

EVLI

EVLI INFRASTRUCTURE
FUND I
ESG REPORT 2023



04/2024

EVLI FUND MANAGEMENT COMPANY LTD

This ESG report is not periodic report as required by EU Sustainable Finance Disclosure Regulation (SFDR) but complementary ESG reporting. SFDR periodic reports will be provided separately to the fund's investors.

CONFIDENTIAL

Evli Infrastructure is committed to responsible investment

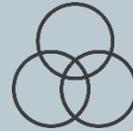


Evli Infrastructure believes that integrating environmental, social and governance factors into investment and decision-making processes is important for the long-term success of the portfolio and essential to better understand the risks and opportunities associated with investments.



Responsibility is integrated into all areas of Evli Infrastructure's investment operations and the funds are managed in accordance with Evli's Principles for Responsible Investment. Evli Infrastructure engages actively with fund managers to promote responsible investing. Evli Infrastructure believes that there is a positive connection between strong ESG¹ performance and strong financial performance.

RESPONSIBILITY AT EVLI PLC LEVEL:



Responsibility is an important area of strategic priority for Evli Plc, and the ESG factors have been integrated into all investment activities at Evli. Evli has a Responsible Investment Executive Group, which is accountable for the principles and practical guidelines for Evli's responsible investing.



Evli Plc has been a PRI² signatory since 2010 and is following the PRI's guidelines for responsible investing. Evli has been an investor member of the CDP (former Carbon Disclosure Project) since 2007 and a member of Finsif (Finland's Sustainable Investment Forum) since 2010. In 2022 Evli strengthened its climate commitment by signing the Net Zero Asset Managers initiative. In addition to the analysis and monitoring of responsibility factors, Evli regards engaging with investment targets as being of significant importance. Evli is involved in several collaborative engagement projects, such as the CDP's investor letters, the Climate Action 100+ project, CDP's collaborative engagement related to setting Science-Based Targets (SBTs) and Nature Action 100.

¹ ESG stands for Environmental, Social and Governance, and it means factors related to environmental, social and governance issues.

² PRI stands for Principles for Responsible Investment and is a responsible investment umbrella organization supported by the UN.

OUR COMMITMENT TO ESG

“EvlI Infrastructure believes that integrating ESG factors into investment and decision-making processes is important for the long-term success of the portfolio”

Evli Infrastructure's Principles for Responsible Investment

1. ESG analysis and ESG rating

Analysis of factors related to ESG is a systematic part of the investment process. Evli Infrastructure's approach to ESG integration is driven by the need to understand the fund managers' commitment to ESG, how they integrate ESG factors in different stages of the investment process, and how the fund managers report on their progress in ESG. Based on Evli Infrastructure team's assessment each target fund receives an ESG rating reflecting how well the fund manager has taken into consideration the risks and opportunities associated with responsibility.

2. Exclusion

Evli Infrastructure will not make new commitments into funds managed by companies which do not have their own ESG policies and are not committed to responsible investment practices. When deciding on new investments, Evli Infrastructure evaluates the fund's exclusion policies and avoids investments into sectors excluded by Evli¹. As a fund of fund manager, Evli Infrastructure may, in certain circumstances, deviate from Evli's exclusion criteria.

4. Reporting

Evli's responsible investing is based on transparency and openness, which is why ESG factors are reported comprehensively to clients. Evli Infrastructure ESG reporting consists of an annual ESG report, ESG scores as part of the quarterly reporting and reporting to the PRI as part of Evli's annual PRI reporting. In addition, information in accordance with the Sustainable Finance Disclosure Regulation (SFDR) is reported from Evli Infrastructure funds.

3. Monitoring & engagement

Evli Infrastructure monitors and evaluates the fund managers' ESG practices and performance regularly through Evli's annual ESG questionnaire and fund managers own ESG reporting, as well as through active dialogue with fund managers on ESG. Evli's ESG questionnaire is sent out to all fund managers each year and through the questionnaire Evli Infrastructure team assesses fund managers' ESG performance and practices. The annual ESG assessment facilitates the engagement with fund managers by highlighting excellence and flagging areas for improvement in the field of ESG.



¹In accordance with Evli's general exclusion principles, manufacturers of controversial weapons with a 0% revenue threshold, and tobacco manufacturers, adult entertainment producers and controversial lending companies (including so-called 'payday loan' companies) with a 5% revenue threshold are excluded. In addition, Russia is excluded as a region where investments can be made. The exclusion covers both Russian companies and the Russian state. In addition, investing in companies with more than 10% of their revenue coming from thermal coal mining, its use in energy production, or oil sand extraction is avoided and companies producing peat for energy production are excluded. Evli does not finance new coal-fired power plants, coal mines or oil sands projects that are in the planning or construction stages.

ESG assessment of fund managers

ESG due diligence and analysis is an essential part of our investment process. Before making a commitment to a target fund, the team assesses fund managers' commitment to ESG, and how they consider ESG factors in their investment, ownership and reporting practices. In connection with the assessment the target fund receives an ESG rating. In case of low ESG score, Evli Infrastructure engages with the fund manager to discuss the areas for improvement. In addition, Evli Infrastructure aims to correct any shortcomings, for example in the fund's exclusion or reporting policy, in the side letter negotiations.

Evli Infrastructure will not invest in funds that are managed by companies which are not committed to responsible investment practices. The fund managers need to have an ESG policy and ESG reporting in place, and they are expected to take into account ESG factors in their investment processes.

AREAS COVERED IN THE ESG ASSESSMENT OF FUND MANAGERS:

Commitment & policies	Investment process	Ownership phase	Reporting
<ul style="list-style-type: none"> – What is the fund's ESG policy – Is the manager a PRI signatory or committed to any other international ESG standards or guidelines – How is the ESG incorporation implemented and how are ESG responsibilities structured in the manager's organization – Does the fund have an exclusion policy – Does the fund have climate policy and climate targets 	<ul style="list-style-type: none"> – How is ESG analysis for potential investments and due diligence on potential ESG risks and opportunities conducted – How do ESG risks and opportunities affect the selection of investments – Are ESG-related considerations integrated into deal documentation such as Shareholders' Agreements during deal structuring 	<ul style="list-style-type: none"> – Are ESG issues incorporated in value creation plans – How is it ensured that adequate ESG competences and resources exist at the portfolio company level – How does the manager contribute to the management of ESG risks and opportunities of the investments – Which ESG KPIs¹ are tracked and how the KPIs are used – Are ESG considerations part of the exit preparations 	<ul style="list-style-type: none"> – How does the fund communicate and report to its investors on ESG matters – Does the manager report progress on ESG performance including data and targets – Are GHG² emissions associated with the investments reported – Is ESG a topic at investor meetings and advisory board meetings – How are possible ESG incidents reported to investors

¹Key performance indicators

²Greenhouse gas

Evli's ESG rating system for target funds

As part of the ESG due diligence and analysis every target fund is assigned an ESG rating. The ESG rating is based on the Evli Infrastructure team's assessment of the target funds and their fund managers' ESG commitment and processes. During the due diligence phase all target funds are asked to fill out Evli's comprehensive ESG Due Diligence Questionnaire. In 2022, Evli Infrastructure renewed and improved its ESG Due Diligence Questionnaire and rating system to meet the latest ESG standards.

The ESG rating consists of four main areas (share of total points):

- 1) ESG commitment and policies (20%)
- 2) ESG in investment process (20%)
- 3) ESG in ownership phase (30%)
- 4) ESG reporting and disclosure (15%)
- 5) In addition, Evli has raised climate, biodiversity, and diversity & inclusion as separate themes in the evaluation (15%)

After the investment is made the investment team continues to monitor the ESG performance and development of the target funds. As part of the monitoring the ESG assessment is repeated yearly by sending out Evli's Annual ESG Questionnaire to the target fund managers. If there are significant changes in the fund managers ESG approach or practices, the ESG rating of the target fund can be adjusted.

THE FUNDS ARE GRADED ACCORDING TO THE FOLLOWING POINT SCALE:

≥90%	Excellent
80–90%	Very Good
65–80%	Good
50–65%	Adequate
35–50%	Poor
<35%	Not acceptable

The maximum score from the ESG assessment is 100%.

Evli Infrastructure Fund I – ESG overview

Evli Infrastructure Fund I Ky is a 2020 vintage fund that has committed in 8 target funds globally. Based on Evli Infrastructure's 2023 ESG assessment:

100% of the target funds are rated Excellent or Very Good

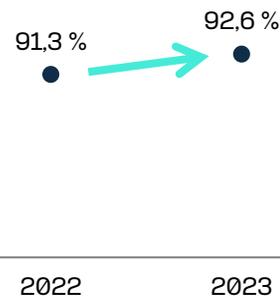
In Evli's ESG assessment, 6 (2022: 5) of the target funds received an ESG rating of 'Excellent' and 2 (2022: 3) of the target fund received ESG rating of 'Very Good'. The average score increased from 91,3% to 92,6%.

100% of the target fund managers are PRI¹ signatories

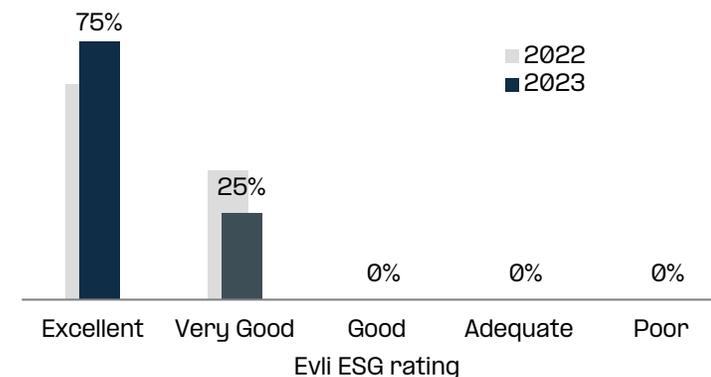
All target fund's managers are PRI signatories. 50% of the fund managers have been PRI signatories already since 2010 or earlier.

Evli Infrastructure Fund I target funds' ESG ratings and commitment to PRI

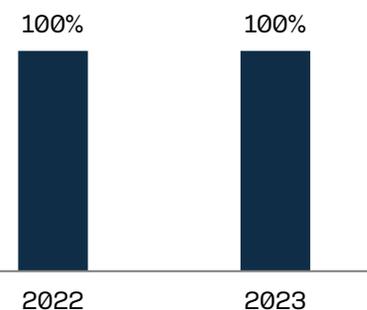
AVERAGE ESG SCORE



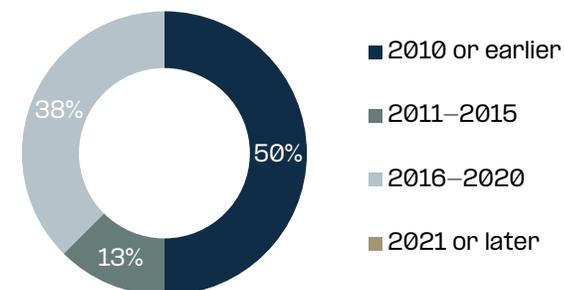
DISTRIBUTION OF ESG RATINGS BASED ON EVLI'S ESG ASSESSMENT (% OF TARGET FUNDS)



PRI SIGNATORIES (% OF TARGET FUNDS)



YEAR WHEN FUND MANAGER BECAME PRI SIGNATORY (% OF TARGET FUNDS)



¹PRI stands for Principles for Responsible Investment and is a responsible investment umbrella organization supported by the UN.

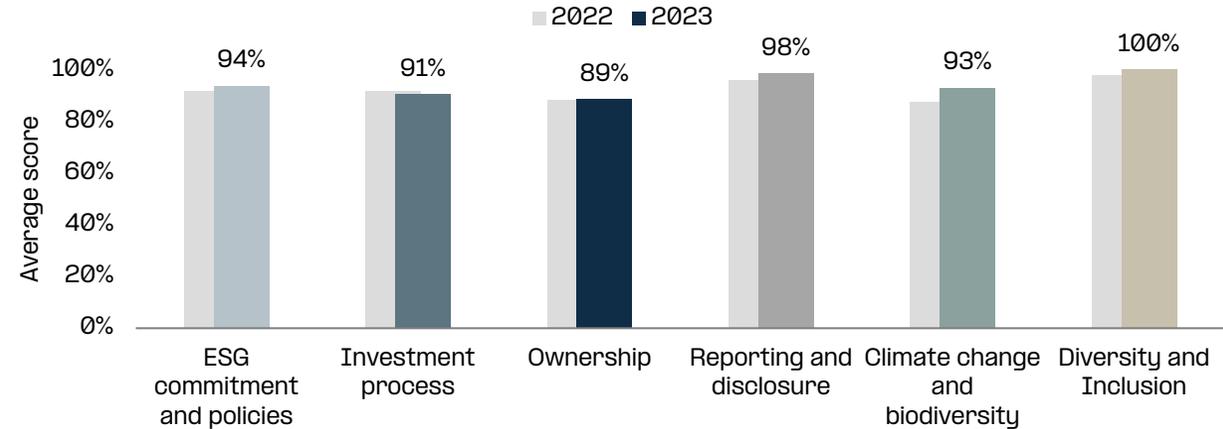
Evli Infrastructure Fund I – ESG overview

All Evli Infrastructure Fund I target fund managers are committed to ESG, have integrated ESG in their investment processes and have ESG reporting in place. However, there are still significant differences in the level of ESG integration between fund managers.

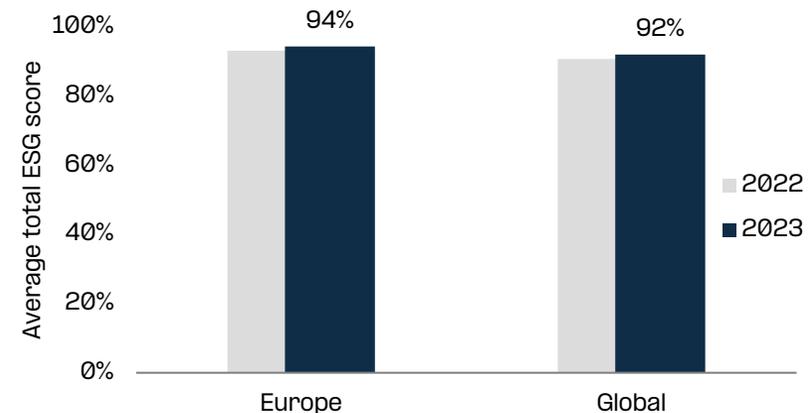
	Areas of excellence	Areas for improvement
ESG commit. & policies	+ All fund managers have their own ESG policy and are PRI ¹ signatories.	– Some of the fund managers still lack specific exclusion policies and do not link ESG in the employee performance reviews.
Investment process	+ All fund managers have integrated ESG in their investment process and ESG is part of the investment decisions	– Only two thirds of the fund managers integrate ESG-related considerations into deal documentation such as Shareholders' Agreements during the deal structuring phase.
Ownership	<ul style="list-style-type: none"> + During the ownership phase nearly all fund managers include ESG in value creation plans and contribute to the management of ESG risks and opportunities. + All of them measure, monitor and track ESG KPI:s for the investments 	<ul style="list-style-type: none"> – A third of the managers do not seek to determine how their ESG approach has affected the investments' financial performance – Only about half are linking ESG objectives to compensation mechanisms at the portfolio company level. – A few of the managers does not include ESG considerations as a part of the exit preparations.
Other	<ul style="list-style-type: none"> + All fund managers have integrated ESG as a part of their reporting. All fund managers provide an annual ESG report including ESG data and progress + Most of the managers have committed to climate targets, measure the share of renewable energy consumption and will report on GHG emissions 	<ul style="list-style-type: none"> – Some of the managers do not yet monitor biodiversity related indicators. – A few of the managers do not promptly report ESG incidents to investors

No major ESG incidents have been reported in any of the Evli Infrastructure Fund I target funds during the last 12 months.

TARGET FUNDS' AVERAGE SCORES ON DIFFERENT AREAS OF EVLI'S ESG ASSESSMENT (MAX. 100% / TOPIC)



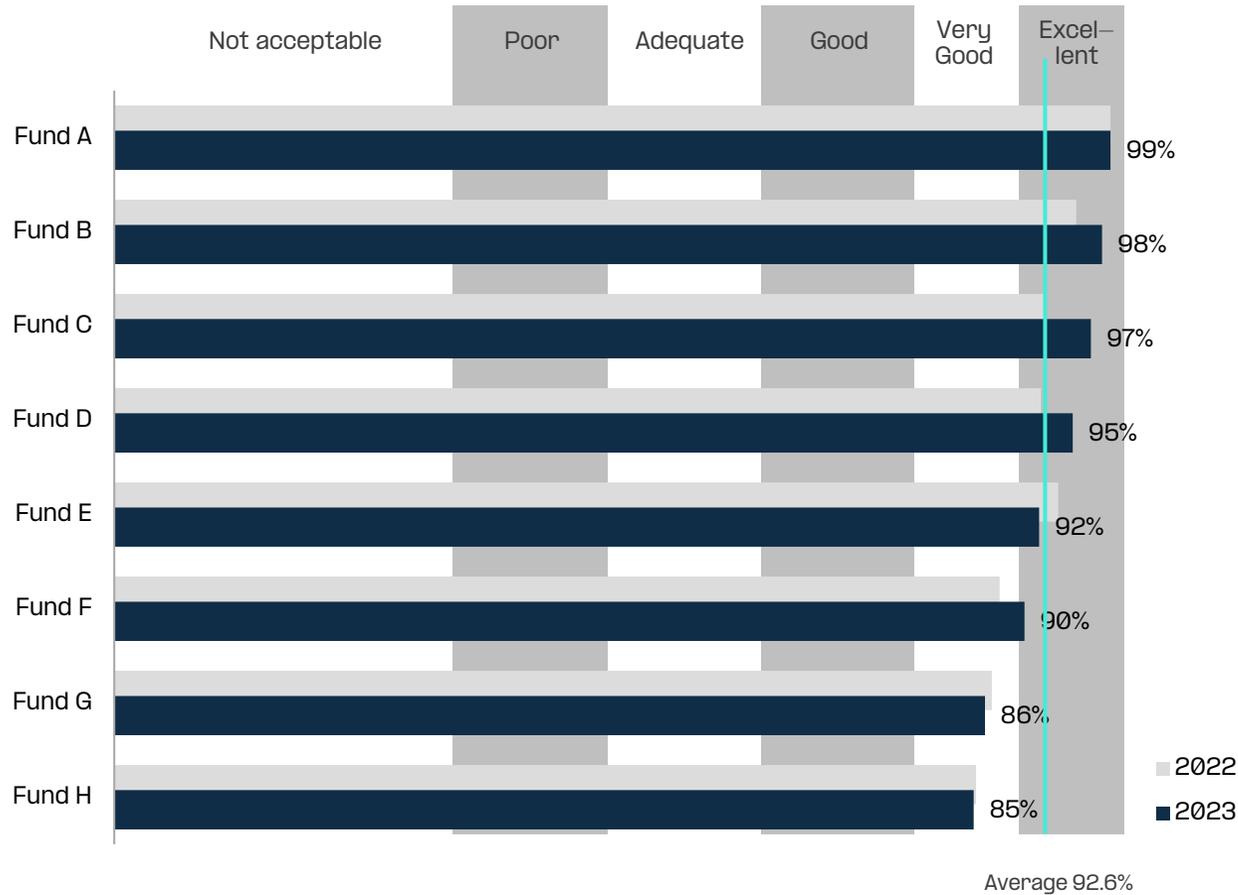
AVERAGE ESG RATINGS BY TARGET FUND'S GEOGRAPHY



¹PRI stands for Principles for Responsible Investment and is a responsible investment umbrella organization supported by the UN. ²American Investment Council.

Evli Infrastructure Fund I – ESG scores by target funds

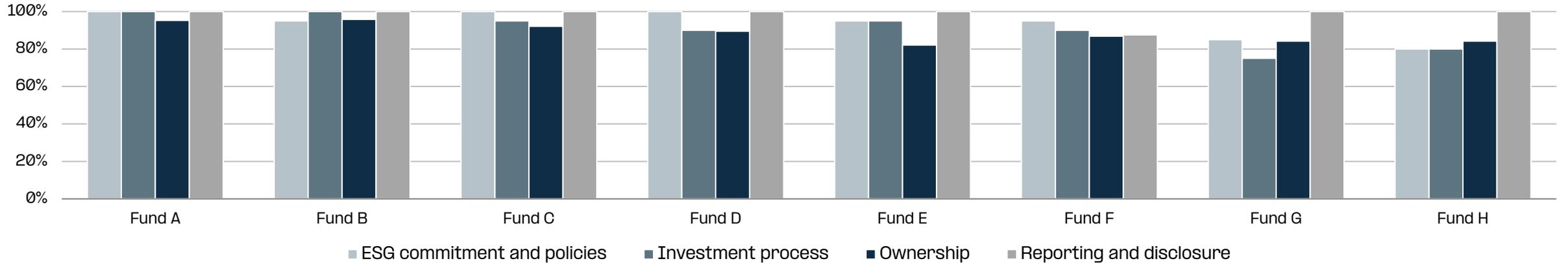
TARGET FUNDS' ESG RATINGS BASED ON EVLI'S ESG ASSESSMENT



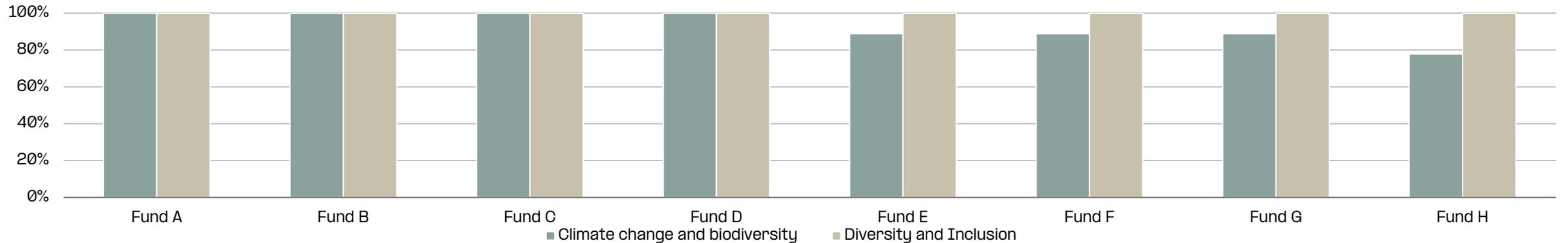
The average total ESG score of Evli Infrastructure Fund I target funds is 92.6% (2022: 91,3%)

Evli Infrastructure Fund I – ESG scores by target funds

TARGET FUNDS' ESG SCORES ON FOUR MAIN ESG ASSESSMENT AREAS



TARGET FUNDS' ESG SCORES ON CLIMATE AND DIVERSITY & INCLUSION



Focus on climate

In June 2021 Evli set its own climate targets. Evli aims to be a net zero asset manager at the latest by 2050 and has set an interim target to halve the carbon emissions of its investments by 2030. Read more about Evli's Climate Target here: [Evli's Climate Targets](#). In 2022 Evli strengthened its climate commitment by signing the Net Zero Asset Managers initiative.

Climate is taken into consideration in the different phases of Evli Infrastructure's ESG process:

Pre–investment

Before committing to a target fund Evli Infrastructure evaluates:

- Fund managers' strategy and capacity to address climate–related risks and opportunities (incl. frameworks and tools used)
- Fund managers' commitments and targets relating to climate
- Scope of fund managers reporting on climate (incl. reporting on greenhouse gas emissions and renewable energy consumption)

In addition, Evli aims to include climate–related considerations in side letters negotiated with fund managers. In line with Evli's exclusion policy, carbon intensive sectors will be excluded.

Post–investment

After committing to a fund Evli Infrastructure:

- Monitors fund managers' development and performance related to climate work and climate targets through Evli's ESG Questionnaire, fund managers' own reporting, annual meetings and one–to–one meetings with managers
- Annually asks climate related data from fund managers including greenhouse gas (GHG) emissions and the share of renewable energy consumption on target fund level

With data collected and if necessary by using estimates Evli Infrastructure aims to monitor the development of GHG intensity over years on both target fund level and on fund–of–funds level.



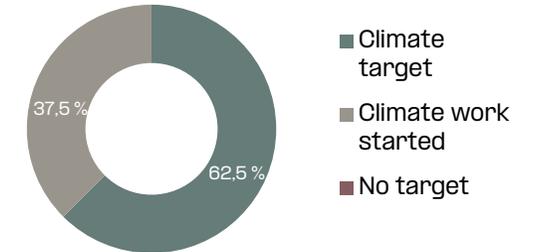
Climate work on target fund level

- In 2023, 63% (2022: 50%) of Evli Infrastructure Fund I target funds' fund managers had a net-zero or carbon neutrality target with a clear timeframe. In addition, 38% of the fund managers had already started their climate work. This means that the fund manager acknowledges the importance of climate action and has started to look for ways to contribute to climate targets. These fund managers support the transition to low-carbon or net zero economy but has not yet set official climate targets.
- 88% of the target funds' fund managers report greenhouse gas (GHG) emissions associated with their investments for 2023 (2022: 88%). The fund managers are expected to report emission data to fund investors during Q2–Q3 2024.
- 88% (2022: 88%) of the target funds' fund managers measure the share of renewable energy consumption as a percentage of total energy consumption in their portfolio. Similarly to the GHG emissions, most of the fund managers reported this measure for the first time for the year 2022, and fund investors are expected to receive the data for 2023 from the fund managers during Q2–Q3 2024.

63%

of the target funds' fund managers have a net-zero or carbon neutrality target.

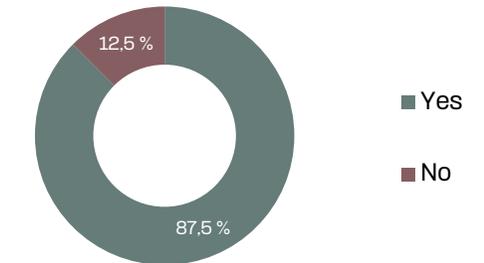
DISTRIBUTION OF CLIMATE TARGETS



88%

of the target funds' fund managers report GHG emissions associated with their investments

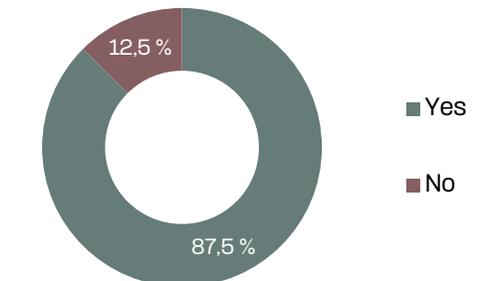
REPORTS GHG EMISSIONS



88%

of the target funds' fund managers measure the share of renewable energy consumption in their portfolio.

MEASURES THE SHARE OF RENEWABLE ENERGY CONSUMPTION

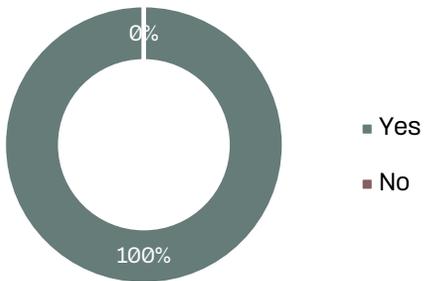


Biodiversity

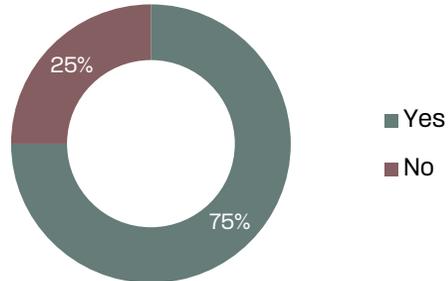
In the past years, the main focus of responsible investment has been on climate change and greenhouse gas emissions. However, biodiversity¹ is gaining more and more importance in the investment arena. Businesses and investors have a major role to play in biodiversity conservation. Thus, Evli Infrastructure has also raised biodiversity as a separate topic in its ESG questionnaire to survey fund managers current attitude towards biodiversity and simultaneously raise the awareness of the importance of the topic among the managers.

All of Evli Infrastructure Fund I target funds' managers take biodiversity into consideration when making and managing investments, and already 75% measure biodiversity related indicators.

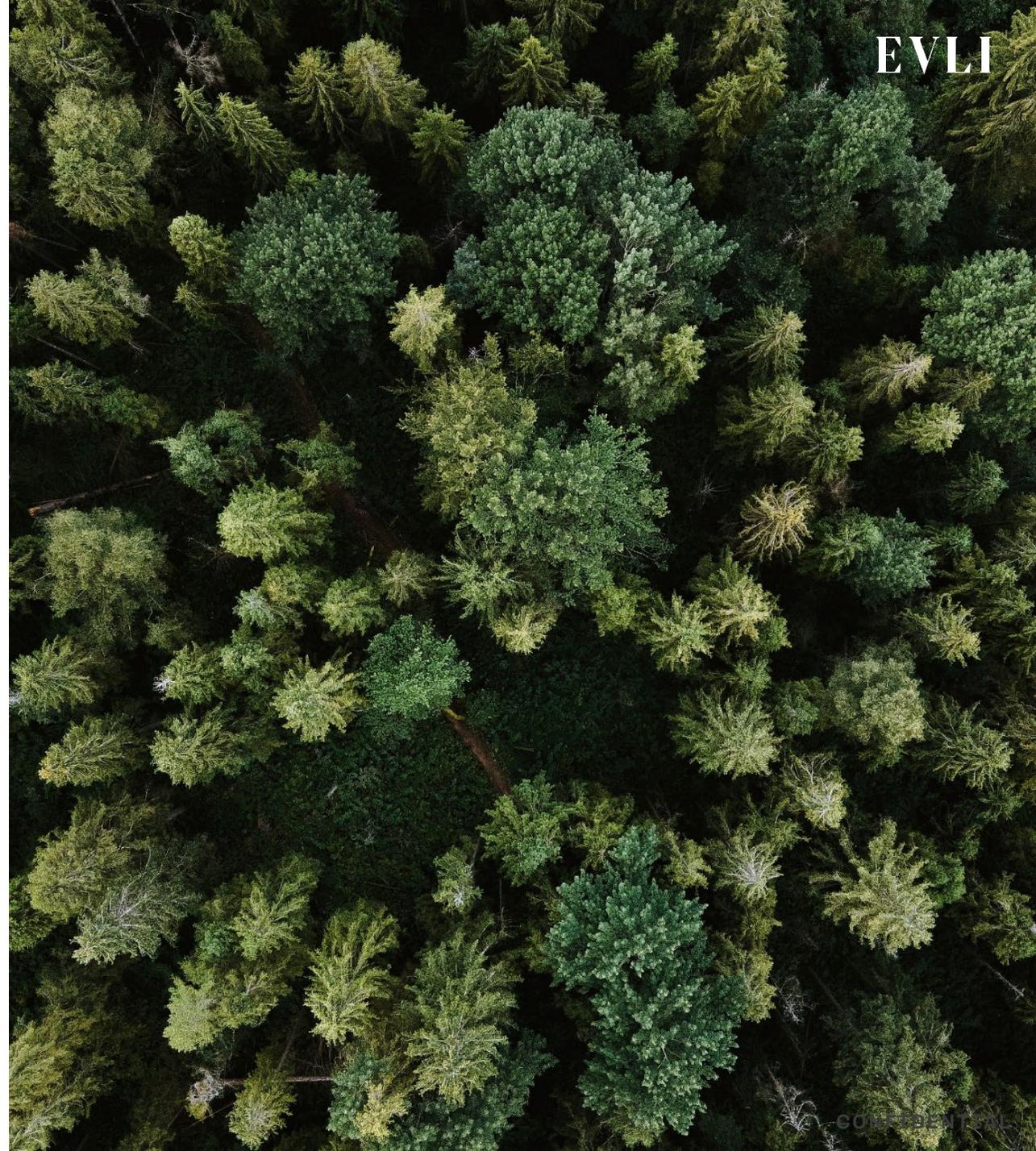
BIODIVERSITY CONSIDERED IN INVESTMENTS (% OF TARGET FUNDS)



BIODIVERSITY RELATED INDICATORS MONITORED (% OF TARGET FUNDS)



¹ Biodiversity or biological diversity is the variety and variability of life on Earth. Biodiversity is a measure of variation at the genetic, species, and ecosystem level.

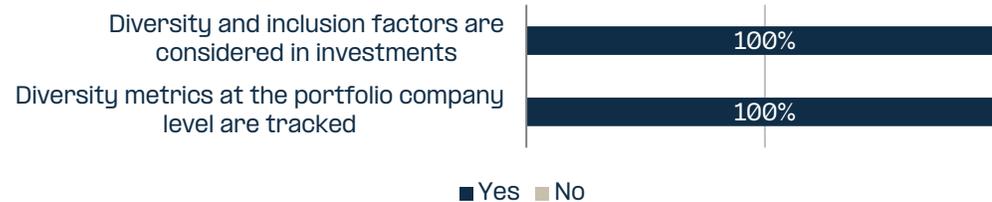


Diversity and inclusion

A just, equitable and fair society where everyone can participate and reach their full potential is essential for businesses to prosper. Thus, Evli Infrastructure considers diversity¹ and inclusion² in the organizations as an important topic under ESG.

All Evli Infrastructure Fund I fund managers take diversity and inclusion factors into consideration when making and managing investments, and track diversity metrics at the portfolio company level.

DIVERSITY AND INCLUSION ON THE PORTFOLIO COMPANY LEVEL (% OF TARGET FUNDS)



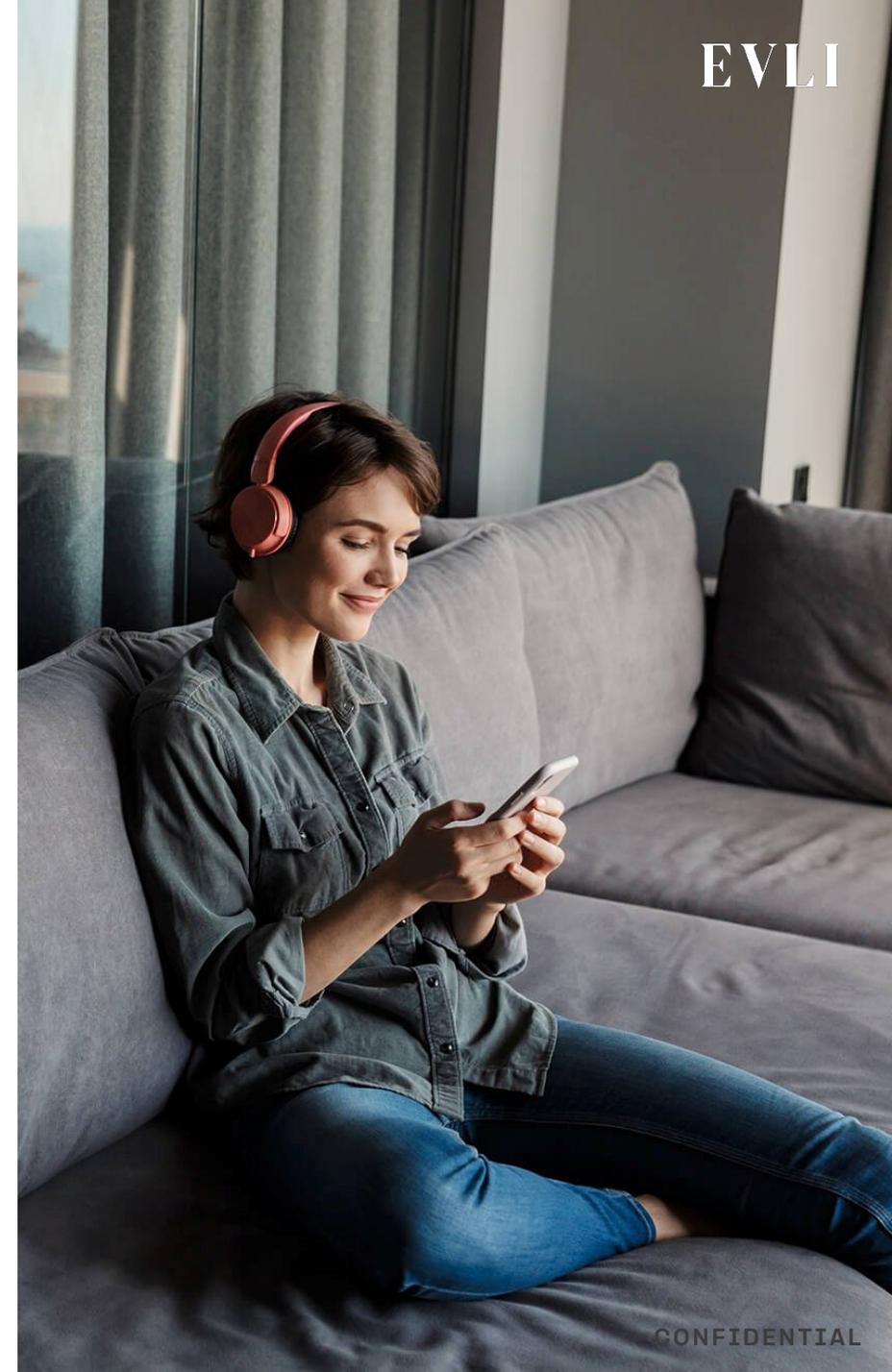
When considering the management companies of the target funds all respondents both consider and measure diversity and inclusion metrics in their own organizations.

DIVERSITY AND INCLUSION ON THE TARGET FUNDS' MANAGEMENT COMPANY LEVEL (% OF TARGET FUNDS)



¹ Diversity can be defined as the presence of difference within a given context, such as an organization. The term can refer to a diversity of identities, or characteristics, such as gender, race and sexual orientation.

² Inclusion can be described as the actions taken to understand, embrace and leverage the unique strengths and facets of identity for all individuals so that they feel welcomed, valued and supported.



SFDR

In accordance with the Sustainable Finance Disclosure Regulation (SFDR), Evli’s funds are classified into three categories with respect to sustainability factors: Article 6 funds do not address sustainability factors, article 8 funds promote sustainability factors among other features, and article 9 funds have a sustainable investment objective.

EVLI INFRASTRUCTURE FUND I SFDR CLASSIFICATION:

Article 8

Evli Infrastructure Fund I promotes sustainability factors as part of its investment activities by integrating sustainability factors into the due diligence process carried out prior to investment, assessing fund managers during the investment period, excluding certain industries, and engaging with fund managers through active dialogue.

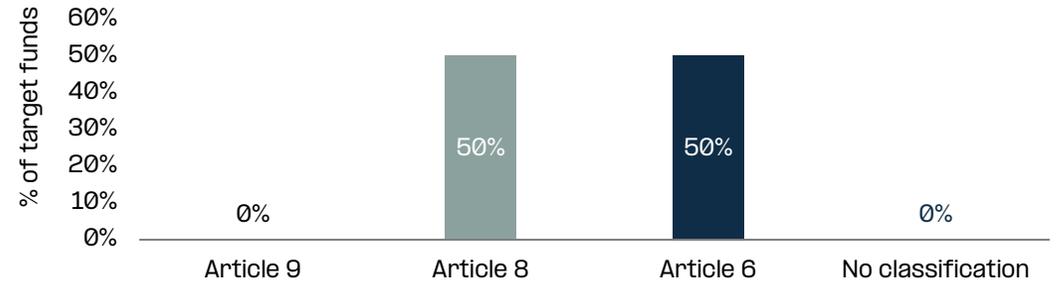
The fund encourages the fund managers of target funds to incorporate sustainability factors into the various areas of their operations. Evli Infrastructure monitors and assesses regularly the fund managers’ ESG practices and performance through Evli’s annual ESG survey to fund managers and the target funds’ own ESG reporting and engages in active cooperation with the aim of reducing the likelihood of sustainability risks materializing. In addition, the fund encourages management companies to report climate data and set their own climate targets.

The fund uses the following metrics to measure the implementation of the environmental and social characteristics promoted by the fund:

- The proportion of capital invested in renewable energy
- the proportion of target funds whose management companies report on their funds’ carbon intensity
- the proportion of management companies that have climate targets,
- the proportion of management companies that take account of and report on the principal adverse impacts on the environment and society (PAI indicators) of their investment decisions

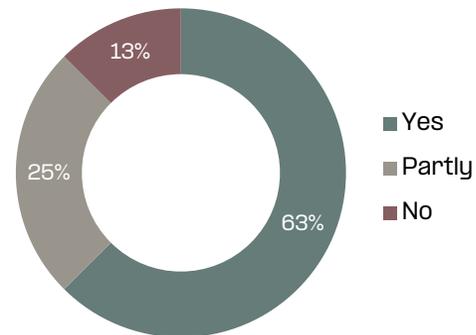
Evli Infrastructure Fund I reports separately on the achievement of the promotion of sustainability factors in accordance with the Sustainable Finance Disclosure Regulation.

EVLI INFRASTRUCTURE FUND I TARGET FUNDS’ SFDR CLASSIFICATIONS



50% of the Evli Infrastructure Fund I target funds are classified as Article 8 and 50% of the target funds are classified as Article 6 funds.

FUND MANAGERS THAT CONSIDERS AND REPORTS PAI¹ INDICATORS (% OF TARGET FUNDS)



63% of the target funds consider and report Principal Adverse Impact (PAI) indicators. 25% of the target funds are not providing a PAI statement but are still tracking and reporting part of the indicators. 13% of the target funds do not consider and report PAI indicators currently.

Fund managers that track and report PAI indicators will publish their PAI statements later in 2024. Despite asking the target fund managers to provide data on PAI indicators, Evli Infrastructure will not be able to provide an accumulated PAI statement on a fund-of-funds level due to limited availability of the data.

¹Principal Adverse Impact

Evli fund of funds management team



Ben Wärn

HEAD OF PRIVATE ASSET



Richard Wanamo

INVESTMENT DIRECTOR



Ville Toivakainen

INVESTMENT DIRECTOR



Roger Naylor

INVESTMENT DIRECTOR



Emma Honkanen

INVESTMENT MANAGER



Oskar Karlsson

INVESTMENT MANAGER



Kristian Metsämäki

ANALYST



Nina Skogster

ADMINISTRATIVE
SPECIALIST



Vilma Nuutinen

LEGAL COUNSEL

The investment team is in charge of the ESG integration. Evli also has a six-person responsible investment team that supports the investment teams in their ESG work.

More information on Evli's Responsible Investing practices

[Responsible Investing website](#) →

[Principles for Responsible Investment](#) →

[Principles for Evli Private Equity, Evli Infrastructure and Evli Private Debt](#) →

[Climate Change Principles](#) →

[Engagement policy](#) →

[Climate targets](#) →

[Biodiversity Roadmap](#) →

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