EVLI

Responsible Investment Annual Report 2020

EVLI BANK PLC

YEAR 2020

Responsibility and transparency coursing through our Nordic veins

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new funds focusing on responsibility

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years as a PRI[1] signatory and member of Finsif

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A+

PRI[1] rating Strategy and Governance

> Read more: www.evli.com

[1] PRI, or Principles for Responsible Investment, is an umbrella organisation for responsible investment supported by the UN.

Evli became a member of the Green Building Council

> Read more: www.figbc.fi

#1

Ranked the best in responsible investment for fourth consecutive year[2]

> Read more: www.evli.com

[2] KANTAR SIFO Prospera "External Asset Management Finland 2020, 2019, 2018, 2017"

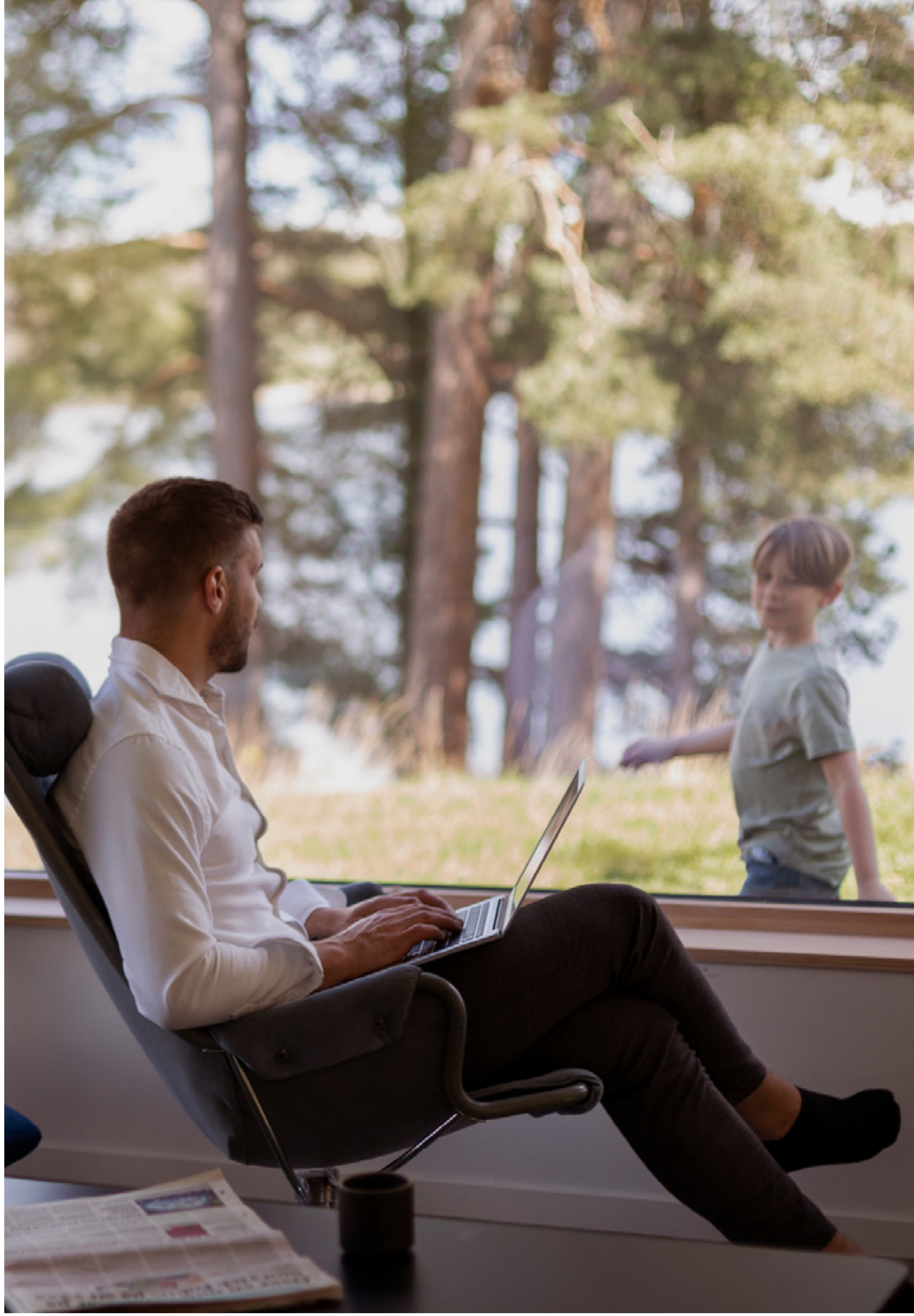
Our systematic work towards responsible investment continued in 2020

Evli believes that, in addition to analysing financial indicators, incorporating responsibility considerations into investment decisions increases understanding of the investment instrument and the related risks and opportunities. Incorporating responsibility factors is expected to lead to better investment decisions.

Responsible investment is an integrated part of investment operations

At Evli, responsibility factors have been integrated into the investment operations of Wealth Management, which means that responsibility is an automatic consideration in portfolio management. In practice this takes place with the help of the internal ESG[1] database which is based on responsibility data produced by MSCI ESG Research and ISS ESG[2]. The ESG database provides portfolio managers with easy access to corporate responsibility data when making equity and corporate bond investments. For instance, portfolio managers can search for the following information on a company: responsibility assessments (ESG scores), data on controversial activities' contribution to revenue, any ESG violations and emissions data. In 2020 the development of portfolio managers' tools was continued, and ISS ESG's responsibility analysis regarding possible ESG violations was also added to the database. With the tools, portfolio managers are able to analyse the ESG data of investment target companies before and during investment. The same ESG data is also used in the reporting of responsibility data to clients and in the risk management system.

Investment-specific ESG analysis is a part of every investment, also in alternative investment funds. In the Evli Private Equity I and II funds and in the Evli Infrastructure I fund, for example, each new fund is analysed using the ESG criteria, and investments are only made in funds that meet these criteria. The funds' investments are also analysed during the investment time according to the same criteria, and the data of the ESG analyses are available to investors in a transparent manner. Responsible investment is an integral part of each phase of the investment process in Evli's real estate funds, and considerable attention is devoted to environmental issues, in particular. The responsible investment methods of Evli Growth Partners are presented in greater detail on **page 5** and those of Evli's new forest fund, Evli Impact Forest Fund I, are presented on **page 11**.



[1] ESG refers to Environmental, Social and Governance factors.

[2] MSCI and ISS ESG are independent companies that carry out ESG analysis with a broad global database and strong analytical resources in responsibility research.

1. Analysis of factors related to responsibility and calculation of ESG scores

Active investments are regularly analysed in terms of ESG factors. Evli has ESG data on 13,900 companies in an internal database. An ESG score is calculated for each fund and direct equity investment, which reflects how well the companies as a whole have taken into consideration the risks and opportunities associated with responsibility. Of Evli's funds, 67% have a very good or good ESG score.

2. Monitoring of the UN Global Compact principles, active ownership and engagement

Evli monitors its investments regularly and strives to influence the way companies operate. If it is observed that a company is violating the principles of human rights, labour standards, the environment or anti-corruption as set out in the UN Global Compact, Evli seeks to influence the company's operations or exclude it from investments. Evli also participates in various collaborative engagements and initiatives with other investors with the aim of making the operations of even more companies responsible.

3. Exclusion of companies from investments

All of Evli's equity and fixed income funds, as well as direct equity investments, follow the general exclusion principles. Companies manufacturing controversial weapons and producing peat for energy production with a 0% revenue threshold and tobacco manufacturers, adult entertainment producers and companies practicing controversial lending with a 5% revenue threshold are excluded from the funds. In addition, the funds avoid investing in companies with more than 30% of their revenue coming from coal mining, its use in energy production, or oil sand extraction. Some funds comply with broader exclusion criteria. In addition to the industries mentioned above, these funds exclude companies with more than 5% of their turnover coming from gambling, the manufacture of alcohol or weapons, and the extraction, drilling and mining of fossil fuels or thermal coal. Evli's private equity funds also aim to comply with the general exclusion principles.

4. Reporting on investments' responsibility factors to clients

Evli's responsible investing is based on transparency and openness, which is why responsibility factors are reported comprehensively to clients. The responsibility reporting consists of the funds' ESG reports, client-specific portfolio reports and the responsible investment annual report.

More responsible practices through engagement

Evli analyses the equity and corporate bond funds that make active investment choices and direct asset management investments quarterly for any potential UN Global Compact violations and to ensure compliance with Evli's Climate Change Principles. The UN Global Compact is an international corporate social responsibility initiative that requires companies to respect human rights, take action against corruption and consider environmental matters. Information on violations of norms is obtained from MSCI's and ISS ESG's databases and from other sources, including the news. Each norm violation and breach of the Climate Change Principles initiates a predetermined process at Evli. Each case is first discussed with the portfolio manager, after which the Responsible Investment Team analyses the company's situation. The Responsible Investment Team has two alternatives for further action:

1. Initiate measures for engagement
2. Exclude the investment

Cases of engagement most often concern environmental problems, human rights, workers' rights, or actions leading to climate change mitigation. Evli does not disclose the names of the companies that are subject to engagement activities, as it believes that the procedures and discussions are more effective when done confidentially. In 2020 Evli started to engage with one company because of a suspected violation of the UN Global Compact. Find out more about the engagement work carried out by Evli in 2020 on **page 12**.

The Responsible Investment Team was reinforced

The Responsible Investment Team was reinforced in 2020. At the start of the year, the team was joined by a responsible investment analyst who specialises in corporate bonds and green corporate bond analysis. A quantitative analyst, whose role is to help make even better use of ESG data in investment decisions and to improve the analysis of ESG data, was also hired to the team.

CASE

Responsible ownership takes center stage – Evli Growth Partners pioneering within the Finnish venture capital field

Evli Growth Partners (EGP), Evli's venture capital fund focusing on growth investments, has been systematically reinforcing its responsible investment practices since the very beginning. Today EGP works actively in the forefront to drive sustainability across the industry. The fund's objective is to offer its investors an attractive risk-return ratio combined with genuine development of responsibility across its portfolio.

What does a leading role involve?

As the only Finnish VC fund EGP is committed to the principles of the PRI, the umbrella organization for responsible investment supported by the UN. In 2020, the fund was awarded the excellent A-rating from PRI, with more information available **here**. The fund's activities are heavily steered by the fund's responsibility principles, which are available **here**. In addition to its own activities, EGP's team aims to actively promote responsibility across the venture capital field, by acting as a permanent member in the Finnish Venture Capital Association's ESG working group and as chair of the PRI working group.

How is responsibility visible in portfolio work?

EGP's active support of its portfolio companies in ESG matters is a key element in value creation. The fund integrates ESG as a tangible part of each portfolio company's daily operations, through for instance ESG incorporation in shareholders' agreements and tangible target setting and monitoring. Other examples of portfolio work include the creation of ESG principles and the integration of ESG as a part of the companies' 100- and 1,000-day value creation plans. The companies' boards of directors, in which EGP often acts as the chair or member, are responsible for taking the plans forward. In addition to board work, EGP organizes bi-annual ESG workshops for all companies in its portfolio. Read more on the companies' ESG initiatives **here**.

What will the future hold?

Since the work on ESG is constantly evolving, several new focus areas will emerge in 2021. One example would be EGP's initiative on portfolio carbon footprint mapping. As an active owner, EGP will support all companies in the evaluation, reduction and compensation of CO_2 emissions.

ESG at the core of our strategy

> We enable our investors to address the challenges of climate change and pursue concrete goals for their portfolios.

Maunu Lehtimäki
CEO, Evli Bank

Responsibility as a strategic focus area

Evli has set responsibility as one of its strategic focus areas. In early 2020, the responsible investment's governance model was changed, and Evli established the Responsible Investment Executive Group, which in addition to the CEO consists of executives from Legal Affairs and Risk Management, institutional and private clients' departments, portfolio management and the Responsible Investment Team. The Responsible Investment Executive Group decides on Evli's Principles for Responsible Investment and related practices and reports to Evli Bank's Executive Group.

At the beginning of the year, the Principles for Responsible Investment and the Climate Change and Ownership Control Principles were also updated. As a result of updates, all Evli's active equity and corporate bond funds excluded – as new industries – tobacco producers, adult entertainment producers and companies practicing controversial lending (including so-called quickie loan companies) with a 5 percent revenue threshold. An addition was also made to the Climate Change Principles to avoid companies with more than 30 percent of their turnover coming from the extraction of oil sands.

In addition to these changes, clear targets for Evli's responsible investment were set for 2020–2021. The targets for 2020–2021 are renewal of the ESG reports, launching new responsibility funds, deepening ESG integration and setting climate targets.

The responsible investment's governance model

Responsible Investment Executive Group

- Decides on the principles and practical procedures of responsible investing
- Members: CEO, executives from the legal and risk management department, institutional and private clients' departments, portfolio management and the Responsible Investment Team
- Regular meetings on a quarterly basis
- Reports to Evli's Executive Group.

Responsible Investment Team

- Monitors the implementation of the UN Global Compact principles and Evli´s Principles for Climate Change. Has the right to exclude individual companies from investments
- Responsible for engaging with companies
- Reports to the Responsible Investment Executive Group.

Portfolio Managers

- Take ESG matters into consideration when analysing potential investments and making investment decisions
- Responsible for implementing the Principles for Responsible Investment and ESG integration
- Report to the Responsible Investment Team on companies that violate the Principles for Responsible Investment.

Goals 2020–2021

Renewal of the ESG reports	Launch new responsibility funds	Deepen ESG integration in portfolio management	Set climate targets

Good progress with the targets was made in 2020

The funds' updated ESG reports were published in summer 2020. As the importance of climate change continues to grow, new indicators describing climate and reputation risks were added to the reports. The new reports also feature each fund's ESG strategy, and the fund's responsible investment approaches and exclusions. Find out more about the new ESG reports on **page 14**.

In August 2020, Evli launched two new funds: **Evli Green Corporate Bond**, a fund focusing on green corporate bonds, and the **Evli Equity Factor Global** fund, in which responsibility is an essential part of the selection of investment instruments. In November Evli launched the new **Evli Impact Forest Fund I**, which aims to mitigate climate change by achieving positive carbon impacts. The fund invests globally in leading non-listed forest funds that manage and develop forest assets.

During 2020, Evli continued the updating of portfolio managers' tools and arranged training on ESG indicators and data. Indicators regarding climate change were added to the tools, for example. Evli's portfolio management has access to tools for analysis carried out before investment, and tools for monitoring indicators and comparing against the benchmark index during the course of investment. Evli also adopted ISS ESG's ESG data on norm violations during 2020. In addition to ESG indicators, training related to the EU's Sustainable Finance Disclosure Regulation (SFDR) and climate change was arranged in Evli's portfolio management.

In order to set Evli's climate targets in 2021, a working group was established in 2020 that consisted of representatives of the Responsible Investment Executive Group, portfolio managers of each asset class, and members of the Responsible Investment Team. The climate targets were discussed both within the working group and by individual asset classes with the portfolio managers of each asset class.

CASE

Evli Green Corporate Bond - A truly green corporate bond fund

In August 2020, Evli lauched a new investment fund focusing on green corporate bonds - the Evli Green Corporate Bond fund. The fund is Evli's first fund to invest in the green bond market through corporate bonds. While many Green Bond funds also include and significantly emphasise bonds issued by, for example, governments and state bodies, the Evli Green Corporate Bond fund focuses only on green corporate bonds, which is rare on a European scale. The fund aims to invest in projects that are expected to have a positive impact on the environment or society or on the achievement of the UN Sustainable Development Goals. Achieving the goals of the UN Sustainable Development and the Paris Agreement will require approximately USD 6.9 trillion in infrastructure investment annually until 2030. This means real long-term investment potential in the corporate bond segment, with the Evli Green Corporate Bond fund offering investors the opportunity to benefit from the segment's rapid growth. However, finding genuinely green corporate bonds requires careful analysis and attention, especially with regard to the use of assets, but also to the reporting practices of the green corporate bonds and the responsibility of the issuer more broadly. In its analysis, Evli pays attention not only to the documentation of the green corporate bond, but also to the company's broader strategic goals and how well the green corporate bond fits into the issuer's other activities from an ESG perspective. This allows for a comprehensive assessment of whether the investment can be expected to contribute to a favourable environmental and social development.

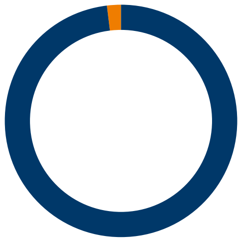
Evli Green Corporate Bond fund is rated as an article 9 (dark green) investment under the EU's recently introduced Sustainable Financial Disclosure Regulation (SFDR) which means that the fund has a sustainable investment objective.

Read more about the fund

ESG report of the fund

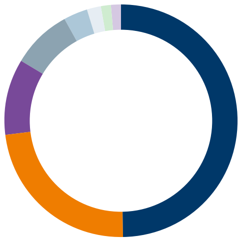
Fund allocation and impact report 2020

Share of green and sustainable bonds



- **Green bonds (98.2%)** are bond instruments where the proceeds are earmarked to projects or activities with environmental benefits.
- **Sustainability bonds (1.8%)** are instruments where the proceeds are earmarked to a combination of projects or activities with environmental or social benefits.

Breakdown by use of proceeds category[3]



- Renewable energy, **49.9%**
- Green buildings, **23.4%**
- Clean transportation, **10.4%**
- Energy efficiency, **8.4%**
- Sustainable natural resources management and land use, **3.2%**
- Circular economy and eco-efficient products and processes, **2.1%**
- Sustainable water and wastewater management, **1.4%**
- Pollution prevention and control, **1.2%**

[3] Based on the International Capital Markets Association's Green Bond Principles.

Impact snapshot of Evli Green Corporate Bond Fund

In 2020, Evli Green Corporate Bond fund invested in 94 green bonds, including one pureplay bond. The following figures illustrate the outputs and impact of the projects financed by the bonds in our portfolio[4]:

23 200

tonnes of CO_2 avoided

Equivalent to CO_2 emissions-from 3928 homes' electricity use for one year[5]

26 100

MWh/year of renewable energy generated

Equivalent to greenhouse gas-emissions from 3987 passenger vehicles driven for one year[6]

17

MW of renewable capacity added

Equivalent to generation capacity of 8 onshore wind turbines[7]

1 870

sqm of green buildings by floor area

205

MWh/year of energy savings

4 300

m^3/year of waste water managed

86 000

hectares of certified forest

[4] Attributed to the fund in proportion to the size of the fund's share of each issuance (holdings as of December 31, 2020)
[5] United States Environmental Protection Agency: Greenhouse Gas Equivalencies Calculator.
[6] United States Environmental Protection Agency: Greenhouse Gas Equivalencies Calculator.
[7] International Renewable Energy Agency (IRENA): Wind energy.

Source: Evli Green Corporate Bond Fund allocation and impact report 2020

Climate change mitigation as a permanent feature of Evli's approach

Evli updated its Climate Change Principles and carried out a review of its climate targets

The Principles for Climate Change published in 2019 were updated in early 2020 and exclusion under the Climate Change Principles was expanded to cover the extraction of oil sands. Evli has analyzed the sustainability of its investment strategy by conducting scenario analyses on a few of its investment portfolios. Evli will develop reporting to make it more forward-looking, including through scenario analysis. As this work progresses, Evli will also look into setting investment targets for managing the risks and opportunities associated with climate change. Evli is currently undertaking a review on when Evli's portfolios could achieve carbon neutrality, for example.

Evli published its second TCFD report

Evli is committed to supporting the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework and published its first TCFD report in 2020 in conjunction with its annual reporting for 2019. The 2020 TCFD report published in 2021 is available as annex of **Evli's corporate responsibility report** (pp. 25-28). As an asset manager, Evli's most significant climate risks and opportunities are related to investment activities, as Evli's own operations do not cause significant direct environmental impacts. The TCFD divides the risks of climate change into risks from the transition to a low-carbon economy and from the physical impacts of climate change. Transition risks are financial risks that are caused by the transition towards a low-carbon economy. These include risks arising from changes in policy, regulation, technology, and markets that, if realised, may affect the market value and returns of investments. Physical risks are financial risks linked to the physical effects of climate change, which may arise from particular events or long-term changes in the climate. These include for example damage caused by extreme weather conditions, sea-level rise or floods to real estate investments or troubles in businesses operating in the industries that are highly dependent on foreign raw materials.

Evli launched new sustainable products

Climate change also brings opportunities for investors. These include investments in companies that take advantage of opportunities for climate change mitigation and adaptation. In addition, climate change will increase the market for sustainable investments – for example the green bond market – providing opportunities for new product development. In line with its strategic objectives, in 2020 Evli launched a new mutual fund focusing on green corporate bonds, Evli Green Corporate Bond, and a new forest fund, Evli Impact Forest Fund I, which aims to mitigate climate change by achieving positive carbon impacts. Further information on the Evli Green Corporate Bond fund is provided on **page 8**. The performance-based fee of the forest fund, which falls under the alternative investment funds category, is dependent on the carbon sequestration target being met. Find out more about the forest fund on **page 11**.

Reporting framework of the TCFD report

CASE

Evli Impact Forest Fund I – Investing for positive carbon impact and return

Investors can now reduce the carbon footprint of their portfolios without compromising returns, after Evli launched its first Impact Forest Fund in November 2020. The Fund strategy supports the long-term global warming objectives of the Paris Agreement and contributes to several of the UN's Sustainable Development Goals (SDGs).

Forestry is recognized as one of the most effective and low-cost ways to capture carbon dioxide to mitigate climate change. It offers both commercial viability and scale. Through photosynthesis, trees absorb atmospheric carbon dioxide, converting it to wood. The carbon is stored in growing forests and in long lived wood products when harvested sustainably. In addition, the production of sustainable wood products can reduce carbon emissions by substituting for carbon intensive materials, such as steel and concrete in construction, and plastics in the packaging sector, aiding the transition to a net zero economy. Demand for environmentally friendly wood products is set to increase.

The fund will invest in premier unlisted forestry funds selected for positive carbon impact, while maintaining a focus on returns. Low risk investment regions and strategies are chosen. Faster tree growth rates in Evli's target regions, the US, South America, Australia and New Zealand deliver both greater carbon impact and enhanced capital appreciation.

Evli Impact Forest Fund I's goal is to remove at least 21,000 tonnes of atmospheric carbon dioxide per EUR 1 million invested over the 14-year fund term. Evli's fund performance fee is dependent upon achieving this carbon impact goal. The annual volume of carbon dioxide sequestered in the underlying funds will be reported by Evli to investors. Including forestry in an investment portfolio can reduce its carbon footprint.

Forest certification schemes that have been developed over the past twenty-five years can reassure investors that their assets are being managed sustainably. Evli recognizes the Forest Stewardship Council (FSC) and Program for the Endorsement of Forest Certification (PEFC) certification schemes.

The Evli Impact Forest Fund I is rated as an article 9 (dark green) investment under the EU's recently introduced Sustainable Financial Disclosure Regulation (SFDR).

Read more about the Evli Impact Forest Fund I

Evli Impact Forest Fund I is intended for professional investors and a limited number of non-professional clients who make an investment of at least € 100,000 and who are considered to have an adequate understanding of the fund and its investment activities.

Engagement and active ownership

One key element of Evli's responsibility is engagement. Evli participates in collaborative engagement initiatives with other investors and engages independently through direct dialogue with companies. Evli attends general meetings in Finland.

Climate change mitigation a central theme in collaborative engagement initiatives

Evli participates in certain collaborative engagement initiatives that are aimed at influencing the market on a wider level. One of the benefits of collaborative engagement is that it allows those companies in which Evli is not an owner to be engaged with. Climate change mitigation has been the most important theme in the collaborative engagement initiatives that Evli has joined. Next, we will present the results of the collaborative engagement projects in 2020:

Climate Action 100+

Evli has been part of the Climate Action 100+ initiative since 2017. The objective of the initiative is to engage with major greenhouse gas emitters between 2018 and 2022 in order to mitigate climate change and attain the targets of the Paris Agreement. At the end of 2020, the Climate Action 100+ initiative had 545 (2019: 373) subscribing investors with total investment assets of approximately USD 52 trillion (2019: USD 35 trillion). The objective of the initiative is to improve climate change management in companies, reduce greenhouse gas emissions and enhance the transparency of reporting on climate impacts. At the end of 2020, a total of 167 companies, contributing 80 percent of global greenhouse gas emissions, were engaged through the initiative.

Investor letters coordinated by the CDP

Evli has been engaging with companies through the CDP's investor letters since 2017. The CDP is an independent organisation whose aim is to encourage companies to report on and manage their impact on the environment. Evli Bank has been an investor member of the CDP since 2007. The letters were initially addressed to companies with the highest climate change-related risks. The engagement was later expanded to cover forests and water as well. The aim of collaborative engagement through the CDP is to encourage companies to report on the climate, forest and water indicators of their operations, allowing the companies to be more aware of the impacts of their operations, while investors also gain a more comprehensive picture of the companies' responsibility.

In 2020, 108 investors from 24 countries contributed to the CDP's collaborative engagement (2019: 88 investors from 18 countries) with a total of EUR 12 trillion in assets (2019: EUR 9.8 trillion). The engagement operations concerned a total of 1,025 companies in 49 countries (2019: 508 companies). Of the companies engaged with, 206 started reporting their activities to the CDP, with 156 companies reporting on climate change, 20 on forests and 43 on water. When the companies that were engaged with were compared with the companies that were not engaged with, it was noted that the companies that were engaged with were twice as likely to start reporting environmental factors than companies that were not within the scope of engagement.

Engagement coordinated by PRI in relation to the oil and gas sector

In 2018 Evli joined, for the first time, PRI's collaborative engagement activities that aim to engage with oil and gas sector companies in order to improve the management of transition risks associated with climate change. Transition risks are financial risks that are caused by the transition to a low-carbon economy. For instance, changes in technology or climate policy may lead to a revaluation of assets when costs and opportunities associated with a low-carbon economy become a reality. The engagement with the oil and gas sector commenced in 2018 and ended in 2020. During 2020, a total of 25 oil and gas companies were engaged with through this PRI-led project. Compared with the situation in 2018 when companies were scored in terms of climate risk reporting and administration, the companies' scores improved by an average of 14 percent. Moreover, the scores improved in 64 percent of the companies. As a result of the engagement, all the companies recognize climate change mitigation as being a significant factor for their business, and companies have committed to undertaking measures to mitigate climate change.

Stepping aboard in new engagement initiatives

During 2020, Evli joined a new collaborative engagement initiative under PRI: the Need for Biodiversity Metrics. Evli also joined the CDP's new collaborative engagement initiative on setting science-based climate targets (the Science-Based Targets), and signed the Sustainable Recovery from the Covid-19 Pandemic joint statement addressed to the EU's decision-makers. Evli also joined the Green Building Council, an association whose key focus is to promote practices that support sustainable development in the built environment.

The CDP's Science-Based Targets (SBTs) collaborative engagement

In 2020, Evli joined a new collaborative engagement campaign coordinated by the CDP – the Science-Based Targets (SBTs) – which encourages companies to set science-based climate targets. Science-based climate targets are in line with the emissions reduction targets of the Paris Agreement, and they enable companies to set targets and draw up an action plan for their own climate action. In 2020, 137 investors took part in the SBT engagement operations. Their total investment assets came to some USD 20 trillion. The collaborative engagement was commenced by contacting 1,830 companies, which was followed by more detailed discussions with 700 companies. After this, discussions were continued with 150 companies. Of these 150 companies, 80% expressed their interest in setting science-based climate targets.

Independent engagement as a part of our systematic work

In addition to collaborative engagement, systematic independent engagement with companies continued. The themes of Evli's engagement are mitigating climate change, respecting human rights, taking action against corruption and considering environmental matters. Evli also encourages companies to have good governance and to report responsibility factors. In 2020, Evli's Responsible Investment Team contacted nine companies. The cases of engagement were related to good governance, board of directors' remuneration, share issue authorisations, articles of association, responsibility information produced by companies, climate change and a suspected case of corruption. Eight of the cases of engagement were directed at European companies, and one at a South American company. Evli excluded a total of three companies in 2020. The exclusion of the companies was based on severe norm violations in the companies and Evli's estimate that engagement with the companies would be fruitless.

In addition to the engagement work carried out by the Responsible Investment Team, portfolio managers also actively engage in discussions with companies. One of the growing themes in 2020 was the EU taxonomy and the related targets for companies. Portfolio managers met with companies 700 times during 2020.

The coronavirus pandemic changed the procedures of general meetings in 2020.

Evli participated in 26 general meetings during the year. Attendance at general meetings took into account the restrictive measures brought about by the coronavirus pandemic, and therefore most of the meetings were attended by issuing a power of attorney with voting instructions. Evli's representatives participated in, among others, the general meetings of Talenom, QT Group, Kojamo, Sanoma, Verkkokauppa.com, Consti, Marimekko, Detection Technology, Eezy, Adapteo, Fortum, Gofore, Huhtamäki, Tokmanni, Caverion, Ponsse, Glaston, Terveystalo, Revenio, Konecranes, Metsä Board, Asiakastieto, Valmet and NoHo Partners. The meetings were chosen based on their agendas and the fund management company's ability to influence decisions. Before the general meetings, Evli had contacted three companies regarding good governance. A ballot was conducted at eight of the general meetings. At one general meeting, Evli voted against a shareholder's proposal in accordance with a Board recommendation, and at three general meetings Evli abstained from voting on the minority dividend requirement. Apart from these, Evli backed all the proposals.

Updated funds' ESG reports

The ESG database is also used for reporting purposes. Evli publishes ESG reports on all its equity and corporate bond funds, through which anyone can check the responsibility of Evli's investments. In 2020 Evli updated the ESG reports of its funds.

The updated ESG reports provide investors with one of the broadest and most diverse reviews of fund responsibility on the market. The significance of climate change continues to grow, which is why new indicators related to climate change mitigation were added to the updated reports, and these were made into an entity of their own. The climate indicators presented in the report are the fund's carbon footprint, the weight of companies in the portfolio that own fossil fuel reserves, and a classification based on MSCI's analysis of the companies' low carbon transition.

All in all, each fund's ESG report contains the fund's basic information, ESG indicators, indicators related to investments' reputation risk, and climate indicators. The development of the funds' ESG scores and carbon footprints, and the 10 largest investments of each fund are also shown on the report. Furthermore, the report describes the fund's ESG strategy, responsible investment approaches and fund-specific exclusions, and provides more information on the engagement work performed by Evli. The ESG reports of Evli's equity and corporate bond funds are publicly available at Evli's website (www.evli.com) on the fund-specific pages and are compiled into one page at ESG reports.

> **www.evli.com/esg-reports**

Active development work in responsible investment continues

Focus areas have been determined for Evli's responsibility in 2020–2021, which will allow Evli's responsible investment to be taken in an even more systematic direction. In the beginning of 2021, concrete responsible investment development measures have included publishing client-specific ESG reports, publishing the Evli Green Corporate Bond fund's allocation and impact report and implementing the Sustainable Finance Disclosure Regulation (SFDR). With the SFDR, the funds are classified according to how they take sustainability factors into account in their investment activities. The majority of Evli's funds were classified as funds that promote sustainability factors (article 8 funds, light green), and two were classified as funds that have sustainability objectives (article 9 funds, dark green). Evli's forthcoming climate targets will be a particular focus area in 2021.

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