EVLI WEALTH MANAGEMENT'S CLIMATE CHANGE PRINCIPLES

Under the Paris Climate Agreement signed in 2015, the increase in average global temperatures shall be limited to less than two degrees, aiming at 1.5 degrees. In order to accomplish this, a global balance between greenhouse gas emissions and sinks must be achieved by 2050. In 2018, the mean global temperature had already risen by one degree compared to the pre-industrial age, which meant that to achieve the goal of the Paris Agreement and mitigate climate change, more significant emissions reductions were required.[1] For this reason, in 2019 we wanted to further increase the significance of climate change and related procedures in Evli Wealth Management's investments, and we published separate Climate Change Principles. Evli's climate work is supported by Evli's Climate Targets published in 2021. Evli reviews and updates the climate targets at least every five years.

According to Climate Change Principles climate change and related impacts on investments are observed using four procedures:

1. Analysis and monitoring of greenhouse gas emissions of investments

We monitor the emissions of companies in Evli's equity and fixed income funds by analyzing company and fund-specific carbon footprints, companies' emission reduction targets and readiness for transition to low-carbon economy. We also follow company and fund-specific scenario analysis.

For fund-specific indicator of the carbon footprint[2], we use the weighted average carbon intensity according to the recommendations of the Task Force on Climate-related Financial Disclosures[3] (TCFD). We report the carbon intensity figures of funds in fund-specific ESG reports, which are public at Evli's website (evli.com/esg-reports).

The Responsible Investment team monitors the greenhouse gas emissions of our equity and fixed income funds regularly and reports the development to the Responsible Investment Executive Group. The Responsible Investment Executive Group consists of Chief Executive Officer, and the heads of the following groups: Legal, Risk Management and Compliance, Institutional Clients, Private Clients, Portfolio Management and Sustainability. We are aware that there are certain limitations in the measurement of investments' carbon intensity but believe that openly reporting these increases transparency. Because the indicators of the climate impacts of investments develop constantly, we monitor the development of indicators and reporting methods as part of our aim to find the highest-quality indicators for evaluating the climate impacts of investments in different asset classes.

2. Monitoring thermal coal, oil sands and peat companies and excluding them from investment instruments

We monitor Evli's equity and fixed income funds and direct investments to identify companies that earn a significant part of their revenue (10% or more) from thermal coal or oil sands extraction. Business operations related to thermal coal means thermal coal mining and the use of thermal coal in energy production. In addition to revenue restrictions, Evli does not finance new coal-fired power plants, coal

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[1] Prime Minister's Office 20.12.2018 https://vnk.fi/en/-/kahdeksan-eduskuntapuoluetta-paatti-yhteisista-ilmastopolitiikan-tavoitteista

[2] TCFD – Task Force on Climate-related Financial Disclosure, https://www.fsb-tcfd.org/

[3] Task Force on Climate-related Financial Disclosure: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures. June 2017. https://www.fsb-tcfd.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf

mines or oil sands projects that are in the planning or construction stages. Possible investments in thermal coal and oil sands companies are assessed in Evli's Responsible Investment team. We avoid investing in thermal coal and oil sands companies, but we can depart from the exclusion, if company has a concrete plan to change its procedures and/or the company supports Just transition. In addition, we have excluded companies manufacturing peat for energy production from our investment universe.

3. Engaging with companies

Together with other investors, we encourage companies to report the climate impacts of their operations and describe how the companies control and benefit from the risks and opportunities related to climate change. This takes place in practice through various investor initiatives and investor cooperation. For example, since 2017, we have been involved in the investor letters coordinated by the CDP sent to companies with the highest emissions and climate change-related risks that do not yet report on the climate impacts of their operations and also in CDP's collaborative engagement initiative for setting science-based targets (SBTs) since 2020. CDP is an independent organisation whose aim is to encourage companies to report on and manage their impact on the environment. We have also been part of the Climate Action 100+ initiative since 2017, in which investors act together to influence the top 100 greenhouse gas emitting companies in the world to mitigate climate change. In the Climate Action 100+ initiative, investors aim to achieve better climate change management in companies, a reduction in greenhouse gas emissions and more transparent reporting on climate impacts. In addition to this, Evli works actively to identify the most emission-intensive companies and engages with the companies in accordance with its Climate Change Principles and Climate Targets.

We are also a signatory of the Global Investor Statement to Governments on Climate Change letter sent to governments encouraging them , among other things, to ensure the global temperature increase is limited to 1.5 degrees Celsius, undertake early actions to keep greenhouse gas emissions in line with the 2030 target, promote reduction of non-carbon dioxide emissions, increase the supply of climate finance, establish implementing mandatory climate risk disclosure requirements aligned with the TCFD recommendations in the financial system, require science based climate transition plans and coordinate and promote consistency in the global regulation of the financial sector.

We also monitor, as part of the process related to international norms (the UN Global Compact's corporate social responsibility principles, UN Guiding Principles on Business and Human Rights and OECD guidelines for multinational enterprises) our direct equity investments and funds to identify companies committing serious environment violations. If we discover such companies in our investments, we first analyze the situation with the portfolio manager, after which the Responsible Investment team decides 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. The engagement can last for a maximum of two years, and after that there must be clear justifications for keeping the investment or the company must be excluded.

4. Reporting of Evli's climate risks

Our aim is to report on climate risks in accordance with the TCFD's recommendations over the coming years across Evli's functions as a whole. The TCFD is an international climate risk reporting framework in which the economic impacts of climate risks become part of the official financial reporting. The first report according the TCFD recommendations on climate risks related to Evli's operations was published in 2019 as part of the Corporate Responsibility report. We are constantly developing our reporting following the TCFD recommendations. In 2019, Evli also became a public supporter of the TCFD.

In addition to the procedures mentioned above, the aim of Evli Wealth Management is to continuously develop its way of carrying out responsible investment and the related processes, including observing climate change in its investment activities. In practice, this means we regularly evaluate our procedures, actively monitor the market and climate discussion, and carry out discussions with our stakeholders and various companies in order to develop responsibility.