

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS (COP)



REPORTING YEAR 2017

UN GLOBAL COMPACT COMMUNICATION ON PROGRESS



March 29, 2018

I am pleased to confirm that Tundra Fonder reaffirms its support of the Ten Principles stated in the United Nations Global Compact (UNGC) by signing at Participant level. In our annual Communication on Progress (COP), you will read about our efforts to integrate the UNGC principles into our business operations and to promote their adoption by our portfolio of companies.

As a fund manager committed to employing an Environmental, Social and Governance (ESG) lens for all financial analyses and investment decisions, we appreciate the value of the UNGC framework for promoting business leadership and creating a global culture of integrity and transparency.

Furthermore, the Sustainable Development Goals (SDGs) have established a roadmap whereby investors can harness business opportunities to achieve a more sustainable and inclusive growth path. The success of our engagement has been reflected in the growing interest garnered by Tundra's Sustainable Frontier Fund since its inception in August 2015. A steady growth in fund size also indicates that investors are making a clear choice to be sustainable.

In the *United Nations Global Compact Annual Letter 2018* from CEO and Executive Director Lise Kingo lifts an important message from His Excellency, Mr. António Guterres, the third Secretary-General to oversee the UN Global Compact, where he has issued a new challenge to the initiative and to its participating business leaders: Pursue impact as never before.

We believe that our efforts in public commitments, in addition to our strategic engagement with our portfolio of companies to help improve their ESG standards and reduce business risks, articulate our ethos of investing sustainably. This is to confirm that we accept the challenge of pursuing impact.

Sincerely,



Jon Scheiber
Chief Executive Officer



ABOUT TUNDRA

Tundra Fonder is a Swedish asset manager specialising in frontier markets, the new emerging markets. Frontier markets include countries such as Vietnam, Nigeria, Pakistan and Sri Lanka – countries which in many cases are among the fastest growing globally. We manage our funds with local research offices in Asia and have one of the largest investment teams dedicated to frontier markets in the world. This is also reflected in our performance.

TUNDRA SUSTAINABLE
FRONTIER

TUNDRA AFRICA

TUNDRA VIETNAM

TUNDRA PAKISTAN

With the main office in Stockholm, Sweden and local offices in Karachi, Pakistan and Ho Chi Minh City, Vietnam we analyse companies in our markets continuously. We manage four funds with a focus on Frontier Markets. Read more about Tundra Fonder here: www.tundrafonder.se. Responsible investments have always played a central role at Tundra Fonder. The term ESG (Environment, Social, and Governance) is used when we summarise our efforts within sustainability. All three pillars E, S and G are equally important in our work as we incorporate aspects of environment, social issues and corporate behaviour in our investment process.

- An environmental policy is not only important to ensure long-term sustainable development, but also reduces the risk of future clean-up costs and production stoppages. It is essential that companies have a clear strategy for environmental issues in their respective sector and country.
- Social issues are considered a core feature in Tundra's ESG work. Corporate attitudes and beliefs on how to handle employees and the relationship with other stakeholders have a major impact on the business, both short- and long term. Disrespecting human rights is not only a breach of international conventions, but also entails risk for the company. A wage that violates local laws, for example, is a risk that we, as investors, may underestimate when estimating long term cost projections of a company.
- Assessments of a company's corporate governance and business ethics are central to the investment analysis. Improperly completed procurement processes involve a risk of revision and revenue loss at a later stage. Companies with good corporate governance also tend to pay more attention to both environmental and social issues.

OUR COMMITMENT

We believe that partnerships and collaborations between business, academic institutions, civil society, government and other stakeholders are key to a sustainable future.



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 UN Principles for Responsible Investment (PRI), the Nordic Swan Ecolabel, Climate Action 100+ and the Carbon Disclosure Project (CDP). We believe that signing up to these international instruments demonstrates a commitment to sustainability. 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 improve business bottom-line and continuity. Furthermore, by adding their voices to business/investor led pressure groups on climate action, companies will amplify the pace of change.

In the following pages we account for our policies and activities regarding the ten principles under Human Rights, Labour, Environment, and Anti-Corruption.

HUMAN RIGHTS & LABOUR

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;

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.

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 their adherence to international norms for human rights, the environment, labour standards and anti-corruption are assessed. We also collaborate with civil society and governmental organisations to assure that we have correct information 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 portfolio on a quarterly basis. We also rely on in-house research, and analysis.

We consider gender equality an important part of our legacy. Running a business in one of the worlds most gender equal countries puts us at the forefront in driving issues on equality and equity. We consider this aspect when recruiting, when planning events, when setting salaries or any other aspect of our business. We also engage in employee trainings and ESG awareness session(s).

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.

At Tundra, sustainability is at the core of our values. It is integral to our business strategies and operations. We have distinguished ourselves from our competitors by specialising in investing in sustainable growth in developing economies. Our sustainable investment approach is implemented across all our four funds. Although we are a small company with 15 employees, we consider our own footprints by recycling, replacing flights with web-based meetings and above all by encouraging our portfolio companies to consider their environmental impact.

In October 2017 **Tundra Sustainable Frontier Fund** was among the first twelve investment funds globally to achieve the Nordic Swan Ecolabel. The Nordic Swan Ecolabel, is a cooperative agreement created by the Nordic Council of Ministers. At its inception, the ecolabel strove to identify goods and services that minimised their environmental impact. 2017 was the first time the Nordic Swan Ecolabel was applied to financial instruments and investment funds. The ecolabel is only awarded to funds with an established record of and a systematic approach to sustainability in their investment process.

Tundra Fonder is proud to be a founding signatory of the *Climate Action 100+* - a five-year initiative led by investors to engage with the world's largest corporate greenhouse gas emitters. www.climateaction100.org.

Tundra also supports the global *Carbon Disclosure Project (CDP)* that encourages investors, companies and cities to collect and self-report on environmental data. The CDP maintains one of the most comprehensive databases on environmental impacts. We encourage our portfolio companies to disclose emissions through the CDP. For more information, please visit www.cdp.net/en.



ANTI-CORRUPTION

PRINCIPLE 10: BUSINESSES SHOULD WORK AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

As an asset manager we follow strict regulations under Sweden's financial supervisory authority (FI) to ensure stability and efficiency in the financial systems. This also applies to other sections of our organisation. Anti-corruption and good corporate governance are core components in our financial analysis. We hold regular internal meetings/engagements on ethics and trading policies (disclosing our personal trades etc.) with all of our employees. All employees are required to sign off on Tundra's Code of Conduct – this is currently under revision and will serve as a basis for educational talks with all personnel during autumn 2018.

In March 2017, the Ho Chi Minh Stock Exchange (HOSE) – the largest stock exchange in Vietnam – announced the initiation of a sustainable index which promotes ESG standards for its companies. Tundra, representing the asset management industry, was invited to speak at the conference. We are also in contact with the largest listed companies in several of our markets, and arrange events and conferences to inform them and other stakeholders of our views on corporate governance.

Tundra joined the PRI in early 2017 and we encourage all our stakeholders in finance to adopt this initiative as well. “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's aim is to develop a more sustainable global financial system. The rationale for the framework is that ESG issues can have a major impact on investments and should be considered alongside financial factors when investing. The PRI has over 1,800 signatories across 50 countries which represent USD70 trillion. For more information, please visit www.unipri.org. Proxy voting is a component of corporate governance that enables shareholders to express their views on a broad range of issues. By using our right to vote we have an impact on decision making processes.

SDGs, DR A. MASLOW & JOHN LENNON

Tundra considers the work on the Sustainable Development Goals (SDGs) as a fundamental pillar in the efforts within ESG. Our aim is to try to incorporate these ambitious global goals into the core of our business. Last autumn Tundra formalised the commitment to the UN Global Compact (UNGC) as a signatory. The Global Compact has, been one of the leading international guidelines since the launch of the *Tundra Frontier Sustainable fund*. Last year in September we attended the **UN Global Compact Leaders Summit** in New York. We consider the UNGC a unique opportunity to create platforms for dialogue and to take part in international collaborations aimed at securing a sustainable future. We also intend to be an active partner in the local Network Sweden, to be launched in spring 2018.

Abraham Maslow, born in Manhattan New York on April 1st 1908, is often described as one of the greatest psychologists of our times. He is best known for his theory on Self-Actualisation and the *Hierarchy of Needs**. Dr Maslow's holistic approach to human needs i.e. how 'basic' and 'psychological' needs have to be fulfilled in order to achieve self-actualisation, has been used in a variety of settings since it was introduced in the mid-forties. The model has been debated and scrutinised over the years. More recent interpretations have added the use of modern phenomena such as social media to the figure. Here we present our take on the SDGs using a pyramid approach inspired by Dr Maslow. Our underlying thesis is that the SDGs are interconnected albeit in an interchangeable hierarchic manner. As shown in this version of the behavioural pyramid; we believe that certain structures and goals must be met before other goals can be reached. Along these lines we would consider **gender equality** (SDG5) a prerequisite to reaching **quality education** (i.e. education for all) (SDG4), which in turn is fundamental to achieving **zero hunger** (SDG2) and **no poverty** (SDG1). Similarly basic goals pertaining to environment (SDGs 13, 14 and 15) and health (SDG3) are essential to achieving more specific goals e.g. **decent work and economic growth** (SDG8). Ultimately, we hope, it is possible to achieve not only a world of 'no hunger,' and one with 'no poverty,' but an equal world built on equitable institutions.

"You may say I'm a dreamer.
But I'm not the only one.
I hope some day you'll join us.
And the world will be as one."**



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

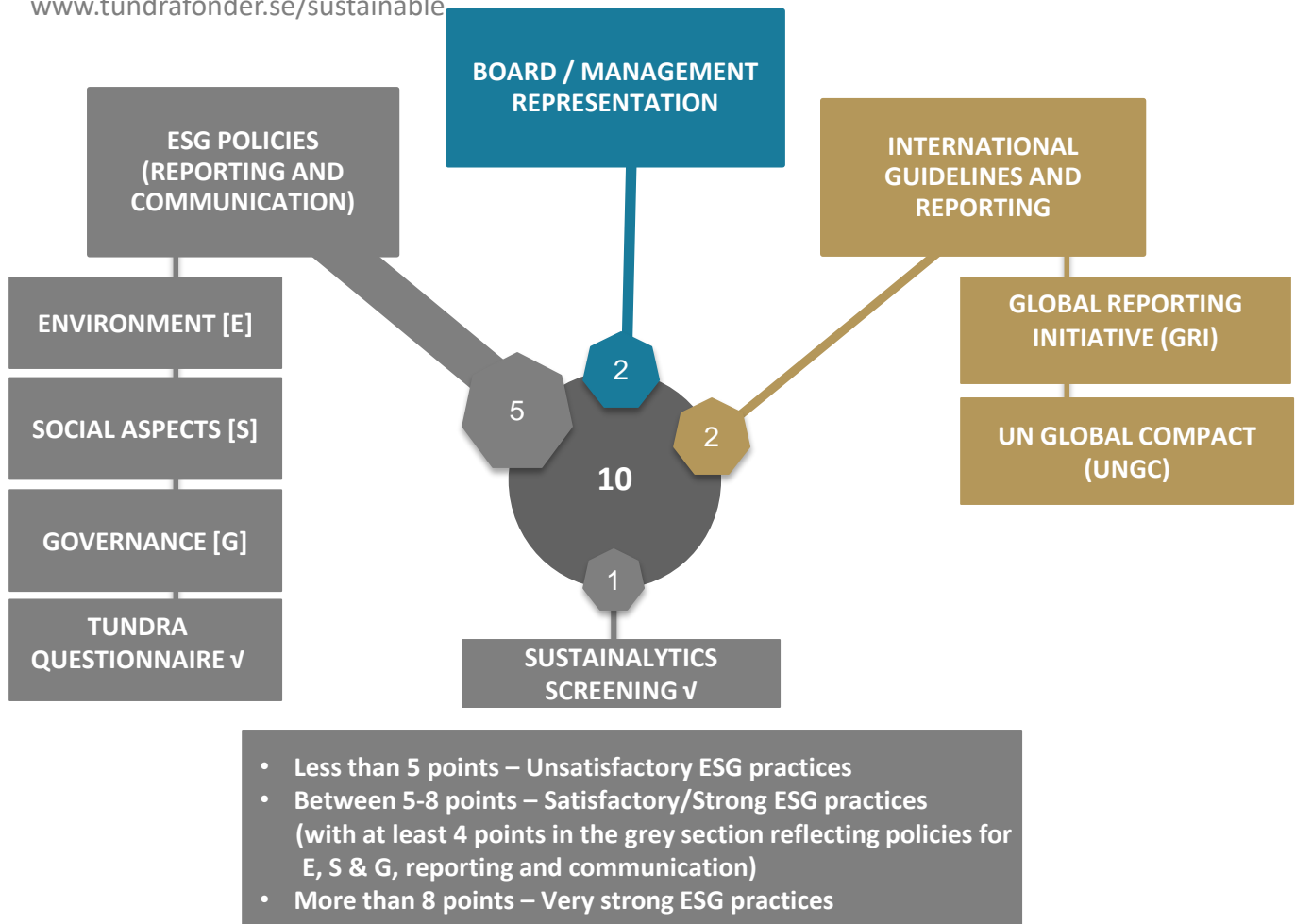
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TUNDRA ESG RATING SYSTEM

During 2017 all companies in all of Tundra’s funds received the Tundra ESG Questionnaire. For the *Tundra Sustainable Frontier Fund*; companies have additionally been validated on a range of variables. The following pages will give a short overview of the results.

Through our Tundra Questionnaire we engage with all companies in our portfolios. Companies in the *Tundra Sustainable Frontier Fund* additionally have been analysed on a range of criteria that are important to us in the assessment process. All results will be presented at group level. Detailed scores will be communicated to companies in yearly feedback and used for dialogue going forward. Scores will be divided into three categories according to the *figure* below.

Companies will be evaluated annually and expected to increase scores after receiving written feedback and scores. An updated questionnaire will be developed to include more specific questions pertaining to different sectors and building on reported incidents. Results from this year’s ratings can be found in our full Sustainability Report on our website: www.tundrafonder.se/sustainable



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Risks

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.