directors on the board resigned from their positions (see details on page 4).

John Keells Holdings Plc

The Sri Lankan conglomerate is a member of the World Economic Forum along with the UN Global Compact. JKH releases an extensive document that details initiatives the company's corporate governance initiatives undertaken every year. The company has been ranked the "Most Respected Entities in Sri Lanka" for ten years by the country's leading business magazine, LMD.



Tokyo Super House, Tokyo Cement Co.'s customer education facility where consumers can experience the company's new products and their correct use.

Photo: Tokyo Cement Co.

VIETNAM

In cultures where gift-giving is a norm – like in most Asian countries – it can be difficult to draw a line between right and wrong, advertently allowing bribery to flourish. In recent years Vietnam has made improvements concerning several aspects of governance, with the implementation of a comprehensive regulatory framework. The country has made great progress in shareholder rights and equitable treatment and overall corporate governance, although issues with boards' independence and effectiveness still exist [9]. Various protection laws on environment and labour rights have been put in place, but enforcement still lags behind as compared to other countries in Asia [10, 11]. According to the perceptions of Vietnamese urban citizens, the sectors mostly affected by corruption are the police, followed by education, public officials, judiciary and then the business sector [11]. Civil society and media are increasingly taking on a greater role in advocacy of governance and anti-corruption issues, putting further pressure on governmental action in the area.

Short facts

Capital: Hanoi
Population: 91 700 000
Area: 330 972 km²
Adult Literacy Rate : 94% (2009)
Corruption Perception Rank: 112/168
Financial Regulatory Body: State Securities Commission

Source: World Bank, UNDP HDIs

REPORTS FROM COMPANIES

Ho Chi Minh City Infrastructure Investment

Established in 2001, the company was founded to raise funds to invest in infrastructure development. The company has a detailed governance manual that lists the role and responsibilities of the management and the employees. In 2016, the company was ranked among the top 50 best performing companies in Vietnam as announced by Forbes Vietnam.

FPT Corp.

One of the leading technology corporations in the country, FPT Corp was established in 1988. There are seven directors on the board of the company, out of whom two are independent. Reportedly, the company strives to emulate the criteria of OECD's Principles of Corporate Governance in its own processes. In 2015, FPT was recognised as the "Overall Best Company in Vietnam for Corporate Governance" by Asia Money magazine.

Military Commercial Bank

Founded in 1994, the company provides personal and corporate banking services in the country. In an assessment of its strategic governance objectives, the bank reportedly enhanced its governance in 2015 by 'consolidating the governance and operation structure of member entities, increasing capacity of risk management, IT management and cross-selling management'. The bank also learnt that there is a gap in operating efficiency between different branches which needs to be bridged. There are eleven board members in the company - one is independent.

Vinamilk

In the position of the largest dairy company in the country, the company enjoys a great reputation in the market and amongst the citizens. Prior to 2015, the CEO of the company, Ms. Lien was also the Chairperson of the board. However, a new chairwoman has since been elected to establish a separation between the two positions in order to conform to good corporate governance practices. The company has an extensive corporate governance regulation manual and a code of conduct in place. In November 2015, Vinamilk was named one of ASEAN's top 50 companies during the first ASEAN Corporate Governance Conference and Awards Ceremony.



Left: Visit at Vinamilk Head Office Right: Ho Chi Minh street view. Photo: Tundra

CONCLUSIONS

This report summarizes the third quarter of this year, and highlights the best practices of good corporate governance in the companies included in the fund. Globally, there is a consensus that mechanisms for corporate governance including a clear strategy for organizations, the discipline to enforce that strategy, ethical behaviour, business transparency and social responsibility are essential. During the last decade companies are increasingly employing sustainable initiatives that form the benchmark for good practices. These include the OECD's *Principles of Corporate Governance*, United Nation's *Global Compact*, the UN-supported *Principles of Responsible Investment* and the *Global Reporting Initiative*. Generally the companies in Tundra Sustainable Frontier Fund had a satisfactory coverage on corporate governance with information available to the public. The exception were some of the Vietnamese companies where 36% (4/11) did not have information on the company website in English. It is observed that companies who are operating in countries where the public sector is more prone to corruption due to a lack of state control, usually are the ones that face high levels of bribery or fraud in their day-to-day businesses. Several countries in frontier markets have implemented laws concerning governance, but enforcement of these laws is lagging. Civil society, media and corporations all need to work together to hold governments accountable for their actions and stand up against corruption.

ENGAGEMENT / ACTIVITIES

As an example of our engagement we present two examples of dialogues with companies from the last quarter: these are *Masan Group* and *Daewoo Pakistan Express Bus Service Ltd*.

- One of the largest private sector companies in Vietnam, *Masan Group* recently came under fire for polluting in its Nui Phao mine for developing a polymetallic project in the country's *Dai Tu District* (details on page 4). Tundra initiated contact with the Head of Investor Relations at the company and relayed our concerns. A meeting has been scheduled in mid-November between representatives from the Masan Group and the Tundra team. We aim to discuss environmental risks from their operations and how to minimize their impact on their surrounding communities. We will also discuss potential risks for their employees and any governance related issues.
- As the largest organized transport company in Pakistan, *Daewoo* is a very promising investment. However, there are certain ESG concerns that stem from the local transportation sector that we want to absolutely avoid. These include unethical behaviour by some public transportation drivers. After thorough research a dialogue with Daewoo was initiated where our general concerns were expressed. This has been followed up by a detailed questionnaire investigating their policies and processes. Other than the general ESG concerns, our questionnaire focused on the company's employees – their code of conduct and their awareness of illegitimate and illegal actions. The aim is to pre-empt any potential problematic behaviour and prevent incidents within the company. A follow-up meeting has been scheduled for the last week of November.

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SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The Sustainable Development Goals (SDGs) were adopted by world leaders on the 25th of September 2015 at the United Nation's summit. The overall aim of the 17 goals is to end poverty, fight inequality and injustice and tackle climate change by year 2030. These goals stand as an extended version of the eight Millennium Development Goals (MDGs) targeting poverty, hunger, disease, gender inequalities, access to water and sanitation. All of the 17 Sustainable Development Goals are connected to the UN's Development Programme's strategic plan, focussing on sustainable development; democratic governance and peace building; climate and disaster resilience.

A full description of SDGs can be found here: <http://www.undp.org/content/undp/en/home/sdgoverview/post-2015-development-agenda/>

Tundra aims to incorporate all aspects of the principles of the SDGs that are considered relevant to the business and the ESG-process. This is to be interpreted as work in progress, and will be updated continuously.



16



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Peace, justice and strong institutions are closely linked to human rights and effective governance. All countries need to take action against sexual violence, crime, exploitation and torture. To meet this goal, governments need to uphold the rule of law for all, without any discrimination. Terminating corruption in all its forms is extremely important for achieving this goal.

- Globally, the proportion of people held in detention without sentencing decreased slightly, from 32% of total detainees in 2003-2005 to 30% in 2012-2014. The percentage for developing regions has consistently been more than twice than that of developed regions.
- Efforts to make national and international institutions more effective, inclusive and transparent are increasing. During the past ten years, nearly two thirds of 144 countries with available data were able to plan their national budgets effectively.
- A free press is closely linked to access to information and the protection of human rights, but the trend in this regard is discouraging. The number of journalists killed increased from 65 in 2010 to 114 in 2015, despite the fact that, by 2013, 90 States had adopted laws on freedom of and/or access to information.
- 95% of refugees originate from the same 10 conflicts since 1991.

17



Strengthen the means of implementation and revitalize the global partnership for sustainable development

Partnerships for the goals. "The Sustainable Development Goals (SDGs) can only be realized with a strong commitment to global partnership and cooperation." This goal requires coming together and supporting the least developed countries in any way possible.

- Provide financial resources to developing countries. In 2015, the Official Development Assistance totalled \$131.6 billion – the highest ever.
- Access to science and technology should be available to all. In 2015, developed regions had a 29% penetration of fixed-broadband services, while in developing countries it was 7.1% and in least developed regions, it was only 0.5%. Building citizens' capacity should also be a priority.
- Encourage exports from developing countries. In 2014, least developed countries contributed to 1.1% of world merchandise exports (doubled from 0.6% in 2000).
- The weighted average of applied tariffs in international trade has been decreasing over time, but still varies widely across regions and country groups on main product sectors.
- To facilitate sustainable initiatives policy coherence needs to be strengthened.

Sources: UNDP, Global Goals, Children & Armed Conflict, World Bank, UN

SUSTAINABILITY GUIDELINES

Tundra's ESG process is governed by international standards of responsible investing. These include screening for "norm-based" violations, "controversial weapons" and "sector-based" breaches (see *Table 1*).

Norm-based breaches include screening for breaches that are in contravention with the United Nations Global Compact (see *Table 3*) - 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, labor standards and anti-corruption are assessed.

Controversial weapons. During this screening, a company's involvement with prohibited or banned weapons is assessed. There is a 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. There are certain sectors that are considered to be no-go areas in the 'sustainability' universe. These are sectors involved in alcohol, pornography, tobacco, weapons or gambling. 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.

Table 1. Guidelines in detail

Norm-Based Breaches	<ul style="list-style-type: none"> • Environment • Human Rights • Labour Rights • Corruption
Controversial Weapons*	<ul style="list-style-type: none"> • Nuclear Weapons Biological Weapons • Chemical Weapons • Non-detectable Fragments • Blinding Laser Weapons • Anti-personnel mines • Cluster Munitions • Incendiary Weapons • Depleted Uranium Ammunition <p>*All Production/Distribution: 0%</p>
Sector-specific Breaches	<ul style="list-style-type: none"> • Alcohol (Production: 5%/Distribution: 5%) • Pornography (Production: 0%/Distribution: 5%) • Tobacco (Production: 0%, Distribution: 5%) • Weapon 5% • Gambling 5%

Table 2. Central ESG Factors

Measures for Sustainability and Ethical Impact of investments

 <p>Environmental</p>	<ul style="list-style-type: none"> • Environmental Management Systems • Raw Material Sourcing • Energy Consumption • Waste Processing • Certification
 <p>Social</p>	<ul style="list-style-type: none"> • Labour Rights/Standards • Human Rights • Gender Equality & Diversity • Product Integrity • Community Involvement
 <p>Governance</p>	<ul style="list-style-type: none"> • Management Structure • Board & Investor Oversight • Good Governance • Anti-Bribery/Corruption • Tax Transparency/Reporting

Table 3. The Ten Principles of the UN Global Compact

Human Rights

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

Labour

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

Environment

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

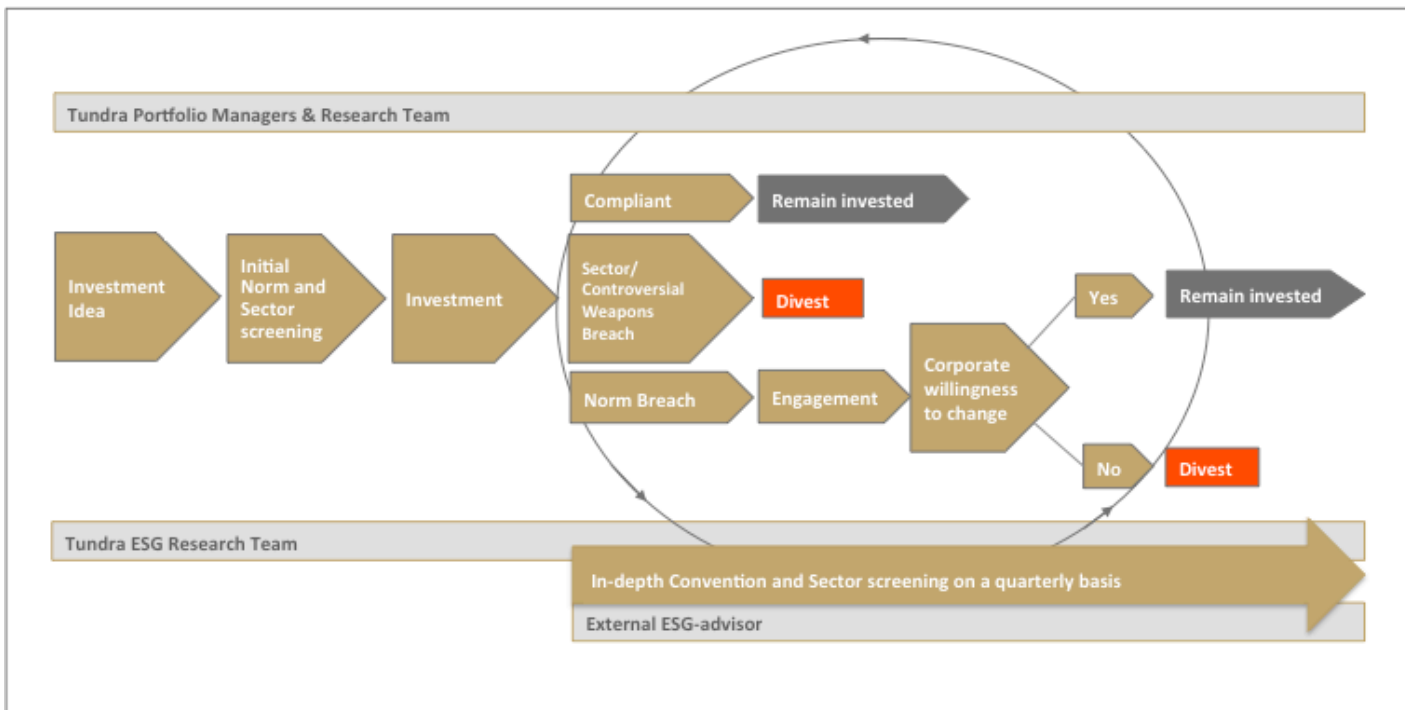
Anti-Corruption

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

TUNDRA'S ESG PROCESS

As shown below, the screening process for sustainability encompasses different phases. The initial phase begins with an idea to invest in a particular company by Tundra's portfolio managers and research team. There is a preliminary screening carried out and after it is confirmed that the company does not belong to a "no-go" sector and that there are no reported events that are in conflict with international guidelines (see Appendix II), the investment is made. There after, the ESG Research team, along with an external ESG Advisor, carries out an in-depth research into the invested company to verify and ensure absolute compliance to international standards.

In the event of a possible breach in controversial weapon or a sector breach, there is an immediate divestment from the offending company. However, if the breach is "norm-based", the ESG Research team will create and implement a twelve-month engagement strategy with the company's higher management. The aim of this dialogue is to encourage the management to improve and to extract their willingness to work towards resolving the issue(s). These meetings would usually take the form of interviews, discussions, and answering quantitative data sets. If, on the other hand, the company is unwilling to cooperate, this will result in an immediate divestment.



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