

EVLI

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EVLI PLC

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CORPORATE  
RESPONSIBILITY  
REPORT

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2022

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## Responsibility

Responsibility is one of Evli's strategic focus areas and the company is actively developing its procedures. During the year 2022, Evli strengthened its climate commitment by signing the Net Zero Asset Managers (NZAM) initiative, joined the Taskforce on Nature-related Financial Disclosures forum as part of its biodiversity research work, launched a study with UNICEF on how investors and asset managers can promote children's rights and launched new sustainability-focused investment products. Evli was also rewarded for having the best responsible investment (ESG) expertise in Finland<sup>1</sup>.

<sup>1</sup> SFR Scandinavian Financial Research Institutional Investment Services Finland 2017, 2021, 2022



## Wealth and responsibility drive positive change together

### Responsibility built on Evli's values and transparency

Evli's business starts with clients and understanding their needs. The company's primary responsibility is to grow clients' wealth responsibly, according to their individual goals. Evli's client relationships are long-term and based on mutual trust and ethical business practices. Evli's development and business opportunities depend not only on the trust of its clients, but also on the trust of its employees, owners, investors, partners and society. To maintain and strengthen this trust, Evli must be proactive, transparent, highly ethical and responsible in all aspects. Responsibility is based on Evli's values: entrepreneurship, valuable relationships, learning, and integrity. These values also form the foundation for the ethical principles which direct the actions of Evli and its employees and which guide the company's relationship with its clients and other stakeholders.

Evli seeks to be a responsible member of society and is committed to taking into account both the direct and indirect environmental impacts of its operations. Because corporate responsibility is part of Evli's everyday business operations, its annual report includes a corporate responsibility report. The responsibility section includes detailed information on how responsibility has been integrated into business operations and what indicators have been deemed essential for measuring Evli's responsibility.

### Responsibility report based on stakeholders' expectations

*(GRI 102-46: Defining the content of the report, GRI 102-47: Material considerations, GRI 103-1: Material issues and their threshold)*

At Evli, responsibility is broadly defined as financial, social and environmental responsibility. Ongoing dialogue with stakeholders is very important for Evli, as it helps to develop responsible ways of working and doing business. In 2018, for the first time, Evli conducted a materiality analysis for its key stakeholders to ensure that its responsibility report and responsibility priorities for the coming years reflect stakeholders' expectations and focus on issues that are material to the company. In 2021, the material topics were reassessed to ensure that

## Grouping of material topics based on the materiality analysis

### FOCUS AREAS

- Responsible investing
- Profit performance
- Fairness: equality, non-discrimination and diversity
- Attractive employer

Prioritized areas of responsibility work at Evli. These have been identified as important to ensure Evli's future competitiveness and create added value for its stakeholders in the long-term.

### DEVELOPMENT AREAS

- Responsible marketing
- Work well-being and health
- Education and development
- Direct environmental impacts

Issues relevant to Evli and its stakeholders that enable more responsible business operations. Determined in part by laws and regulations. However, Evli itself determines how much it develops these areas of responsibility in order to be a more responsible company and to meet stakeholder expectations now and in the future.

### BASE

- Customer privacy protection and data security
- Taxes and tax footprint
- Prevention of corruption, bribes and money laundering

Areas that are fundamental to trust in the financial industry and are directly related to stakeholder confidence in Evli and its business. These are always handled in accordance with current legislation and regulatory requirements.

these remain relevant and properly grouped. On the basis of the re-evaluation, the material topics remained unchanged, but the grouping was changed by dividing the material topics into three main groups: base, development areas, and focus areas, covering a total of eleven most relevant topics. No changes were made for the 2022 analysis.

The materiality analysis has taken into account the importance of the issues raised for stakeholders and for Evli's business. A more detailed grouping also took into account the opportunity for Evli to develop these areas to make its business more responsible. The **base** of the grouping are topics that create the foundation for business operations and are directly related to stakeholders' confidence in Evli and its business. At the middle of the grouping are the **development areas**, which are relevant to Evli and its stakeholders, enabling even more responsible business, and are partly determined by laws and regulations. At the top of the grouping are the **focus areas** of Evli's responsibility work. These are the topics that Evli has identified as significant to ensure its future competitiveness and create added value for its stakeholders in the long-term.

As a result of the materiality analysis, Evli has recognised, among others, that in improving responsibility and with regard to environmental impacts, the single most important factor in Evli's operations is the responsibility of the company's investment operations and taking this into account in the product and service range.

## Continuous dialogue with stakeholders

*(GRI 102-40: List of stakeholder groups, GRI 102-43: Approach to stakeholder engagement, GRI 102-44: Key topics and concerns raised)*

Evli's principal stakeholders are its clients, personnel, shareholders, investors, the authorities, partners and media. An active and open dialogue with these principal stakeholders helps Evli to identify the areas of its operations that should be prioritised and developed. Regular discussions with different stakeholders form a foundation for understanding their views and needs. Correspondingly, it is important to tell stakeholders about the company's goals, execution policies, values and changes in the operating environment. This helps create a common understanding and trust concerning business operations and factors that influence it.



STAKEHOLDERS	STAKEHOLDER'S EXPECTATIONS	CHANNELS	EVLI'S ACTIONS IN 2022
<b>CLIENTS</b>	<ul style="list-style-type: none"> <li>– Competitive products and services</li> <li>– Useful auxiliary and advisory services</li> <li>– Reliability, data protection</li> <li>– Service channels that meet needs</li> <li>– Responsible operations</li> </ul>	<ul style="list-style-type: none"> <li>– Questionnaires and client feedback</li> <li>– Websites and social media channels</li> <li>– Client meetings, events and webinars</li> <li>– Emails, newsletters and phone calls</li> </ul>	<ul style="list-style-type: none"> <li>– Two new Article 8 equity funds and two new Article 8 alternative investment product were launched</li> <li>– The climate commitment was reinforced by the signing of the Net Zero Asset Managers (NZAM) initiative</li> <li>– Customer and investment product specific sustainability reports were published as part of reporting</li> <li>– Information in accordance with the Sustainable Finance Disclosure Regulation (SFDR) were given from funds and asset management strategies</li> <li>– Internal processes were developed to improve operational efficiency and customer service</li> </ul>
<b>PERSONNEL</b>	<ul style="list-style-type: none"> <li>– Fair treatment and open interaction</li> <li>– Job stability and competitive pay</li> <li>– Opportunities for professional development</li> <li>– Occupational health and well-being</li> </ul>	<ul style="list-style-type: none"> <li>– Intranet and HR personnel system</li> <li>– Occupational healthcare</li> <li>– Performance reviews and training events</li> <li>– Personnel surveys and other internal surveys</li> <li>– Personnel events</li> </ul>	<ul style="list-style-type: none"> <li>– The expertise and knowledge of the employees were developed</li> <li>– Operations were developed based on personnel surveys</li> <li>– Self-management webinars were organised</li> <li>– The recruitment process and trainee program were developed</li> </ul>
<b>SHAREHOLDERS AND INVESTORS</b>	<ul style="list-style-type: none"> <li>– Creating long-term value</li> <li>– Profit performance</li> <li>– Dividend and good return on equity</li> <li>– Capital adequacy</li> <li>– Responsible operations</li> </ul>	<ul style="list-style-type: none"> <li>– Interim and half-year reports, financial statements bulletins and annual report</li> <li>– Corporate Governance Statement</li> <li>– Remuneration policy and report</li> <li>– Stock exchange and press releases</li> <li>– Annual General Meeting, Investor and analyst meetings</li> <li>– evli.com</li> </ul>	<ul style="list-style-type: none"> <li>– Evli continued to implement its strategy from 2017</li> <li>– Operations were developed to create long-term stable financial performance</li> <li>– Economic, social and environmental aspects were taken into account in operations</li> <li>– Corporate transactions to increase efficiency and growth.</li> </ul>
<b>PARTNERS (INCLUDING AGENTS AND DISTRIBUTORS)</b>	<ul style="list-style-type: none"> <li>– Fair and equal treatment</li> <li>– Competitive products and services</li> <li>– Reliability and capital adequacy</li> <li>– Two-way communications</li> </ul>	<ul style="list-style-type: none"> <li>– evli.com</li> <li>– Meetings and training</li> <li>– Emails and phone calls</li> </ul>	<ul style="list-style-type: none"> <li>– Information and trainings about new products and services</li> <li>– Operational development based on feedback received</li> <li>– Open communication and continuous dialogue</li> </ul>
<b>THE AUTHORITIES</b>	<ul style="list-style-type: none"> <li>– Compliance with laws and regulations, integration of sustainable development with operations</li> <li>– Open, transparent and reliable reporting</li> <li>– Continuous interaction</li> </ul>	<ul style="list-style-type: none"> <li>– Phone calls and emails</li> <li>– Participation in events and training</li> </ul>	<ul style="list-style-type: none"> <li>– Compliance with new laws, regulations and provisions and developing business operations to adapt to changes in the operating environment</li> <li>– Open communication and continuous dialogue</li> </ul>
<b>MEDIA AND JOURNALISTS</b>	<ul style="list-style-type: none"> <li>– Relevant, reliable and open communications</li> <li>– Expertise</li> </ul>	<ul style="list-style-type: none"> <li>– Press and stock exchange releases</li> <li>– Press events and interviews</li> <li>– evli.com and social media channels</li> <li>– Monthly reviews, newsletters, emails and phone calls</li> </ul>	<ul style="list-style-type: none"> <li>– Multi-channel communication on topical matters</li> <li>– Prompt replies to inquiries and interview requests from the media</li> <li>– Media meetings</li> </ul>
<b>LOCAL COMMUNITIES</b>	<ul style="list-style-type: none"> <li>– Employment opportunities</li> <li>– Co-operation with universities</li> <li>– Support to communities and co-operation with businesses</li> </ul>	<ul style="list-style-type: none"> <li>– Meetings, events and webinars</li> <li>– evli.com and social media channels</li> </ul>	<ul style="list-style-type: none"> <li>– Activities of the universities were supported</li> <li>– Summer employments and the trainee program were developed</li> <li>– Continued support for sports and cultural activities and environmental actions.</li> </ul>

## Focus areas in Evli's responsible operations

In 2022, Evli's sustainability work was divided into responsible products and services, responsible governance, and responsibility as an employer. In terms of responsible products and services, the focus areas were responsible marketing, customer privacy protection and data security, and responsible investing. The focus areas for responsible governance were profit performance, taxes and tax footprint, prevention of corruption, bribery and money laundering, and direct environmental impacts. As a responsible employer, Evli's focus areas were fairness, health and well-being at work, training and development, and employer branding.



## Responsible business supports the company's value creation



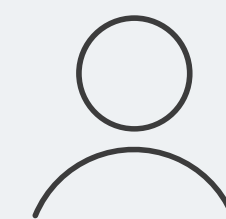
### Responsible products and services

- Responsible marketing
- Customer privacy protection and data security
- Responsible investing



### Responsible governance

- Profit performance
- Taxes and tax footprint
- Prevention of corruption, bribes and money laundering
- Direct environmental impacts



### Responsible employer

- Fairness: equality and diversity
- Health and well-being at work
- Training and development
- Employer branding

## Responsible products and services

Evli's key principle is to offer products and services that meet its clients' needs and goals. In selling products and services, Evli focuses on ensuring that clients understand the product or service they are buying and the associated risks, as well as ensuring that the product or service suits the clients' investment goals. At Evli, responsible investing means that environmental, social, and good governance (ESG) factors are an integrated part of portfolio management.

### **Responsible marketing based on integrity, clarity and transparency**

Evli aims to be the leading asset manager and responsible capital allocator in the Nordic region. Achieving the aim, is supported by Evli's corporate culture, which is based on a mindset where the client's interests always come first and where the client's assets are managed as if they were our own. It is based on hard work and resourcefulness, customer service and teamwork, building excellence and integrity in all Evli's activities. Moreover, in an increasingly unpredictable world, Evli strives to be one step ahead of our clients so that we can guide them in an uncertain future. The cornerstone of this kind of operation is that Evli knows its clients and becomes familiar with their business and financial situation as required by the client relationship. This enables Evli to offer every client products and services that fit their needs and goals and to ensure that clients truly understand the product or service they are buying.



Transparent products and services that promote clients' needs improve client satisfaction. Evli measures client satisfaction. By measuring client satisfaction Evli wants to identify issues that clients consider relevant, develop them, and quickly react to problems. In addition to Evli's internal client satisfaction surveys, Evli takes part in annual surveys conducted by external parties concerning wealth management.

## Results and priorities for 2022

- In Kantar Prospera's "External Asset Management Finland" survey, Evli was the most used institutional asset manager in Finland for the sixth consecutive year and among the best institutional asset manager in Finland for the tenth time<sup>1</sup>.
- Evli received top rankings for the seventh year in a row in terms of overall quality in the institutional asset management survey 2022 by SFR among large asset management companies. Evli was also rewarded for having the best responsible investment (ESG) expertise among large asset management companies in Finland<sup>2</sup>.

## Customer data protection as a basis for trust

*(GRI 418–1: Number of legitimate complaints about customer privacy violation and customer loss)*

In Evli's operations, particular attention is devoted to data protection and the safeguarding of the client's privacy protection in the processing of personal data. Personal data is used for taking care of client relationships, offering products and services, direct marketing, and risk management. Evli is committed to processing personal data in accordance with the laws, appropriately and transparently. Personal data is processed in compliance with the EU's General Data Protection Regulation (GDPR) and specific legislation for the financial industry.

Evli Group has several person registers for managing personal data, each of which has a separate data protection notice. Data security is improved on a continual basis to ensure that it meets the requirements of the authorities, clients, and the changing operating environment.

<sup>1</sup> KANTAR Prospera "External Asset Management Finland"; 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022

<sup>2</sup> SFR Scandinavian Financial Research, "Institutional Investment Services Finland, Competitive Positioning Report, Investment Services Combined, Average of all Criteria, Large Asset Managers"; 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022.

<sup>3</sup> ESG stands for Environmental, Social, and Governance.

## Results and priorities for 2022

- New employees were trained in Evli's data protection and digital security.

## Responsible investing

Evli believes that incorporating responsibility considerations into investment decisions increases the understanding of the investments and the related risks and opportunities more than by simply analysing financial figures.

## Responsible investment an integrated part of investment operations and reporting

At Evli, responsibility factors have been integrated into the investment operations of Wealth Management, which means that responsibility is systematically considered in portfolio management. In practice, 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 purpose of the ESG<sup>3</sup> database is to provide portfolio managers with easy access to ESG data when making equity and fixed-income investments. For instance, portfolio managers can search for the following information on a company: responsibility assessments (so-called ESG scores), data on controversial activities' contribution to revenue, and any ESG violations as well as emission data, information on companies' emission reduction targets and how companies are aligned with the Paris Climate Agreement.

The ESG database is also used for reporting purposes. Evli publishes public ESG reports on all of its equity and corporate bond funds. This means that anyone can check the responsibility of Evli's investments. In addition to ESG and UN Global Compact analyses, the ESG reports include development of investments' ESG scores, reputational risk, carbon footprint and company-specific ESG data for the 10 largest holdings. In addition, Evli reports half-yearly about the responsibility of its clients' equity and corporate bond investments in the client-specific ESG reports.



An investment-specific ESG analysis is part of all investments, including those in alternative funds. In the Evli Private Equity, Evli Infrastructure and Evli Private Debt funds, each new fund is analysed against the same ESG criteria and investments are only made in funds that meet the criteria. The funds are also analysed according to the same criteria during the investment and the ESG analysis data is transparently available to investors. In the same way, in Evli's growth company funds, the 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. For real estate funds, Evli operates in a socially responsible manner and expects the same from its partners. In addition, Evli is able to contribute to the energy efficiency of buildings and the carbon footprint of construction through concrete measures. Evli's forest fund, Evli Impact Forest Fund, identifies ESG risks and opportunities for target funds by assessing, among other things, the environmental performance of forest managers and ensures sustainable forest management through forest certification schemes developed over the past 25 years. Responsibility is a concrete part of investment decisions also in the funds transferred to Evli's management in the merger of Evli and EAB Group Plc.

## **More responsible practices through engagement**

Evli analyses the active selections in its equity and corporate bond funds and wealth management direct investments 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 set out 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 corporate responsibility and the application of law to international

business. Information on non-compliance is available from the MSCI and ISS ESG databases and other sources, such as news reports.

Every case of non-compliance with the norms and Climate Change Principles triggers a pre-determined process at Evli. The case is first handled with a portfolio manager, after which Evli's Responsible Investment team analyses the company's situation. The Responsible Investment team has two options for further action:

1. Initiate measures for engagement
2. Exclude the investment

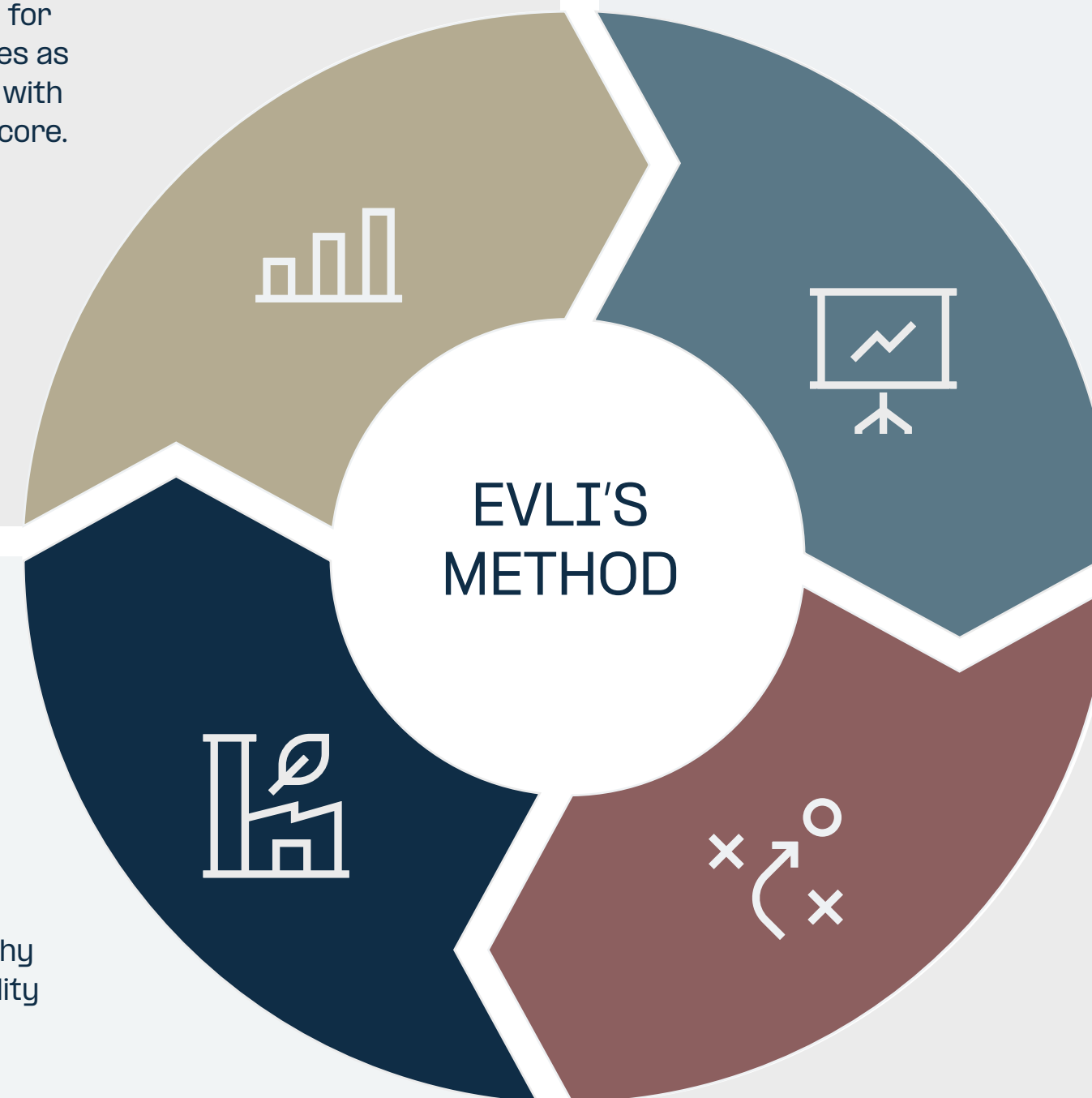
Cases of engagement through the quarterly review mostly concern environmental problems, human rights, workers' rights, or actions to mitigate climate change. Evli does not disclose the names of the companies that are subject to engagement activities, as it believes that confidentiality with the company is more effective.

## 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, 90% have an excellent, very good or good ESG score.

## 2. Monitoring, active ownership and engagement

Evli monitors its active equity and corporate bond investments regularly and strives to influence the way companies operate. If a company violates the principles set out in the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises or Evli's climate principles, Evli will either seek to engage the company or exclude it from its investments. 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.



## 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 for example of the equity and corporate bond funds' public ESG reports, client-specific portfolio reports and the responsible investment annual report. In addition, information in accordance with the Sustainable Finance Disclosure Regulation (SFDR) is reported from funds and asset management strategies.

## 3. Exclusion of companies from investments

All of Evli's equity and corporate bond funds, as well as direct equity and corporate bond investments, follow the general exclusion principles. In accordance with these principles, manufacturers of controversial weapons with a 0% revenue threshold and tobacco manufacturers, adult entertainment producers and controversial lending companies (including so-called "quickie loan" companies) with a 5% revenue threshold are excluded. In addition, Russia is excluded as a region where investments can be made. The exclusion covers both Russian companies and the Russian state. It is also possible to exclude companies that violate ESG principles and do not show a willingness to change their practices. In addition, investing in companies with more than 30% of their revenue coming from thermal coal mining, its use in energy production, or oil sand extraction is avoided and companies producing peat for energy production are excluded. Some funds comply with broader exclusion criteria. In addition to equity and corporate bond investments, Evli's alternative investment funds also aim to comply with the same general exclusion criteria.

## Focus areas for responsible investing 2022–2023

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

### Results and priorities for 2022

- Evli expanded its client-specific ESG reports with new ESG indicators and published a second allocation and impact report on the Evli Green Corporate Bond fund. The allocation and impact report provides transparent information on the concrete impact of the fund's investments.
- Russia was excluded as a region where investments can be made. The exclusion covers both Russian companies and the Russian State.
- EGP Fund II Ky, a private equity fund investing in the most promising Finnish and European growth companies, launched its operations. The fund takes sustainability into account not only through ESG assessments of its investments, but also by creating ESG performance indicators (KPIs) for its investments and by organising workshops for companies on various ESG topics.
- ESG training days were organised for portfolio managers, with the main topics being climate, biodiversity, and EU sustainable finance legislation.
- Evli strengthened its climate commitment by signing the Net Zero Asset Managers (NZAM) initiative, where for example, asset managers must set clear milestones within a year of signing up to the initiative and then report annually on their progress.
- Work on climate targets continued in terms of building a snapshot, developing climate risk management and engagement. The climate targets' working committee's analysis of how best to achieve the investment milestone in real-world emission reductions and in line with the Paris Agreement focused on identifying best practices and building on them to develop clear next steps for 2023.
- For biodiversity, in addition to the ESG indicators, the research was extended, for example through the publicly available ENCORE online tool. The ENCORE online tool can be used to examine the nature dependencies and impacts of production processes in different sectors.
- As part of its biodiversity work, Evli became the first Finnish asset manager to join the Taskforce on Nature-related Financial Disclosures (TNFD).
- Evli launched two new Article 8 equity funds, Evli USA Growth and Evli Nordic Small Cap, and a new alternative fund, the global infrastructure fund Evli Infrastructure Fund II, which has a robust ESG process. Additionally, Evli's range of products expanded as a result of the merger of Evli and EAB Group Plc with among others Elite Alfred Berg Renewable Energy Infrastructure Fund II, which invests in European renewable energy projects.
- During the year, Evli attended 34 company general meetings. Attendance took into account the restrictive measures brought about by the coronavirus pandemic, and meetings were therefore attended by voting in advance. Evli representatives attended the general meetings of among others Fortum, Gofore, Kamux, Marimekko, Modulight, QT Group, Sanoma, Sitowise, Terveystalo and Verkkokauppa.com. The meetings were selected on the basis of the content of the agenda and the ability of the fund management company to influence.
- Systematic engagement with companies continued. Evli was in contact with 22 companies. The cases of engagement related to companies' climate work and targets, companies' ESG work in general, suspected breaches of norms and good corporate governance. In the quarterly monitoring, Evli excluded one company on the basis of suspected non-compliance.



- In addition to independent engagement, Evli was involved in the following collaborative engagement initiatives and/or investor letters:
  - CDP Investor Letters (climate change, deforestation, water),
  - Climate Action 100+ and
  - the CDP’s collaborative engagement to set Science–Based Targets.
  - Evli signed a letter to governments, the 2022 Global Investor Statement to Governments on the Climate Crisis, which encourages ensuring a limitation of global temperature increase to 1.5°C, taking early action to keep greenhouse gas emissions in line with the 2030 target, promoting non–carbon emission reductions, increasing the supply of climate finance and strengthening climate reporting across the financial system through mandatory reporting under the TCFD framework.
  - Evli joined as an endorser the PRI Advance initiative, which brings investors together to take action on human rights and social issues.
  - Evli signed the global COP15 initiative, which was among other things calling on governments to give financial institutions a stronger mandate to align their financial activities with biodiversity targets.
- As part of its human rights work, Evli launched a research project together with UNICEF Finland to find out how investors and asset managers can promote children’s rights.

- Evli’s responsible investment performed excellently in external evaluations. Evli was awarded the “Responsible Investment Award 2022” in the SFR<sup>1</sup> customer survey for the best responsible investment skills among the large asset management companies in Finland. In the SFR survey, Finnish institutional investors evaluated 18 asset management companies on a total of 11 different quality criteria, including investment performance, investment process, resources, and responsibility.

More detailed information about Evli’s responsible investment and its development can be found at [evli.com](https://evli.com) and in the Annual Responsible Investment Report. Evli also reports its climate risks following the guidelines of the Task Force on Climate–related Financial Disclosures (TCFD). More information on 2022 reporting on pages 28–34. In 2022 Evli also continued the implementation of the EU Sustainable Finance Disclosure Regulation (SFDR) requirements and reports according to them within the timetable given in the second level of the SFDR.

<sup>1</sup> SFR Scandinavian Financial Research Institutional Investment Services Finland 2017, 2021, 2022

## Businesses and investors have a major role to play in biodiversity conservation

For a long time, the main focus of responsible investment has been on climate change and greenhouse gas emissions. However, biodiversity is gaining importance in the investment arena.

“The lack of a measurable link between corporate activities and nature has prevented companies from assessing its economic importance and has meant that nature has not been systematically taken into account in investment activities”, says Petra Hakamo, Head of Sustainability at Evli.

This is about to change, as biodiversity impact indicators are being developed. The Taskforce on Nature-related Financial Disclosures (TNFD) initiative aims to develop a framework for nature reporting for organisations to better identify the dependencies and impacts of their activities on nature, as well as the risks and opportunities associated with nature. In 2022, Evli became the first Finnish asset manager to join the TNFD Forum. As a member of the TNFD Forum, Evli is able to follow the development of the framework more closely.

Evli has been studying biodiversity metrics for a few years now as part of its development work on responsible investment. In 2022, Evli expanded the research using the five nature loss drivers<sup>1</sup> identified by IPBES<sup>2</sup> as a framework: land and sea use change, climate change, pollution, natural resource use and exploitation and invasive species. In addition, Evli examined the nature dependencies and impacts of production processes in different sectors using the public ENCORE<sup>3</sup> online tool. The underlying data for ENCORE is freely available for download for proprietary use and Evli has used this data to develop an analysis that can be used to examine which different ecosystem services the industries in the portfolio are dependent on and what impacts the production processes of the industries in the portfolio have on nature. While ENCORE's data is based only on industry-specific information, and company-specific activities cannot be included in the analysis, it helps to assess portfolio-specific nature-related risks. The results of this analysis can be used in the future to develop Evli's own biodiversity work, such as identifying the most critical sectors and targeting companies with a significant impact on nature.

In addition to seeking better data, investors can also engage companies and policy makers. Evli signed with other investors the global COP15 initiative, released in conjunction with the UN Biodiversity Conference (COP15), calling on governments to take coordinated action to tackle climate change and biodiversity loss around the world, to set a stronger mandate for financial institutions to align financial activities with biodiversity targets, and for the adoption of an ambitious Global Biodiversity Framework at COP15 in Montreal.

<sup>1</sup> <https://ipbes.net/models-drivers-biodiversity-ecosystem-change>.

<sup>2</sup> The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) is a UN-based organisation whose mission is to bring together science and policy on biodiversity and ecosystem services and to develop their activities for human well-being and sustainable development.

<sup>3</sup> ENCORE by Natural Capital Finance Alliance, <https://encore.naturalcapital.finance/en>

### Taskforce on Nature-related Financial Disclosures (TNFD)

TNFD is a market-driven initiative to develop a risk management and communication framework for organisations and financial institutions, regardless of their size or geographical location. The aim is to help organisations identify and report on the risks, opportunities, impacts, and dependencies associated with the nature of their activities in a standardised 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<sup>4</sup>, following the same four pillars: 1) governance, 2) strategy, 3) risk management and 4) metrics and targets. Various beta versions of the framework have been published and the final framework is scheduled for release in September 2023.

<sup>4</sup> <https://tnfd.global/>

<sup>5</sup> Task Force on Climate-Related Financial Disclosures (TCFD) <https://www.fsb-tcfd.org/>

## Responsible governance

Evli's operations are always based on good governance, legislation, and official regulations. In addition, integrity and ethical operations are considered the foundation of sustainable business.

### **Profit performance forms the core of financial responsibility**

*(GRI 201-1: Direct economic value generated and distributed)*

Financial responsibility is fundamental to Evli's operations. Financial responsibility means maintaining competitiveness, strong performance and good profit performance. These factors enable profitable growth and thus add value in the long-term to all Evli's key stakeholders: clients, society, personnel, and shareholders. Evli aims to improve profit performance by enhancing operating efficiency, innovating new products and service solutions, and developing its core processes. A financially solid company can shoulder its responsibility for the environment, look after its personnel, meet its clients' needs and serve society. Evli's goal is to increase the sales of its existing wealth management services, mutual funds, and alternative investment products in Finland and to increase the international sales of selected funds. The goal is also to bring new products and service solutions to the market, which will help to achieve a positive result development. In addition, Evli's aim is to enhance its operations in order to ensure the competitiveness of services and continuity of operations in the future.



Evli aims to be an interesting investment, both from the perspective of dividend income and the increase in share value. Evli avoids unnecessary risks and concentrates on moderate, long-term growth and development. With responsible operations, Evli creates long-term value for the owners and improves the ability to react to the opportunities and risks arising from economic, social and environmental megatrends.

## Results and priorities for 2022

- Evli Group's net revenue decreased by 17 percent to EUR 96.1 million. The alternative investments and the incentives business continued its growth, but the traditional fund sales and Corporate Finance business contributed negatively to the performance.
- Sales of alternative investment products increased significantly from the previous year and alternative assets under management reached EUR 2.4 billion at the end of the year.
- International sales had a challenging year, with the geopolitical uncertainties, energy crises and uncertain market outlook impacting the sales. At the end of 2022, EUR 2.2 billion of Evli's fund capital came from clients outside Finland. This was a decrease of 30 percent compared to 2021.
- Evli continued its IT investments with the aim of streamlining processes and improving service to clients. During the year, Evli among other things streamlined its processes in conjunction to the demerger of the banking license and the merger of EAB Group Plc into Evli.

## Taxes are paid in accordance with local legislation in each country of operation

*(GRI 201–1: Direct economic value generated and distributed)*

Evli's head office is located in Finland. The company also has branch offices and subsidiaries in Sweden and the United Arab Emirates. In each country, Evli pays its taxes in accordance with the local legislation. Evli is committed to ensuring that it complies with all statutory obligations, and it discloses all required information to the relevant tax authorities and engages in an open discussion with them. Evli considers compliance with tax legislation as an important part of its corporate responsibility.

## Results and priorities for 2022

- Evli paid a total of EUR 5.8 million in taxes (2021: EUR 11.2 million).

## Corruption, bribes and money laundering not acceptable

*(GRI 205–2: Communication and training about anti-corruption policies and procedures, GRI 205–3: Confirmed incidents of corruption and actions taken)*

Evli does not accept corruption, bribery, or any other illegal activity under any circumstances. Evli's ethical principles guide its personnel in this matter. For example, employees will not offer, demand, or accept inappropriate gifts, trips, or payments. Moreover, there is an internal guideline on hosting in the company's name and giving business gifts.

Evli plays an important role in preventing money laundering and the funding of terrorism. For this purpose, Evli has clear operating instructions that apply to the entire personnel. In addition to statutory obligations, preventing money laundering is part of Evli's risk management and an important part of its business operations. Knowing the client is an integral part of the prevention of money laundering. Therefore, before a new client relationship is formed, the client's information is always analysed as required by guidelines based on the law. All personnel who have direct contact with clients must take part in annual training events on money laundering and knowing the customer. Evli has also adopted an active role in developing the regulation and good operating practices in the industry.

Evli provides an opportunity to report violations through the whistleblowing procedure. If an employee suspects that unethical activities have occurred or that someone has engaged in activities that violate the law, regulations, the authorities' instructions, or Evli's internal guidelines, a separate procedure is available with dedicated guidelines that the employee can follow to report the matter.

## Results and priorities for 2022

- No cases of corruption, bribery or money laundering in Evli's operations were reported.
- Training events were mainly regarding prevention of money laundering and funding of terrorism.

## Environmental impacts of Evli's own operations

*(GRI 302–1: Energy consumption within the organisation, GRI 302–4: Reduction of energy consumption)*

Evli's own operations do not have any significant immediate environmental impacts. The company's principal environmental impacts are related to its investment activities. However, the company is aware that it can promote positive environmental impacts through its own operations by reducing the energy consumption and CO2 emissions of its offices and paying attention to the environmental impacts of waste and consumption of paper. Unnecessary travel is avoided by favouring telephone and video conferences. Employees continuously strive to reduce their ecological footprint in their everyday work.

Evli has set a target to be net zero in terms of emissions from its own operations (Scope 1 and 2) by 2025 at the latest.

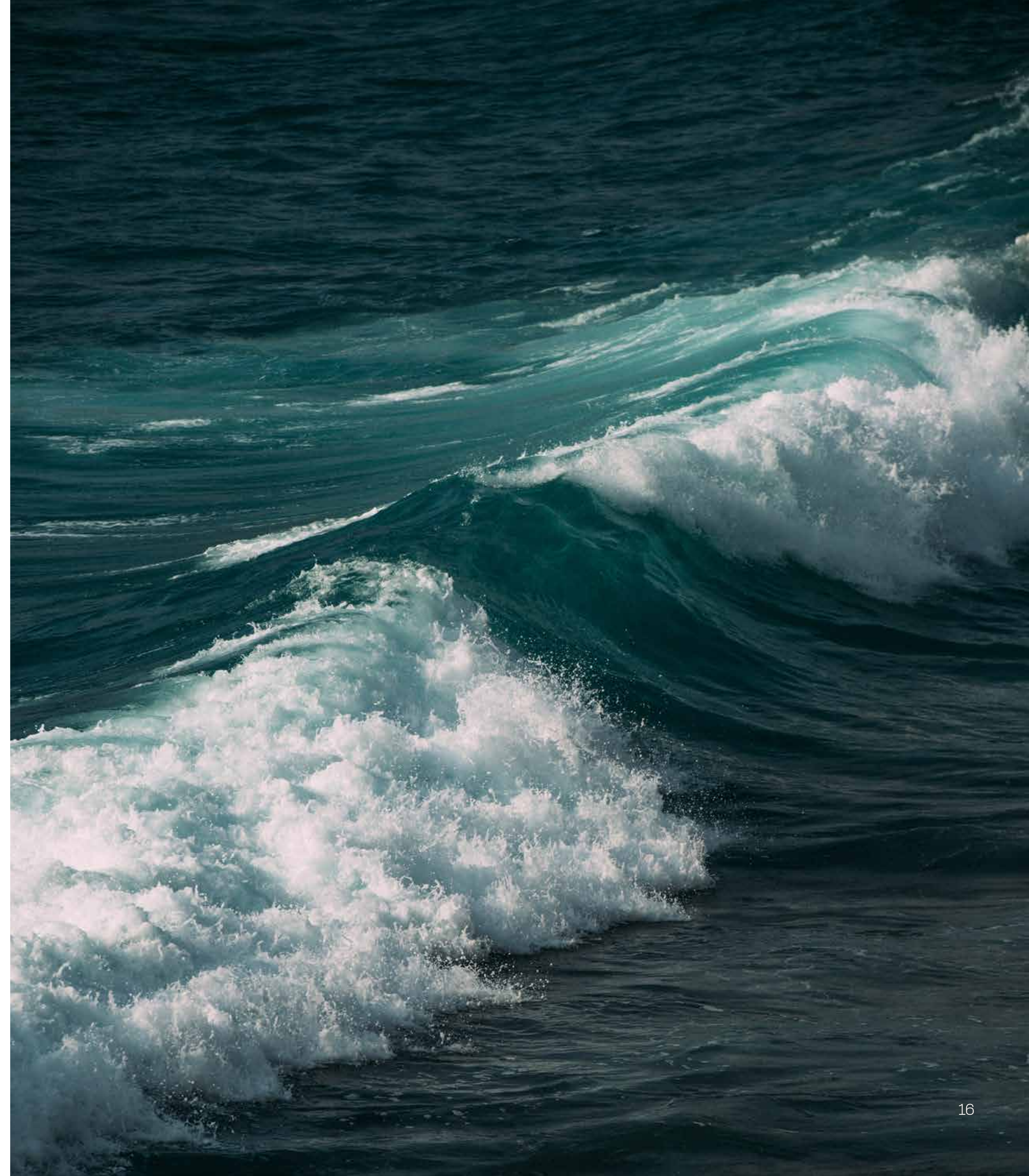
Evli's head office in Helsinki has been awarded the LEED<sup>1</sup> Gold certification, one of the world's best-known green building certificates.

It is also important for Evli to increase environmental awareness among its clients and employees and offer products and services that help to mitigate harmful environmental impacts. With the continuous development of digital transaction channels and utilising the opportunities given by technology, Evli offers new forms of services that have a smaller environmental impact than before.

### Results and priorities for 2022

- Evli continued the development of its website evli.com and the My Evli online service in order to, among others, reduce the amount of paper reporting.
- Evli's energy consumption was on the previous years level.

<sup>1</sup> LEED=Leadership in Energy and Environmental Design





## Responsible employer

Evli's success is based on the professional skills of its employees and their ability to create new solutions, added value for the benefit of the clients and to serve them professionally. Evli believes that employee commitment and thriving at work is reinforced by creating a flexible, efficient and balanced work community, which is characterised by innovativeness and the capability to develop and bring about change.

To ensure that the best experts in the business will serve clients also in the future, Evli pays particular attention to employee development and motivation. In addition to competitive pay, personnel benefits include expert level occupational healthcare services and varied opportunities for developing skills.

### **Most of the personnel work in Finland**

*(GRI 102–8: Information on employees and other workers, GRI 401–1: New employee hires and employee turnover)*

At the end of 2022, the Evli Group had 344 employees, up by 19 percent on the previous year. The increase in the amount of employees was mainly due to the merger of EAB Group Plc into Evli in October 2022. Of the total personnel, 94 percent worked in Finland, over five percent in Sweden and nearly one percent in the United Arab Emirates.



The total number of new hires in 2022 was 29. The number of new employees does not include summer workers and trainees. The average personnel turnover was 8.3 percent.

PERSONNEL DATA	2022	2021 <sup>6</sup>	2020 <sup>6</sup>	2019 <sup>6</sup>	2018 <sup>6</sup>
Personnel	344	290	261	249	254
Permanent	294	251	233	224	226
Temporary <sup>1</sup>	50	39	24	25	24
On study or parental leave	11	7	4	3	4
Full time <sup>2</sup>	312	244	240	237	243
Part time <sup>3</sup>	32	39	21	12	11
Women/men (%)	38/62	38/62	39/61	36/64	38/62
Average age	40	40	41	41.1	40.5
Average period of service (years)	8	9	11	9.9	9.1
Average personnel turnover (%) <sup>4</sup>	8.3	10.0	8.0	8.5	8.3
New hires	29	32	20	16	15
Sickness absences, days/person	2.2	1.8	1.2	2.2	2.9
Occupational accidents at work	1	0	0	0	0
Training days/person	1.0	1.3	1.0	2.1	3.7
Personnel covered by performance reviews (%)	100	100	100	100	100

<sup>1</sup> Includes both trainees and summer workers

<sup>2</sup> Includes both permanent and temporary employees with full-time contracts. <sup>3</sup> Includes both permanent and temporary employees with part-time contracts

<sup>4</sup> Personnel turnover was calculated using the following formula: ((Number of new persons employed Jan 1–Dec 31 + number of employees leaving Jan 1–Dec 31)/2)/number of employees on Dec 31.

<sup>5</sup> Includes conversion of fixed-term contracts into permanent contracts during the year

<sup>6</sup> The figures for 2018–2021 are those of Evli Pankki Plc. Evli Plc was created by a partial demerger from Evli Bank Plc on April 2, 2022.

## A diverse work environment and equal opportunities

(GRI 405–1: Diversity of governance bodies and employees)

Fairness, including equality, non-discrimination and diversity are a material part of Evli's responsibility. Work in this was further organised in 2018 as the Board of Directors approved Evli Group's diversity policy and goals for 2022. The diversity policy defines the company's principles concerning equality, non-discrimination, and diversity. Under the principles, Evli commits to creating a workplace that is non-discriminatory, open, and positive and in which all employees are treated equally, irrespective of gender, age, ethnic or national background, nationality, language, or faith.

In addition, a material factor of diversity is that all employees feel they have the same opportunities to develop and advance in their careers. Good management of diversity and work for non-discrimination can improve personnel well-being and commitment and enable employees to perform to their full potential. In addition, diversity promotes innovations, productivity, and the company's competitiveness.

At Evli, diversity applies to all business areas and diversity is taken into account in all personnel management from hiring to career progress and development.

In addition to Evli Group's diversity policy, the goal of the Board of Directors' diversity policy is to ensure that the Board is as diverse as possible. Diversity emphasises the Board members' expertise regarding different industry sectors and training and skills that complement those of other members. In addition, factors that are relevant regarding the diversity of the Board include age and gender distribution and the length of term. The goal is for both genders to be represented on the Board.

### Results and priorities for 2022

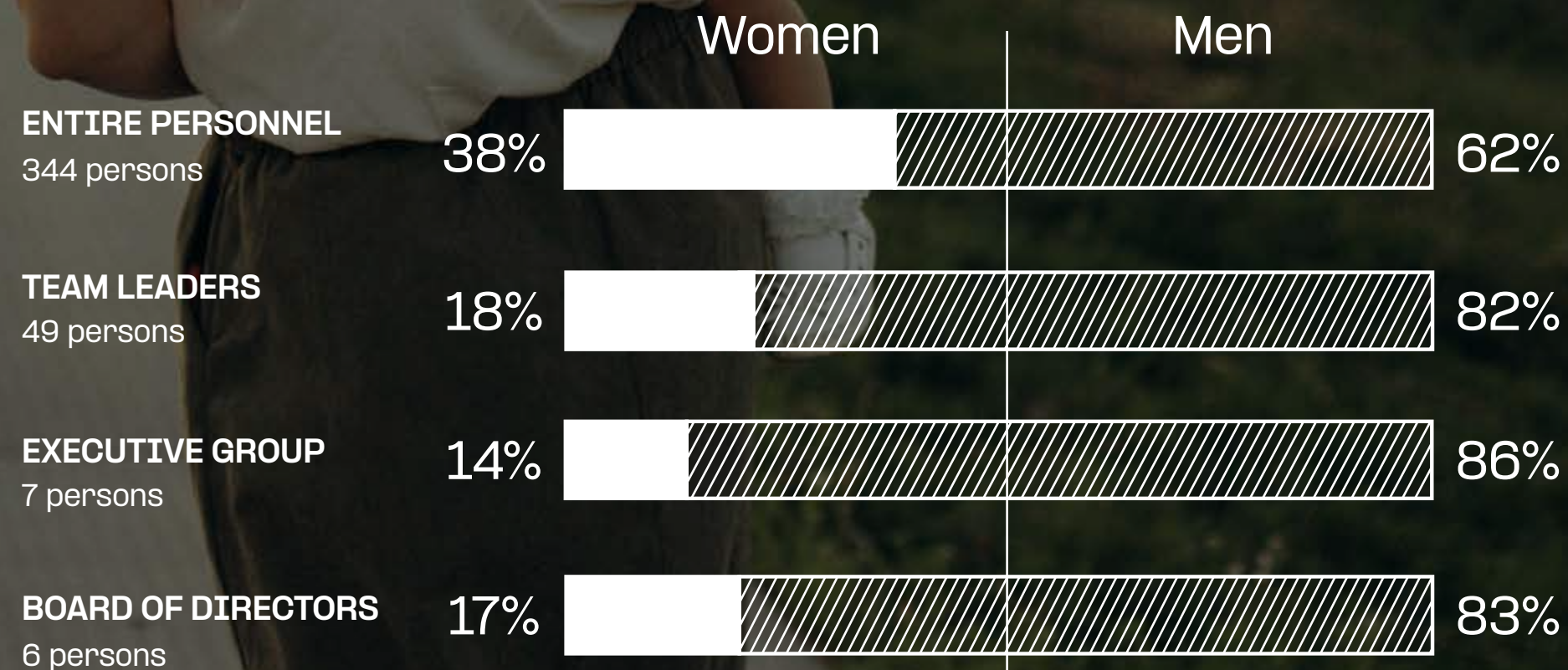
- Evli's recruitment process was further improved, and recruitment increasingly focused on diversity, including through collaboration with different stakeholders. For example, efforts are being made to make the investment industry more attractive to women.

## DIVERSITY GOALS FOR 2022

- There are at least 40 percent of each gender represented in expert positions in all business areas.
- There are at least 30 percent of each gender represented in team leader positions in business areas and administration.
- Both genders are sufficiently represented on the Board of Directors and in the Executive Group. In planning the composition of the Board, important factors include members' skills, experience, and expertise to ensure effective performance.
- In recruitment, the most suitable person for the position is always selected. The annual equality and equal treatment review developed policies to ensure equal opportunities for all applicants in recruitment and to achieve the greatest possible diversity in the organisation.
- Both genders must be represented in the group of people selected for the trainee program.



### EVLI'S DIVERSITY 2022



### Evli looks after the well-being of its employees

(GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities, GRI 401-3: Parental leave)

Motivated and committed employees whose well-being are at a high level are vital to Evli's operations, development, and profitability. Evli's goal is to develop and promote the comprehensive well-being of the employees and invest in preventive well-being measures. One of the key conditions for both mental and physical well-being is work-life balance. This is supported at Evli through a flexible working culture, which includes, among others, the possibility of flexible working hours, remote working, and a shortened workweek. In addition, Evli uses a so-called age management model that takes into account and supports employees at different stages of their careers and lives.

Evli's employees have access to expert level occupational healthcare including, among others, access to specialist-level doctors, physiotherapy, endoscopies, ultrasound scans, X-rays, MRIs and personal vaccinations. In addition, the mental and physical well-being are supported by offering employees opportunities to take part in exercise classes and lectures. Evli's policy also includes preventing long-term sick leave through an early support model.

Job satisfaction and well-being at work are measured by means of an employee survey and smaller in-house surveys. The results drive the further development of workplace well-being and practices.

### Results and priorities for 2022

- Four employees worked a shorter week and were, for example, on part-time childcare leave.
- The implementation of the hybrid model combining remote and office working, launched in autumn 2021, continued in 2022.
- Monthly employees responded to a so-called 'well-being at work' questionnaire. The survey results and feedback were a tool for managers to manage and strategically develop well-being at work.

## Personnel development helps increase competitiveness

*(GRI 404–1: Average hours of training per year per employee, GRI 404–2: Programs for upgrading employee skills and transition assistance programs)*

The skills of motivated and committed employees support the execution of the company's strategy and targets. Evli constantly develops its employees' professional expertise, as this enables it to keep up with the changes in the environment and offer innovative solutions that meet the market demand. In addition, training and skills development aim to increase staff motivation and job satisfaction. Evli Academy, established in 2006, organises both internal and external trainings to improve the employees' skills and to enhance occupational health and well-being.

In addition to training opportunities, Evli encourages learning on the job and job rotation. Job rotation is encouraged by, for example, publishing all open positions on Evli's Intranet.

The work of Team Leaders is considered an important part of personnel development and work satisfaction. Team Leaders are trained on a continuous basis to enable them to support their team members as well as possible and to develop the teams' practices. The work of Team Leaders is evaluated regularly based on external surveys.

### Results and priorities for 2022

- The number of training days per person was around one. Training days include internally organised training.
- A total of nine persons transferred to new job tasks as part of job rotation.

## An attractive employer

Competition for the best talent is very severe in the financial sector. Finding the right people and keeping them is vital for a company that offers expert services. Evli believes that by offering its employees good learning and development opportunities, and by investing in their well-being and work-life balance, it can attract new employees and commit them to the company.

Evli's recruitment activities emphasise finding the right people who match Evli's corporate culture and are prepared to develop to become future top experts at Evli. Fresh graduates or students close to graduation are attracted to work at Evli by offering, for example, a trainee program. The goal of the trainee program is to find motivated young talents that can become future top experts at Evli and bring innovations and ideas to the company.

In addition to the trainee program, Evli supports schools and subject organizations, visits schools and introduces students to the field and Evli as a company and participates in various recruitment events. The purpose of these events is to increase awareness of Evli among students.

### Results and priorities for 2022

- Systematic work to improve employer branding continued. Evli feels that by improving the image of the company as an employer, it will be easier to attract promising new employees and to retain current employees. In order to improve the employer image, more systematic use of social media and the improvement of the content of Evli's own website continued as well as the co-operation with schools and subject organizations.
- The trainee program was carried out around the year. During the year around 516 persons applied for the trainee-program and from these ten persons were hired to Evli as trainees.
- Evli partnered with the Women's Career Society in order to support female students' career paths.

## Reporting practice

### **GRI 102–47: List of material topics**

The economic, social and environmental impact of Evli's business comes both directly through its own operations and indirectly through its investment activities. The topics and priorities relevant to Evli's responsibility are presented on page 3.

### **GRI 102–48: Restatements of information**

No material changes have been made to previously reported data.

### **GRI 102–49: Changes in reporting**

Evli conducted its first GRI<sup>1</sup> Corporate Responsibility Report in 2018. In the 2022 report, the scope and boundaries of the report have remained the same and the content matches that of the 2021, 2020 and 2019 reports.

### **GRI 102–50: Reporting period**

The reporting period is from January 1 to December 31, 2022.

### **GRI 102–51: Date of most recent report**

Evli's Annual Report 2021 including the Responsibility Report was published on February 16, 2022.

<sup>1</sup> GRI= Global Reporting Initiative

### **GRI 102–52: Reporting cycle**

Evli's Annual Report is published yearly, by calendar year. The Annual Report consists of a Business Overview, Responsibility Report, Financial Statement and Corporate Governance Statement as well as the Remuneration Policy and Report.

### **GRI 102–53: Contact point for questions regarding the report**

The contact point for questions is Evli's Responsible Investment team as well as the Marketing, communications and IR team. Contact details are available at [evli.com](https://www.evli.com).



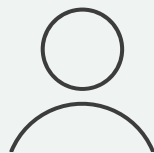
### **GRI 102–54: Claims of reporting in accordance with the GRI standards**

The corporate responsibility report includes a GRI report which has been drawn up in accordance with the GRI standards, where applicable. The report also includes information that concerns Evli's own relevant responsibility matters in accordance with the reporting principles of the GRI standard. The GRI content comparison on pages 23–27 lists the GRI indicators used and where more information is available. The corporate responsibility report, including the GRI report, supplements Evli's financial reporting and concerns the operations of the Group as a whole unless otherwise indicated. The GRI report includes information and indicators that have been identified through materiality analysis that are relevant to stakeholders and Evli's business operations.

### **GRI 102–56: External assurance**

The responsibility report, which includes a GRI report, is not externally audited.

## GRI 103–1: Explanation of the material topic and its boundary

RESPONSIBILITY THEMES	RELEVANT RESPONSIBILITY SUBJECTS	SIGNIFICANCE TO BUSINESS OPERATIONS AND STAKEHOLDERS	CALCULATION PARAMETERS
 <b>Responsible products and services</b>	Responsible marketing	Development area	Own operations
	Customer privacy protection and data security	Base	Own operations
	Responsible investing	Focus area	Own operations – Responsibility of wealth management investments
 <b>Responsible governance</b>	Profit performance	Focus area	Own operations
	Taxes and tax footprint	Base	Own operations
	Corruption, bribes and money laundering	Base	Own operations
	Direct environmental impacts	Development area	Own operations (Helsinki office)
 <b>Responsible employer</b>	Fairness: equality, non-discrimination and diversity	Focus area	Own operations
	Work well-being and health	Development area	Own operations (Helsinki office)
	Education and development	Development area	Own operations (Helsinki office)
	Attractive employer	Focus area	Own operations

## GRI 103–2: The management approach and its components

All business areas at Evli are part of ensuring that responsibility is integrated into everyday work. Every employee is responsible for observing it in practice. Evli's Responsible Investments team supports the business areas in matters concerning responsibility and especially the coordination of responsible investment.

Evli believes that through responsible investment activities the company can have the most impact on responsibility. This is why Evli has invested most in the development of responsible investment in recent years. Evli has a Responsible Investment team that carries out responsible investment under the Head of Sustainability.

Compliance with the principles of responsible investment at Evli is supervised by the Responsible Investment Executive Group. The members of the Executive Group include the CEO, executives from the legal and risk management department, 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's Executive Group.

## GRI content index

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<b>Energy</b>																																																															
302-1	Energy consumption within the organization	Responsibility, p. 16																																																													
302-4	Reduction of energy consumption	Responsibility, p. 16																																																													

DISCLOSURE INDEX	DISCLOSURE TITLE	PAGE	ADDITIONAL INFORMATION
<b>MATERIAL TOPICS</b>			
<b>Social responsibility</b>			
<b>Employment</b>			
401-1	New employee hires and employee turnover	Responsibility, p. 18	
401-2	Full-time staff benefits not provided to fixed-term or part-time staff		All employee benefits are offered throughout the personnel, regardless of employment.
401-3	Parental leave		Employees are provided with an opportunity of shortened working hours and depending on work tasks, the possibility of flexible working hours.
<b>Occupational health and safety</b>			
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Responsibility, p. 18	
<b>Training and education</b>			
404-1	Average hours of training per year per employee	Responsibility, p. 18	
404-2	Programs for upgrading employee skills and transition assistance programs	Responsibility, p. 20	
404-3	Percentage of employees receiving regular performance and career development reviews		Evli's development discussion process covers all permanent employees who are not absent due to, for example, parental leave or study leave. Developmental discussion needs for temporary employees are assessed case-by-case.
<b>Diversity and equal opportunity</b>			
405-1	Diversity of governance bodies and employee	Responsibility, p. 19. Evli's Annual report 2022, Board of Director's Diversity; Corporate Governance Statement, p. 131	
<b>Customer privacy protection</b>			
418-1	Number of legitimate complaints about customer privacy violation and customer loss	Responsibility, p. 8	

DISCLOSURE INDEX	DISCLOSURE TITLE	PAGE	ADDITIONAL INFORMATION
<b>MATERIAL TOPICS</b>			
<b>Social responsibility</b>			
<b>Evli's own material CSR topics</b>			
<b>Responsible investments</b>			
	Engaging with investment objects on environmental, social and governance matters	Responsibility, p. 11	
<b>Taxes and tax footprint</b>			
	Total tax	Responsibility, p. 15	

# Task Force on Climate-related Financial Disclosures report

Evli has committed to supporting the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework and published its first TCFD report in 2020 based on the situation in 2019. This annex provides updated information on Evli's climate risks and opportunities and compiles information on Evli's climate work progress in 2022.

## Introduction

In August 2019, Evli became a public supporter of the TCFD with the goal of developing Evli's own climate risk reporting. The TCFD is an international climate risk reporting framework designed to improve reporting on the economic impact of climate change by making it clearer, more comparable, and more consistent.

It is important for asset managers and other investors to be able to identify and assess the economic impact of climate change on both their own operations and those of investment companies. The transition to a low-carbon economy is changing the business environment and companies are also exposed to the physical effects of climate change. On the other hand, climate change also creates opportunities for companies that offer products or services that contribute to climate change adaptation and mitigation.

Reports based on TCFD's recommendations provide stakeholders of the company information on:

1. the **management** of climate-related risks and opportunities (role of the Board of Directors and the management)
2. the actual and potential impact of climate-related risks and opportunities on the company's business, **strategy** and financial planning
3. **risk management**, the company's processes for identifying, assessing and managing climate risks
4. the **indicators and targets** for assessing and managing climate-related risks and opportunities.

## REPORTING FRAMEWORK OF THE TCFD REPORT



## Management

As part of the broader debate on responsibility, Evli's Board and Executive Group regularly address climate-related issues. Evli's Head of Sustainability attends Board and Executive Group meetings from time to time. In addition to the work of the Board and Executive Group, Evli has a Responsible Investment Executive Group, which decides on the principles and practical procedures of responsible investment at Evli. In addition to the CEO, the Responsible Investment Executive Group includes managers from Legal and Risk Management, Private and Institutional Clients, Portfolio Management and the Responsible Investment team.

The Responsible Investment team, under the supervision of the Head of Sustainability, is responsible for coordinating and developing ESG issues in the funds and discretionary portfolio management, as well as for engaging with companies. The Responsible Investment team monitors implementation of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises and the Evli Principles for Climate Change and has the right to exclude individual companies from investment. When analysing potential investments and making investment decisions, Evli's portfolio managers also take ESG matters into account, including climate issues. Portfolio managers are responsible for implementing the Principles for Responsible Investment and ESG integration in portfolio management.

The investment activities of Wealth Management are guided by the Evli Principles for Responsible Investment, which define Evli's responsible investment practices. In addition, Wealth Management is governed by the Evli Principles for Climate Change, which describe Evli's approach to taking climate change and its related impacts on its investments into account. In 2021, Evli published separate climate targets, according to which, Evli aims to achieve carbon neutrality by 2050 at the latest. The target applies to emissions from both Evli's own operations and its investments. The targets include separate milestones. A separate roadmap has also been defined for the climate targets and a separate working committee has been set up to further clarify how the investment milestone can best be achieved through real-world emission reductions and in line with the Paris Agreement.

## THE RESPONSIBLE INVESTMENTS 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 approximately on a quarterly basis
- Reports to Evli's Executive Group

### Responsible investment team

- Monitors norm violations and Evli's Principles for Climate Change, and has the right to exclude individual companies from investments
- Is responsible for engaging with companies
- Report to the Responsible Investment Executive Group

### Portfolio managers

- Take ESG matters into consideration when analysing potential investments and making investment decisions
- Are responsible for implementing the Principles for Responsible Investment and ESG integration
- Reports to the Responsible Investment team on companies that violate the Principles for Responsible Investment

## Strategy

At Evli, responsibility has been an integral part of portfolio management for many years, and the company believes that taking responsibility into account will create long-term added value. In January 2020, Evli made responsibility one of its strategic focus areas for the coming years, and in June 2021, Evli set its climate targets and related milestones in line with its strategic objectives. Climate change mitigation has always been an important issue for Evli, and the company wants to contribute to creating products that address climate change challenges.

As an asset manager, the most significant climate risks and opportunities for Evli are related to its investment activities, as Evli's own operations do not cause significant direct environmental impacts. In its own operations, Evli has committed to reducing energy consumption and carbon emissions from its premises and to avoiding unnecessary travel. As part of its climate targets, Evli also set separate milestones for emissions from its own operations (Scope 1 and 2). However, Evli's strategy focuses on the integration of climate-related risks and opportunities and their impacts into Evli's products and investment strategies, and this is also reflected in the 2021 climate targets.

Most of Evli's emissions come indirectly through investments. The second milestone of the climate targets is to reduce indirect emissions from investments by 50 percent by 2030, provided that the investment environment allows this. In the longer term, Evli aims to be a carbon neutral asset manager by 2050 at the latest. To reinforce this commitment, Evli joined the Net Zero Asset Managers initiative in summer 2022.

The TCFD divides climate change risks into risks from the transition to a low-carbon economy and physical risks from climate change. Transition risks are the financial risks arising from the transition to a low-carbon economy. These include risks arising from changes in policy, regulation, technology, and markets, which, if they materialise, could affect the market value and returns on investments. As clients' climate strategies evolve, Evli must be able to ensure that its products and services meet their changing needs. Investing in companies that are perceived to contribute to climate change also increases the reputational risk associated with investment activities. Physical risks, on the other hand, are the economic risks arising from climate change, which can be the result of single events or long-term changes in the climate. In Evli's investment activities, physical risks may materialise,

for example, in real estate investments, which may be increasingly exposed to extreme weather events, sea-level rise or flooding damage, for example, as a result of climate change. The physical impacts of climate change also extend to other asset classes such as equity and corporate bond investments. Within these asset classes, industries dependent on foreign raw materials, for example, may be vulnerable to increasing extreme weather conditions.

In addition to physical and transition risks, climate change risks can also be considered through the climate targets of the investee companies. Such targets can be used to examine how well companies' business and strategy are aligned with the Paris Agreement, and how well they are prepared to respond to climate change in their own operations. Setting climate targets is part of a company's long-term risk management, and their absence also increases risk from an investor's perspective. Evli regularly monitors the climate targets of its active equity and corporate bond funds and its direct equity and corporate bond investments and their development. In addition, Evli's engagement work aims to encourage companies to set science-based climate targets. The first phase of the engagement, which started in 2021, has focused in particular on high emitting companies whose emissions or targets are not aligned with the 1.5°C target. In 2022, Evli has monitored the progress of the engaged companies and developed its engagement process as part of the climate targets roadmap.

Climate change also brings opportunities for investors. These include investing in companies that take advantage of opportunities to mitigate and adapt to climate change. In addition, climate change will increase the market for sustainable investments, such as green bonds, providing opportunities for the development of new products. In autumn 2019, Evli organised the first issuance of Green Note autocall certificates in Finland. The funds raised through the issue will be used to finance projects supporting sustainable development. In 2021, Evli carried out three similar issuances. In addition to these, two new funds were launched in 2020, Evli Green Corporate Bond, an investment fund focusing on green corporate bonds, and Evli Impact Forest Fund I, a forest fund that aims to mitigate climate change by achieving positive carbon impacts. In the case of the forest fund, which is part of the alternative investment funds, Evli's performance fee is dependent on the achievement of the fund's decarbonisation target. In 2022, as part of the merger of EAB Group Plc into Evli, the range of sustainability funds increased with among others Elite Alfred Berg Renewable Energy Infrastructure Fund II, a renewable energy fund that offers the opportunity to invest in reducing global carbon emissions.

Evli has examined the sustainability of its investment strategy by conducting scenario analyses based on climate data provided by ISS ESG. The purpose of the scenario analysis is to assess the potential impact of climate-related risks and opportunities in global warming scenarios. The scenario analysis is included also in the tools used by portfolio managers of the equity and corporate bond funds managed by Evli. This information can be used both before and during the investment decision. The tools also allow systematic monitoring of the evolution of investment strategy scenarios. For example, Evli monitors how equity and corporate bond funds are aligned with the 1.5- and 2-degree scenarios. The scenario analyses are based on analyses produced by ISS ESG. In addition to the scenarios, Evli monitors and reports on the fossil fuel reserves of its investments and the transition of companies to low carbon. More detailed figures on scenarios and other metrics can be found in the section Indicators and objectives on pages 32–34.

## Risk Management

Evli's Principles for Climate Change and climate targets set the baseline for taking into account and managing climate change and its impacts in investment activities. The identification and assessment of climate risks are based on an analysis of the investment portfolio by portfolio managers and the Responsible Investment team. Climate risk management measures include the analysing and monitoring, engagement, and exclusion of greenhouse gas emissions from investments. Evli uses data from an external service provider, which is also used by the company's portfolio managers for investment decisions, for monitoring the climate principles and other day-to-day work related to responsibility. Evli has also set a separate roadmap for its climate targets, according to which it will systematically build on its climate work.

The emissions of companies in Evli's equity and corporate bond funds are monitored by analysing the carbon intensity weighted by the portfolio weights of the funds, among others, as recommended by the TCFD, which measures the exposure of the portfolio to carbon-intensive companies. Emissions data and other climate analysis data, along with other ESG data, are integrated into the portfolio management systems, allowing Evli also that way to monitor and assess the evolution of climate risks in its investments. In line with its Principles for Climate Change, Evli has excluded companies producing peat for energy production and avoids investing in companies with a significant proportion (30% or more) of their revenue coming from thermal coal mining, its use in energy production or oil sands extraction. If the company has a credible plan to reduce its use of

## ROADMAP TO BECOMING A NET ZERO ASSET MANAGER

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

coal, the exclusion may be waived by a decision of the Responsible Investment team. In addition to the general exclusion principles, some of Evli's funds follow an even broader exclusion for coal and fossil fuels, with a 5 percent revenue threshold for exclusion. The information required by the climate principles, as well as the broader exclusion information for the funds, are included in the portfolio management system, which prevents investments in excluded companies and requires portfolio managers to justify any investment that exceeds the avoidable limits. Should the avoidable limit for climate principles be exceeded, this would automatically be reported to the Responsible Investment team, which would analyse the company and decide on further action.

Evli sees active ownership and corporate engagement as one of the ways to manage climate change risks. Climate change mitigation is one of Evli's key themes for engagement. In its engagement work, Evli also encourages companies to report transparently in line with the TCFD framework and set climate targets. In addition, Evli monitors company-specific targets and their progress. As part of its independent engagement work based on its climate targets, Evli was in contact with 16 companies during 2022 and monitored the progress of the companies that were engaged with in 2021. In 2022, Evli attended in 34 general meetings in Finland.

In addition to independent engagement, Evli is committed to several investor initiatives that aim, among other things, to have a broader impact on the market, to influence companies at risk from a climate change perspective and to encourage governments in different countries to take more ambitious measures to mitigate climate change.

Evli is involved in major climate initiatives such as the Climate Action 100+ initiative, which aims to influence the major emitters of greenhouse gases, the CDP investor letters (climate change, deforestation, and water) and the CDP-coordinated collaborative engagement campaign to set science-based climate targets. Evli has also co-signed with other investors a letter to governments, the Global Investor Statement to Governments on the Climate Crisis, encouraging governments to ensure that global temperature increases are limited to 1.5°C, take early action to keep greenhouse gas emissions in line with the 2030 target, promote non-carbon emission reductions, increase the supply of climate finance and strengthen climate reporting across the financial system through mandatory TCFD reporting, requiring science-based climate transition plans, and coordinating and promoting coherence in global financial regulation. In addition to these measures, Evli regularly monitors changes in climate change regulation and has been involved in the EU legislative debate in Finland.

## Indicators and objectives

Evli regularly monitors the development of the carbon footprint of its equity and corporate bond funds by calculating the carbon intensity weighted by the portfolio weights of the funds, i.e. by analysing Scope 1 and 2 emissions<sup>1</sup> of each investment, relating them to the company's revenue and weighting each investment by its relative share in the portfolio. The carbon intensity obtained by the fund is compared to the corresponding figure of the fund's benchmark index.

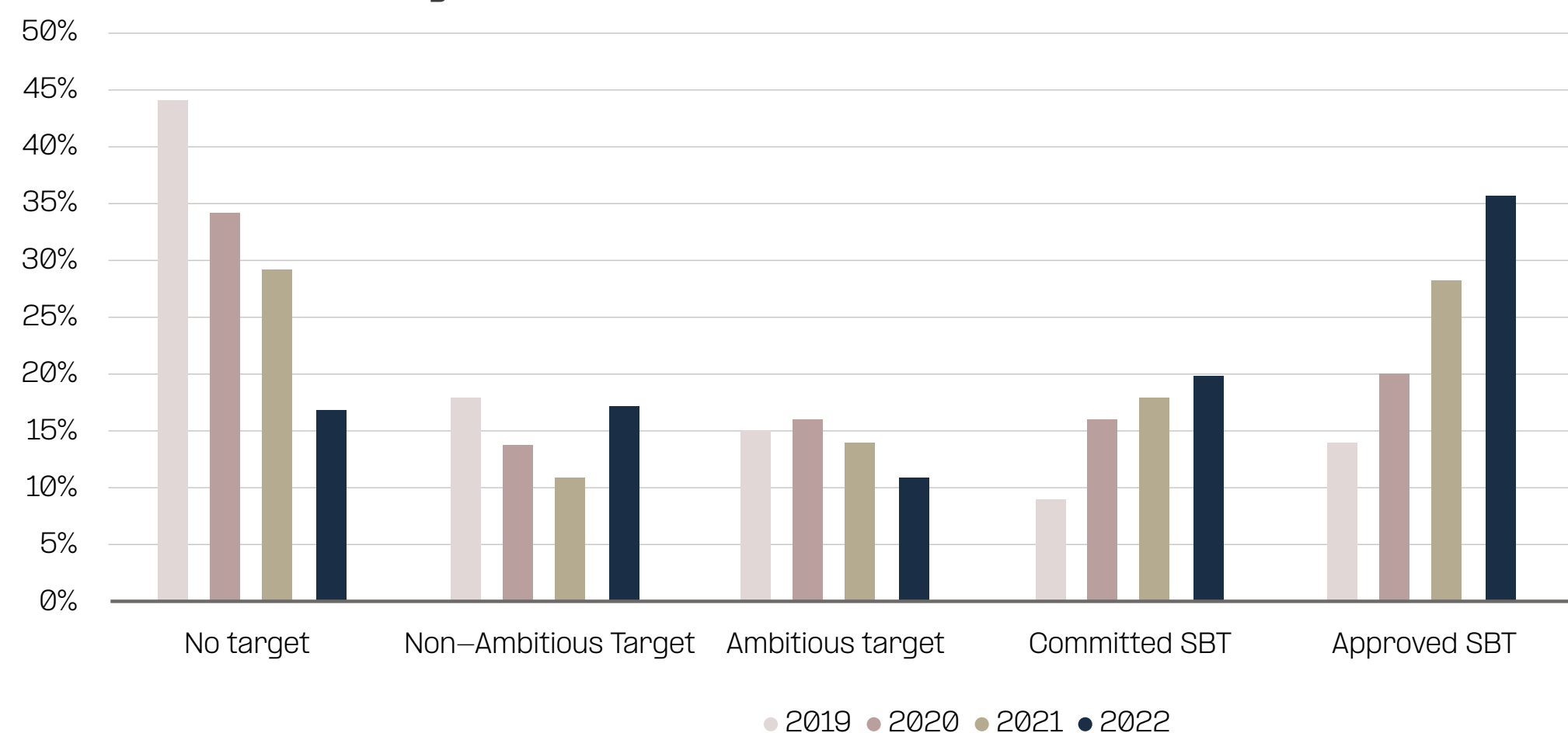
Evli has also mapped the absolute and financed emissions of its investments. The absolute emissions of Evli's investments are the total emissions of the investments in relation to Evli's ownership share of the total value of the investments. Similarly, the financed emissions are calculated by dividing the absolute emissions of the investments by the present value of all investments. The absolute emissions and weighted average carbon

	Scope 1 + 2	Scope 1+2+3
Absolute emissions (t CO <sub>2</sub> e, coverage 70%)	759,000	3,807,000
Carbon intensity (t CO <sub>2</sub> e/\$M Sales, coverage 77%)	143.1	824.0

Source: Evli, MSCI ESG Research

intensity is presented in the table to the left for Scope 1, 2 and 3 emissions. For Scope 3<sup>1</sup> emissions, it should be noted that the figures are largely still based on estimates and should be interpreted as indicative. In addition to Evli's equity and corporate bond funds, direct equity and corporate bond investments are included in the data in the table. While carbon footprint tracking helps to understand the emissions profile of investments, it is not a complete single measure of the emissions associated with a portfolio and does not help to assess future emissions trends or mitigation opportunities. For this reason, in addition to carbon emissions, Evli monitors the emissions reduction targets of its investments and their development as one of its key indicators. Evli has mapped the distribution of its investments' climate targets between 2019 and 2022, and the development of the targets is shown in the graph below. The climate targets for investments are split between No target and Approved science-based target (SBT). Evli aims to increase the share of investments with science-based climate targets and thereby reduce the potential risks to investments from climate change.

Distribution of climate targets 2019–2022



Source: Evli, ISS ESG

<sup>1</sup> The calculation of carbon footprint figures is defined by the international standard GHG protocol (Greenhouse Gas Protocol), for example. The GHG protocol breaks down greenhouse gas emissions into scopes 1–3. Scope 1 greenhouse gas emissions refer to emissions directly occurring from sources that are owned or controlled by the company. Scope 2 greenhouse gas emissions refer to indirect emissions generated in the production of electricity purchased by the company. Scope 3 includes indirect emissions related to the company, including those from products, outsourcing, and business travel.



# EVLI

All of Evli's direct investments, including equity and corporate bond funds and direct equity and corporate bond investments in asset management, have been taken into account in the mapping of climate targets. The graph shows the evolution of the climate targets between 2019 and 2022. The graph indicates that over the course of four years, the share of "No Target" has significantly decreased and the share of science-based targets has clearly increased. For example, the share of "Approved SBT" has increased by 22 percentage points and the share of "Committed SBT" increased by 11 percentage points. Correspondingly, in the same period, the share of "No Targets" decreased by 27 percentage points. The positive development shown in the graph is also in line with Evli's aspirations, as encouraging the setting of climate targets is an important part of both Evli's engagement work and Evli's climate roadmap. Eight of the companies under Evli's own climate engagement that Evli started in 2021 committed to SBT in 2022.

Evli also uses scenario analysis to identify climate-related risks and opportunities. Based on the situation at the end of 2022, 14 percent of Evli's equity and corporate bond funds were aligned with the 1.5-degree scenario and 58 percent with the 2-degree scenario. In addition, Evli analyses the share of companies owning fossil fuel reserves and compares it to the corresponding figure in the fund's benchmark index. Evli also examines the transition of companies to low-carbon status, dividing companies into different categories according to the risks and opportunities associated with their energy transition. This allows Evli to better assess the potential for reducing the carbon footprint of funds and to identify companies that are at risk from a climate change perspective. Evli also regularly explores new tools to better measure the actual impact of investments on different stakeholders and the environment, including the impact on climate change. Evli's ESG reports for equity and corporate bond funds are also publicly available on Evli's website [evli.com](https://www.evli.com).

In line with its responsible investment objectives, Evli set 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 intermediate 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 sets an interim target of a 50 percent reduction in indirect emissions from investments by 2030, provided that the investment environment allows for it. The base year is 2019.
- 3) Evli established 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, Evli will use, among others, a Science-Based Targets (SBT) framework.

The milestones and roadmap of climate targets support the long-term target of carbon neutrality. In line with the climate targets roadmap, Evli will refine the monitored metrics as work progresses and report accordingly.



	Carbon intensity (1) (t CO <sub>2</sub> e / USD million)	Compared to benchmark (2)	Weight of companies owning fossil fuel reserves (3) (%)	Compared to benchmark (2) (%-points)	Coverage / Fund (4)	Coverage / Benchmark index (4)	Investments in Solutions category in the MSCI's Low Carbon Transition classification (5)
<b>Equity Funds</b>							
Evli Emerging Frontier	177.6		5.8%		42.0%		0.0%
Evli Europe	270.6	135.2%	5.7%	-3.2%	96.7%	99.9%	12.3%
Evli GEM	564.3	75.3%	7.8%	-0.2%	92.8%	99.9%	0.0%
Evli Japan	71.1	-8.7%	0.0%	-7.0%	85.2%	100.0%	1.6%
Evli Global	64.7	-54.1%	0.0%	-7.8%	96.2%	99.6%	4.4%
Evli Global X	58.7	-58.4%	0.0%	-7.8%	95.3%	99.6%	4.7%
Evli Equity Factor Europe	46.8	-59.3%	0.0%	-8.9%	96.2%	99.9%	5.9%
Evli Equity Factor Global	46.1	-67.3%	0.0%	-7.8%	94.7%	99.6%	3.8%
Evli Equity Factor USA	41.2	-71.3%	0.0%	-6.5%	98.5%	99.6%	3.2%
Evli North America	92.8	-38.4%	0.7%	-6.4%	99.3%	99.6%	3.2%
Evli Nordic	68.2	2.6%	4.3%	0.4%	94.2%	99.7%	10.3%
Evli Nordic Small Cap	143.0	49.1%	4.1%	3.0%	64.3%	85.0%	9.8%
Evli Sweden Equity Index	23.9	0.0%	0.0%	0.0%	96.5%	100.0%	3.4%
Evli Swedish Small Cap	107.6	132.6%	0.0%	0.0%	76.2%	92.3%	3.1%
Evli Finland Mix	181.9		0.0%		82.2%		5.8%
Evli Finnish Small Cap	89.8	-11.2%	0.0%	0.0%	67.8%	72.5%	13.8%
Evli Finland Select	127.8	15.5%	0.0%	0.0%	92.1%	91.0%	8.0%
Evli USA Growth	127.6	-11.1%	6.1%	-0.4%	97.3%	99.6%	11.7%
<b>Fixed Income Funds</b>							
Evli Green Corporate Bond	135.6	-36.8%	0.6%	-6.3%	77.9%	94.0%	8.7%
Evli European High Yield	124.0	-29.7%	0.5%	-3.0%	58.1%	76.5%	0.0%
Evli European Investment Grade	111.7	-34.5%	1.0%	-8.3%	90.2%	95.8%	10.9%
Evli Emerging Markets Credit	312.0	-50.2%	12.5%	-2.6%	65.0%	87.2%	3.5%
Evli Euro Liquidity	114.3		0.0%		67.3%		0.9%
Evli Short Corporate Bond	196.9		0.0%		79.8%		3.7%
Evli Nordic Corporate Bond	87.2	-31.4%	0.0%	-6.7%	78.0%	96.0%	13.3%
Evli Nordic 2025 Target Maturity	105.0		0.0%		58.9%		11.5%
Evli Target Maturity Nordic Bond	122.4		0.0%		65.0%		2.2%
Evli Corporate Bond	128.3	-16.8%	0.0%	-6.9%	84.9%	92.1%	6.6%

Sources: Evli, MSCI ESG Research

<sup>1</sup> Evli uses weighted average carbon intensity to measure carbon footprint. A fund's weighted average carbon intensity is calculated by dividing the company-specific scope 1 and scope 2 greenhouse gas emissions by the company's revenues. After that, company-specific carbon intensity is multiplied by the company's portfolio weight. The fund-specific carbon footprint is a sum of company-specific carbon intensities apportioned based on portfolio weights. Scope 1 greenhouse gas emissions refer to emissions directly occurring from sources that are owned or controlled by the company. Scope 2 greenhouse gas emissions refer to indirect emissions generated in the production of electricity purchased by the company.

<sup>2</sup> Compared to benchmark figure shows how the fund compares to corresponding figures for the benchmark index. As it is not possible to calculate this figure to all benchmark indices, some sections are left blank.

<sup>3</sup> Weight of companies owning fossil fuel reserves shows the share of companies owning coal, gas or oil reserves in the fund. In this report coal reserves refer to use of coal in energy production (thermal coal).

<sup>4</sup> Coverage indicates the share of fund's/index's holdings (measured by market value) for which emissions data is available. The emissions data is based on emissions reported by the companies or other publicly available emissions data (e.g. CDP) and the data provider's estimate of emissions.

<sup>5</sup> Shows the share of companies which have been classified in MSCI's Low Carbon Transition Classification to Solutions category. The Solutions category means that, according to MSCI's analysis, the companies in this category have the potential to benefit through the growth of low-carbon products and services.

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