



EVLI

---

EVLI PLC

---

# CLIMATE REPORT

---

2022

---

## Table of contents

Work on climate change mitigation continues .....	3
Actions in 2022 .....	5
Engagement as part of Climate Targets .....	7



## Work on climate change mitigation continues

Climate change mitigation has been part of Evli's responsible investment processes for a long time. Evli has been an investor member of the CDP, an organisation encouraging companies to report on the environment, since 2007 and has been involved in a number of collaborative engagement initiatives on climate change mitigation. Evli published its Climate Change Principles in 2019 and in the same year joined the TCFD as a public supporter of the Climate Reporting Initiative. Evli has been reporting on its climate risks following the TCFD guidelines since Annual Report 2019. Climate Targets published in 2021 were clear continuation of Evli's climate work.

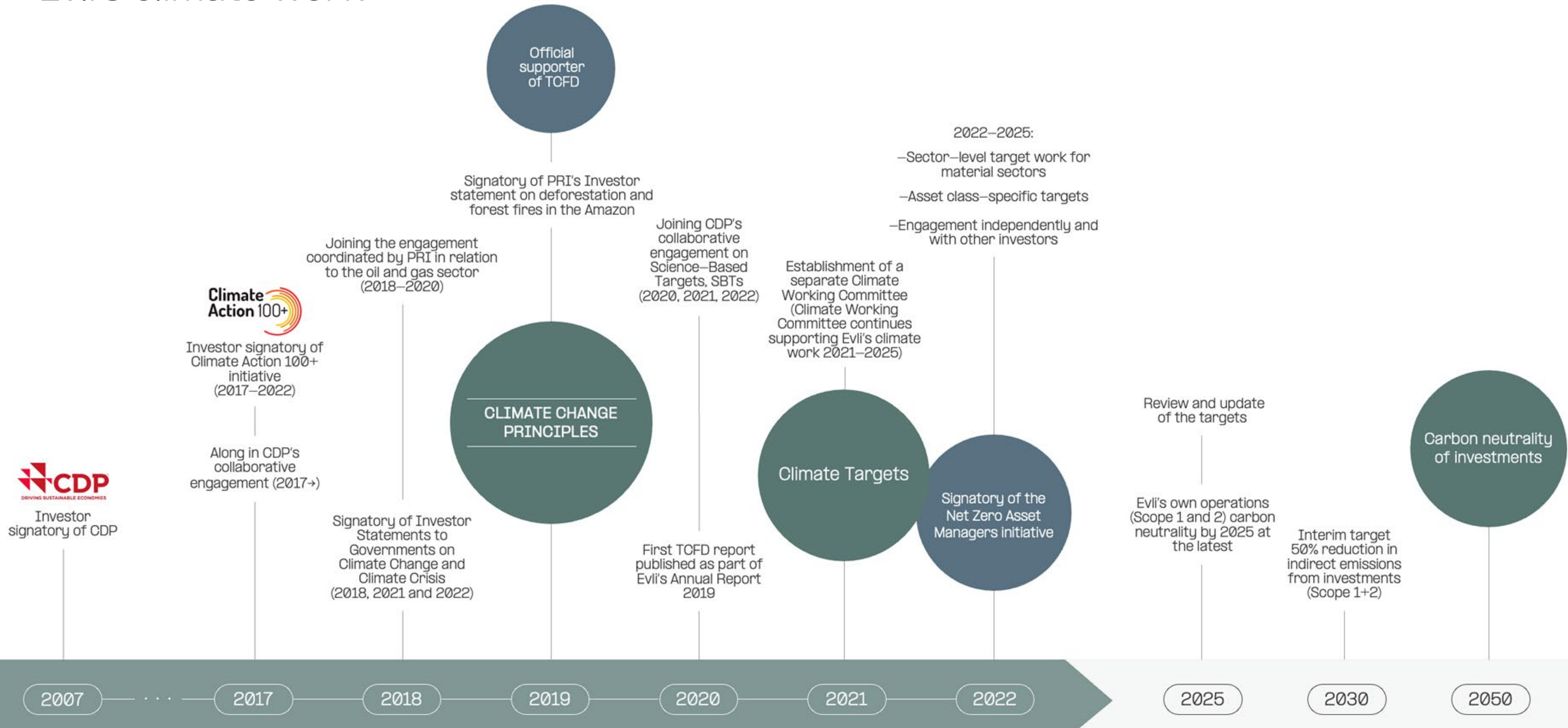
According to climate targets Evli aims to achieve carbon neutrality by 2050 at the latest. The target applies to emissions from both Evli's own operations and its investments. In addition to the main target, Evli set three interim targets:

1. Evli aims to achieve carbon neutrality for emissions from its own operations (Scope 1 and 2) by 2025 at the latest.
2. Evli set an interim target of a 50% reduction in indirect emissions from investments by 2030, provided that the investment environment enables this. The reference year is 2019.
3. Evli set up a Working Committee for 2021–2022 to further explore how best to achieve the investment-related milestone through real-world emission reductions and in line with the Paris Climate Agreement. This will be supported by, among others, the Science Based Targets (SBT) framework.

The interim targets and the roadmap of climate targets support the long-term goal of carbon neutrality. In 2022, work on climate targets continued in terms of building a snapshot, developing climate risk management and engagement. The Climate Targets' Working Committee's study on how best to achieve the investments' interim targets in real-world emission reductions and in line with the Paris Agreement focused on mapping out the best practices and building on them to develop clear next steps for 2023.



## Evli's climate work



## Actions in 2022

### Interim target 1. Emissions from Evli's own operations

In terms of emissions from own operations, the snapshot was formed in 2021 with the construction of an emissions calculation and the mapping of the most significant emission sources. The framework set by the GHG Protocol<sup>1</sup> was used for this task. The calculation of emission sources revealed that emissions from Evli's own operations are mostly concentrated in indirect Scope 3 emissions, such as emissions from purchased products and services. In addition, Evli's Scope 3 emissions include the energy consumption of the Helsinki office. Some Scope 2 emissions arise from energy consumption at non-Helsinki premises. Based on the mapping, Evli has no Scope 1 emissions. In 2022, a continuous emissions calculation process was developed. To ensure transparency, the emissions calculation will be validated by an external party and then integrated into the reporting of climate targets.

### Interim target 2. Emissions from investments

With regard to emissions from investments, work continued on climate targets by forming a snapshot, developing the climate risk management and performing acts of engagement. The use of ISS ESG climate data, introduced in 2021, was increased in 2022 alongside MSCI climate data. The portfolio management has access to climate data on company emissions data and trends, as well as forward-looking scenario data to examine companies' emission reduction targets and how well investments at the portfolio and/or company level are aligned with different temperature scenarios.

In spring 2022, Evli organised ESG training days for its portfolio managers, with the main topics being climate, biodiversity and EU sustainable finance legislation. The training covered climate change mitigation actions, climate data available, as well as the challenges and tools related to climate work, among other topics. An important part of the training was also the holding of workshops on the different themes, where the topics were discussed in even more depth from the perspective of the different teams. The ESG training days were planned by the Evli Responsible Investment team, and speakers included external experts as well as Evli's own experts.

In accordance with its roadmap of climate targets, Evli has developed a more accurate snapshot of emissions from its investments starting in the 2019 baseline year and created a tool to help with monitoring. In the first phase, the tool will cover listed equity and corporate bond investments, including monitoring the carbon footprint of the investments, the emissions targets of the investments and scenario analysis based on ISS ESG

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

## 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

"Climate change has forced the world to grapple with the perhaps greatest challenge in history. It calls for collaboration between actors on an unprecedented scale."

data. In 2022, the project continued for other asset classes to collect data on emissions and climate objectives. The intention is that other asset classes will be covered with the same tool in the future to provide a complete picture of Evli's climate footprint. The emissions and emission reduction targets of the investee companies will also be monitored as part of Evli's engagement efforts. During 2022, Evli engaged with a total of 16 companies on climate targets and monitored the progress of companies that were engaged with in the previous year. For more information on climate-related engagement, see next page.

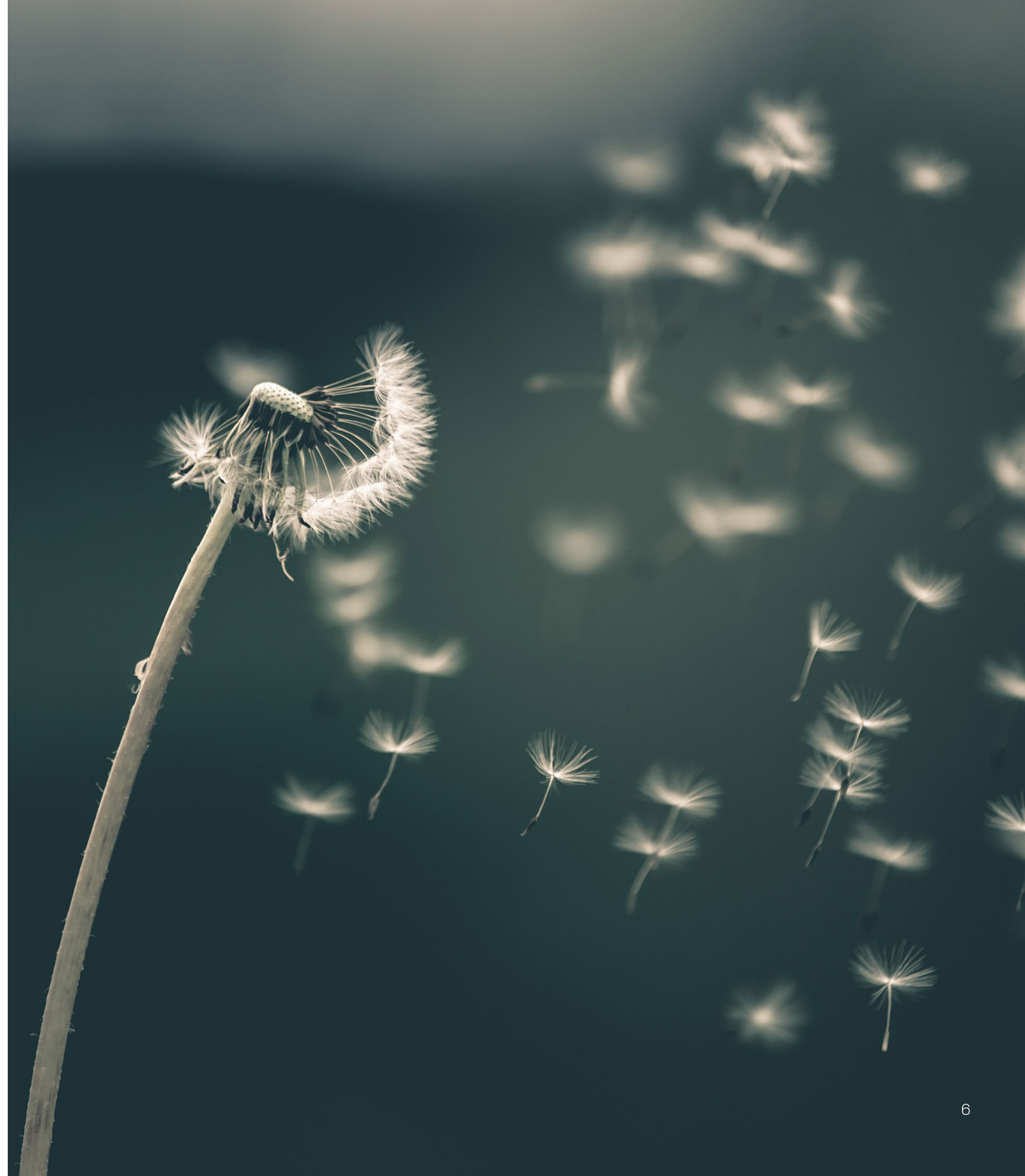
### **Interim target 3. Setting up a Working Committee**

In line with the third milestone objective, Evli set up a separate Climate Targets' Working Committee in 2021 to further explore how best to achieve the investment milestone (interim target 2) through real-world emission reductions and in line with the Paris Climate Agreement. The Climate Targets' Working Committee includes managers, portfolio managers and experts from asset management, portfolio management, responsible investment team and the legal department. In 2022, the Working Committee focused on mapping out the best practices and setting clear next steps for 2023. In addition, it developed an action plan for 2022–2025 and decided to continue supporting climate work for the same period by monitoring best practices.

Smaller focus groups were also formed in the Climate Targets' Working Committee for more hands-on research and asset class specific work. Other members of the Climate Targets' Working Committee and representatives of other asset classes will be invited to participate in the focus groups where needed. The work of the focus groups follows the roadmap of Evli's climate objectives and strengthens Evli's climate work in line with industry best practice and the recommendations of the Net Zero Asset Managers initiative.

### **Evli strengthened its climate commitment by signing the Net Zero Asset Managers initiative**

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



## Engagement as part of climate targets

Engaging with companies is part of Evli's responsible investing and an essential step in the roadmap for Climate Targets published in June 2021. In line with the roadmap, Evli will take climate issues into account more extensively in its own engagement and in the collaborative engagement initiatives it joins, in addition to the regular company meetings.

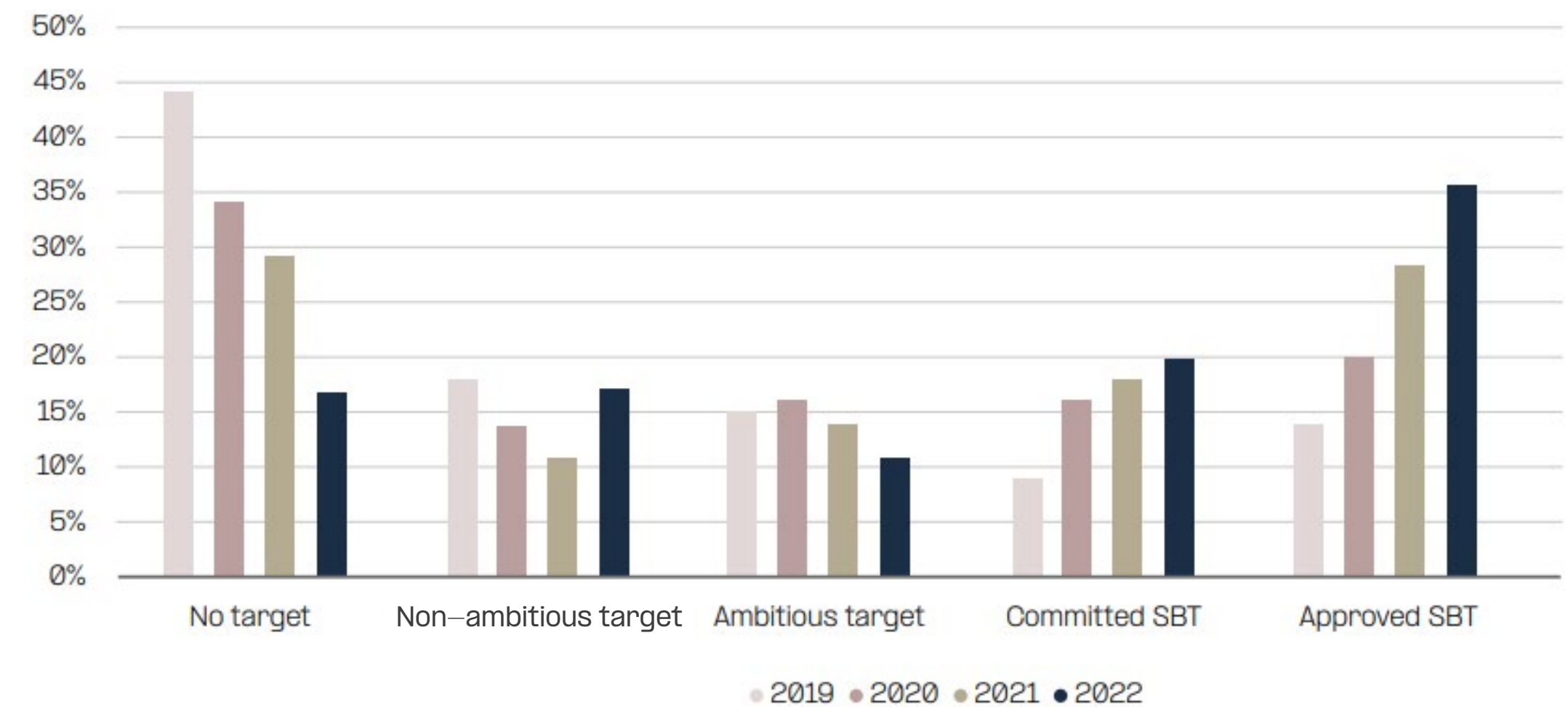
Evli's own direct engagement in the first phase of the Climate Targets has been particularly focused on high-emitting companies whose emissions or emission reduction targets are not aligned with the 1.5 degree target, as well as on high-emitting companies that do not yet have climate targets. As part of its discussions with companies and stakeholders, Evli encourages companies to set their own climate targets and science-based climate targets and to report more comprehensively on emissions and climate change risks and opportunities, for example in line with TCFD guidelines.

In 2021, Evli started engagement with 41 companies on the subject of Climate Targets. The companies to be engaged with were selected on a fund-by-fund basis, based on the size of the company's emissions and the company's climate targets. Engagement was primarily done by email and, for some companies, also through company meetings. In 2022, Evli continued to engage with companies in line with its Climate Targets by monitoring the performance of the companies engaged with in 2021 and also by engaging with new companies. In 2022, Evli engaged on a total of 16 companies in terms of influencing their work on climate objectives.

The climate tool developed for monitoring climate targets enables Evli to systematically monitor the development of climate targets in listed equity and corporate bond investments, as well as, for example, companies' emissions data and climate targets. The tool is also used in engagement when selecting companies and monitoring their development. Evli aims to increase the proportion of investments that have science-based climate targets, thereby reducing the potential risks to investments caused by climate change. In addition to our own engagement, Evli is involved in a number of climate-related collaborative engagement initiatives (for example Investor letters coordinated by CDP and CDP's Science-Based Targets (SBTs) collaborative engagement), as we recognise that change takes time and effort from many different parties.

The graph Distribution of climate targets 2019–2022 shows the evolution of the climate targets of the investee companies between 2019 and 2022. The climate targets of the investments range from "No target" to "Approved Science-based target (SBT)".

Distribution of climate targets 2019–2022



Source: Evli, ISS ESG

The distribution of climate targets takes into account all of Evli's direct investments, including equity and corporate bond funds and the direct equity and corporate bond investments made in wealth management. The graph shows that over the four-year period, the share of companies with no climate targets has fallen significantly and the share of companies with science-based targets has clearly risen. The share of the "Approved SBT" group increased by 22 percentage points and the share of the "Committed SBT" group increased by 11 percentage points. In contrast, over the same period, the share of companies with "No targets" fell by 27 percentage points. The positive trend shown in the graph is in line with Evli's ambitions, as encouraging the setting of climate targets is an important part of both Evli's engagement work and Evli's Climate Targets' Roadmap. Eight of the companies covered by Evli's own climate engagement, which started in 2021, committed to a science-based climate target in 2022.

**Climate Action 100+**

Since 2017, Evli has been involved in the Climate Action 100+ initiative, which aims to influence the most significant greenhouse gas emitters during the years 2018–2022 to mitigate climate change and achieve the goals of the Paris Agreement. At the end of 2022, more than 700 investors (2021: 615 investors) had joined Climate Action 100+, with combined investment assets of approximately 68 trillion USD (2021: 65 trillion USD). The initiative aims to better manage climate change in companies, reduce greenhouse gas emissions and report climate impacts more transparently. At the end of 2022, the initiative was targeting a total of 166 companies, accounting for 80% of global greenhouse gas emissions. Of those 166 focus companies, 75% have now committed to net zero, 92% have some level of board oversight of material climate-related issues, and 91% have now taken steps to align with the Taskforce on Climate related Financial Disclosure (TCFD) recommendations. The next phase of the initiative is planned.

**Investor letters coordinated by CDP**

Evli has been an investor member of CDP since 2007 and since 2017 has been involved in engaging with companies through CDP's investor letters. CDP is an independent organisation that aims to encourage companies to report and manage their environmental impacts. In 2022, 260 investors from 30 countries (2021: 168 investors from 28 countries) with combined assets of 30 trillion dollars were involved in the engagements during that year. In total, 1466 companies were targeted for engagement (2021: 1317 companies). Of those companies, 388 (2021: 328) started reporting their activities to the CDP. And of these, 293 (2021: 249) included impacts on climate change, 46 (2021: 44) impacts on forests and 104 (2021: 65) impacts on water.

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

Evli has been involved in the Science-Based Targets (SBTs) collaborative engagement initiative co-ordinated by CDP since the beginning of the campaign in 2020. The initiative aims to encourage companies to set science-based climate targets. Science-based climate targets are aligned with the Paris Agreement's emission reduction targets and enable companies to set targets and action plans for their own climate action. In 2022, there were 318 (2021: 220) investors with combined assets of 37 trillion dollars involved in the SBT engagement. The 2022 campaign was launched on 25.10.2022 and will last until October 2023. In the campaign 1061 companies (2021: 1616) will be targeted with the collaborative engagement. During the 2020 and 2021 campaigns, 381 companies joined the Science Based Targets initiative (SBTi) or received approval from the initial to their SBTi target.

**Letter to Governments: Global Investor Statement to Governments on the Climate Crisis**

In 2022, Evli, together with other investors, signed a letter to governments, the Global Investor Statement to Governments on the Climate Crisis, which encourages governments to ensure that the global temperature rise is limited to 1.5 degrees Celsius, take early action to keep greenhouse gas emissions in line with the 2030 target, promote the reduction also of non-carbon emissions, increase the availability 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 consistency in global financial regulation.

**COP15 investor resolution 'Moving Together on Nature'**

Evli, together with other investors, signed the global COP15 investor statement published in conjunction with the UN Biodiversity Conference COP15 in December 2022. The statement called on governments to take coordinated action to tackle climate change and biodiversity loss around the world, to give financial institutions a stronger mandate to align their financial activities with biodiversity targets, and to adopt an ambitious Global Biodiversity Framework.

**PRI Advance**

In 2022, Evli joined as an endorser the PRI Advance, an initiative in which investors take joint action for the benefit of human rights and social issues. Launched in early December 2022, the Advance joint advocacy campaign brings together 220 investors with combined assets of over €30 trillion. The campaign includes both endorsers and participants. Participants have been in contact with the companies targeted for engagement to inform them of the launch of the joint advocacy initiative. A wider engagement with companies will start in 2023.



# EVLI

