EVLI

# Sustainability-related disclosures

*Discretionary asset management service's sustainability information in accordance with EU Sustainable Finance Disclosure Regulation (SFDR) 2019/2088 (sustainability-related disclosures in the financial services sector). This is a discretionary asset management service in accordance with Article 8 of the SFDR.*

**Publication date:** December 21, 2022
**Legal Entity Identifier:** 984500F4CCF3AD74F766

## a. Summary

This financial product promotes environmental or social characteristics, but its objective is not to make sustainable investments.

Evli Plc offers its clients a full range of asset management services. An asset management agreement may stipulate that the client's assets are managed either in accordance with a predefined model strategy defined by Evli or in accordance with an individual strategy tailored to the client, by investing assets in equity and fixed-income investments, mutual funds, and alternative investment funds (together "funds") as agreed with the client. The provision of asset management services complies with Evli's Principles for Responsible Investment, Climate Change Principles and climate targets, and on the condition that target companies observe good governance. If it has been agreed with the client that assets can also be invested in private equity and real estate funds, separate responsible investment principles will be applied to these investments. Any responsibility policies concerning investment proposed by the client may also be taken into account. No benchmark has been designated to measure the achievement of the characteristics.

The carbon footprint and emission indicators of the target companies of the equity and fixed-income investments and funds are measured and monitored, and a regular scenario analysis is conducted on assets under management to monitor the attainment of Evli's general climate targets. Evli's goal is to achieve carbon neutrality by 2050 at the latest, and it has set a target of a 50 percent reduction in indirect emissions from all investments by 2030, provided that this is possible in the investment environment. The comparison year is 2019. The achievement of these objectives may vary from client to client with regard to the assets under management.

The target companies of the investments are analyzed at regular intervals during the investment period with regard to environmental, social, and corporate governance matters, or ESG factors. Evli has built an internal ESG database based on data produced by external service providers, which it uses to monitor ESG factors. The target companies of funds are analyzed according to the same principles and an ESG score is calculated for each fund and ETF (Exchange Traded Fund) invested in, reflecting how well the companies it has invested in have taken sustainability risks and opportunities into consideration as a whole. When Evli uses funds of Evli Fund Management Company Ltd or another management company as part of its asset management, emphasis is placed on funds that promote environmental and social characteristics, among other characteristics. If investments are made in index funds or passive ETFs, these investments may also be made without following the process described above, but Evli requires that the providers of these investment products are reputable and trustworthy and have signed the UN Principles for Responsible Investment.

Evli's principles on industry-specific exclusions apply to direct equity and fixed-income investments and when investing in funds managed by Evli Fund Management Company.  Some of the funds invested in may also follow broader exclusionary principles. In addition to industry-specific exclusions, exclusion is based on regular monitoring for violations of the UN Global Compact, the UN Guiding Principles on

Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, as well as compliance with the Evli Climate Principles. Funds other than those managed by Evli follow their own exclusion policies.

Evli engages with target companies in accordance with Evli's engagement policy, and Evli Fund Management Company engages with the target companies of the funds under its management. Engagement may be based on norm violations or reasons related to climate goals. In addition, funds other than those managed by Evli Fund Management Company may engage independently with companies based on each management company's own responsibility principles. Evli's Principles for Responsible Investment, climate principles, Evli Engagement Policy and Evli Fund Management Engagement Policy set the framework for Evli's engagement and conduct in the event of perceived breaches of norms.

In asset management, all equity and fixed-income investments in target companies contribute to the environmental and societal characteristics of asset management. When funds are also used for asset management, the goal is that at least 50 percent of the assets invested promote these characteristics. The principles described above apply when selecting these investment targets and making investment decisions. Asset management can invest in funds that do not promote environmental or social characteristics. In addition, some investments may be in cash, derivatives and other investments for which insufficient information is available and which do not contribute to environmental or social characteristics.

The achievement of environmental or social characteristics is monitored and reported annually through the target companies' carbon intensity trend and commitment to emission reduction targets, as well as through the number of target companies that have not committed serious norm violations. The completeness of the data is reported in conjunction with the sustainability indicators. The completeness of the data does not affect compliance with the above principles.

### b. No sustainable investment objective

This financial product promotes environmental or social characteristics, but its objective is not to make sustainable investments.

### c. Environmental or social characteristics of the financial product

Evli Plc offers its clients discretionary asset management services. An asset management agreement may stipulate that the client's assets are managed either in accordance with a predefined model strategy defined by Evli or in accordance with an individual strategy tailored to the client, by investing assets in equity and fixed-income investments, mutual funds, and alternative investment funds as agreed with the client. The provision of asset management services complies with Evli's Principles for Responsible Investment, Climate Change Principles and climate targets, and on the condition that target companies observe good governance. If it has been agreed with the client that assets can also be invested in private equity and real estate funds, separate responsible investment principles will be applied to these investments. In addition, investment responsibility policies proposed by the client may be taken into account.

The carbon footprint and emission indicators of the target companies of the equity and fixed-income investments and funds are measured and monitored, and a regular scenario analysis is conducted on assets under management to monitor the attainment of Evli's general climate targets. Evli's goal is to achieve carbon neutrality by 2050 at the latest, and it has set a target of a 50 percent reduction in indirect emissions from all investments by 2030, provided that this is possible in the investment environment. The comparison year is 2019. The achievement of these objectives may vary from client to client with regard to the assets under management. The attainment of the climate targets will be measured using data from external service providers to monitor the carbon footprint and intensity, the degree of low-carbon transition, a scenario analysis in relation to the target of limiting global warming to

1.5 degrees Celsius of equity and fixed-income investments and funds, and the warming ratio associated with the fund.

The target companies of the investments are analyzed at regular intervals during the investment period with regard to environmental, social, and corporate governance matters, or ESG factors. Evli has built an internal ESG database based on data produced by external service providers, which it uses to monitor ESG factors. The target companies of funds are analyzed according to the same principles and an ESG score is calculated for each fund and ETF invested in, reflecting how well the companies it has invested in have taken sustainability risks and opportunities into consideration as a whole. When Evli uses funds of Evli Fund Management Company Ltd or another management company as part of its asset management, emphasis is placed on funds that promote environmental and social characteristics, among other characteristics. If investments are made in index funds or passive ETFs, these investments may also be made without following the process described above, but Evli requires that the providers of these investment products are reputable and trustworthy and have signed the UN Principles for Responsible Investment.

Evli's principles on industry-specific exclusions apply to direct equity and fixed-income investments and when investing in funds managed by Evli Fund Management Company. Some of the funds invested in may also follow broader exclusionary principles. In addition to industry-specific exclusions, exclusion is based on regular monitoring for violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, as well as compliance with the Evli Climate Principles. Funds other than those managed by Evli follow their own exclusion policies.

Evli engages with target companies in accordance with Evli Group's ownership control principles, and Evli Fund Management Company engages with the target companies of the funds under its management. Engagement may be based on norm violations or reasons related to climate goals. In addition, funds other than those managed by Evli Fund Management Company may engage independently with companies based on each management company's own responsibility principles.

### d. Investment strategy

Asset management is based on the principles of exclusion of investment targets, principles of responsible investment and engagement described above.

Evli Group's ownership control principles state that the companies it invests in must engage in good governance by complying with the Finnish Corporate Governance Code issued by the Securities Market Association, for example, or corresponding foreign guidelines, which often impose a partial framework on the remuneration models of the invested companies. These same principles apply to the funds managed by Evli Fund Management Company, which may be used as part of the asset management offered to the client. If funds managed by other service providers are also used, they are required to have a high level of competence and a good reputation, to comply with good governance practices and to have strong financial standing and to operate responsibly, both in relation to their own operations and those of the underlying companies of the funds they use.

Evli's Responsible Investment Team analyzes target companies every six months for any breaches of norms (UN Global Compact and OECD's guidelines for multinational companies). The OECD Guidelines for Multinational Enterprises also cover disputes related to taxation of target companies.

### e. Proportions of investments

In asset management, all equity and fixed-income investments in target companies contribute to the environmental and societal characteristics of asset management. When funds are also used for asset management, the goal is that at least 50 percent of the assets invested promote these characteristics.

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The principles described above apply when selecting these investment targets and making investment decisions. Asset management can invest in funds that do not promote environmental or social characteristics. In addition, some investments may be in cash, derivatives and other investments for which insufficient information is available and which do not contribute to environmental or social characteristics.

### f. Monitoring of environmental or social characteristics

The achievement of environmental or social characteristics is monitored and reported annually through the target companies' carbon intensity trend and commitment to emission reduction targets, as well as through the number of target companies that have not committed serious norm violations. Evli has built an internal ESG database to monitor sustainability indicators. In addition, the Responsible Investment Team analyzes norm violation cases in accordance with the process set out above.

### g. Methods concerning environmental or social characteristics

The promoted environmental and social characteristics are monitored and reported using the sustainability indicators mentioned above.

### h. Data sources and data processing

Evli has built an internal ESG database based on data produced by external service providers, which it uses to monitor ESG factors. The same principles are used to analyze the target companies of funds, and an ESG score is calculated for each fund and ETF invested in. When Evli uses funds of Evli Fund Management Company Ltd or another management company as part of its asset management, emphasis is placed on funds that promote environmental and social characteristics, among other characteristics. If investments are made in index funds or passive ETFs, these investments may also be made without following the process described above, but Evli requires that the providers of these investment products are reputable and trustworthy and have signed the UN Principles for Responsible Investment. The data from external providers is not verified by a third party and the completeness of the data is reported at the same time.

### i. Limitations of methods and data

The achievement of the promoted environmental and social characteristics is reported annually through the sustainability indicators mentioned above, in conjunction with which the completeness of the data is also reported. The completeness of the data does not affect compliance with the above principles. In asset management, all equity and fixed-income investments in target companies contribute to the environmental and societal characteristics of asset management. When funds are also used for asset management, the goal is that at least 50 percent of the assets invested promote these characteristics. The principles described above apply when selecting these investment targets and making investment decisions. Asset management can invest in funds that do not promote environmental or social characteristics.

### j. Due diligence

The target companies of the investments are analyzed at regular intervals during the investment period with regard to environmental, social, and corporate governance matters, or ESG factors. Evli has built an internal ESG database based on data produced by external service providers, which it uses to monitor ESG factors. The target companies of funds are analyzed according to the same principles and an ESG score is calculated for each fund and ETF invested in, reflecting how well the companies it has invested in have taken sustainability risks and opportunities into consideration as a whole. When Evli uses funds of Evli Fund Management Company Ltd or another management company as part of its asset management, emphasis is placed on funds that promote environmental and social characteristics, among other characteristics. If investments are made in index funds or passive ETFs, these investments may also be made without following the process described above, but Evli requires that the providers of these investment products are reputable and trustworthy and have signed the UN Principles for Responsible Investment. The methods are based on data provided by an external service provider, which is not verified by a third party.

### k. Engagement policies

The financial product can be used to engage with the target companies as part of the promotion of environmental and social characteristics. Evli's Principles for Responsible Investment, climate principles, Evli Engagement Policy and Evli Fund Management Engagement Policy set the framework for Evli's engagement and conduct in the event of perceived breaches of norms.

### l. Designated reference value

No benchmark has been designated to measure the achievement of the environmental and social characteristics promoted by Evli's asset management.

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities.** For the time being, it does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Template pre-contractual disclosure for financial products referred to in Article 8(1) of Regulation (EU) 2019/2088 and Article 6 of Regulation (EU) 2020/852**

**Product name:** Evli Plc's asset management **Legal entity identifier:** 984500F4CCF3AD74F766

## Environmental and/or social characteristics

**Does this financial product have a sustainable investment objective?**

| ☐ Yes | ☒ No |
|---|---|
| ☐ It will make a minimum of **sustainable investments with an environmental objective**: ___% | ☐ **It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___%:n of sustainable investments |
| ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy |
| ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy | ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy |
| ☐ It will make a minimum of **sustainable investments with a social objective**: ___% | ☐ with a social objective |
| | ☒ It promotes E/S characteristics, but **will not make any sustainable investments** |

### What environmental and/or social characteristics are promoted by this financial product?

Evli Plc ("Evli", also known by its auxiliary name Aurator) offers its clients discretionary asset management services. An asset management agreement may stipulate that the client's assets are managed either in accordance with a predefined model strategy defined by Evli or in accordance with an individual strategy tailored to the client, by investing assets in equity and fixed-income investments, mutual funds, and alternative investment funds (together "funds") as agreed with the client. The provision of asset management services complies with Evli's Principles for Responsible Investment, Climate Change Principles and climate targets, and on the condition that target companies observe good governance. If it has been agreed with the client that assets can also be invested in private equity and real estate funds, separate responsible investment principles will be applied to these investments. Any responsibility policies concerning investment proposed by the client may also be taken into account. In line with the above principles and policies, the objective of asset management includes the promotion of environmental and social characteristics, in particular climate change mitigation, through the actions set out below. No benchmark has been designated to measure the achievement of the characteristics.

**Climate change mitigation:** The carbon footprint and emission indicators of the target companies of the equity and fixed-income investments and funds are measured and monitored, and a regular scenario analysis is conducted on assets under management to monitor the attainment of Evli's general climate targets. Evli's goal is to achieve carbon neutrality by 2050 at the latest, and it has set a target of a 50 percent reduction in indirect emissions from all investments by 2030, provided that this is possible in the investment environment. The comparison year is 2019. The achievement of these objectives may vary from client to client with regard to the assets under management. The attainment of the climate targets will be measured using data from external service providers to monitor the carbon footprint and intensity, the degree of low-carbon transition, a scenario analysis in relation to the target of limiting global warming to 1.5 degrees Celsius of equity and fixed-income investments and funds, and the warming ratio associated with the fund.

**ESG integration:** The target companies of the investments are analyzed at regular intervals during the investment period with regard to environmental, social, and corporate governance matters, or ESG factors. Evli has built an internal ESG database based on data produced by external service providers, which it uses to monitor ESG factors. The target companies of funds are analyzed according to the same principles and an ESG score is calculated for each fund and ETF (Exchange Traded Fund) invested in, reflecting how well the companies it has invested in have taken sustainability risks and opportunities into consideration as a whole. When Evli uses funds of Evli Fund Management Company Ltd or another management company as part of its asset management, emphasis is placed on funds that promote environmental and social characteristics, among other characteristics. If investments are made in index funds or passive ETFs, these investments may also be made without following the process described above, but Evli requires that the providers of these investment products are reputable and trustworthy and have signed the UN Principles for Responsible Investment.

**Exclusion by industry:** Evli's principles on industry-specific exclusions apply to direct equity and fixed-income investments and when investing in funds managed by Evli Fund Management Company. Some of the funds invested in may also follow broader exclusionary principles. In addition to industry-specific exclusions, exclusion is based on regular monitoring for violations of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises, as well as compliance with the Evli Climate Principles. Funds other than those managed by Evli follow their own exclusion policies.

**Principal adverse sustainability impacts:** Sustainability risks and principal adverse impacts on sustainability are taken into account in accordance with Evli's Principles for Responsible Investment and Climate Change Principles. When client assets are invested in funds managed by parties other than Evli Fund Management Company, Evli cannot influence their investment policies or the implementation of these policies, but it requires full transparency from the funds on their ESG policies and their consideration of sustainability risks, as well as on their investment objectives, in order to assess and analyze the implementation of sustainability in asset management and to make the necessary investment decisions.

**Active ownership and engagement:** Evli engages with target companies in accordance with Evli Group's ownership control principles, and Evli Fund Management Company engages with the target companies of the funds under its management. Engagement may be based on norm violations or reasons related to climate goals. In addition, funds other than those managed by Evli Fund Management Company may engage independently with companies based on each management company's own responsibility principles.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

- **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

  The achievement of the environmental or social characteristics promoted by a financial product is monitored through the carbon intensity trend and commitment to emission reduction targets of the target companies of the investments and funds, as well as through the number of target companies that have not committed norm violations.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and antibribery matters.

## Does this financial product consider principal adverse impacts on sustainability factors?

☒ **Yes**

Yes, the principal adverse impacts on sustainability (PAI indicators) are taken into account in asset management through an internal process based on Evli's Principles for Responsible Investment and Climate Change Principles in a way that does not conflict with the client's own policies or investment preferences. In the selection of investment opportunities to be used, emphasis will be placed on products that take into account the principal adverse sustainability impacts in their investment strategy. Funds that do not take into account the principal adverse sustainability impacts in their investment strategy may be invested in on an occasional, regular or large-scale basis. In such cases, the adverse sustainability impacts of investments are taken into account on an asset class basis, based on Evli's internal analysis.

Information on the principal adverse impacts on sustainability factors is available in the annual asset management report.

☐ **No**

**The investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

Depending on the model strategy, the assets in the standardized investment strategies defined by Evli can be invested either in mutual fund and ETF products or in direct equities. In fund-based standardized investment strategies, assets are broadly diversified across equity and fixed-income funds. The investments are executed using funds managed by Evli Fund Management Company, Evli's international partners' mutual funds and non-UCITS funds that are compliant with the UCITS and AIFM directives, and ETFs that are compliant with the UCITS Directive and are subject to public trading in Europe. The basic weightings between equity and fixed-income investments and other asset classes in the client's assets that are the target of the strategy are determined on the basis of an investment strategy that is suitable for the client. When executing a strategy under an asset management agreement, Evli may give subscription, redemption and other orders regarding investment instruments in line with its view at any particular time. The allocation between asset classes will be actively adjusted according to Evli's market and allocation view and by using a process developed for fund selection.

In the standardized equity strategies defined by Evli, assets are invested mainly in shares of publicly listed companies in the target market. The investment strategy aims to generate long-term returns mainly through equity selection. In standardized equity strategies, the portfolio is focused, containing around 10–40 stocks.

In client-specific investment strategies, the investment portfolio is tailored to the client's investment objectives, risk tolerance and other constraints. Strategies can define the asset classes used in asset management, the geographical or industry weightings, instrument types, risk indicators, responsibility criteria, or other properties required of the investment instruments or the portfolio that are deemed necessary for the client's own operating principles and investment objectives. In them, action limits imposed on asset management are also broadly defined, such as minimum and maximum limits for various asset classes, individual investment instruments, or limit values for the portfolio's risk level or responsibility ratings. All investment strategies whose investment instruments diverge from Evli's standardized strategies also come under individualized strategies.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

  Evli's principles on investment exclusions, Principles for Responsible Investment and engagement principles as described above.

  The Principles for Responsible Investment and detailed exclusion criteria are available at www.evli.com

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

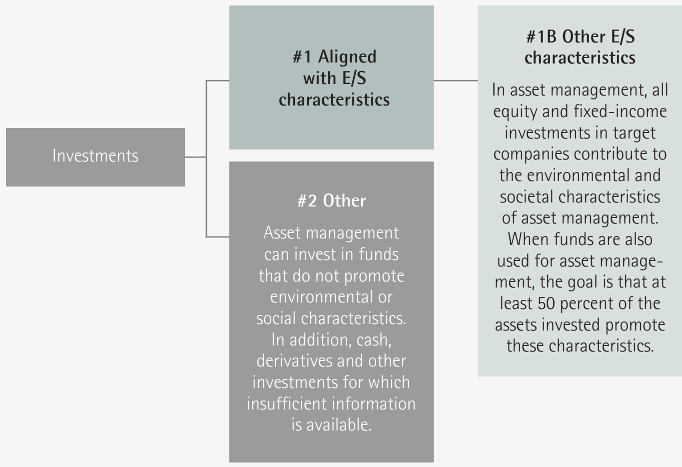
- **What is the policy to assess good governance practices of the investee companies?**

  Evli Group's ownership control principles state that the companies it invests in must engage in good governance by complying with the Finnish Corporate Governance Code issued by the Securities Market Association, for example, or corresponding foreign guidelines, which often impose a partial framework on the remuneration models of the invested companies. These same principles apply to the funds managed by Evli Fund Management Company, which may be used as part of the asset management offered to the client. If funds managed by other service providers are also used, they are required to have a high level of competence and a good reputation, to comply with good governance practices and to have strong financial standing and to operate responsibly, both in relation to their own operations and those of the underlying companies of the funds they use.

## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.




**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

In line with the above principles and policies, the objective of asset management includes the promotion of environmental and social characteristics but no commitment to making sustainable investments in line with EU taxonomy. Not all the targets in which the fund can invest are covered by the environmental objectives of the Taxonomy Regulation. Reported data on taxonomy alignment is not yet available, and the coverage of the industries and reported data under the classification system does not support a commitment to a minimum proportion of taxonomy-aligned investments. Reporting on alignment with the Taxonomy Regulation will improve as the reporting and regulation evolve.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

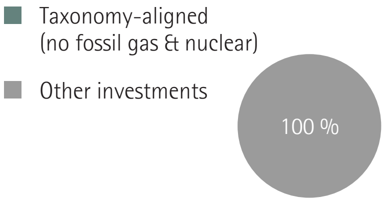
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

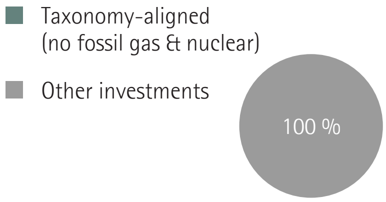
**Transitional activities are** activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.**

1. Taxonomy-alignment of investments **including sovereign bonds***




2. Taxonomy-alignment of investments **excluding sovereign bonds***




*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

## What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?

Asset management may also use funds that do not promote objectives related to environmental and social characteristics. The principles described above apply when selecting these funds and making investment decisions.

Asset management may also use small amounts of cash and derivatives that do not promote objectives related to environmental and social characteristics.

## Where can I find more product specific information online?

More product-specific information can be found on the website: www.evli.com