EVLI

EVLI PLC

RESPONSIBLE INVESTMENT ANNUAL REVIEW

2023

Contents

Responsibility at the core of the strategy

At Evli, responsibility has been an integral part of business for years and we are actively developing responsibility in our operations. Responsibility is also one of Evli's strategic focus areas.

At Evli, responsible investment means taking the environmental, social and good governance (ESG) issues into account in our investment activities. We want to grow our clients' wealth responsibly, which is why responsibility is integrated into our asset management investment activities.

Transparency and openness are the cornerstones of Evli's responsible investment. Each year, we report on the progress of this work. In the Responsible Investment Annual Review 2023, we describe the development of Evli's responsible investment during 2023 as well as our focus areas and the engagement activities we have carried out. In 2023, Evli strengthened its work in particular on climate change mitigation and biodiversity, and raised, as part of its human rights work, the children's rights in the wider debate.

"We want to be the forerunner in responsible wealth management in the Nordics, and in this way help our clients in managing their wealth to support a sustainable future."

Responsible investment highlights 2023

Evli published its targets to the Net Zero Asset Managers initiative

Evli submitted its first interim target to the Net Zero Asset Managers (NZAM) initiative including three separate intermediate targets: a target for investments, an engagement target and a target related to the assessment of companies. The interim target provides concrete tools and metrics to support Evli's short–term and long–term climate targets. In the first stage, the NZAM interim target includes Evli's equity and corporate bond funds.

Evli rated the best asset manager in Finland in responsible investment

Evli was placed first in sustainable investments expertise in the Kantar Prospera "External Asset Management Finland 2023" survey. Evli was also praised for its responsible investment expertise in SFR Scandinavian Financial Research's "Institutional Investment Services Finland 2023" survey.

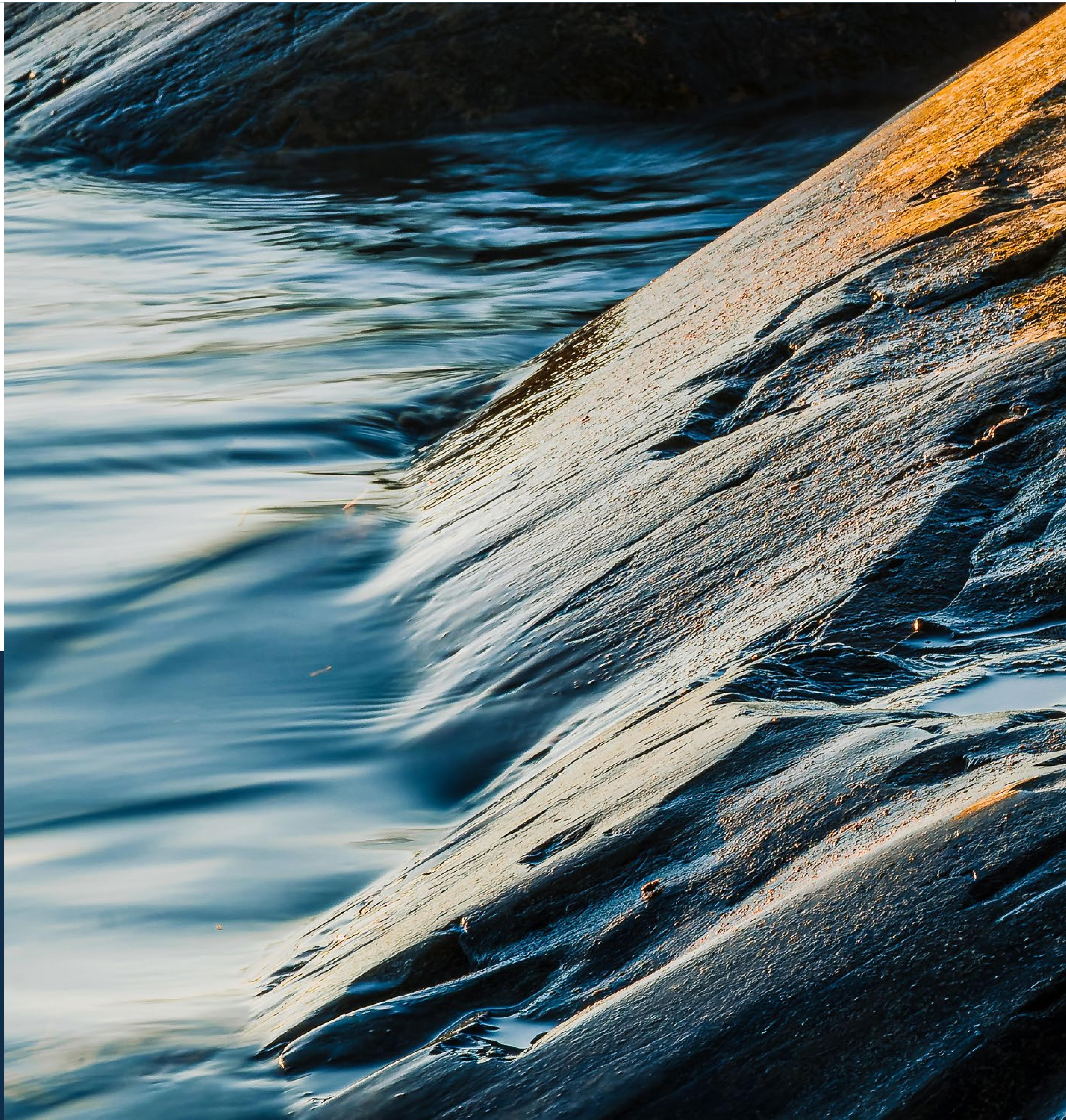
Evli joined the Nature Action 100 initiative to prevent nature loss

Evli joined the global Nature Action 100 investor initiative, which focuses on driving greater corporate ambition and action to reduce nature loss. The initiative engages with 100 companies in key sectors that are deemed to be systemically important regarding nature and biodiversity loss.

1.

Evli has been ranked Finland's best asset manager in responsible investment.[1]

[1] KANTAR Prospera "External Asset Management Finland" 2023, 2020, 2019, 2018, 2017 and SFR 2022, 2021, 2017



Evli continued its study on taking children's rights into account in investment activities

Evli continued its research project with UNICEF Finland to investigate how Finnish companies take children's rights into account in their operations. In the project, Evli is exploring which industries have risks that may affect children's rights and how to better consider children's rights when making investment decisions.

–44.7%

Evli aims to halve the carbon footprint of its investments by 2030 compared with the base year 2019. By the end of 2023, the carbon footprint was decreased 44.7%.[1]

Various sustainability topics were discussed at Evli's ESG training days

Evli's ESG training days for Portfolio Management featured interesting presentations on the impact of climate change, biodiversity and green growth opportunities. In addition to Evli's experts in responsible investment and portfolio management, the event featured speakers from the Ministry of Finance, Sitra, UNICEF Finland, and the Climate Leadership Coalition.

Evli published a roadmap for considering biodiversity

We have published Evli's biodiversity roadmap which sets action steps for 2023–2025 for our actions to consider biodiversity. The purpose of the roadmap is to gain a better understanding of the impact of investments on biodiversity, to promote Evli's biodiversity research and to develop biodiversity-related reporting.

[1] The calculation is made according to Evli's Net Zero Asset Managers investments' interim target and includes Evli's equity and corporate bond funds.

Responsible investment at Evli

At Evli, we believe that taking responsibility issues into account in investment decisions, alongside the analysis of key financial figures, increases understanding of the investment target and the risks and opportunities associated with it.

Responsible investment is integrated into investment activities and reporting

At Evli, responsibility factors have been integrated into the investment activities of Wealth Management, which means that responsibility is systematically considered in portfolio management. In practice, for listed investments this is done through an internal ESG database based on sustainability data produced by MSCI ESG Research and ISS ESG, as well as through information published by companies and attained through company meetings. The ESG database provides portfolio managers with easy access to companies' ESG data when making equity and fixed income investments. For example, portfolio managers can search for companies' responsibility assessments (the so–called ESG scores), information on the share of revenue generated by controversial activities and any ESG violations, as well as information on companies' emissions and emission reduction targets, and how companies are aligned with the Paris Agreement.

The ESG database is also used for reporting purposes. Evli publishes public ESG reports on all its equity and corporate bond funds, allowing anyone to monitor the responsibility of Evli's investments. In addition to ESG and UN Global Compact analyses, the ESG reports show the development of the investment's ESG ratings as well as the investment's reputational risk, carbon footprint, and company specific ESG data for the ten largest holdings. Furthermore, Evli reports on a semi–annual basis the responsibility of its clients' equity and corporate bond investments in separate client–specific responsibility reports.

An investment specific ESG analysis is part of all investments, including those for alternative investment funds. In the Evli Private Equity, Evli Infrastructure and Evli Private Debt funds, each new target fund is analyzed against the same ESG criteria, and investments are only made in funds that meet the criteria. The funds are also analyzed according to the same criteria during the investment period, and the ESG analysis data is transparently available to investors. Similarly, in Evli's growth company funds, ESG analysis and value creation are a key part of the investment process. Examples of portfolio work include the creation of ESG principles and KPI metrics together with each target company.

With its real estate funds, Evli works in a socially responsible manner and demands the same from its partners. In addition, through concrete measures Evli is able to influence the energy efficiency of buildings and the construction's carbon footprint. Evli's forestry funds identify ESG risks and opportunities in their target funds as well as measure and report on the carbon impact of the funds annually. The funds invest in sustainable commercial forestry that produces renewable, environmentally friendly products for a range of end uses. Sustainable forest management is ensured through third–party forest certification schemes, such as FSC and PEFC.

More responsible practices through engagement

Evli analyses its actively managed equity and corporate bond funds and the direct investments made by Wealth Management every three months to identify potential non–compliance with the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises, and to ensure compliance with Evli's Climate Change Principles. The UN Global Compact is an international corporate responsibility standard that requires companies to respect human rights, fight corruption and take environmental issues into account. The UN Guiding Principles on Business and Human Rights informs how states and companies should implement their obligations and responsibilities. The OECD Guidelines contain recommendations for multinational enterprises made by governments. The recommendations consist of voluntary principles and standards of responsibility and the application of legislation to international business. Information on non–compliance is available from the MSCI and ISS ESG databases and other sources such as news reports.

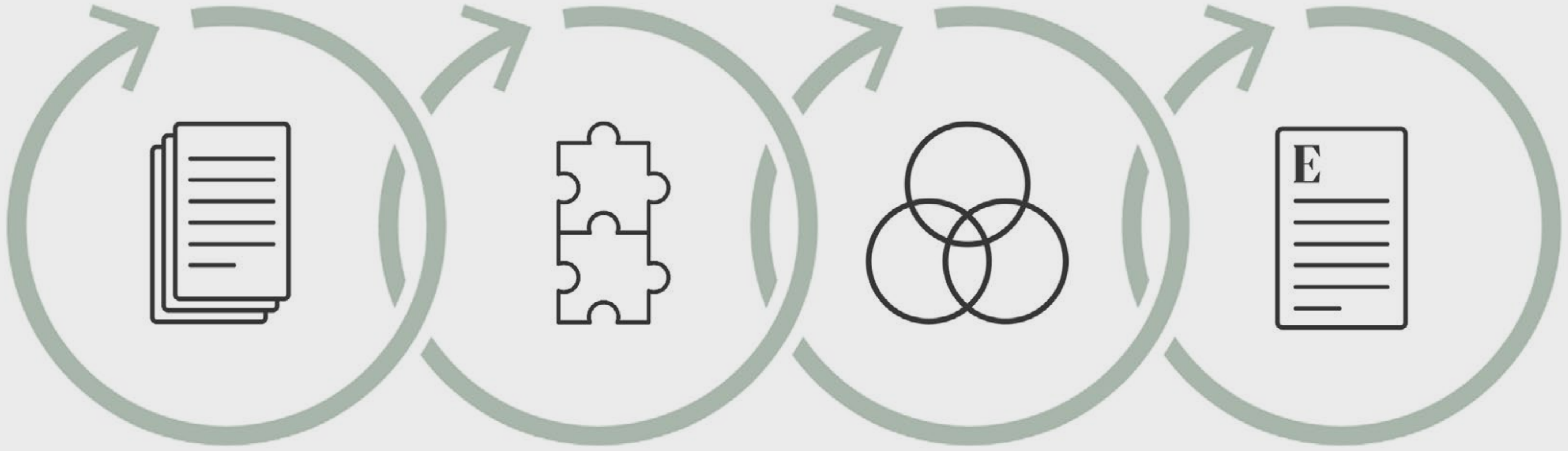
Each case of non–compliance and violation of the Climate Change Principles triggers a pre–defined process at Evli. First, the case is discussed with the portfolio manager, after which Evli's Responsible Investment (RI) team analyses the company's situation. The RI team has two options for further action:

1. Initiate measures of engagement
2. Exclude the investment.

The cases calling for engagement that have come to light in the quarterly inspections mostly concern environmental problems, human rights, workers' rights, or actions to mitigate climate change. Evli does not disclose the names of the companies with which it engages, as it believes that engagement with the company in a confidential manner is more effective.

Evli also engages companies related to different ESG themes and participates in various collaborative engagements and initiatives with other investors with the aim of making the operations of even more companies responsible. Responsibility is also systematically raised with the companies and partners of the alternative investment funds taking into consideration asset class–specific differences and best practices.

Four Pillars of Responsible Investing at Evli



Principles for Responsible Investment

- Policies by asset classes
- Separate Climate Change Principles and engagement policy
- Climate Target and Biodiversity Roadmap for taking biodiversity into account
- Internal division of responsibilities and governance model

ESG–integration in investment process

- Responsibility analysis as part of the investment decision–making
- Asset class–specific responsibility expertise
- Responsible investment team as support for portfolio managers

Engagement and active ownership

- Independent discussions with companies
- Collaborative engagement and investor initiatives
- Asset class–specific engagement and active ownership

Reporting

- Comprehensive and transparent reporting at fund and client level
- Responsible Investment Annual Review overviews annually progress in responsible investing

CASE

What is an investor's role in combating climate change and biodiversity loss?

Climate change and biodiversity loss are a systemic risk, and its management is resource intensive. Investments can change the world for the better.

We know that the climate is warming and biodiversity is declining, but what are we going to do about it? According to **Mikko Spolander**, Director General of the Economics Department at the Ministry of Finance, continuing the current way of consuming the planet's resources will become impossible before long, but a radical cut in our living standards is not realistic either.

The global average temperature increase might be stopped by reducing our living standards or by developing and introducing more efficient and cleaner technologies.

"We should make such drastic reductions in our living standards over the coming decades that I don't think it's possible. Adaptation to such changes is comparable to a situation where our living standards in Finland would fall to the level of early 1950s by 2050," Spolander comments in light of his calculations.

Therefore, Spolander puts his faith in technology and in the production and consumption based on more sustainable clean energy and recycling of materials, all generated by technology. Technology and industrial restructuring require innovation and fresh solutions which, in turn, open the door to the redistribution of markets and new success stories.

The change will require significant investments by the public as well as the private sector, and at least in the beginning we have to compromise on other aspects for their sake. However, according to Spolander, Finland cannot afford to be a bystander as then we would be unable to offer solutions to global markets and our competitiveness would be undermined.

Economic value of nature must be made visible

The megatrends report of Sitra, published in early 2023, highlights the erosion of nature's carrying capacity as a key challenge of our time and emphasizes that the slower we change our ways, the worse the impacts of biodiversity loss will become.

"Biodiversity loss presents a systemic risk to the financial markets, too," reminds **Outi Haanperä**, project director of Sitra's Nature and the economy project.

More and more individuals, companies and public operators are aware of the risks and impacts of biodiversity loss but carry on living as before. According to Haanperä, change is only achieved by making the economic value of nature visible in decision–making. She gives forests and wood as an example.

"We recognize very well the value of wood as a raw material and know the price of logs per cubic meter and the forest industry's share in exports. But forests provide a huge number of other benefits as well."

Trees sequester carbon, cool down and control local climate, promote biodiversity, contribute to human wellbeing, and prevent erosion. These important services are not visible, however, in our current way of valuing nature.

Haanperä says that the economic value of biodiversity can be better showcased by pricing nature risks in financial markets and putting a price on burdening nature. Mechanisms included in the latter are, for example, sustainable growth tax reform and introduction of ecological compensations. In addition, Haanperä believes there is room for innovative investment products in the markets.

Change is also an opportunity

Investments are not only an interesting global question, but also a local one. Finland's export potential of climate–aligned solutions is significant: up to 85–100 billion dollars by 2035 according to Boston Consulting Group's estimate. In terms of export, climate–aligned construction, bio–based materials as well as green hydrogen and green metals, for example, are interesting industries.

Spolander sees the consulting firm's estimate as large, but he believes Finland is in a position to become a great exporter – compared to its size – of climate–aligned and green knowledge and technology. The realization of investment plans relating to green energy and industries in Finland would be significant for the economy too. Government, companies, and investors alike will play a key role in the change.

Spolander and Haanperä were guest speakers at Evli's internal ESG training days for portfolio management in November 2023.

Focus areas for responsible investing

Continuous work towards climate targets	Research around biodiversity	Working to promote human rights	Continuing to deepen ESG integration in portfolio management	New responsibility themed products	Following EU sustainable finance legislation

Development of responsible investment in 2023

- Evli launched a new ESG report for the Evli Euro Government Bond fund. The ESG report will be published once a year, and it includes country–specific information on, for example, investments' carbon footprint as well as on the social and governance factors.
- In respect of the Sustainable Finance Disclosure Regulation (SFDR), Evli published the necessary information on its funds that are disclosed before investing, in accordance with the regulation. As part of the annual review of the funds, Evli published its periodic reports on how the sustainability characteristics of the equity and fixed income funds were met during 2022, as required by the SFDR. The corresponding periodic report was also published on alternative investment funds as well as on a portfolio basis for asset management clients.
- Evli reported on the company–level PAI indicators[1] and adverse sustainability impacts in accordance with the regulation schedule at the end of June. Evli has also developed its monitoring and analysis process of the PAI indicators.
- In May, Evli organized an ESG seminar where investors and experts discussed the most important responsible investment themes. Incorporating biodiversity into investing took center stage in the keynote presentations and the panel discussion.
- Trainings on the SFDR reporting and responsible investing were arranged for Evli's personnel in the spring of 2023. In November, Evli organized portfolio management's ESG training days for over 50 people. The main themes of the training days were climate, biodiversity, and children's rights.
- Evli participated in general meetings of 27 companies and engaged 37 companies independently. The general meetings were attended by voting in advance or attending physical meetings. Prior to the general meetings, Evli engaged with eight companies in relation to good governance. Furthermore, Evli engaged with 19 companies in relation to climate targets and/or principles. In addition, ten engagement discussions and/or emails were also related to changing a company's operating practices, a suspected breach of norms, environmental issues, social responsibility in companies' subcontracting chains, for example, and/or developing companies' sustainability activities. Evli also participated in companies' materiality analyses, discussed sustainability themes with other stakeholders and actively participated in consultation discussion of the SFDR with various actors. In addition to its independent engagement, Evli was involved in collaborative engagement initiatives and/or investor letters, such as the Climate Action 100+ initiative and the CDP investor letters.
- Related to the quarterly monitoring of norm violations, Evli excluded three companies from its investment universe. Of the exclusions, one was due to a serious environmental controversy and two due to a serious human rights violation. Evli's Responsible Investment team also dealt with two companies on suspicion of being related to nuclear weapons, and after the processing, both companies were excluded.
- Evli's Climate Targets' Working Committee continued its active work and set up smaller focus groups to focus on various climate work aspects. As part of its work towards climate targets, the principles of climate change and responsible investment were updated, especially in relation to exclusion and engagement. The update resulted in four companies being moved to the list of excluded companies. The following points of the principles were updated, for example:
  - With thermal coal and oil sands, the revenue threshold for exclusion at Evli was set at 10 percent. In accordance with the principles, it is accepted to depart from the exclusion if the company has a concrete plan to change its procedures and/or the company supports Just transition.
  - In addition to revenue restrictions, Evli does not finance new thermal coal–fired power plants, thermal coal mines or oil sands projects that are in the planning or construction stages.

[1] Principal Adverse Impact i.e. PAI indicators mean indicators that describe adverse impacts of investment decisions on sustainability factors.

- In the summer of 2023, Evli submitted a more detailed interim target to the Net Zero Asset Managers (NZAM) initiative. Evli's equity and corporate bond funds are included in the first interim target. With other asset classes, the work will be continued in accordance with Evli's road map of climate targets. Furthermore, the interim target consisted of three separate targets for investments, which are discussed in more detail in the review's climate section.
- In July, Evli signed, together with other investors, the investor statement on the European Sustainability Reporting Standards (ESRS) of Eurosif, PRI, IIGCC, EFAMA and UNEP FI. The statement calls on the European Commission to uphold the previously set policies of the ESRS reporting to address the current data gaps of the European Union's sustainable finance rules.
- In September 2023, Evli joined the global Nature Action 100 initiative, which focuses on driving necessary corporate action to reverse nature loss.
- During 2023 Evli continued its research on biodiversity metrics regarding, for example, portfolio-specific analyses and TNFD reporting framework development. In December, Evli published Evli Wealth Management's biodiversity roadmap which sets action steps for 2023–2025 to consider biodiversity. The purpose of the roadmap is to gain a better understanding of the impact of investments on biodiversity, to promote Evli's biodiversity research and to develop biodiversity-related reporting.
- As part of its human rights work, Evli continued its joint research project it started together with UNICEF Finland to find out how investors can advance the fulfilment of children's rights. Evli was an expert in a benchmark survey conducted by UNICEF Finland of Finnish companies as well as considered ways to integrate children's rights more broadly into responsible investment practices. In addition, Evli constructed an extensive sector-specific, children's rights analysis primarily from the point of view of Finnish companies. In 2023, the sector analysis was developed for two sectors; as for other sectors, the work will continue in 2024. Evli was also interviewed about its work to promote children's rights by UNICEF's global Child-Lens Investing Framework publication.
- Evli's equity and fixed income funds were granted the ESG4Real certificate in the fall. ESG4Real is a non-profit and politically independent certificate that provides a foundation for responsible investment and analysis of ESG factors and provides independent quality assurance on how asset managers meet these requirements.
- In December, Evli's product range expanded with the Evli Impact Equity Fund that invests its assets mainly in the developed and emerging markets' equities without geographical restrictions. The fund invests in companies that, based on a sustainability and impact analysis, are engaged in economic activities that are considered to be materially sustainable and contribute to selected United Nations Sustainable Development Goals (SDGs). The fund is an Article 9 fund, so the aim of investment activities is to make sustainable investments in assets to contribute to positive, measurable social and environmental impact.
- In 2023, Evli's alternative investment funds also systematically developed responsible investment practices. Here are some examples of them:
  - In the Evli Private Equity, Evli Infrastructure and Evli Private Debt funds, responsible investment work continued with an ESG analysis of 13 new funds, and the fund managers were provided the results of the previous year's ESG survey, so that they get feedback on their performance, in relation to the peer group, in various aspects of responsible investment. In addition, in the annual ESG assessment, more detailed bilateral discussions with the low performers among the target fund managers on their development areas were held. At the end of the year, the fund team also familiarized itself with the anti-ESG movement, which started in the United States, and analyzed its possible effects on the US target funds and specified the ESG survey's questions related to climate and biodiversity.
  - In 2023, the growth company fund, Evli Growth Partners I, continued its work on climate in terms the calculation of carbon emissions and offsetting. In the Evli Growth Partners II fund, the calculation of carbon emissions and offsetting was performed for the fund's companies for the first time in 2023. For both funds, for the first time, data on the PAI indicators was collected and companies' capacity to check their business partners and key employees for sanctions was examined. In addition, two out of the three new investments of the Evli Growth Partners II fund drafted a responsibility policy. In the growth company funds, many portfolio companies also updated their ESG policies, and three companies published an extensive public report on the responsibility of their operations. For the new portfolio company, a sustainability analysis was made as part of the due diligence process, and the findings will serve as the basis for the ESG policy and the company's targets for the coming year.
  - In EAB Private Equity's target companies, responsible investment activities were continued. Depending on a company's growth and holding period, an own responsibility policy and description on the integration of responsibility into the companies' business strategy was made or will be made. In the most recent investment, an ESG assessment was carried out as part of the due diligence inspection. In one target company, tailored ESG training was arranged for the Board of Directors and management. All target companies also received one or more ISO certifications and published a whistleblowing channel. At the end

of 2023, EAB Private Equity and Evli Growth Partners arranged a workshop for their portfolio companies that covered preparation for the CSRD directive and best practices and offered the participants an opportunity for peer learning and networking.

- In 2023, in Evli's real estate fund operations, operating models were combined, and new common responsible activities were planned. In addition, it was decided to make the real estate funds' first own responsibility report, and one quarter of the funds participated in the global GRESB (Global Real Estate Sustainability Benchmark). In properties owned by funds, several sustainability activities were carried out, such as energy efficiency projects and energy audits, and energy certificates were renewed. Furthermore, there was active stakeholder engagement in real estate funds. The annual tenant satisfaction survey examined the tenants' views on responsibility. Tenant events were organized in many properties to improve understanding of responsible practices and of reducing environmental impact. As for suppliers, responsible operating models were demanded and monitored.
- In 2023, the Evli Impact Forest Fund I developed an ESG survey and assessment of its investee funds and assets. The questionnaire sought answers to issues related to the climate and biodiversity actions of investee managers. In addition, in 2023 the new Evli Impact Forest Fund II was launched, which continues its predecessor's investment strategy and seeks to create a positive carbon impact. In both funds, the performance fee received by Evli depends on the achievement of the stated carbon dioxide removal targets.
- Evli's responsible investment performed excellently in external evaluations, too. Evli was placed first overall in sustainable investments expertise in Finland in the Kantar Prospera's "External Asset Management 2023 Finland survey[1]. In the annual institutional investors' SFR customer survey Evli was ranked second in responsible investment expertise in Finland among large asset management companies[2].

You can read more about Evli's responsible investing and its development at evli.com/en/responsibility/responsible–investing. Evli also reports its climate risks according to the guidelines of the Task Force on Climate–related Financial Disclosures (TCFD) reporting framework. The 2023 TCFD report was published as part of Evli's Corporate Responsibility Report.

[1] Kantar Prospera External Asset Management 2023 Finland.
[2] SFR Scandinavian Financial Research Institutional Investment Services Finland 2023.

CASE

Evli's new equity fund promotes a low carbon, resource efficient economy and human development

In late 2023, Evli launched a new Article 9 equity fund, Evli Impact Equity, which responds to investors' interest in investing to promote a low carbon, resource efficient economy and human development.

The Evli Impact Equity fund invests its assets both in developed and emerging markets' equities without geographical restrictions. The fund focuses on companies operating in areas such as power generation, renewables, environmental infrastructure, resource efficiency and reliability, provision of affordable and accessible education, and health care.

Aiming a positive environmental and social impact

Evli Impact Equity is specialized in impact investing. Impact investing in listed equities is about investing in companies that with their products, services, or technology or with significant turnaround of operations, contribute to transition to low carbon, resource efficient economy and human development. Impact investing also aims to generate competitive financial returns relative to broad stock market performance over the long term.

Evli Impact Equity measures contribution to positive environmental and social impact with real indicators such as renewable energy capacity added, energy savings, and life expectancy improved.

"Climate action urgency, regulatory pressure, technology advancement, and responsible consumption preferences create huge investment opportunities. According to McKinsey estimates transition to net zero emissions requires ca USD 9.2 trillion annual capital spending during 2022–2050[1]. Many investors have set goals to transit to global net zero emissions in 2050," says **Olga Marjasova**, Fund Manager of the Evli Impact Equity.

"With the Evli Impact Equity fund we want to contribute to the transition to low carbon economy by investing in companies whose products, technology and at times significant operation transition make achievement of net zero emissions possible."

Impact is integral part of fund investment process

Evli Impact Equity has defined an investment process on how to implement environmental and social impact objectives with portfolio holdings. First, impact objectives are stated and company activities relevant to contribute to objectives are screened. Then, quantitative and qualitative evaluation of impact potential and investment case is done. The fund also engages with companies on impact management and measurement as well as issues regarding environmental and social sustainability and good governance. The results will be reported on an annual basis in the fund's allocation and impact report.

The Evli Impact Equity complements Evli's broad range of funds and strengthens Evli's position in sustainable investing.

[1] McKinsey, The net–zero transition, What it would cost, what it could bring, January 2022

Active ownership and engagement

Active ownership and engagement are a systematic part of the way Evli operates. Evli participates in annual general meetings in Finland and engages with companies both independently and through collaborative initiatives with other investors.

Attendance at annual general meetings as part of active ownership

During 2023, Evli participated in 27 annual general meetings (AGM) and/or extraordinary general meetings (EGM). The meetings were attended by voting in advance or attending physical meetings. In the spring of 2023, most general meetings attended by Evli's representatives were arranged in such a way that it was possible to participate by voting in advance and by submitting counterproposals and questions in advance. Evli's representative attended six physical general meetings during the year. Evli's representatives attended the annual general meetings and/or extraordinary general meetings of Admicom, Detection Technology, Eezy, Enento Group, Fortum, Gofore, Huhtamäki, Kempower, Lemonsoft, Marimekko, Metsä Board, Musti Group, NoHo Partners, Ponsse, Puuilo, Relais Group, Remedy Entertainment, Revenio Group, Sanoma, Sitowise Group, SSAB, Talenom, Terveystalo, Uponor, Valmet, and Verkkokauppa.com. The meetings were selected on the basis of the content of the agenda and influence potential. Prior to the general meetings, Evli was in contact with eight companies in relation to good governance.

Through its five fund investments, Evli abstained from the vote 18 times on the election of Board members and/or the chair and deputy chair and two times on the decision on the discharge of liability for the Board members and the CEO for the previous financial year as well as voted against on one occasion on the election of Board members. The above voting details are presented at fund level. Apart from these, Evli supported all proposals presented at the general meetings. At the general meetings Evli attended physically, no agenda items resulted in voting nor did Evli cast advance votes prior to the general meeting.

Independent engagement and dialogue with target companies

Systematic engagement with Evli's investee companies continued. In 2023, Evli was in contact with 37 companies in the area of sustainability discussions alone. The cases of engagement were primarily related to encouraging companies to set climate targets and/or science–based climate targets and/or climate principles (19 engagements). In addition, ten engagement discussions and/or emails were also related to changing a company's operating practices, a suspected breach of norms, environmental issues, social responsibility in companies' subcontracting chains, for example, and/or developing companies' sustainability activities. Prior to the general meetings, Evli engaged with eight companies in relation to good governance. This took the form of emails and, with some companies, engagement meetings.

Examples on engagement meetings in equity funds and corporate bond funds

Topic	**Environment:** climate targets	**Society:** human rights, suspected breach of norms	**Good governance:** increasing Board fees
Engagement	The company's climate targets and transition schedule were discussed with the company. The company was very open and transparent in its actions and related challenges and had a clear action plan.	The company was asked about its human rights policies and actions to ensure best practices. The goal is to assess the company's activities and corrective actions in respect of human rights.	The company was asked to provide reasons for significant increase in Board fees. The company provided clear reasons. We encouraged the company to be transparent and open towards other shareholders, too, and the company stated that it will include the information in the general meeting materials.
Result	Investment in the company was retained. The company's actions will be monitored.	Engagement is still in progress.	The transparency of company activities increased. As a result of their clear reasons, it was possible to retain the investment in the company and to second the general meeting proposal.

In 2023, Evli participated in materiality analyses of several companies as well as discussed responsibility themes with various stakeholders. In addition, Evli actively participated in the consultation discussion with various actors on the Sustainable Financial Disclosure Regulation (SFDR). In addition to the engagement meetings, portfolio managers discussed corporate responsibility themes with companies as part of their company meetings. In 2023, portfolio managers of Evli's equity and corporate bond funds met with companies around 550 times.

Related to the quarterly monitoring of norm violations, Evli excluded three companies from its investment universe. Of the exclusions, one was due to a serious environmental controversy and two due to a serious human rights violation. In the suspected environmental controversy, Evli's responsible investment team analyzed a case where the company's violation had lasted for several years and the company had carried out some measures to compensate damages. Evli's responsible investment team, however, did not consider the measures to be sufficient to continue investing. As for the human rights violation, one company was suspected of using forced labor. After analysis, engagement was not seen as a realistic option to change the situation, as at that time the company did not have the possibility to audit its factory. As a result, the company was excluded. The situation will be reassessed after one year. Evli's responsible investment team also dealt with two companies on suspicion of being related to nuclear weapons. Both companies were excluded.

Engagement in alternative investment funds

Responsibility is systematically raised with the target investment companies and partners of the alternative investment funds. For example, in 2023, in the Evli Infrastructure, Evli Private Debt and Evli Private Equity funds, the portfolio management of the target funds were provided the results of the annual ESG survey, giving them feedback on their performance, in relation to the peer group, in various aspects of responsible investment. With the ESG survey's low performers among the portfolio managers of the target funds, more detailed discussions were held on their development areas.

In Evli's growth company funds (EGP Fund I and EGP Fund II) engagement was carried out through active cooperation with the target companies. In 2023, target companies were met 27 times in quarterly sustainability discussions on a company's progress in their annual targets as well as on the most important measures for the coming quarter. In addition, an obligation to monitor sanctions as well as an obligation to monitor and report any violations of the UN Global Compact or UN human rights at the company were included in two new partnership agreements. These entries are to be included in all future partnership agreements. During the year, two workshops were organized for target companies. The first one addressed personnel management in organizational changes and reconstructing organizational culture. The topic of the second workshop was preparing for the Corporate Sustainability Reporting Directive (CSRD).

EAB Private Equity engages target companies through the work of Board of Directors and working committees. EAB Private Equity has at least one seat on the Board of Directors in all companies. When revamping the composition of the Board of Directors, it is pivotal to take account of diversity. Last year, companies increased the proportion of women and international talents. EAB Private Equity also participates in ESG committees, meeting quarterly, formed at the beginning of an ownership period. Meetings are also arranged in other committees should the need arise.

In real estate funds, stakeholder engagement is focused on investors, tenants, and service providers. In 2023, responsibility perspectives were discussed in investor meetings, among other things. Tenants' views on responsibility were examined on annual tenant satisfaction surveys, and tenant events were organized in many properties to improve understanding of responsible practices and of reducing environmental impact. Tenants were also encouraged to actively report any failures in order to jointly improve real estates. As for suppliers, responsible operating models are demanded and monitored. In real estate management, for example, this meant, among other things, monitoring of energy consumption and reacting quickly to consumption variations, active monitoring of water leakages and water consumption, monitoring of safe real estate use as well as transparency of governance in tenders for real estate acquisitions.

CASE

Promoting responsibility in unlisted direct equity investments

The EGP Fund I and EGP Fund II of Evli Growth Partners and the co–investments of EAB Private Equity offer investment target companies wide support in promoting responsibility. Important responsibility aspects for the company are identified already during an investment process, and after investment, responsibility policy and targets are formulated for the company.

Training target companies is also an integral part of the sustainability agenda of the investment teams. For example, Evli Growth Partners has aimed at organizing a workshop twice a year where target companies can share their experiences in chosen topics. Through peer learning companies may learn about best practices to tackle existing challenges and to launch new projects. Examples told by other target companies give concrete touch points to topics that may otherwise seem opaque and complex.

The latest workshop was set up together with Evli Growth Partners and EAB Private Equity in November 2023, with target company participants from investment portfolios of both teams. The topic of the workshop was Corporate Sustainability Reporting Directive (CSRD), which will apply to many target companies either directly or indirectly. In the workshop, Acast, the target company of the EGP fund, and Proventia, the target company of EAB Private Equity, told other target companies how they had started preparing for the CSRD regulation by conducting, among others, a materiality analysis as well as updating their responsibility targets and reporting. In addition to target companies, an external expert was also present providing background on the new regulation.

"When companies hear examples from each other, they come up with more ideas for solving similar challenges themselves. Due to high growth rate, measures taken by growth companies might look very different from the more traditional companies. Therefore, companies benefit from hearing examples from other companies, whose organizations are rapidly growing and operations have a broad geographical coverage. When companies have the same owner, mutual trust develops more easily as the companies are non–competitors. At its best, a workshop fosters discussions which companies continue bilaterally also after the workshop," says **Maiju Aspegren**, Head of Sustainability at Evli Growth Partners.

"We invited nearly 20 target companies of EGP and EAB Private Equity across Europe for the workshop. One of our goals was to reflect together how mandatory regulation could create competitive advantage and new business opportunities. At the end of the workshop, the participants requested a follow–up meeting about the theme. It also came up in the discussion that it's important to develop a shared understanding at the outset on what environmental, social, and governance (ESG) factors mean to your company. Owners and the Board of Directors have an important role in setting up the target level of responsibility work," says **Kia Aejmelaeus**, Partner and Investment Director of EAB Private Equity.

Engagement through collaborative initiatives and investors statements

In addition to its independent engagement, Evli is involved in collaborative engagement initiatives and investor statements. The purpose of collaborative engagement initiatives and investors statements is to bring together a wider group of investors behind the same objectives, thus enabling a broader impact on companies. The themes of the initiatives and statements include climate change mitigation, human rights, and biodiversity.

Collaborative engagement initiatives and investor statements

Climate Action 100+

Evli has been part of the Climate Action 100+ initiative since 2017. The initiative aims to better manage climate change in companies, reduce greenhouse gas emissions, and report climate impacts more transparently. From 2018 to 2022, the initiative aimed to influence the most significant greenhouse gas emitters to mitigate climate change and achieve the goals of the Paris Agreement. In 2023, the second phase of the initiative was announced, running until 2030. At the end of 2023, approximately 700 investors had signed the Climate Action 100+, with combined investment assets of approximately 68 trillion dollars. In 2023, the initiative focused on 170 companies. At the end of the year, of the focus companies, 77% have committed to net zero, 93% have a Board committee oversight of climate change risks and opportunities, and 90% have aligned their disclosures with the Taskforce on Climate–related Financial Disclosure (TCFD) recommendations.

Investor letters coordinated by CDP

Evli has been an investor member of CDP since 2007 and since 2017 has been involved in engaging with companies through CDP's investor letters. CDP is an independent organization whose aim is to encourage companies to report on and manage their impact on the environment. In 2023, 288 investors (2022: 260 investors) with combined assets of 29 trillion dollars were involved in the engagements. In total, 1,590 companies were targeted for engagement (2022: 1,466 companies). Of those companies, 317 (2022: 388) started reporting their activities to the CDP. Of the companies, 211 (2022: 293) included impacts on climate change, 58 (2022: 46) impacts on forests, and 66 (2022: 104) impacts on water.

CDP's Science–Based Targets (SBTs) collaborative engagement

Evli has been involved in the Science–Based Targets (SBTs) collaborative engagement initiative co–ordinated by CDP since the beginning of the campaign in 2020. The initiative aims to encourage companies to set science–based climate targets which are aligned with the Paris Agreement's emission reduction targets and which enable companies to make action plans for their own climate action. In 2023, there were 367 investors and companies (2022: 318) with combined assets of 33 trillion dollars involved in the SBT engagement. The latest campaign was launched on November 1, 2023, and it will last until October 2024. In the campaign 2,100 companies (2022: 1,061) will be targeted with the collaborative engagement. During the 2020 and 2021 campaigns, 381 companies joined the Science Based Targets initiative (SBTi) or received approval for their SBTi targets from the initiative. Between 2022 and 2023, 99 new companies joined the SBTi.

PRI Advance

In 2022, Evli joined as an endorser the PRI Advance, an initiative in which investors work together for the benefit of human rights and social issues. It is engaging sectors and companies with the most severe human rights risks. The collaborative engagement campaign was launched in December 2022 with 220 investors. In December 2023, 265 investors with combined assets of 35 trillion dollars had joined the initiative. The campaign includes endorsers and participant investors who are in contact with companies targeted for engagement. A wider engagement with companies started in 2023. The first assessment of the progress of the companies will be carried out in early 2024, after which progress will be reported annually.

Investor statement on European Sustainability Reporting Standards

In July 2023, Evli signed, together with other investors, the investor statement on the European Sustainability Reporting Standards (ESRS) drafted by Eurosif, PRI, IIGCC, EFAMA and UNEP FI. The statement calls on the EU commission to uphold the previously set policies of the ESRS reporting to address the current data gaps of the EU's sustainable finance rules. The statement was signed by 92 investors.

Nature Action 100

In September 2023, Evli joined the global Nature Action 100 investor initiative, which encourages companies to take on concrete corporate actions to reduce nature loss. The initiative includes 190 investors and engages with 100 companies operating in eight key sectors with significant impacts on biodiversity around the world. The initiative started by sending letters to companies and continues with investor participants' direct engagement on companies either individually or as a part of engagement teams with other participating investors. Investor participants will report to Nature Action 100 on the progress of their engagement.

Research project to promote children's rights

As part of its human rights work, Evli has brought children's rights into a broader perspective. Investors have the power to influence how children's rights are implemented in companies' operations. In 2023, Evli continued the research project started with UNICEF Finland to find out how Finnish companies take children's rights into account in their activities and what kind of clear metrics could be used to measure this. The study is unique in the world, as there are only a few known similar projects.

UNICEF Finland is studying how well Finnish listed companies have succeeded in implementing children's rights. Evli is acting as an investment expert in the study. Evli's research takes a broad view on children's rights and identifies risks across industries and companies. For example, in forestry companies, risks could include child labor, access to family leave for employees, product safety, and the company's impact on climate change, water quality and land use.

The aim of the industry–specific analysis is to create metrics that will help to integrate children's rights more strongly into responsible investing methods. In practice, this means that when analyzing investment decisions, they could be considered as part of the company analysis. In this context, however, it is important to keep in mind the availability of data, which is also important to raise in a broader discussion with different stakeholders.

Evli was interviewed about its research for UNICEF's international publication **Child Lens Investing Framework***, which was published in autumn 2023.*

Evli's work to mitigate climate change

Climate change mitigation has been part of Evli's responsible investment processes for a long time. Evli continued this work with its climate targets published in 2021. According to its climate targets, Evli aims to achieve carbon neutrality by 2050 at the latest. This target applies to emissions from both Evli's own operations and its investments. In addition to the main target, Evli set interim targets and a separate climate roadmap to support the long-term goal of carbon neutrality.

In 2022, Evli reinforced its climate commitment by signing the Net Zero Asset Managers[1] (NZAM) initiative. The signatories of the initiative include a large group of internationally renowned investors committed to achieving carbon neutrality by 2050. Commitment to the initiative requires signatories to take several steps, including the setting of interim targets, annual reporting on progress towards targets, a clear climate roadmap and planned actions for engagement. The initiative will guide the industry to reduce emissions and report on their progress in a consistent way, which will make it easier to monitor the overall picture.

Within a year of making the commitment, the signatories of the NZAM initiative must confirm their interim targets as well as the share of investments committed to it. In line with the NZAM initiative's target setting, best practices for climate work are favored. This has also supported Evli's Climate Targets' Working Committee's analysis of how best to achieve the investment-related interim target through real-world emission reductions and in line with the Paris Agreement. In 2022, our Climate Targets' Working Committee focused on mapping out the best practices as well as defining the resulting next steps. In 2023, they continued more detailed studies in separate focus groups.

[1] www.netzeroassetmanagers.org/

Evli's climate targets

In line with its responsible investment objectives, Evli published separate climate targets in June 2021. Evli aims to achieve carbon neutrality by 2050 at the latest. The target applies to emissions from both Evli's own operations and investments. In addition to the main target, Evli set three interim targets:

1. Evli aims to achieve carbon neutrality for emissions from its own operations (Scope 1 and 2) by 2025 at the latest.

2. Evli set an interim target of a 50% reduction in indirect emissions from investments by 2030, provided that the investment environment enables this. The base year is 2019.

3. Evli set up a Working Committee to further explore how best to achieve the investment–related milestone through real–world emission reductions and in line with the Paris Agreement. In 2022, it was decided that the Climate Working Committee continues supporting climate work until 2025. Evli reinforced its climate commitment in summer 2022 by signing the Net Zero Asset Managers initiative.

The interim targets and the roadmap of climate targets support Evli's long–term goal of carbon neutrality. In line with the climate targets roadmap, Evli will refine the monitored metrics as work progresses and report accordingly.

First interim target for Net Zero Asset Managers initiative

In summer 2023, Evli submitted its first interim target for the NZAM initiative, which was published on the initiative's website after approval by member organizations. The interim target is based on Evli's milestones of climate targets and the Climate Working Committee's analysis of how best to achieve the investment milestone through real–world emission reductions and in line with the Paris Agreement. The NZAM target provides concrete tools and metrics to support Evli's short–term and long–term climate targets in accordance with Evli's roadmap of climate targets.

ROADMAP TO BECOMING A NET ZERO ASSET MANAGER

1. **Building a snapshot**
2. **Development of climate risk managem**
3. **Updating the exclusions**
4. **Engagement**
5. **Systematic analysis of the targets**

The first NZAM target includes Evli's equity and corporate bond funds. The work will continue for other asset classes based on the roadmap of Evli's climate targets. Equity and corporate bond funds were selected for the first set of targets as they have the best and most comprehensive data available at this stage. Evli's NZAM interim target is based on two methodologies recommended by the initiative, the combination of which will continue Evli's climate work and provide clear next steps and tools in line with the climate roadmap.

The two methodologies used to set the targets are the Paris Aligned Investment Initiative's[1] Net Zero Investment Framework[2] (NZIF) and Net Zero Asset Owner Alliance's[3] Target–Setting Protocol[4] (TSP). Evli defined the interim targets related to assessment of companies (portfolio coverage targets) by following the NZIF methodology. Based on TSP methodology, Evli defined an interim target for investments (sub–portfolio target) and an engagement target.

The interim target related to the assessment of companies following the NZIF methodology is based on the assessment of how companies' business model and climate policies relate to the requirements of a low–carbon society. This target provides a clear tool that emphasizes forward–looking indicators and acknowledges the different requirements for high impact sectors. The method is also in line with Evli's engagement work and brings concreteness to climate work.

In addition to the work under these methodologies, Evli encourages its investee companies to set climate targets and science–based targets and monitors the progress of the targets that companies have already set.

[1] The Paris Aligned Investment Initiative (PAII) was launched in May 2019 by the Institutional Investors Group on Climate Change (IIGCC). The objective of the initiative is to examine how investors can align their portfolios to the goals of the Paris Agreement.
[2] The Net Zero Investment Framework developed by the PAII provides a common set of recommended actions, metrics and methodologies through which investors can maximize their contributions to achieving global net zero emissions by 2050 or sooner (www.parisalignedasse–towners.org/media/2021/03/PAII–Net–Zero–Investment–Framework_Implementation–Guide.pdf).
[3] The UN–convened Net Zero Asset Owner Alliance (NZAOA) is a member–led initiative of institutional investors committed to transitioning their investment portfolios to net zero greenhouse gas emissions by 2050 — consistent with a maximum temperature rise of 1.5°C.
[4] Target–Setting Protocol is a broad framework for reporting and delivering short–term climate targets (www.unepfi.org/industries/tar–get–setting–protocol–third–edition/).

Net Zero Asset Managers interim targets

Sub–portfolio target

Target: Investment emissions decrease by –50%

Base year:	2019
Carbon footprint of the base year:	241.8 t CO2e/$M Sales
Target year:	2030
Achieved at the end of 2023:	–44.7% of the base year

Engagement target

Target: Evli will engage with the 20 highest emitting companies that have not committed to or do not have an approved science–based target (SBTi) or that are not aligned to a net zero pathway as defined in the NZIF methodology.

Base year:	2022
Target year:	2025
Achieved at the end of 2023:	
independent engagement:	4 companies
through collaborative initiatives:	12 companies

Portfolio coverage targets

Target: The target is to achieve a certain percentage of assets under management (AUM) in material sectors that is net zero, aligned or aligning by 2050.

Base year:	2022, share of AUM 42%
Target year:	2027, share of AUM 55%
Target year:	2030, share of AUM 65%
Achieved at the end of 2023:	share of AUM 49.6%

Development of climate targets and next steps

In 2023, Evli updated its Climate Change Principles related to coal and oil sands exclusion and engagement, among other things. The principles were also updated to include that it is possible to depart from the exclusion if the company has a concrete plan to change its procedures and/or the company supports just transition. In addition to revenue restrictions, the exclusion was added to include that Evli does not finance new thermal coal–fired power plants, thermal coal mines or oil sands projects that are in the planning or construction stages.

Evli focused its climate engagement work on companies previously engaged with as well as on high emitting companies either independently (19 companies) or through collaborative engagement initiatives. As for Evli's engagement target included in the NZAM interim target, Evli engaged independently with four companies and through collaborative engagement initiatives with 12 companies.

Climate target–related metrics, methodologies, and tools were discussed with Evli's portfolio management teams. Climate targets were also covered on Evli's internal training days. Furthermore, discussions with the fund teams of alternative funds about climate target work of different asset classes were continued. For example, Evli Rental Yield fund commissioned, as part of its SFDR and taxonomy statements, a net zero roadmap, too. If the energy companies used by the fund achieve their declared climate targets, the fund's properties will be nearly carbon neutral in terms of Scope 2 emissions by 2030.

The interim target for Evli's investments, which is a 50% emission reduction by 2030, Regarding the interim target for Evli's investments, which is a 50% emission reduction by 2030, the carbon footprint decreased 44.7% from the 2019 baseline year by the end of 2023, based on the MSCI carbon data.

Interim targets related to assessment of companies showed that 49.6% of the target companies in material sectors were considered aligned at the end of 2023. In 2023, Evli also actively discussed with various ESG service providers how ESG data could also help improve classification of companies as aligned and net zero, for which data is not yet widely available.

Emissions from Evli's own operations

In terms of emissions from own operations, the snapshot was formed in 2021 with the construction of an emissions calculation and the mapping of the most significant emission sources. The framework set by the GHG Protocol[1] was used for this task. The calculation of emission sources revealed that emissions from Evli's own operations are mostly concentrated in indirect Scope 3 emissions, such as emissions from purchased products and services. Evli's Scope 3 emissions also include the energy consumption of the Helsinki office. Some Scope 2 emissions arise from energy consumption at non–Helsinki premises. Based on the mapping, Evli has no Scope 1 emissions.

At the start of the calculation, the corporate structure was defined, and the financial control approach, defined by the GHG protocol, was chosen as the approach used. According to the approach, Group companies' emissions are included in the calculation in whole when Evli exercises financial decision–making power at the company. The corporate structure will be reviewed annually when starting the calculation, and possible organizational changes are taken into account in the best way possible. The calculation seeks to include information giving as true a view as possible, and data is collected from different branches, where possible.

The most significant emission sources, which are possible and essential to include in the calculation, will be reviewed annually before calculation starts. Evli seeks to develop its calculation over time as well as to always include the most relevant information available in its emissions. In 2023, the continuous calculation process has been developed, and to ensure accuracy of information and calculation principles, an external operator has verified the emission calculation. Calculation has been developed in order for Evli to more fully take account of various emission sources as well as changes in premises. The aim is to publish emission calculation figures for different years at a later stage, as part of climate target reporting.

Evli's climate portfolio supports achieving carbon neutrality

Evli provides its clients with a climate portfolio strategy that helps reduce greenhouse gas emissions from investments.

Evli's climate portfolio is an asset management strategy that aims to reduce the portfolio's carbon emissions and direct investments in climate solutions based on the client's goals. Careful allocation and risk analysis are at the core of the strategy, and investments can be made in both funds and stocks.

An essential step in achieving carbon neutrality is to assess what kind of investments are in the portfolio and calculate their carbon footprint and carbon intensity. The data helps asset managers make better investment decisions. Excluding specific companies or industries is not the only option, the investments can also focus on supporting the net–zero transition.

[1] The calculation of the carbon footprint is defined, for example, by the international standard Greenhouse Gas Protocol (GHG; ghgprotocol.org). which divides greenhouse gas emissions into Scope 1, 2, and 3. Scope 1 greenhouse gas emissions refer to direct emissions from activities that come from sources owned or controlled by the company. Scope 2 greenhouse gas emissions refer to the indirect emissions from the activity that arise from the production of purchased energy, and Scope 3 includes indirect emissions related to products purchased by the company, out–sourcing, business travel, etc.

Integrating biodiversity in investment activities

Responsible investment has taken account of climate change for quite some time. Incorporating biodiversity, or in other words natural diversity, into investing is, however, fast emerging as a significant area of responsibility alongside climate change.

More than half of the world's gross domestic product is moderately or heavily dependent on nature and the services it provides.[1] In the worst-case scenario, biodiversity loss could lead to significant losses for companies and investors alike. In addition to climate change mitigation, Evli makes further efforts to take biodiversity into account in its activities. Evli has continued its biodiversity work by preparing a biodiversity roadmap that aims to increase biodiversity-related analysis, measuring, and reporting as well as to encourage companies to take biodiversity into account in their actions.

The significance of biodiversity in investing and business

Biodiversity has a significant impact on human and planetary wellbeing as well as on the preconditions for economic activity. Nature provides ecosystem services on which many business activities depend. Ecosystem services include provisioning services (nutrition, water, medicinal substances, and materials), supporting services (photosynthesis and soil quality), regulating services (climate regulation, clean air, and clean water) and cultural services (recreation and aesthetic nature).[2] Biodiversity loss disrupts ecosystem services, and in the worst-case scenario, it could lead to significant losses for both companies and investors.

Correspondingly, companies' activities may have impacts on biodiversity and ecosystem services. Therefore, it is important to recognize the impacts of corporate actions on nature and to consider their double materiality. Nature impacts refer to the positive or negative impacts of corporate actions on biodiversity. IPBES[3] has

[1] World Economic Forum,
www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/
[2] World Resources Institute, www.wri.org/
[3] Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), www.ipbes.net/

identified five drivers of biodiversity loss as the 1) changes in land and sea use, 2) direct exploitation of organisms, 3) climate change, 4) pollution and 5) invasive alien species. These biodiversity loss drivers, for example, can be used to examine the negative impacts of corporate actions. On the other hand, when assessing positive impacts, it is possible to make use of the EU taxonomy definition of environmentally sustainable business activities, for example.

The Kunming–Montreal Global Biodiversity Framework (GBF) is a global framework adopted in December 2022 at the UN Biodiversity Conference (COP15) and signed by 196 countries. The target of the GBF framework is that, by 2050, biodiversity is valued, conserved, restored, and wisely used and that ecosystem services are maintained. One of the GBF's intermediate targets is that companies assess and report their biodiversity–related dependencies, impacts and risks as well as reduce their negative impacts on nature.[1]

Evli's biodiversity work

Evli has made biodiversity research one of its focus areas for responsible investing for 2022–2024. In summer 2022, Evli joined the Taskforce on Nature–related Financial Disclosures Forum[2], as a member of which Evli was able to follow the development of the framework more closely. Evli signed with other investors the global COP15 initiative 'Moving Together on Nature', released in conjunction with the UN Biodiversity Conference (COP15) in December 2022. The initiative called on governments to take coordinated action to tackle climate change and biodiversity loss around the world. Governments were also urged to set a stronger mandate for financial institutions to align financial activities with biodiversity targets and to adopt an ambitious Global Biodiversity Framework. Previously, in 2020, Evli was involved in the PRI–led collaborative engagement initiative 'Need for Biodiversity Metrics', with the aim of encouraging the development of biodiversity–related reporting practices. In the fall of 2023, Evli joined the global Nature Action 100 initiative[3], which focuses on driving greater corporate ambition and action to stem biodiversity loss.

During 2022, Evli improved its portfolio analysis based on data provided by the ENCORE tool[4]. Based on the analysis, it is possible to evaluate, based on industry distribution, on which ecosystem services a portfolio is dependent and what possible impacts the portfolio's industries can have on biodiversity loss. During 2022, as part of its biodiversity work, Evli studied the TNFD framework and its recommended nature–related reporting metrics. In addition, Evli has studied available biodiversity data in relation to TNFD's recommendations, nature loss drivers defined by IPBES and the PAI indicators describing the principal adverse impacts of investment decisions on sustainability factors. As part of the sustainable finance legislation, Evli takes into account and reports the PAI indicators of its investments, which also include biodiversity–related metrics, such as greenhouse gas emissions, activities negatively affecting biodiversity–sensitive areas, emissions to water as well as hazardous waste ratio. The analysis has been continued and further developed in 2023 and will be continued in accordance with the biodiversity roadmap. Biodiversity issues have also been added to the ESG survey of alternative fund of funds. Asset management has actively followed how its co–operation partners progress in taking into account biodiversity risks and in utilizing opportunities it presents.

[1] Kunming–Montreal Global Biodiversity Framework, www.cbd.int/gbf/
[2] Taskforce on Nature–related Financial Disclosures, https://tnfd.global/
[3] Nature Action 100, www.natureaction100.org/
[4] ENCORE, Exploring Natural Capital Opportunities, Risks and Exposure, www.encorenature.org/en

Taskforce on Nature–related Financial Disclosures

Taskforce on Nature–related Financial Disclosures (TNFD) is a market–driven, science–based initiative that has developed a risk management and communication framework for organizations and financial institutions. The framework can be applied to organizations regardless of their size or geographical location. The aim is to help organizations identify and report on the risks, opportunities, impacts, and dependencies associated with the nature of their activities in a standardized way. Increased reporting and more comprehensive data will allow biodiversity to be taken into account in future investment activities. The TNFD disclosure recommendations are built on the previously published and already widely used climate reporting framework TCFD, following the same four pillars: 1) governance, 2) strategy, 3) risk and impact management, and 4) metrics and targets. TNFD published the final reporting framework in September 2023.

Wealth Management's biodiversity roadmap

Evli has prepared its Wealth Management's biodiversity roadmap with action steps for 2023—2025. The objective of the roadmap is to gain a better understanding of biodiversity—related risks and impacts of investments on biodiversity. According to the roadmap, Evli is developing biodiversity—related ESG integration and reporting in such a manner that biodiversity is integrated into Evli's operations in line with best practices. The aim of the roadmap's action steps is to set more specified biodiversity—related principles and targets in the future.

EVLI'S BIODIVERSITY ROADMAP

1. **Building a snapshot**
2. **Developing data and tools**
3. **Engagement and active ownership**
4. **Developing reporting and TNFD reporting**
5. **Setting biodiversity—related principles and targets**

Biodiversity roadmap action steps

1. Building a snapshot

In its investment activities, Evli seeks to identify biodiversity—related risks and dependencies as well as the impacts of investments on biodiversity. For this purpose, Evli improves the analysis of its investments and explores nature—related metrics.

2. Developing data and tools

As part of building a snapshot and analyzing investments, Evli examines available data, identifies the needs of new metrics and develops portfolio management tools so that biodiversity—related metrics are taken into account in investment analysis.

3. Engagement and active ownership

Based on relevant biodiversity metrics and analysis, Evli seeks to identify target companies it can engage with to address biodiversity matters. As part of active ownership, Evli also continues to collaborate with other investors to engage with companies when the target and goals of collaborative engagement are in line with Evli's biodiversity work.

4. Developing reporting and TNFD reporting

After identifying the biodiversity metrics integral to investment activities, Evli aims to improve its responsibility reporting. Evli aims to find biodiversity metrics that comply with, for example, recommendations of the Taskforce on Nature—related Financial Disclosures (TNFD) or other reporting frameworks, and describe, in the best possible way, biodiversity risks and impacts related to investments. Evli will report on its investments in accordance with the TNFD from 2025 onwards based on the year 2024..

5. Setting biodiversity—related principles and targets

As a result of the roadmap, Evli seeks to set biodiversity principles that specify how Evli takes into account biodiversity as part of its investment activities in different asset classes. In addition, Evli's monitored metrics, analysis tools, engagement targets and principles as well as biodiversity—related reporting are described in the principles.

In the future, Evli also seeks to establish biodiversity targets. The aim of Evli's biodiversity roadmap is to set action steps for biodiversity—work, and based on that more detailed biodiversity targets and asset class—specific policies can be determined in the future.

Responsible investment practices are constantly evolving

Responsible investment requires continuous development together with stakeholders. We value our dialogue with our clients and constantly follow the public debate. In the coming years, we aim in line with our focus areas to continue to work systematically towards our climate targets, to launch new responsibility themed funds, to strengthen our responsibility work in investment, and to deepen our work on human rights and biodiversity.

"We believe that wealth and sustainability drive positive change together. We have the expertise, the vision, and the courage to drive broader discussion and initiatives that will create long–term value for individuals, society and our planet."

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