

## EVLI WEALTH MANAGEMENT'S PRINCIPLES FOR RESPONSIBLE INVESTMENT

We at Evli want to achieve the best possible return for our clients' investments. We believe that investors and companies that take responsibility issues into consideration will benefit in the long term. We also want to promote openness and transparency through responsible investment. We have therefore integrated factors that affect the environment, society and governance into Evli Wealth Management's investment operations in accordance with our principles of responsible investment.

The purpose of the Responsible Investment Principles is to define Evli Wealth Management's approach to responsible investment and communicate its methods. The principles of responsible investment and practical procedures are decided on by the Responsible Investment Executive Group, which consists of the Chief Executive Officer, and the heads of the following groups: Legal, Risk Management and Compliance, Institutional Clients, Private Clients, Portfolio Management and Sustainability. The Responsible Investment Executive Group reports to the Executive Group of Evli. Evli's Responsible Investment team operates under the Responsible Investment Executive Group and handles any norm violations and possible investments in coal or oil sands companies. The Responsible Investment team has the authority to exclude individual companies and is also in charge of engagement measures with companies. Portfolio managers are responsible for implementing the Responsible Investment Principles and ESG integration.

The principles for responsible investment are applied to the active equity and corporate bond investments<sup>1</sup> made by the discretionary asset management and the Evli Fund Management Company. In discretionary asset management, we can apply responsibility related policies that client has set. We do not apply the responsible investment criteria to index funds or passive exchange-traded funds. In addition to these principles, Evli has Climate Change Principles and Climate Targets, which describe how climate change and the related impacts are observed in investments, and separate principles of responsible investment for alternative investment funds<sup>1</sup>.

### Responsible investing practices

Our responsible investing practices are a) analysis of responsibility factors and calculation of ESG ratings; b) monitoring, active ownership and engagement; c) excluding companies from investment; and d) reporting on responsibility factors to clients. With these practices, we can ensure that the responsibility factors have been systematically integrated with the investment operations of Evli's Wealth Management.

#### A) Analysis of responsibility factors and calculation of ESG ratings

As we want to understand the risks associated with the responsibility factors of our active investments, we regularly analyze the ESG (Environmental, Social, Governance) factors of our active investments. Our responsibility analysis is based mainly on information from our own internal ESG database, but we also use other sources when necessary. We have built Evli's own ESG database based on different ESG data providers' ESG information (e.g., ESG analysis, norm violation monitoring, climate data) with which our portfolio managers can thoroughly examine their investments. In addition, we regularly calculate ESG ratings for funds managed by Evli Fund Management Company and for direct equity investments, which provide insight on how well the companies in the funds have taken responsibility risks and opportunities into consideration as a whole.

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<sup>1</sup> Within the transition period, these principles are applied, as appropriate, to investments and funds covered by these principles that have been transferred to Evli's management following the mergers of Evli Plc and EAB Group Plc and Evli Fund Management Company Ltd. and EAB Fund Management Company Ltd.

## B) Monitoring, active ownership and engaging

We monitor funds managed by Evli Fund Management Company and direct equity investments to find out whether they contain companies that violate the principles of the UN Global Compact, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises or Evli's Climate Change Principles.

If we discover that a company, we have invested in is violating the principles mentioned above, 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 measures or to place the company on the list of excluded investments. The purpose of engagement 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.

We also collaborate with other investors to engage with companies when the target and goals of collaborative engagement are in line with Evli's Responsible Investment Principles, Climate Change Principles and Climate Targets. In addition, Evli works actively to identify the most emission-intensive companies and engages with companies in accordance with its Climate Change Principles and Climate Targets. Evli also engages companies directly with other responsibility-related themes. We also attend general meetings in Finland. Our decision to attend a general meeting is based on the matters to be discussed at the meeting and on our possibilities to influence these matters. Engagement practices are described more detailed in Evli's and Evli Fund Management's engagement policy.

## C) Excluding companies from investments

Evli has two exclusion classes for its equity and corporate bond funds and direct equity and corporate bond investments: general exclusion applied to all investments and wider exclusion for selected funds. These exclusions are not applied to index funds. The applied exclusion policy is defined in the fund's official documents.

The general exclusion criteria states that companies manufacturing controversial weapons (landmines, cluster munitions, incendiary weapons, laser-blinding weapons, nuclear weapons, depleted uranium, chemical weapons, biological weapons, and non-detectable fragments) with a 0% revenue threshold and companies manufacturing tobacco, producing adult entertainment, and practicing controversial lending (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. Companies violating the above-mentioned international principles can also be excluded based on a decision by the Responsible Investment team. In addition, Evli's funds do not invest in the shares of Evli.

According to Evli's Climate Change Principles, we avoid investing in companies that earn 10% or more of their revenues from thermal coal mining, use of thermal coal in energy production or oil sands extraction. In addition to revenue restrictions, Evli does not finance new coal-fired power plants, coal mines or oil sands projects that are in the planning or construction stages. We may depart from this 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.

In addition to the above-mentioned industries, the wider exclusion criteria exclude companies manufacturing alcohol, weapons and fossil fuels or thermal coal, and gambling with a 5% revenue threshold. Production of fossil fuels refers to the mining and extraction of fossil fuels.

In addition to the above-mentioned exclusions, individual funds may have wider, fund-specific exclusion criteria. All exclusion criteria are monitored through limit controls.

#### D) Reporting on responsibility factors to clients

Evli's responsible investing is founded on transparency and openness, which is why we report on responsibility factors to our clients in a comprehensive manner. Our responsibility reporting consists of fund ESG reports and the responsible investment operating report. The ESG reports of Evli's funds are updated quarterly on our website and allow anyone to evaluate the responsibility of the investments the funds have made. The ESG reports evaluate for example the ESG factors of the funds' investments and calculate an ESG rating for each. In addition, all funds' investments are screened for possible UN Global Compact Principles' violations. The annually published responsible investment operating report allows our clients to follow the progress of Evli's responsible investing. We also produce semi-annual ESG reports for our clients on their portfolios.

#### Funds managed by partners

In its international investments, Evli only cooperates with reputable and reliable partners, and we expect our partners to be signatories of the United Nations' Principles for Responsible Investment. In addition, we demand comprehensive and transparent reporting. We regularly monitor the development and implementation of our partners' responsible investment principles, climate principles and funds' ESG integration.

We monitor active equity and fixed income funds managed by partners to find out whether they contain companies that violate the principles of the UN Global Compact, UN Guiding Principles on Business and Human Rights or OECD Guidelines for Multinational Enterprises. If we discover that a fund, we have invested in includes a company, which is violating the principles mentioned above, we will first analyze the situation with Evli's Responsible Investment team and portfolio management. We require the issuer of the fund to provide responsibility assessments of the company that violates the principles and a report on the company's engagement activities. After that we will decide on further action. If the fund's issuer's engagement activities are sufficient, we will continue to monitor the progress of the engagement measures and require regular reporting on the company's situation. Otherwise, we start engagement with the fund's issuer. The options for further action are to demand that the engagement measures towards the company that violates the principles are expanded, the additional investments will be frozen or that the investment will be sold. If the engagement activities do not produce results within the specified timeframe, we will sell the investment in the portfolios under Evli's asset management if the client's investment restrictions allow that.

We regularly analyze our partner funds' responsibility factors using MSCI's ESG analysis and calculate ESG ratings for each. Evli's asset management also has responsibility-themed funds with investment strategies focusing on companies that are able to turn the challenges of sustainable development into opportunities.

#### Collaboration with other parties

Evli is committed to observing the UN's Principles of Responsible Investment (UN PRI) in its investment operations and reports its operations to the UN PRI annually. Evli has been an investor member of the CDP initiative since 2007 and has participated in collaborative engagement initiatives through CDP, such as an initiative which collects data on the environmental impact of different industrial sectors and the measures taken by companies to reduce harmful environmental impacts, and an initiative which encourages companies to set science-based targets (SBTs).

Evli is also a member of Finsif, Finland's Sustainable Investment Forum. The purpose of Finsif is to promote responsible investing that takes environmental and social issues and good governance into consideration in asset management and when making investment decisions.

Evli has been a public supporter of the climate reporting initiative TCFD since 2019. In 2022, Evli strengthened its climate commitment by signing the Net Zero Asset Managers initiative (NZAM) and also joined the Taskforce on Nature-related Financial Disclosures (TNFD) forum the same year. The purpose of the TNFD forum is to develop a reporting framework on nature for organisations. Evli has also cooperated with other investors to encourage companies and governments in work related to climate change mitigation. More information on Evli's cooperation can be found on [Evli's website](#).