ADDRESSING SUSTAINABILITY RISKS AND ADVERSE SUSTAINABILITY IMPACTS

Evli Plc’s (Evli) Responsible Investment Executive Group approved the following principles regarding the addressing of sustainability risks and adverse sustainability impacts. Sustainability risk refers to an environmental, social or governance event or condition that, if it occurred, could cause an actual or potential material negative impact on the value of an investment. These principles regarding the addressing of sustainability risks and adverse sustainability impacts will be applied whenever Evli Plc invests client assets under its asset management in, and/or whenever it offers investment advice to, the funds managed by Evli Fund Management Company Ltd and the assets under its asset management. Therefore, the same principles will be applied throughout the Evli Group, and the word “Evli” below will refer to all Evli Group companies.

According to the regulation, Evli identifies and takes into account the client's possible preferences related to the sustainability of investments when offering the client discretionary asset management service and investment advice.

Evli takes account of the sustainability risks in its investments and of the principal impacts of its investments on sustainability factors in accordance with Evli’s Principles for Responsible Investment. Adverse impacts on sustainability factors are taken into account in Evli’s asset management and funds through an internal process based on Evli’s Principles for Responsible Investment and Climate Change Principles in a way that does not conflict with the client’s own policies or investment preferences. Evli’s Principles for Responsible Investment are asset class-specific and cover all the active investments under Evli’s management. Fund-specific or asset class-specific principles may vary on how sustainability risks and adverse impacts of investments on sustainability factors are considered. In addition, there can be funds or individual products that do not consider the principal adverse sustainability impacts.

Evli’s Principles for Responsible Investment cover:

- Evli Wealth Management Principles for Responsible Investment
- Evli Wealth Management's Climate Change Principles
- Evli’s Climate Targets
- Evli Plc’s ownership control principles
- Evli Fund Management ownership principles
- Evli’s principles for responsible investment for direct private equity investments and funds
- Evli Private Equity, Evli Infrastructure and Evli Private Debt funds’ principles for responsible investment
- Real Estate Funds Principles for Responsible Investment

The above-mentioned principles describe how Evli identifies and analyzes sustainability impacts and the related indicators and what Evli’s procedures are with respect to these. One example of a negative sustainability impact is a breach of a norm, i.e. an act that breaches the principles of the UN Global Compact corporate responsibility initiative, for which Evli has specified a systematic procedure. We monitor Evli’s own funds and direct equity investments to find out whether they contain companies that violate the principles of the UN Global Compact. The UN Global Compact is an international corporate responsibility initiative that requires companies to respect human rights, implement anti-corruption measures and consider environmental issues. It is made up of ten principles, which are derived from the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Rio Declaration on Environment and Development and the UN Convention Against Corruption. If we discover that a company we have invested in is violating the principles of the UN Global Compact, we will first analyze the situation with the portfolio manager after which the Responsible Investment team will decide on further action. There are two options for further action: to start engagement activities or to place the company on the list of excluded investments. The purpose of engagement activities is to change the company's practices so that they become more responsible.

Evli also has separate ownership control principles which describe the ownership control methods used by Evli. Evli reports yearly its adverse sustainability impacts on company level according to the SFDR. In addition, as a part of other responsibility reporting Evli reports on the responsibility of its funds and its client portfolios with fund/portfolio-specific ESG reports, which extensively describe the indicators related to responsibility and sustainability impacts. The implementation of the ownership control principles is reported in Evli Group's responsible investment annual report.