Information on Evli Group's portfolio management in accordance with EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation, SFDR)

General

Evli Plc ("Evli") and Aurator Asset Management Ltd ("Aurator") are the Evli Group companies that offer their clients portfolio management services, i.e. asset management services, on a discretionary basis. The investment strategy to be executed may conform with a standardized investment strategies determined by Evli, or it can be a strategy individually tailored for a client by Evli or Aurator.

1) Standardized investment strategies determined by Evli

The assets in the strategies are invested using broad diversification in the equity and fixed income markets. The investments are executed using funds managed by Evli Fund Management Company, Evli's international partners' mutual funds that are compliant with the UCITS or AIFM directives, and ETFs (exchange-traded funds) that are compliant with the UCITS directive and are subject to public trading in Europe.

The basic weightings between equity and fixed income investments and other asset classes in the client's assets that are the target of the strategy are determined on the basis of an investment strategy that is suitable for the client. When executing a strategy under an asset management agreement, Evli may give subscription, redemption and other orders regarding investment instruments in line with its view at any particular time.

Taking sustainability risks into account in investment decisions

The decision-making process in the execution of investment strategies takes account of traditional financial and other key figures, which include the capital markets' risk and valuation indicators. In addition to these, sustainability risks are also taken into account in investment decisions. When realized, material sustainability risks can affect the financial performance of the selected investment instruments, and therefore the portfolio's return.

When the investment instruments are indirect, Evli cannot influence the investment policies of the funds and ETFs selected into the client's asset management portfolio nor their execution. However, Evli expects full transparency from the funds and ETFs invested in regarding their ESG policies and taking account of sustainability risks, as well as their investment instruments, in order to be able to assess and analyze how well responsibility is implemented in the investment strategy, and in order to be able to modify the content of the asset management portfolios for the purposes of shaping their responsibility profile.

Evli's investment strategies do not contain separate exclusion criteria with respect to investment instruments, and any exclusion is implemented in accordance with the rules and responsibility principles of each fund or ETF that is invested in.

Excluding certain sectors and/or financial instruments from investment can reduce the investment strategy's sustainability risk. Exclusion can also increase concentration risk as the number of possible investments decreases. A potential increase in concentration risk, taken in isolation, may lead to greater volatility and increase the risk of loss.

Environmental and/or social characteristics

In the selections of investment products to be used in the strategies, the focus is on products that promote environmental and social characteristics, among others, in accordance with Article 8 of the EU Sustainable Finance Disclosure Regulation.

In these investment strategies, the proportion of investment products that are compliant with Article 8 is at least three quarters of the market value of the client's assets that form the target of the strategy, calculated under normal market conditions. Under exceptional circumstances, for example in a situation of greater than usual market volatility or another significant capital market failure, the proportion may be smaller than this.

The target companies of the investment products used in the strategies are analyzed at regular intervals during the investment period with regard to environmental, social, and corporate governance matters, or ESG factors.

Evli has built an internal ESG database based on data produced by MSCI ESG Research and ISS ESG, which it uses to monitor ESG factors. For each fund and ETF an ESG score is calculated, reflecting how well the companies it has invested in have taken sustainability risks and opportunities into consideration as a whole. The indicators also include company-specific ESG scores and their development, information on any UN Global Compact violations, the company's reputation risk, carbon footprint, and the proportion of fossil fuel reserves.

In the funds managed by Evli Fund Management Company, Evli also engages with target companies in accordance with Evli Group's Engagement Policy. Engagement may be motivated by violations of UN Global Compact norms or reasons related to climate goals.

The carbon footprint and emission indicators of the target companies of the funds and ETFs in the strategies are measured and monitored, and a regular scenario analysis is conducted to monitor the strategies' attainment of Evli's general climate targets.

Evli's goal is to achieve carbon neutrality in investments by 2050 at the latest, and it has set a target of a 50 percent reduction in indirect emissions from all investments by 2030, provided that this is possible in the investment environment. The base year for comparison is 2019.

The attainment of the climate targets will be measured using data from ISS ESG and MSCI ESG to monitor the investment instruments' carbon footprint and intensity, the degree of low-carbon transition, a scenario analysis in relation to the 1.5 degree warming target and the warming ratio associated with the investment instruments.

Good governance policy

The funds managed by Evli Fund Management Company comply with Evli Group's Engagement Policy, which require that the companies they invest in engage in good governance by complying with the Finnish Corporate Governance Code issued by the Securities Market Association, for example, or corresponding foreign guidelines, which often impose a partial framework on the remuneration models of the invested companies.

Funds and ETFs managed by third parties are selected only from the selections of Evli's partners. Partners are expected to be highly skilled, have a good reputation, comply with good governance practices, and have a strong financial position and responsible operations.

If a fund invested in promotes environmental and social factors as specified in Article 8 of the Sustainable Finance Disclosure Regulation, the fund invested in is committed to requiring good governance practices from companies invested in.

Evli's Responsible Investment Team analyzes the investments of the investment strategies and the investments of the funds managed by Evli Fund Management Company every six months for any breaches of norms (UN Global Compact principles and OECD Guidelines for Multinational Enterprises). The OECD Guidelines for Multinational Enterprises also cover disputes related to taxation in the funds' target companies.

Evli's operating principles in investment instruments that do not meet the criteria of the strategy

The rules and operating methods of the investment products used in a strategy and investments made by them may change for reasons beyond Evli's control.

Harmful properties related to the environment and/or society, weaknesses of management companies, weaknesses of target companies' governance methods, controversy in functions, or breaches of the principles of the UN Global Compact in used funds and ETFs may result in disposing of these fund or ETF investments in the strategies.

If it becomes aware that an investment does not fulfil the criteria of a strategy, Evli will dispose of an investment while striving to avoid substantial damage to the portfolio's performance if there are no measures in sight that would return favorable properties to the target funds or ETFs.

EU taxonomy information

The standardized investment strategies determined by Evli promote the mitigation of climate change as a part of the promotion of characteristics associated with the environment by investing the strategy's assets in investment products that promote the mitigation of climate change by engaging with companies and excluding certain sectors, for example. Within the framework of the strategies, investments may be made in investment products that make investments in environmentally sustainable economic activities, transitional activities, or enabling economic activities that meet the criteria of the EU Taxonomy Regulation. However, Evli does not undertake to invest solely in such investment products.

In order for an economic activity to be considered environmentally sustainable under the EU Taxonomy Regulation it must not, in addition to contributing to one or more environmental objectives, cause significant harm to other environmental objectives mentioned in the Regulation. 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

The responsibility process in portfolio strategies

Various factors related to economic and market performance are taken into account when making investment decisions. ESG factors are one part of risk analysis and investment decisions. Evli Group's Principles for Responsible Investment and Climate Change Principles establish a framework for its investment activities.

A specific index has not currently been designated as a benchmark for standardized investment strategies, but one may subsequently be established.

Evli Group's Responsible Investment Steering Group makes decisions on the framework of responsible investment and the Responsible Investment Team supports the portfolio managers in their work. An internal ESG database is also available, which combines the responsibility data of the companies in which investments are made from various data sources.

The Principles for Responsible Investment, the Climate Change Principles, and the exclusion criteria that are complied with in the standardized investment strategies apply to all direct investments made by funds managed by Evli Fund Management Company.

The funds managed by Evli Fund Management Company comply with Evli Group's Principles for Responsible Investment, which define the basic standards for norm-based screening and exclusion of companies. For example, they prohibit investments in companies that produce controversial weapons or nuclear weapons and in companies where the proportion of revenue from coal or oil sands exceeds a specified limit.

On the basis of regular monitoring, Evli's Responsible Investment Team will take the necessary measures with respect to companies that are suspected of having violated international laws and regulations. A company invested in by a fund managed by Evli Fund Management Company can either be excluded directly or Evli can engage with them. If dialogue with a company fails or is deemed to be unhelpful, the company may be added to the exclusion list in funds managed by Evli Fund Management Company.

Evli Group's Principles for Responsible Investment are available at evli.com.

The funds and ETFs used in the strategies may, either from time to time, regularly, widely, or not at all, use investment instruments that do not fall under the scope of the ESG requirements, such as derivatives, within the limits of their rules and operating principles.

Funds managed by third parties are expected to have principles for responsible investment and related operating processes and reporting in place.

Evli's responsibility reporting comprises fund ESG reports, customer specific ESG reports, and the responsible investment annual report. Evli also reports on the promotion of environmental and social characteristics in accordance with the Sustainable Finance Disclosure Regulation as part of the annual review of mutual funds managed by Evli Fund Management Company, and on strategies as part of the portfolio management's periodic reviews.

2) Client-specific individual strategies

Instead of standardized investment strategies, Evli and Aurator can offer clients portfolio management taking the client's individual needs into account.

In these strategies, the asset classes used in the investment portfolios, the geographical or industry weightings, instrument types, risk indicators, responsibility criteria, or other properties required of the investment instruments or the portfolio that are deemed necessary for the client's own operating principles and investment objectives can be determined. In them, action limits imposed on portfolio management are also broadly defined, such as minimum and maximum limits for various asset classes, individual investment instruments, or limit values for the portfolio's risk level or responsibility ratings.

As a consequence, individualized investment strategies can deviate from the principles of Evli's standardized strategies and with respect to sustainability factors. When implementing such a strategy, Evli and Aurator comply with the principles of the standardized strategies and take account of sustainability factors within the framework of the concluded asset management agreement in such a way that the activity does not conflict with the client's operating principles. The responsibility process of individualized strategies is the same as in portfolio strategies.

All investment strategies whose investment instruments diverge from Evli's standardized strategies also come under individualized strategies. These include direct equity and fixed income investments, strategies that focus on alternative investment instruments, and strategies that include structured or non-standardized investment products. The selection of these investment instruments complies, within the framework of the concluded asset management agreement, with Evli Group's principles on taking account of sustainability risks in investment decisions, promotes environmental and social characteristics, and expects that the companies invested in engage in good governance practices in such a way that the activity does not conflict with the client's operating principles.

If Evli Group's principles are suitable for the client, the individualized investment strategies promote the mitigation of climate change as part of promoting environmental characteristics. In the individualized strategies, investments may be made in environmentally sustainable economic activities, transitional activities, or enabling economic activities that meet the criteria of the EU Taxonomy Regulation, but the individualized strategies do not undertake to make such investments.

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.

A specific index has not currently been designated as a benchmark for client-specific individualized investment strategies, but one may subsequently be established.

The realization of the responsibility factors of individualized strategies will be reported as for standardized strategies and in a matter agreed upon separately with each client.