



Brussels, 6.4.2022
C(2022) 1931 final

ANNEX 2

ANNEX

to the

Commission Delegated Regulation (EU) .../....

supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Tundra Sustainable Frontier Fund

Legal entity identifier: 5493001VIJ7104PULK29

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

- in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 60% of sustainable investments

- with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
- with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
- with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



What environmental and/or social characteristics are promoted by this financial product?

The Fund invests in emerging and frontier markets, with a focus on low-income and lower-middle income countries. A significant part of the population in these countries lack fundamental rights such as accessible and qualitative health care, adequate supply of food, decent working conditions and the opportunity to get an education. The lack of basic economic security that characterise these countries provides an opportunity for local companies to play a greater role in the improvement of society. The method chosen by the Fund to promote environmental and/or social characteristics is primarily based on ensuring the right of all people to the most basic needs as defined by the UN's Sustainable Development Goals (SDGs).

Environmental characteristics promoted by the Fund include the expansion of renewable energy, responsible production and consumption, responsible management of water, improved waste management, and measures to reduce climate impact.

Social characteristics that the Fund promotes include reduced poverty, increased access to nutritious food, increased employment with responsible employers, increased access to affordable medicines, expansion of private health care to relieve the burden on state care, increased access to credit for people and companies, increased access to education, gender equality in company boards and management teams, equal treatment of employees, as well as contributions to the country's increased economic integration globally.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

- ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Environmental indicators

Indicator 4: Exposure to companies active in the fossil fuel sector

Social indicators

Indicator 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

Indicator 13: Board Gender Diversity

Indicator 14: Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

As the Fund exclusively invests in emerging markets and frontier markets, that are not covered by the European regulatory framework SFDR, there is currently a lack of reliable data on several relevant indicators. The Fund's ambition is to expand the number of reported indicators by requesting this information directly from the companies. To achieve this, the Fund will use an external platform for data collection, Worldfavor - a web-based system where the portfolio companies can see what data is requested, report on the data that is possible to produce and gradually improve their reporting over time. Among the data requested are aspects regarding both environmental and social indicators (i.e. Principal Adverse Impact indicators; PAI indicators). The Fund Management Company will have ongoing dialogue with the companies to promote improved reporting and transparency.

- ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The goals of the sustainable investments are to support companies with activities aimed at improved food supply, improvements to infrastructure, development of renewable energy, increased access to affordable medicines, development of private health care as a complement to government care, increased access to credit for people and companies, increased access to education and which run businesses that contribute to nationally increased integration in the world economy. The Fund's sustainable investments consist of companies that clearly support these goals.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

The companies that make up the Fund's sustainable investments have business models that take on a long-term perspective and that consider possible negative impact for factors other than those that are directly linked to their core business. Further, they are expected to have their own internal frameworks in order to comply with these criteria. Monitoring and follow-up of compliance with stated criteria are done by portfolio companies themselves, by the Fund Management Company through Tundra's internal ESG system (Tundra ESG Spectrum) and through external analysis. The Fund Management Company considers that damage to any environmental or social goal is significant if any of the indicators used to measure adverse impacts exceed the criteria set. For indicator 10 no violations are accepted, for indicator 14 the limit value is set to 0% of turnover, while for indicator 4 the limit value is set to 5% of turnover. For indicator 13, adverse impact is considered to exist if the value decreases (female representation on the board) while the company does not express an ambition to improve this in the long term. For all indicators, the company is given the opportunity to act and implement measures to correct such adverse impact within twelve months from the date when the Fund Management Company made the company aware of the issue. Furthermore, the Fund Management Company may in some cases hold ownership in companies with fossil-fired power generation, provided that the company's expansion investments take place in renewable energy and the company does not carry out expansion investments in fossil-fired power generation.

How have the indicators for adverse impacts on sustainability factors been taken into account?

The Fund is screened continuously (at least quarterly) by an external consultant (Sustainalytics/Morningstar), to ensure that no holding causes significant harm to any environmental or social goal. The principal adverse impact indicators (PAIs) under the Sustainable Financial Disclosure Regulation (SFDR) that the Fund currently estimates to be able to measure are as follows:

- *Exposure to companies active in the fossil fuel sector (Table 1*, Indicator 4)*
- *Violation of the UN Global Compact and the OECD Guidelines for Multinational Enterprises (Table 1, Indicator 10)*
- *Board Equality (Table 1, Indicator 13)*
- *Exposure to controversial weapons (Table 1, Indicator 14)*

**Refers to Annex 1 for the Regulatory Technical Standards of the SFDR*

*As the Fund invests exclusively in emerging and frontier markets that are not covered by the SFDR, there is currently a lack of reliable data on other indicators according to the regulations. The Fund's ambition is to increase the number of indicators reported by requesting this data directly from the companies. To achieve this, the Fund will use an external platform – **Worldfavor** (see description above).*

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Fund Management Company is a signatory to the UN Global Compact and commits not to hold investments that are in violation of the ten principles. Screening of potential breaches is continuous and includes quarterly assessment by external consultant that also review compliance with OECD's guidelines for multinational companies and the UN's guiding principles for business and human rights. The Fund Management Company's internal ESG-system (Tundra ESG Spectrum) includes assessment of portfolio companies' adherence to other aspects of these guidelines such as; the treatment of workers, including union problems, wage conditions and equal treatment. Furthermore, environmental risks, the pursuit of improvement in terms of environmental impact and the development of environmentally friendly technologies are assessed.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, at present, however, accurate data are only available for Indicator 4 (exposure to companies operating in the fossil fuel sector), Indicator 10 (Violation of the UN Global Compact and the OECD Guidelines for Multinational Enterprises), Indicator 13 (Gender Equality of the Board) and Indicator 14 (Exposure to controversial weapons). As specified above, this is mainly since the Fund invests exclusively in emerging markets and frontier markets that are not covered by the European regulatory framework (SFDR). However, the Fund's ambition is to increase the number of indicators reported upon by requesting this data directly from the companies. To achieve this, the Fund will use the data collection platform Worldfavor, (see description above).



What investment strategy does this financial product follow?

The Fund **Excludes** companies that contribute negatively to the following characteristics:

Environmental characteristics:

The Fund does not invest in companies whose turnover of more than 5% comes from:

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

- Fossil fuels (oil, gas, coal) (Extraction 5%)
- Uranium (extraction 5%)
- Genetically modified organisms (GMOs) (5%)

Social characteristics:

- The Fund does not invest in companies with ongoing violations of the UN Global Compact and the OECD Guidelines for Multinational Enterprises that did not initiate action to solve the issue within twelve months of being notified by the Fund Management Company

The Fund does not invest in companies whose turnover of more than 5% (in some cases 0%) comes from:

- Cluster bombs, anti-personnel mines, chemical and biological weapons, nuclear weapons (Production/Distribution 0%)
- Other weapons and/or munitions (Production/Distribution 5%)
- Alcohol (Production/distribution 5%)
- Tobacco (Production 0%/Distribution 5%)
- Commercial gaming operations (Production/Distribution 5%)
- Pornography (Production 0%/Distribution 5%)

The Fund **includes** companies that contribute positively as follows:

The Fund promotes environmental and social characteristics by investing in companies whose operations are considered to have a long-term positive impact on the society in which the business is conducted. This assessment begins with an evaluation using Tundra's internal ESG system (Tundra ESG Spectrum). The system currently consists of 58 points of measurement (this number may fluctuate), divided into environmental characteristics, social characteristics and corporate governance where the company must achieve a minimum goal fulfillment in each subsection to be considered as investable. The system is based on the UN SDGs, which the Fund Management Company has divided into two categories: "**General**" and "**Sector-specific**". The analysis of portfolio companies is executed at target level. The following SDGs have been selected as **General**, which each company in the Fund should strive for: SDG5 (Gender Equality), SDG10 (Reduced Inequality) and SDG16 (Peace, Justice and Strong Institutions) constitute social goals, while goals SDG12 (Responsible Consumption and Production) and SDG13 (Climate Action) constitute environmental goals.

Sector-specific environmental SDGs as defined by the Fund are SDG6 (Clean Water and Sanitation), SDG7 (Affordable and Clean Energy), SDG11 (Sustainable Cities and Communities), SDG14 (Life below Water) and SDG15 (Life on Land). Sector-specific social goals are here listed as SDG1 (No poverty), SDG2 (Zero hunger), SDG3 (Good health and Well-being), SDG4 (Quality Education), SDG8 (Decent Work and Economic Growth), SDG9 (Industry, Innovation and Infrastructure) and SDG17 (Partnership for the goals).

A company is considered to comply with the Fund's minimum requirements and can be classified as a sound business if they meet the following: i) they do not violate the sector exclusions as set by the Fund, ii) they achieve at least acceptable level regarding both environmental and social goals iii) they achieve at least acceptable level of corporate governance.

Companies that, in addition to the above requirements, meet the following: i) conduct a business where the turnover of more than 50% supports one, or more of the sector-specific goals, or: ii) a majority of the investments are made in activities that support one or more of

the sector-specific goals, are considered by the Fund to be a sustainable investment. This is provided that the investment does not seriously harm any of the principal adverse impact indicators.

However, in the event of a confirmed damage, the Fund Management Company allows the company twelve months to take measures to correct such a damage. In the event the company clarifies that correction is not intended to be initiated, the investment is disposed of earlier. Furthermore, the Fund Management Company may in some cases hold ownership in companies with fossil-fired power generation, provided that the company's expansion investments take place in renewable energy and the company does not carry out expansion investments in fossil-fired power generation.

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The sector exclusions applied by the Fund are a binding part of the investment strategy. The Fund shall contain at least 80% investments that promote environmental and/or social characteristics and at least 60% sustainable investments. Another binding part of the investment strategy entails restrictions concerning investments in companies with ongoing violations of the UN Global Compact and/or the OECD Guidelines for Multinational Enterprises, which have not initiated action to resolve the issue within twelve months after being notified by the Fund company.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The Fund does not apply any such commitment to reduce the scope by a certain minimum share.

- ***What is the policy to assess good governance practices of the investee companies?***

Good governance practices refer to the portfolio company's sound management structure, and its responsible relationship towards employees, including issues related to remuneration structures, as well as compliance with tax rules. The company's policy for assessing good governance practices means that each individual portfolio company must comply with the UN Global Compact and the OECD Guidelines for Multinational Enterprises. We believe that good corporate governance is central to a long-term competitive business and stands as a prerequisite for well-functioning sustainability work. Good corporate governance originates from the owners and the management they appoint. Any investment is therefore preceded by a thorough analysis of the owners and the management. The Fund Management Company conducts screening regarding money laundering (AML), customer due diligence (KYC) and adverse media coverage of principal owners, board members and senior executive management. Historical business decisions central to the business are analyzed. Further, an assessment of whether internal control systems, controls and procedures are in place that provide basis for an efficient and responsible business that can be conducted in accordance with the law is undertaken.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product?

Asset allocation describes the share of investments in specific assets.

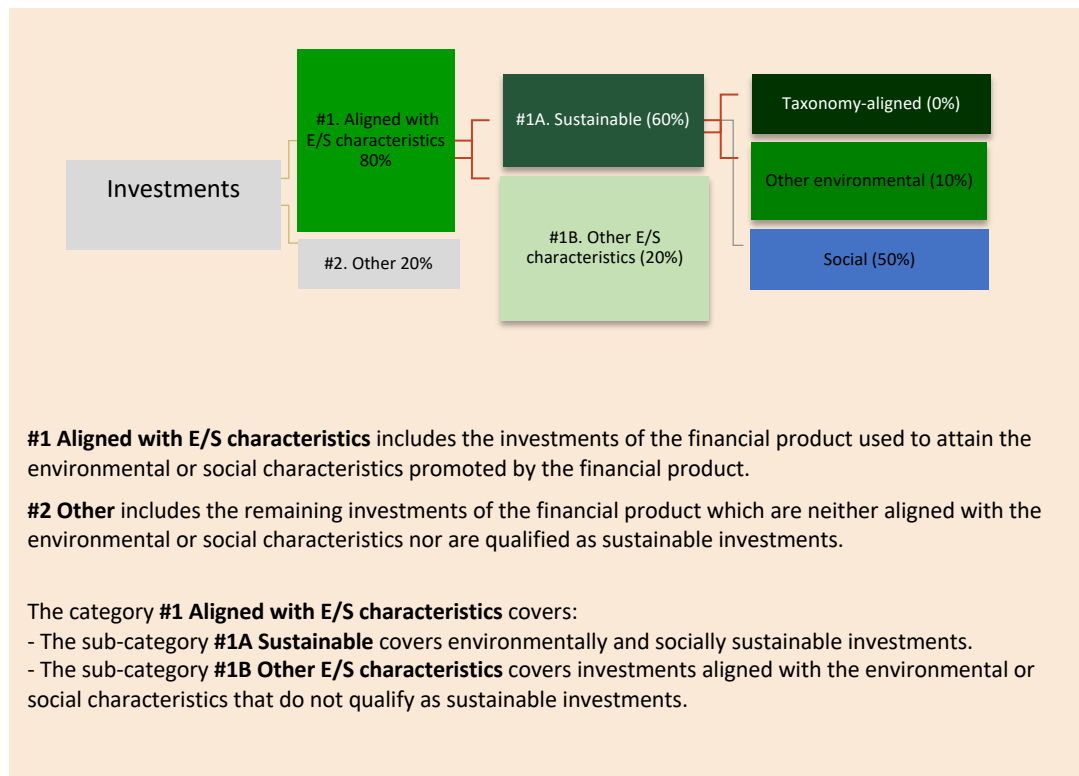
Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The Fund invests primarily in listed equities in emerging markets and frontier markets. At any given time, at least 60% of the Fund's assets shall consist of portfolio companies defined as sustainable investments according to the Tundra ESG Spectrum.



● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to promote environmental or social characteristics.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

A minimum of 0% of sustainable investments in the Fund are aligned with the requirements stated in the EU Taxonomy. The sectors and underlying businesses that have been identified in the EU Taxonomy are those where the most environmental benefit is achieved if the business is conducted in an environmentally sustainable way. The reason why the Fund invests in economic activities other than those categorised as environmentally sustainable economic activities under the EU Taxonomy is that the Fund is mainly focused on geographies that are not covered by the framework. This does not

mean however, that the Fund will not make investments in economic activities that are compatible with the requirements of the EU Taxonomy, but at present the available information from portfolio companies is not enough to determine whether the business complies with the criteria or not.

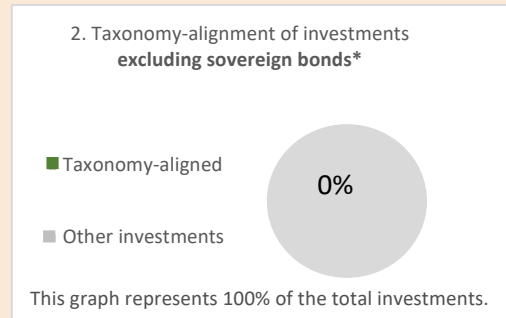
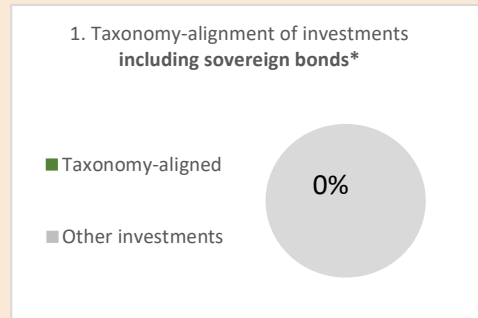
● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

Yes:

In fossil gas In nuclear energy

No, The financial product does not invest in fossil gas and/or nuclear-related activities

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● **What is the minimum share of investments in transitional and enabling activities?**


Since 0% of the Fund's sustainable investments are compatible with the requirements of the EU taxonomy, the minimum proportion of investments in conversion activities and enabling activities is also set to 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

At least 10% of the Fund's investments must at any given point meet the Fund Management Company's criteria in order to constitute a sustainable investment that supports an environmental goal. As explained above, the reason why the Fund invests in economic activities other than environmentally sustainable economic activities under the EU Taxonomy is mainly that the Fund focuses on geographies that are not covered by the EU Taxonomy. This does not mean however, that the Fund will not make investments in

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

 are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

economic activities that are compatible with the requirements of the EU Taxonomy, but at present the available information from portfolio companies is not enough to determine whether the business complies with the criteria or not.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



What is the minimum share of socially sustainable investments?

At least 50% of the Fund's investments must at any given point meet the Fund Management Company's criteria of a sustainable investment that supports a social goal.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

These consist primarily of the cash needed in the Fund management.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No.

- *How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?*
- *How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?*
- *How does the designated index differ from a relevant broad market index?*
- *Where can the methodology used for the calculation of the designated index be found?*



Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://www.tundrafonder.se/sustainable-Fund/>

