EVLI'S CLIMATE TARGETS

Evli aims to halve the carbon emissions of its investments by 2030 and sets a target to be a net zero asset manager at the latest by 2050

Evli aims to be carbon neutral by 2050 at the latest. This target applies to emissions from both Evli's own operations and its investments.

We are therefore working to ensure that our actions are in line with the targets of the 2015 Paris Agreement. The Paris Agreement aims to limit global warming to 1.5 degrees Celsius. In its 2018 report, the Intergovernmental Panel on Climate Change (IPCC) concluded that meeting this target will require the reduction of global carbon emissions by half by around 2030 and reducing net carbon emissions to zero by 2050[1].

Achieving the 1.5°C target of the Paris Agreement will require significant action from all segments of society and the economy, including investment, where measures should focus on reducing emissions from the real economy. This, in turn, will also require countries to live up to their own commitments to meet the Paris Agreement targets.

Continuing the work on climate change

The net zero target complements Evli's long-standing work on responsibility and especially on climate issues. We published Evli Wealth Management's Climate Change Principles in 2019 and joined the Task Force on Climate-related Financial Disclosures (TCFD) as a public supporter in the same year. The first report on climate-related risks to Evli's operations, in accordance with the TCFD's recommendations, was published as part of the 2019 Corporate Responsibility Report.

We are also involved in several climate change-related collaborative engagement projects[2], more information about which can be found on Evli's website. By committing to carbon neutrality by 2050, we want to do our part in supporting the achievement of the global climate goal and the transition to a low-carbon economy.

Strategy and actions

Implementing the net zero target requires extensive groundwork, careful consideration, and time. The global economy is still very carbon-intensive, which is why broadly diversified investment portfolios are still carbon-intensive. As wealth managers, we must also take into account our responsibilities to our clients and their individual investment objectives. However, it is undeniable that meeting the goals of the Paris Agreement requires immediate actions to reduce emissions. We believe that it is in the long-term interest of our clients that our activities are in line with international climate targets. We have listed below the measures we are taking to carry out the net zero target.

---

[1] In practice, zero net emissions refers to an effort to significantly reduce emissions to the extent that this is technically and/or economically feasible and to compensate for the remaining emissions.

[2] Climate Action 100+, Global Investor Statement to Governments on the Climate Crisis, and the CDP's investor letters to the companies that are deemed highest risk in terms of climate change, as well as the CDP's Science-Based Targets (SBTs) collaborative engagement.

Setting interim targets

We recognise that a credible long-term net zero target needs to be supported by sufficiently ambitious interim targets, based on the latest knowledge on climate change and the measures required to reduce emissions. We set the following milestones for our activities:

1) Evli aims to achieve carbon neutrality for emissions from its own operations (Scope 1 and 2) by 2025 at the latest, and
2) Evli sets an interim target of a 50% reduction in indirect emissions from investments by 2030, provided that the investment environment allows for it. We will be using 2019 as the base year.
3) Evli will establish a Working Committee for the years 2021-2022 in order to assess how the investment-related interim target can be reached through real world carbon emission reductions and to ensure that it will be in line with the Paris Agreement. In this assessment work, we will use, among others, a Science-Based Targets (SBT) framework.

The second milestone will primarily monitor the emissions of Scope 1 and 2 investments listed in the early stages. As outlined in the roadmap below, an analysis of other asset classes is an integral part of the net zero target. We will also monitor the scenario analyses of our investments and how they are aligned with the Paris Climate Agreement.

Due to the nature of our activities, emissions from our own operations are limited and mainly relate to emissions from the purchase of electricity and heating. The majority of emissions from Evli's operations are therefore related to indirect CO_2 emissions from investment activities. In addition, indirect emissions arise from business travel, commuting between home and work, waste, and purchased products, but these are insignificant in comparison to the emissions from investment activities.

Roadmap to becoming a net zero asset manager

To achieve our goals, we will systematically develop the work we do. To accomplish this, we have built a separate roadmap. In accordance with the roadmap, progress on targets and emissions will be monitored and the practical alignment of targets will be reviewed at least every five years. The roadmap for 2021-2025 is structured along the following lines:

1. Building a snapshot

Evli has been tracking the carbon footprint of equity and fixed income funds (portfolio-weighted average carbon intensity, covering Scope 1 and 2 emissions) since 2016. Currently, the reporting also covers the share of companies with fossil resources (oil, coal and natural gas) in the investment portfolio and an analysis of the companies' transition to a low-carbon economy. However, the implementation of the net zero target will require the further development of an analysis of investment to provide a more comprehensive picture of the current situation of the different asset classes.

We will continue to research and develop the following indicators, among others, and integrate them, where appropriate, into our investment analysis and reporting:

- the carbon footprint of investments, in particular Scope 3 emissions and absolute emissions,
- the share of high-emission and/or emission-intensive investments in the portfolios,
- an assessment of investments in relation to the 1.5°C warming target,
- the climate goals of the investment targets, especially those with science-based targets or otherwise credible plans to calculate emissions,
- carbon-neutral and low-emission investments,
- investments that offer solutions to climate change.

In addition to equity and fixed income investments, we also promote the integration of climate considerations in other asset classes, such as real estate, infrastructure, and private equity.

We recognise that there are still challenges in the calculation of funded emissions and the availability of data for certain asset classes (e.g., alternative investments), and for emerging market and small companies. This will inevitably affect the current state and direction of our investments, but we believe that both calculation methods and data availability will improve in the coming years as climate issues become more important to investors' decision making.

2. Development of climate risk management

We have held discussions with various ESG data providers and examined the climate-related data they offer. The main goal has been to find better data, in particular for the assessment of climate risks and opportunities as required by the Taskforce on Climate-related Financial Disclosures (TCFD) (e.g., scenario analysis and the physical risks of investments). Risks and opportunities related to climate change contribute to the assessment of investment opportunities and are therefore an integral part of the work to achieve the net zero target.

3. Updating the exclusions

In line with our Climate Change Principles, we avoid investing in companies in which 30% or more of their turnover comes from the extraction of coal or its use in energy production, or from the mining of oil sands. However, in these cases, an exception to the exclusion is possible if the company has a clear plan to change its activities. The principles also exclude companies producing peat for energy production with the turnover limit of 0%. In addition, our funds that follow broader exclusion also exclude fossil fuel and coal producers up to a turnover limit of 5%.

We will review the climate-related exclusions in relation to the set net zero target and assess possible needs for updating. However, we do not see exclusion as a primary strategy to reduce emissions from the investments, as our aim is to engage and reduce the actual emissions from the investments that are not directly affected by the exclusion. For example, we see engagement as a more effective way to encourage companies to take climate change into account in their business and to reduce emissions from their operations. However, if a company's operations are not fundamentally in line with global emission reduction targets, if the company does not have a clear plan to reduce emissions, or if engagement proves ineffective, exclusion should be considered.

4. Engagement

We will take climate issues into greater account, both in our own and in our joint engagement activities, as well as in regular company meetings. The initial focus will be on high emitting companies and companies whose emissions or emission reduction targets are not in line with the 1.5-degree target. In addition, as part of our discussions with companies and stakeholders, we will encourage them to set their own science-based targets and a more comprehensive reporting of emissions and climate change risks and opportunities, for example in line with TCFD guidelines.

5. Systematic analysis of targets

We understand that the road to carbon neutrality is long and that emissions data is still lacking in many areas. However, we want to be part of the change and contribute to future developments through our own actions. The 2015 Paris Climate Agreement requires countries to update their climate targets every five years, and many climate change mitigation initiatives also require targets to be set every five years or otherwise call for short- to medium-term targets. For our part, we also see this as a sensible way forward and we will continue to review and update the roadmap and targets at least every five years.

As part of our work on net zero target, we will also be exploring engagement on joint investor initiatives that will commit financial sector participants to achieving a carbon neutral investment portfolio by 2050. We will also monitor the development of various standards and frameworks for the financial sector and assess their applicability to our climate work.

Evli Plc | Aleksanterinkatu 19, P.O. Box 1081, FI-00101 Helsinki, Finland | Tel. +358 9 476 690
Business ID 3239286-2 | VAT number FI32392862 | Domicile Helsinki | evli.com