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EVLI PLC

RESPONSIBLE INVESTMENT ANNUAL REPORT

2022

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Responsibility at the core of the strategy

At Evli, responsible investment means taking the environmental, social and good governance issues into account in our investment activities. We want to grow our clients' wealth responsibly, which is why responsibility is integrated into our asset management investment activities. Transparency and openness are the cornerstones of responsible investment. Each year, we report on the progress of this work. The Responsible Investment Annual Report contains the main themes and key figures for responsible investment at Evli for 2022.

"We want to be the forerunner in responsible wealth management in the Nordics, and in this way help our clients in managing their wealth to support a sustainable future."

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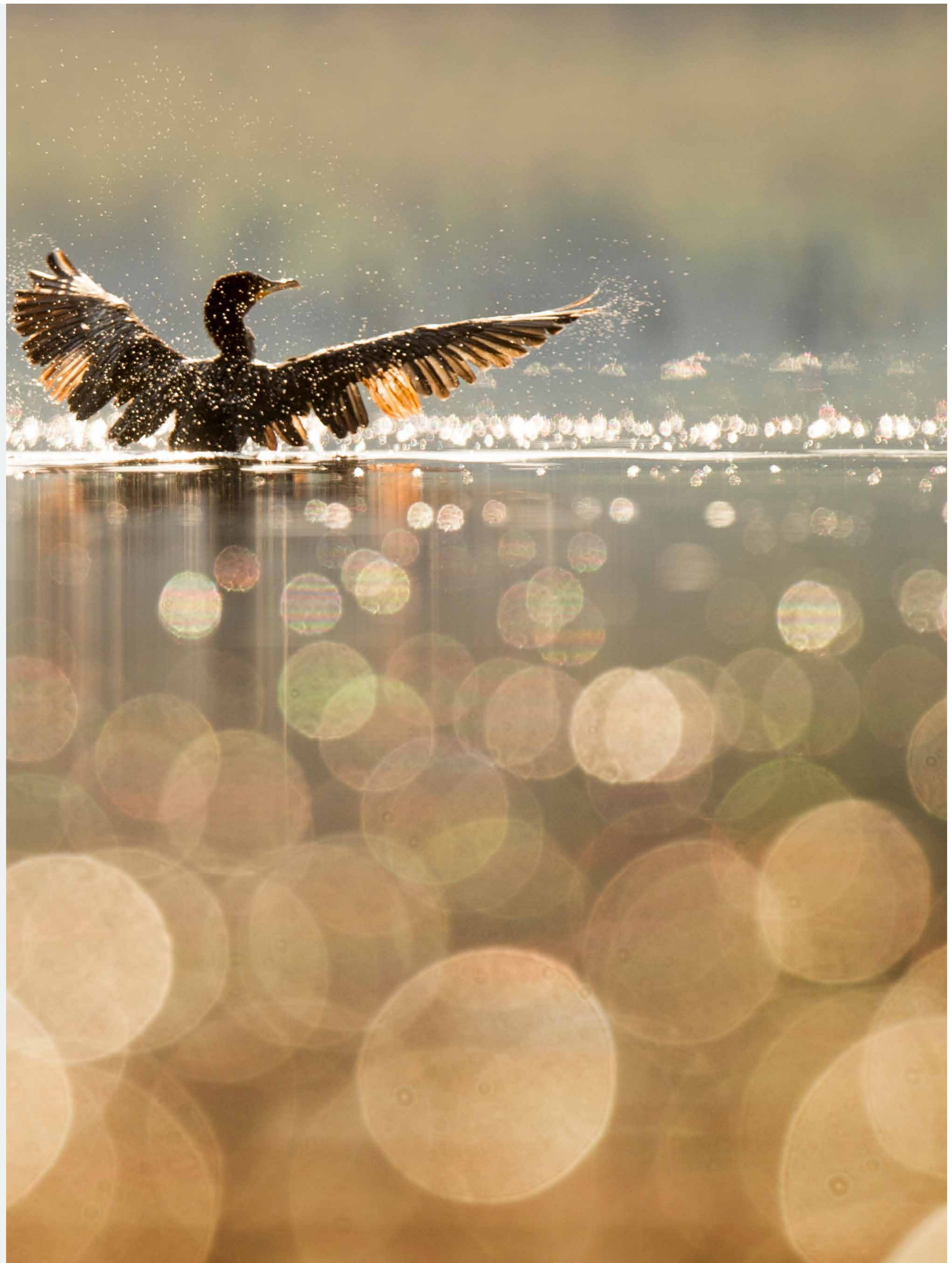

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Responsible investment highlights 2022

Updates on responsibility reporting

Evli expanded its client-specific responsibility reporting with new ESG indicators. New indicators were related to good governance and sustainable development.

Stronger commitment to climate and biodiversity work

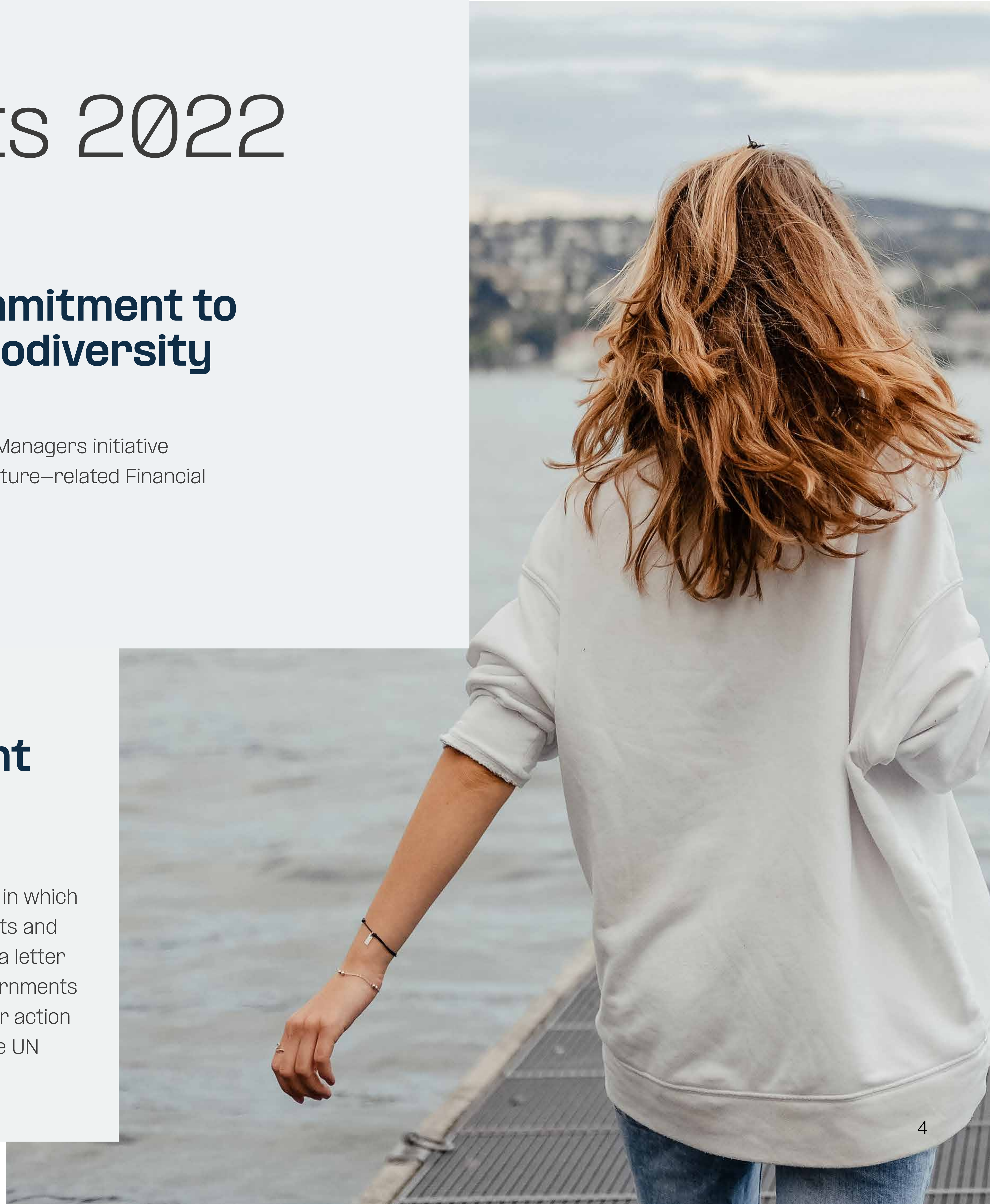
We signed the Net Zero Asset Managers initiative and joined the Taskforce on Nature-related Financial Disclosures forum.

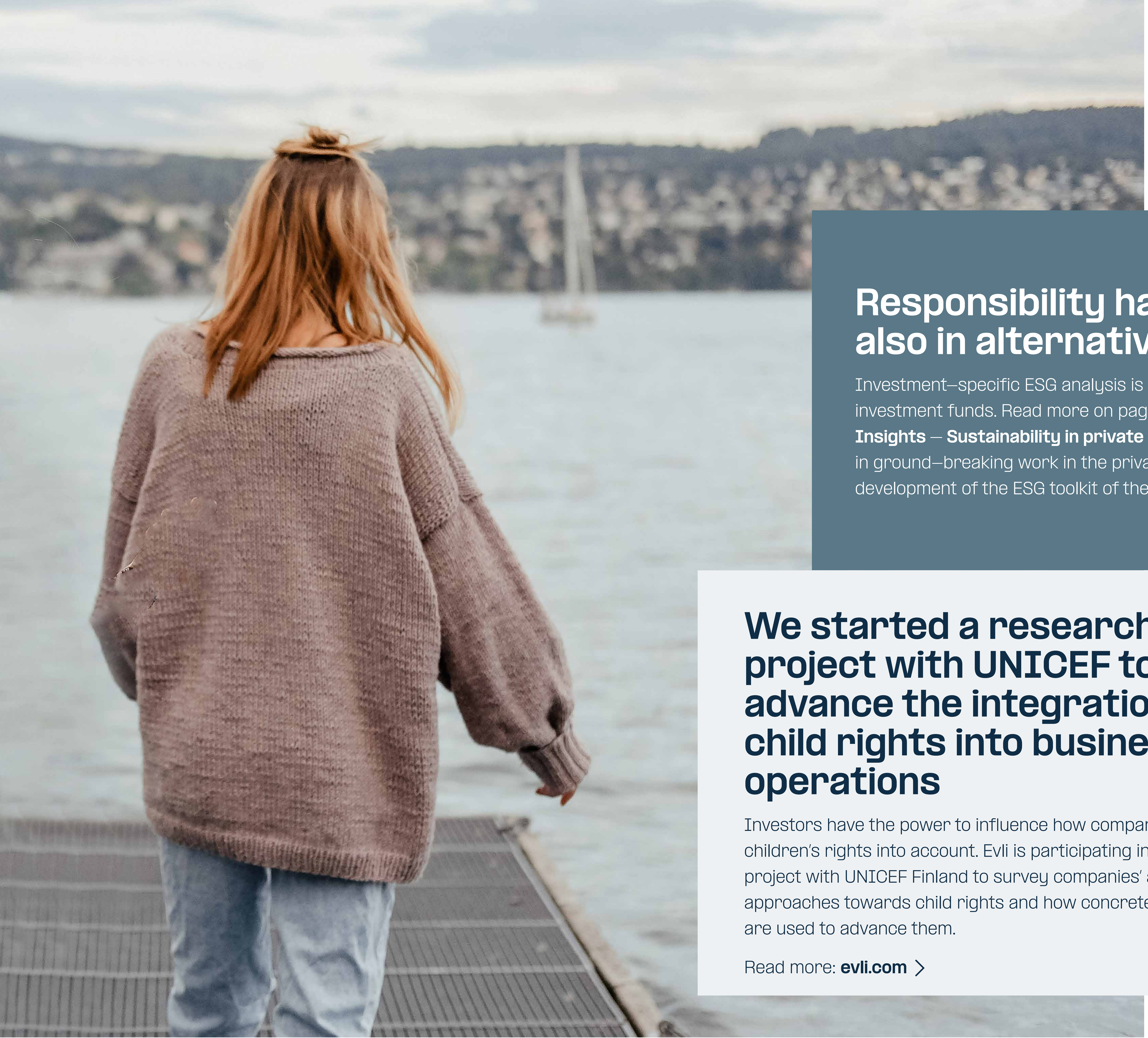
We continued to systematically engage with companies independently and through collaborative engagement initiatives

- Independent engagement with 22 companies
- 1,466 companies engaged through CDP investor letters
- 166 companies engaged through the Climate Action 100+ initiative
- 1,061 companies engaged through the CDP's Science-Based Targets (SBTs) collaborative engagement

Involvement in new collaborative engagement initiatives and investor statements

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. Together with other investors, Evli signed a letter to governments, the Global Investor Statement to Governments on the Climate Crisis, as well as the global COP15 call for action to protect biodiversity, published in conjunction with the UN Biodiversity Conference (COP15).





Responsibility has a strong presence also in alternative investments

Investment–specific ESG analysis is a systematic part of investing also in alternative investment funds. Read more on pages 7, 9–10 and 12 or see **Evli Alternative Insights** – **Sustainability in private assets** (**evli.com**). Evli has also been involved in ground–breaking work in the private equity industry by contributing to the development of the ESG toolkit of the Finnish Venture Capital Association.

We started a research project with UNICEF to advance the integration of child rights into business operations

Investors have the power to influence how companies take children's rights into account. Evli is participating in a research project with UNICEF Finland to survey companies' and investors' approaches towards child rights and how concrete measures are used to advance them.

Read more: **evli.com** >

Finland's best in responsible investing

For the second year in a row, Evli was awarded the "Responsible Investment Award" for the best competence in responsible investment in Finland in the SFR Scandinavian Financial Research client survey of large institutional asset managers.

Read more: **evli.com** >

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Responsible investment at Evli

Evli believes that taking responsibility issues into account in investment decisions, alongside the analysis of key financial figures, increases understanding of the investment target and the risks and opportunities associated with it.

Responsible investment is integrated into investment activities and reporting

At Evli, responsibility is integrated into asset management investment activities, which means that the taking responsibility factors into consideration is a systematic part of portfolio management. In practice, this is done through an internal ESG[1] 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 ESG database provides portfolio managers with easy access to companies' ESG data when making equity and fixed income investments. For example, portfolio managers can search for companies' responsibility assessments (so–called ESG scores), information on the share of revenue generated by controversial activities, any ESG violations, as well as information on companies' emissions and emission reduction targets, and how companies are aligned with the Paris Climate Agreement.

The ESG database is also utilised for reporting purposes. Evli publishes public ESG reports for all its equity and corporate bond funds, allowing

[1] ESG stands for Environmental, Social, and Governance

anyone to monitor the responsibility of Evli's investments. In addition to ESG and UN Global Compact analyses, the ESG reports show the development of the investment's ESG ratings, reputational risk, carbon footprint and company–specific ESG data for the ten largest holdings. Furthermore, Evli reports on a semi–annual basis the responsibility of its clients' equity and corporate bond investments in separate client–specific responsibility reports.

An investment–specific ESG analysis is part of all investments, including those for alternative investment funds. In the Evli Private Equity, Evli Infrastructure and Evli Private Debt funds, each new target 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 holding period and the ESG analysis data is transparently available to investors. Similarly, in Evli's growth company funds, 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.

With its real estate funds, Evli works in a socially responsible manner and demands the same from its partners. In addition, through concrete measures Evli is able to influence the energy efficiency of buildings and the construction's carbon footprint. Evli's forestry fund, Evli Impact Forest, identifies ESG risks and opportunities for the target funds by assessing, among other things, the environmental protection level of the forester. Sustainable forest management is ensured through forest certification schemes developed over the last 25 years. In the investments managed by Evli following the merger of Evli and EAB Group Plc, responsibility is also a concrete part of the investment decisions.

More responsible practices through engagement

Evli analyses its actively–managed equity and corporate bond funds and the direct investments made by wealth management 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 informs 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 responsibility and the application of legislation to international business. Information on non–compliance is available from the MSCI and ISS ESG databases and other sources such as news reports.

Each case of non–compliance and violation of the Climate Principles triggers a pre–defined process at Evli. First, the case is discussed with the portfolio manager, after which Evli's Responsible Investment team analyses the company's situation. The Responsible Investment team has two options for further action:

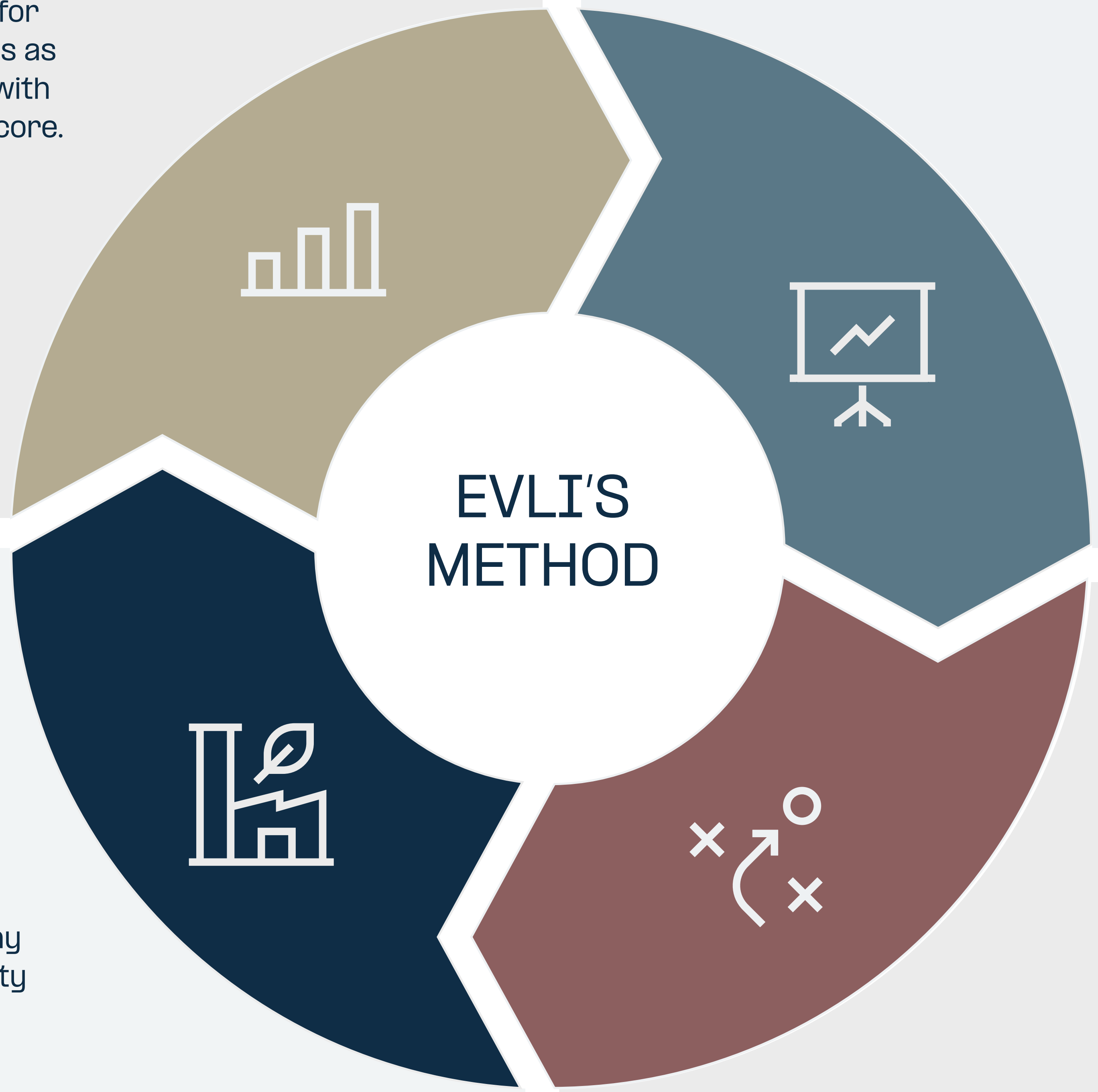
1. Initiate measures of engagement
2. Exclude the investment

The cases calling for engagement that have come to light in the quarterly inspections mostly concern environmental problems, human rights, workers' rights or actions to mitigate climate change. Evli does not disclose the names of the companies with which it engages, as it believes that engagement with the company in a confidential manner 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%[1] have an excellent, very good or good ESG score.

[1] Based on Dec 31, 2022



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.

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 "payday 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, Evli's Climate Change Principles define restrictions related to coal and oil sands 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.

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.

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CASE: EVLI PRIVATE EQUITY FUND OF FUNDS

Responsibility as an essential part of fund selection and portfolio monitoring

Evli Private Equity funds offer investors an opportunity to access the market for unlisted companies through a globally diversified portfolio. Evli Private Equity funds invest primarily in private equity buyout funds that make majority investments in unlisted established companies. The aim is to build portfolios that are well diversified by geography, sector and strategy.

Most of the companies in the world are unlisted, and of the alternative investment asset classes, private equity is the largest in terms of assets[1] managed by target funds. Private equity funds play an important role in society by providing capital to unlisted companies and helping develop and improve the companies during their ownership. Healthier companies invest more in innovation, create more jobs and stimulate economic growth.

Evli's Private Equity investment team is committed to promote responsible investment practices in the private equity market through its own activities. Responsibility is integrated into all aspects of Evli Private Equity's investment activities and the funds are managed in accordance with Evli's principles for responsible investment. Evli Private Equity funds are Article 8[2] funds in accordance with the EU Sustainable Finance Disclosure Regulation and promote, among other characteristics, environmental and social issues.

"Our team is actively collaborating with fund managers to promote responsible investing. We do not invest in funds managed by companies that do not have their own ESG policies and are not committed to responsible investing", says **Emma Honkanen**, Investment Manager, Evli Private Equity Investment Team.

Analysis of ESG factors is an integral part of the Evli Private Equity team's investment process. Before making a commitment, the team conducts an extensive survey and interviews with fund managers to assess 1) the fund manager's commitment to responsible investing, 2) how they take ESG factors into consideration in the investment process, 3) how ESG factors are integrated into the ownership and value creation process, and 4) how fund managers report their progress on ESG issues. Based on the Private Equity team's assessment, each fund manager is given an ESG score to reflect their performance from an ESG perspective.

After the commitment has been made, the Private Equity team monitors the ESG development and performance of fund managers through an annual ESG survey. The annual ESG assessment facilitates the engagement with fund managers. It can be used to highlight areas where fund managers need to improve and where they have performed well relative to their peer group.

Greater emphasis on climate and biodiversity issues

The Evli Private Equity team constantly strives to improve and develop its own practices to stay at the forefront of responsible investing.

"In 2022, we renewed and developed our ESG questionnaire and ESG assessment system to better meet the latest ESG requirements. In the renewed questionnaire, among other things, we increased the emphasis on climate issues and added new areas such as biodiversity and diversity. With the new questions, we are surveying the fund managers' current attitudes, but at the same time we want to draw attention to the importance of the topics", says Emma Honkanen.

The Evli Private Equity team believes that there will be a positive correlation between ESG performance and financial performance. Therefore, the integration of ESG factors into investment activities is paramount for future success.

Evli Private Equity reports in detail on the ESG performance of its funds in separate ESG reports, which can be found **evli.com** >

[1] Source: Preqin. Assets under management per 30.9.2022.
[2] Information on the environmental and social characteristics of Evli Private Equity funds in accordance with Article 8 of the Sustainable Finance Disclosure Regulation can be found on Evli's website **evli.com** >

Focus areas and development during 2022 of responsible investing

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

The development of responsible investing during 2022

- Evli expanded its client–specific ESG reports with new ESG indicators and published the second Allocation and Impact Report on the Evli Green Corporate Bond fund. The Allocation and Impact Report provides transparent information on the tangible impact of the fund's investments.
- Russia was excluded as an area where investments can be made. The exclusion takes into account Russian companies and the Russian state.
- EGP Fund II Ky, a private equity fund investing in the most promising Finnish and European growth companies, began operations. The fund takes responsibility 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, which requires asset managers to, for example, set clear interim targets within one year of signing the initiative and then to report annually on progress towards those targets.
- 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 terms of real–world emission reductions and in line with the Paris Climate Agreement focused on identifying best practices and building on them to develop clear next steps for 2023. Read more about Evli's climate work on pages 22–26.
- In the work on biodiversity, research was broadened beyond ESG metrics, for example with the help of the publicly available ENCORE online tool. The ENCORE online tool can be used to examine how the production processes in different sectors have dependencies and impacts on nature.
- As part of its biodiversity work, Evli was the first Finnish asset manager to join the Taskforce on Nature–related Financial Disclosures (TNFD) forum (see page 14 for more information).
- Evli launched two new Article 8 equity funds, Evli USA Growth and Evli Nordic Small Cap, and a new alternative investment fund, Evli Infrastructure Fund II, investing in global infrastructure, with a robust ESG process. In addition, in the last quarter of the year, Evli's product range was expanded through the merger of Evli and EAB Group Plc, including among others the Evli Renewable Energy Infrastructure Fund II (formerly Elite Alfred Berg Renewable Energy Infrastructure Fund II), which invests in European renewable energy projects.
- During the year, Evli attended a total of 34 annual general meetings. Attendance took into account the restrictive measures brought about by the coronavirus pandemic, and participation in the meetings was done with the use of advance voting. 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 were related to the companies' climate work and targets, corporate responsibility 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 its independent engagement, Evli was involved in several collaborative engagement initiatives and/or investor letters. These are described in more detail on page 19.
- 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 advance the fulfilment of children's rights.

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- Evli's responsible investment performed excellently in external evaluations. Evli was awarded the "Responsible Investment Award 2022" in the SFR customer survey for the best responsible investment competence 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.
- Evli's alternative investment funds systematically developed responsible investment policies and practices. For example, in 2022, Evli Private Equity, Evli Infrastructure and Evli Private Debt funds developed an ESG survey and assessment. The questionnaire raised issues related to the climate and diversity even more strongly than before and added biodiversity issues as a new topic. For more information on the Funds' responsible investment practices, see pages 9–10.
- In 2022, the growth company fund, Evli Growth Partners I, continued its work on climate in terms the calculation of carbon emissions and offsetting. In addition, an ESG assessment was carried out for all three new investments in Evli Growth Partners II and the creation of ESG KPIs was initiated. In the growth company funds, many portfolio companies also updated their ESG policies or created a policy. An HR workshop was organised for portfolio companies on workplace culture and practices in a hybrid working environment.
- A wide range of activities were carried out in Evli's real estate funds during 2022. For example, in the Evli Rental Yield Fund:
  - an investigation of the current state of taxonomy eligibility of the properties and a mapping of significant climate risks were carried out
  - the amount of renewable district heating in some of the properties in the portfolio was increased
  - systematic energy saving measures were implemented at all sites with own energy purchases
  - the feasibility of implementing solar power plants was investigated at four sites
  - tenants were encouraged to participate in energy saving in all sites
  - participation in Motiva's 'Down a degree' campaign.
- Following the merger between Evli and EAB Group Plc, the private equity and real estate investments transferred to Evli continued their responsible investment activities. After the merger, EAB Private Equity made a significant co–investment in a company focused on the maintenance of wind turbine blades and initiated in a previous investment the establishment of an ESG program including metrics. In the real estate funds that moved from EAB, one property switched to geothermal heating and another property was in the process of switching. In addition, an energy efficiency project by LeaseGreen was ongoing at the end of the year in one property. Overall, for the investments that were transferred in the context of the EAB merger, discussions on responsible investment principles and practices were held on an asset class by asset class basis.

You can read more about Evli's responsible investing and its development at **evli.com**. Evli also reports its climate risks according to the guidelines of the Task Force on Climate–related Financial Disclosures (TCFD) reporting framework. The 2022 TCFD report was published as part of **Evli's Corporate Responsibility Report**. In 2022, Evli also continued its work under the Sustainable Finance Disclosure Regulation, which Evli reports on within the SFDR 2 timeline.

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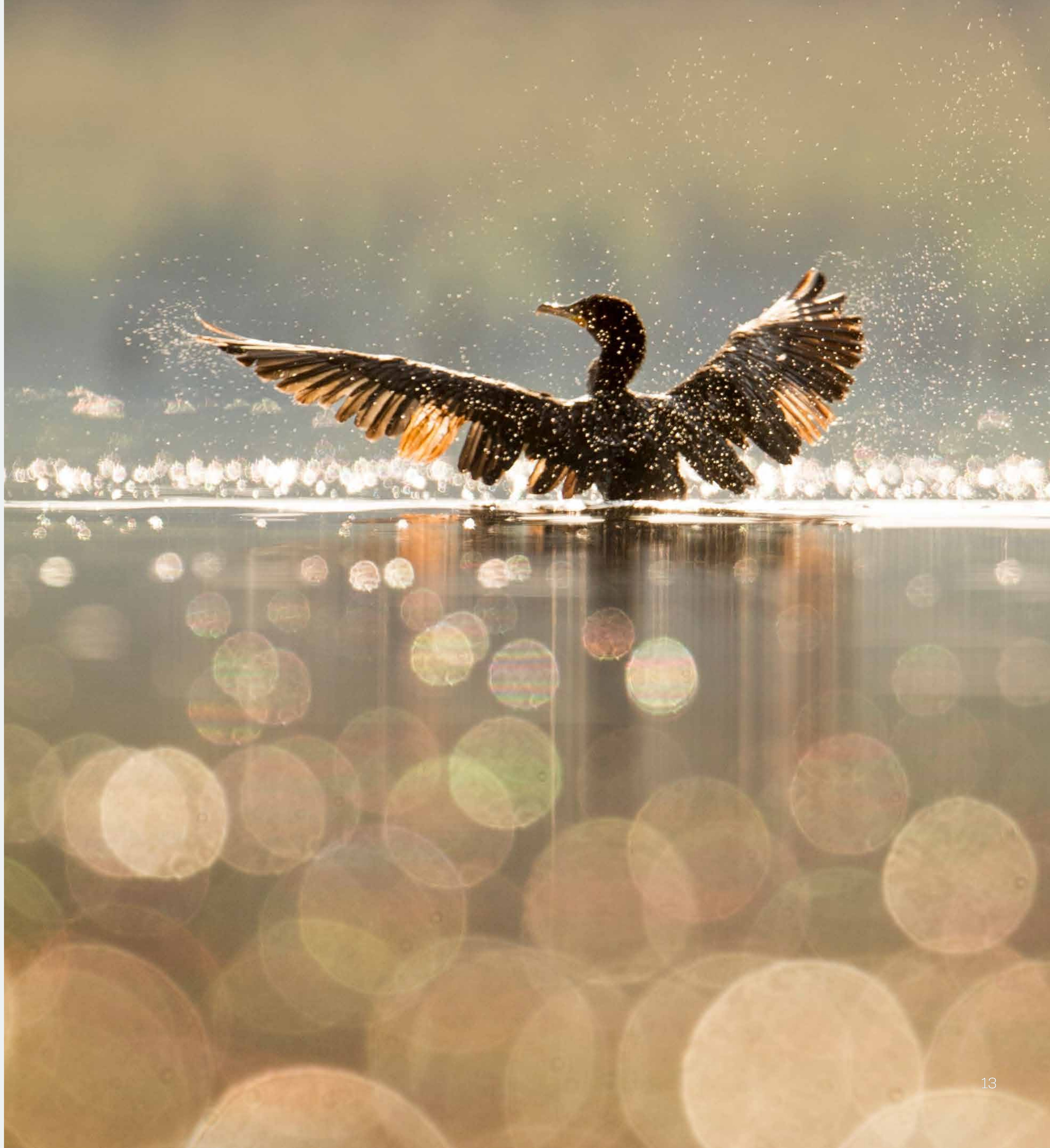
CASE: BIODIVERSITY

Businesses and investors play a major role in preserving biodiversity

Discussion on responsible investing has long been largely focused on climate change and greenhouse gas emissions. However, biodiversity is gaining importance in the investment arena.



Measuring the impact of biodiversity loss is difficult due to the complexity and location–specificity of nature, and the interdependencies between ecosystems. Whereas climate–related greenhouse gas emissions can be measured pretty much anywhere using the same metrics, wider ecosystems require a variety of different indicators, which may be concentrated in different geographical areas and different parts of nature.

"The failure to measure the link between corporate activities and nature has prevented companies from assessing the economic importance of the impact, and therefore nature has not been systematically taken into account in investment activities either", says **Petra Hakamo**, Evli's Head of Sustainability.

This is about to change, as biodiversity impact indicators are being developed. The Taskforce on Nature–related Financial Disclosures (TNFD) initiative[1] 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 summer 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.

"The time will soon come when the metrics will start to be applied to the contents of investment portfolios. For example, EU's Taxonomy and sustainable finance regulation take biodiversity into account, which means that the issue can no longer be ignored. Concrete metrics will allow us to see in a whole new way what the impacts and risks of our current investments are in terms of biodiversity loss", Petra Hakamo says.

Towards portfolio–specific risk assessments

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[2] identified by IPBES[3] 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[4] online tool. Based on the ENCORE data, Evli has developed 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 biodiversity loss. While ENCORE's data is based only on industry–specific data and therefore does not take into account company–specific activities, it does still provide a first step in assessing the nature–related risks of an investment portfolio. The results of this analysis can be used in future to develop Evli's own biodiversity work, such as identifying the most critical sectors and targeting companies with a significant impact on nature.

Engaging change

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.

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**, 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.

[1] Taskforce on Nature–related Financial Disclosures, https://tnfd.global/
[2] https://ipbes.net/models–drivers–biodiversity–ecosystem–change
[3] The Intergovernmental Science–Policy Platform on Biodiversity and Ecosystem Services (IPBES) is a United Nations organisation whose mission is to integrate and develop science and policy on biodiversity and ecosystem services for human well–being and sustainable development.
[4] ENCORE by Natural Capital Finance Alliance, https://encore.naturalcapital.finance/en

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CASE: EVLI RENEWABLE ENERGY INFRASTRUCTURE FUND II

Investing in renewable energy production and technologies supporting the green transition

Evli's renewable energy alternative investment fund, Evli Renewable Energy Infrastructure Fund II, invests directly in renewable energy assets in Europe, with a particular focus on ready–to–build solar and wind projects. The geographical allocation is driven by regional comparative advantages in solar and wind power generation. The investment strategy also includes the possibility to invest in solutions that support renewable energy, such as electricity storage.

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CASE: EVLI RENEWABLE ENERGY INFRASTRUCTURE FUND II

Evli Renewable Energy Infrastructure Fund II is a financial product in accordance with Article 9 of the EU Sustainable Finance Disclosure Regulation. The objective of the fund is to make sustainable investments that contributes to an environmental and/or social objective. Information on sustainability characteristics of the fund is reported in accordance with article 9 of Sustainable Finance Disclosure Regulation. In addition, a requirement is that the investee companies follow good governance practices.

The main environmental objective of the Evli Renewable Energy Infrastructure Fund II is to slow down the climate crisis by increasing clean energy production and thus reducing greenhouse gas emissions, especially those caused by fossil fuel power plants. The Fund's investments have a positive impact both on achieving emission reduction targets and on strengthening energy security in Europe.

"The prevailing market environment and soaring electricity prices reveal a strong need to increase solar and wind power generation capacity in Europe. A considerable number of the projects contracted by the fund so far are expected to be completed in the current and following year, at which point they will also start producing clean energy", says **Daniel Pasternack**, senior advisor to the fund.

Examples of activities that contribute to the Fund's environmental objectives:

- Development, design, construction, and operation of new solar or wind power plants
- Modernisation or expansion of existing renewable energy power plants, allowing for a significant increase in generation capacity and lifespan extension
- Expansion of electricity storage and grid balancing services, which will contribute to increasing renewable energy generation capacity

Evli Renewable Energy Infrastructure Fund II regularly reports on the environmental or social aspects it promotes and on the fulfilment of the sustainability objectives of its investments.

At its target size (€100 million), the fund would enable an annual reduction of around 200,000 tonnes of CO_2e[1] in greenhouse gas emissions (CO_2e) from electricity generation in Europe[2].

Evli Renewable Energy Infrastructure Fund II (formerly Elite Alfred Berg Renewable Energy Infrastructure Fund II) was established in spring 2021 and has a term of eight years. The fund has a target size of EUR 100 million and a minimum subscription of EUR 100,000. The fund is intended for professional investors and a limited number of non-professional clients with a sufficient understanding of the fund and its investment activities.

[1] CO_2e is the abbreviation for carbon dioxide equivalent. It is used to measure and compare emissions from greenhouse gases based on how severely they contribute to global warming.
[2] The calculation is based on the methodology used by the European Investment Bank (EIB).

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Active ownership and engagement

Active ownership and engagement are a systematic part of the way Evli operates. Evli participates in annual general meetings in Finland and engages with companies independently and collaborative engagement initiatives with other investors.

Attendance at annual general meetings as part of active ownership

During 2022, Evli participated in 34 annual general meetings (AGM) and/or extraordinary general meetings (EGM). Taking into account the restrictive measures brought about by the coronavirus pandemic, participation in the meetings was achieved with the help of advance voting instructions. In 2022, almost all the general meetings attended by Evli's representatives were organised in such a way that it was only possible to participate by voting in advance and by submitting counterproposals and questions in advance. Evli's representatives participated in the annual general meetings and/or extraordinary general meetings of Detection Technology, Eezy, Enento Group, Fortum, Gofore, Kamux, Kempower, Kojamo, Konecranes, Lemonsoft, Marimekko, Metsä Board, Modulight, Musti Group, Neste, NoHo Partners, Olvi, Ponsse, Puuilo, QT Group, Raisio, Relais Group, Remedy Entertainment, Revenio Group, Sanoma, Sitowise, Talenom, Terveystalo, Tokmanni, Uponor, Valmet and Verkkokauppa.com. These meetings were selected on the basis of the content of the agenda and the possibility for the fund management company to influence. Prior to the general meetings, Evli was in contact with five companies regarding good corporate governance.

Evli abstained from the vote five times on the call for a minority dividend, 28 times on the election of Board members, once in the decision on the discharge of liability for Board members and the CEO, once on the election of the auditor and at one AGM abstained on three issues related to the Supervisory Board. In addition, Evli voted against on one occasion on a share issue. Apart from these, Evli supported all proposals.

Independent engagement is part of our systematic work

Systematic engagement with companies continued. In 2022, Evli was in contact with 22 companies in the area of sustainability discussions alone. The cases of engagement were primarily related to encouraging companies to set climate targets and/or science–based climate targets (16 engagements). For more details on engagement on climate targets, see page 26.

In addition, engagement was carried out on issues relating to the companies' general responsibility work, suspected norm violations and good corporate governance. This took the form of e–mails and, with some companies, engagement meetings. In addition to the engagement meetings, portfolio managers discuss corporate responsibility themes with companies as part of their company meetings. During 2022, portfolio managers of Evli's equity and corporate bond funds met with companies around 570 times. Responsibility is also systematically raised with the companies and partners of the alternative investment funds.

In the quarterly monitoring, Evli excluded one company on the basis of suspected norm violations.

Climate change mitigation was the main theme of the collaborative engagement initiatives and investor statements, with other themes including human rights and biodiversity.

In addition to its independent engagement, Evli is involved in collaborative engagement initiatives and investor statements. The purpose of collaborative engagement initiatives and investors statements is to bring together a wider group of investors behind the same objectives, thus enabling a broader impact on companies. See the next page for more details on our commitments.

Collaborative engagement initiatives and investor statements

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

CASE: INTEGRATING CHILD RIGHTS INTO INVESTMENT ACTIVITIES

Investors have an important role in advancing the fulfilment of children's rights

How can investors and asset managers advance the fulfilment of child rights? Evli participates in a study led by UNICEF Finland that seeks to identify the attitudes and concrete actions of companies and investors on child rights.

The aim of UNICEF Finland's research project is to identify how child rights are implemented in business activities and how investors can integrate them in investment decisions. Evli tackles the investor angle, specifically how Finnish companies report on children's rights to investors and how investors can integrate the rights into investment decisions.

"We want to find out how children's rights can be promoted in concrete terms, not only in our own investment activities but also more widely. In the future, it will be possible to scale up the research with the help of an external research body, which could have a very significant impact", says **Petra Hakamo**, Evli's Head of Sustainability.

Finnish companies operate globally, so the decisions they make also have an impact beyond Finland's borders.

"A child rights lens provides companies with additional information on a variety of sustainability topics and can also offer deeper insight on potential risks. Guidance and indicators on child rights and business already exist, but we want to understand how investors can concretely utilize these in their own work", says **Outi Kauppinen**, UNICEF Finland's Senior Advisor, Sustainable Development.

The UN Convention on the Rights of the Child is the most widely ratified UN human rights treaty in the world. It was adopted by the UN General Assembly on 20 November 1989 and has been ratified by 196 countries. It states that every child has the right to equality, security, health and education, among other things. Every child under the age of 18 is entitled to his or her rights. UNICEF is the only organisation with a UN mandate to monitor the implementation of children's rights worldwide.

Child rights are more than just preventing child labor

For companies, the concept of child rights often equates to child labor. However, companies also affect children through the working conditions of caregivers, the design and marketing of products and services, and action on climate change.

"Children need special attention because they are still developing and have very limited influence over their own affairs. It is also the responsibility of companies to build a good and equitable world for them. The Covid–19 pandemic, the war in Ukraine and the climate crisis have caused serious harm to children's lives. It is now especially important for companies to act on behalf of children", says Hakamo.

EU calls for more reporting on social impacts

Children's rights are also particularly relevant because the European Green Deal is introducing several reporting requirements related to companies and their social impact. For example, social responsibility will be given more specific targets through the EU's social taxonomy, which in practice means a set of criteria for the types of business activities that can be defined as having a positive impact on society. In addition, companies will have to report on how human rights are implemented in their value chain.

"Because of their impact and resources, companies have a huge role in shaping our world. Business supply chains affect the lives of up to a billion children. Investors, on the other hand, play a crucial role in shaping the practices of the companies in which they invest. Taking child rights into account most likely means more responsible business activities now, but at the same time it builds a safe path for today's children to become the future employees, customers and authors of the next chapter of our planet", notes Kauppinen.

EVLI

Systematic work to mitigate climate change 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.

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Evli's climate work

2007

Investor signatory of CDP

2017

Along in CDP's collaborative engagement (2017→)

Investor signatory of Climate Action 100+ initiative (2017–2022)

2018

Signatory of Investor Statements to Governments on Climate Change and Climate Crisis (2018, 2021 and 2022)

Joining the engagement coordinated by PRI in relation to the oil and gas sector (2018–2020)

2019

CLIMATE CHANGE PRINCIPLES

Signatory of PRI's Investor statement on deforestation and forest fires in the Amazon

Official supporter of TCFD

2020

First TCFD report published as part of Evli's Annual Report 2019

Joining CDP's collaborative engagement on Science–Based Targets, SBTs (2020, 2021, 2022)

2021

Climate Targets

Establishment of a separate Climate Working Committee (Climate Working Committee continues supporting Evli's climate work 2021–2025)

2022

Signatory of the Net Zero Asset Managers initiative

2022–2025:

–Sector–level target work for material sectors

–Asset class–specific targets

–Engagement independently and with other investors

2025

Evli's own operations (Scope 1 and 2) carbon neutrality by 2025 at the latest

Review and update of the targets

2030

Interim target 50% reduction in indirect emissions from investments (Scope 1+2)

2050

Carbon neutrality of investments

EVLI

Concrete 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[1] 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

[1] 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.

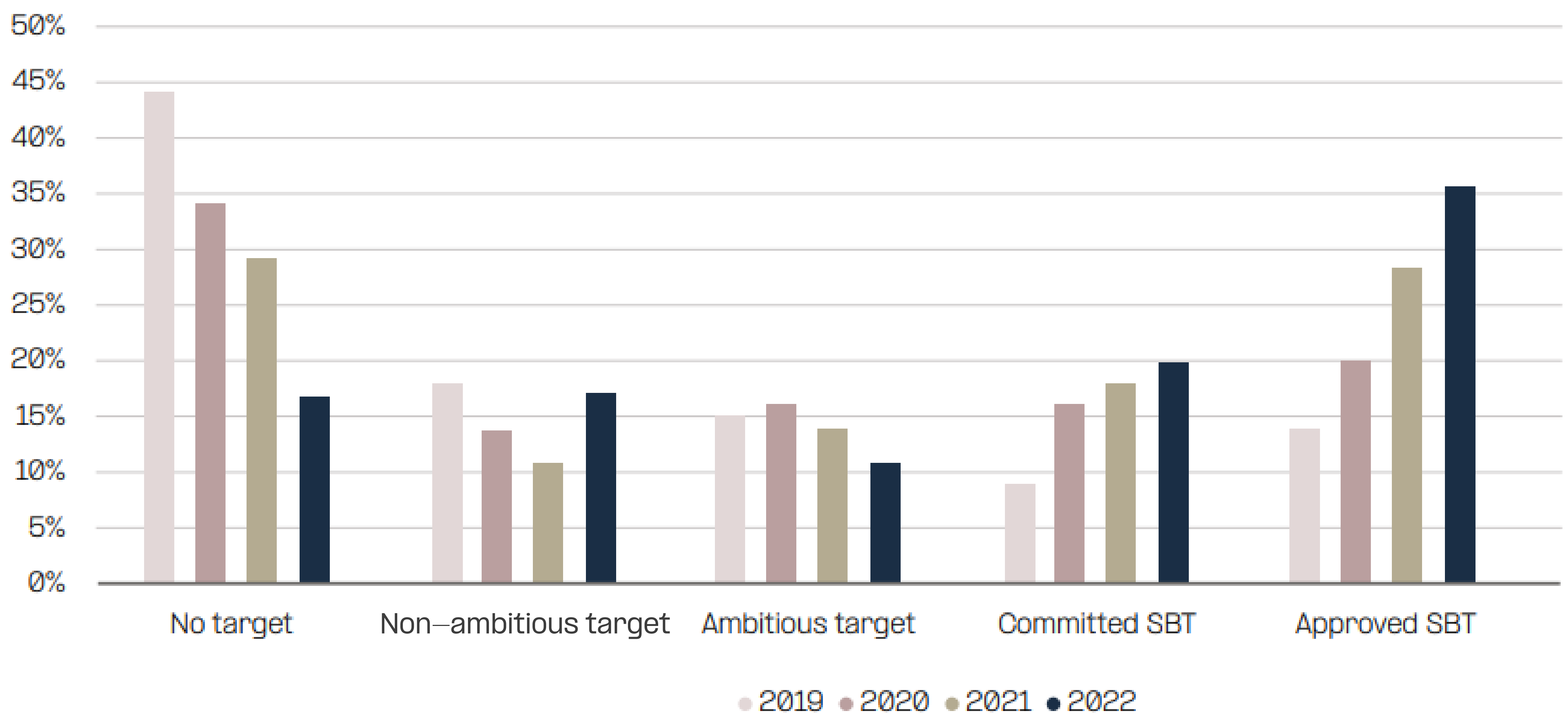
Evli's own direct engagement in the first phase of the Climate Targets has been particularly focused on high–emitting companies whose emissions or emission reduction targets are not aligned with the 1.5 degree target, as well as on high–emitting companies that do not yet have climate targets. As part 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.

EVLI

Responsible investment practices are constantly evolving

Responsible investment requires continuous development together with stakeholders. We value our dialogue with our clients and constantly follow the public debate. In the coming years, we aim in line with our focus areas to continue to work systematically towards our climate targets, to launch new responsibility themed funds, to strengthen our responsibility work in investment and to deepen our work on human rights and biodiversity.

"We see ourselves as facilitators of a broader context where wealth and sustainability drive positive change together. We have the expertise, the vision and the courage to initiate and drive the discussion on the initiatives that long–term value creation enables both for individuals, society and our planet."

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