

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system, establishing a list of **environmentally sustainable economic activities**. For the time being, it does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Template pre-contractual disclosure for financial products referred to in Article 8(1) of Regulation (EU) 2019/2088 and Article 6 of Regulation (EU) 2020/852

Product name: Evli Residential II Ky

Legal entity identifier: 3245928-9

## Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**: \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective**: \_\_\_%

**It promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of \_\_\_%:n of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**



### What environmental and/or social characteristics are promoted by this financial product?

The fund promotes environmental and social characteristics in accordance with Evli's Principles for Responsible Investment, Climate Change Principles and climate targets, and requires that target companies observe good governance. The fund uses the tools described below to promote these characteristics:

**ESG integration:** The fund complies with Evli's Principles for Responsible Investment and the principles for responsible investment of real estate funds. In the investment process the portfolio management assesses the development project from an ESG (Environmental, Social, Governance) perspective as part of the overall investment decision. If a significant and unresolved ESG issue is revealed in the assessment, there will be no investment. As the fund is involved in the development of real estate, it has better opportunities to influence selected building-specific solutions than it would if it were buying completed real estate.

**Climate change mitigation:** The fund promotes climate change mitigation. As the fund participates in the development of real estate sites, it is able to have an influence on environmentally responsible building solutions already at the planning stage. The energy solutions focus on geothermal heat, solar collectors and more efficient heat recovery. Many investments in energy efficiency are also financially sensible in terms of life-cycle costs. In material selection, we focus on low-emission solutions. During the investment period of housing companies, the fund aims to promote environmental characteristics through its own actions and decisions, for example by trying to achieve greater energy efficiency by the real estate. In addition, space solutions at the planning stage and the fund's own actions and decisions during the investment period are intended to improve the comfort and communality of the investments.

Evli's goal is to achieve carbon neutrality by 2050 at the latest, and it has set an interim target of a 50 percent reduction in indirect emissions from all investments by 2030, provided that this is possible in the investment environment. The comparison year is 2019. The fund-specific share of the emission reduction target may vary between funds.

**Monitoring and engagement:** The portfolio management team actively monitors target properties, for example their energy and water consumption and tenant satisfaction, and it also regularly visits the properties. Evli's real estate funds have several stakeholders. The portfolio management team cooperates with various stakeholders in order to gain an understanding of which ESG matters are important to them and develop the quality of the properties and to support the energy efficiency targets.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● **What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?**

The proportion of 'A' energy rated sites in the portfolio, the energy consumption of sites, the indicators of principal adverse sustainability impacts associated with real estate investments (exposure to fossil fuel-related risk in real estate assets and exposure to risk related to energy-inefficient real estate assets) and carbon intensity are used as indicators to measure the realization of the environmental or social characteristics promoted by the fund.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and antibribery matters.

**Does this financial product consider principal adverse impacts on sustainability factors?**

**Yes**

Yes, Evli takes account of the principal adverse impacts on sustainability factors (PAI indicators). For real estate investments, the indicators applied to investments made in real estate assets are taken into account. The PAI indicators are considered through an internal process based on Evli's general Principles for Responsible Investment and those specific to real estate funds. Information on the principal adverse impacts on sustainability factors is available in the fund's annual report on the promotion of sustainability factors.

**No**

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

## What investment strategy does this financial product follow?

Evli Residential II is a residential development fund with a high return target that invests in Finnish apartments. The fund is actively involved throughout the construction value chain until exit. Apartments have been attractive as investments and have offered historically stable returns. The aim of the fund is to act responsibly with regard to ESG (Environmental, Social and Governance) criteria. The fund constructs rental apartments on lots that it owns in the Helsinki region and in growth centers and selectively in the municipalities surrounding them.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

As a part of the Evli Fund Management Company, real estate funds have committed to complying with Evli's Principles for Responsible Investment. In addition to complying with Evli's Principles for Responsible Investment, the fund complies with the real estate funds' own responsible investment principles.

Evli's real estate funds only deal with trusted partners and tenants. The fund aims to invest only in 'A' energy rated sites. In addition, all sites are compliant with nearly zero-emission building (NZEB) requirements.

Evli's Principles for Responsible Investment define the basic standards for norm-based screening and exclusion of companies. In accordance with Evli's general exclusion principles, manufacturers of controversial weapons (landmines, cluster munitions, nuclear weapons, depleted uranium, chemical weapons and biological weapons), as well as tobacco manufacturers and producers of adult entertainment and companies involved in controversial lending (including so called pay-day lenders) are excluded from the fund. In accordance with Evli's Climate Change Principles, the greenhouse gas emissions of investment instruments are monitored and investment in companies that carry out thermal coal mining, use thermal coal in energy production or carry out oil sands extraction is avoided. This exclusion may be waived if the company has a clear plan to change its operations. In addition, companies producing peat for energy production are excluded. Furthermore, Russia is excluded as a geographical area where Evli invests, including both Russian companies and the Russian state.

Evli's Principles for Responsible Investment and detailed exclusion criteria are available on Evli's website at <https://www.evli.com/en/responsibility/responsible-investing>.

- **What is the policy to assess good governance practices of the investee companies?**

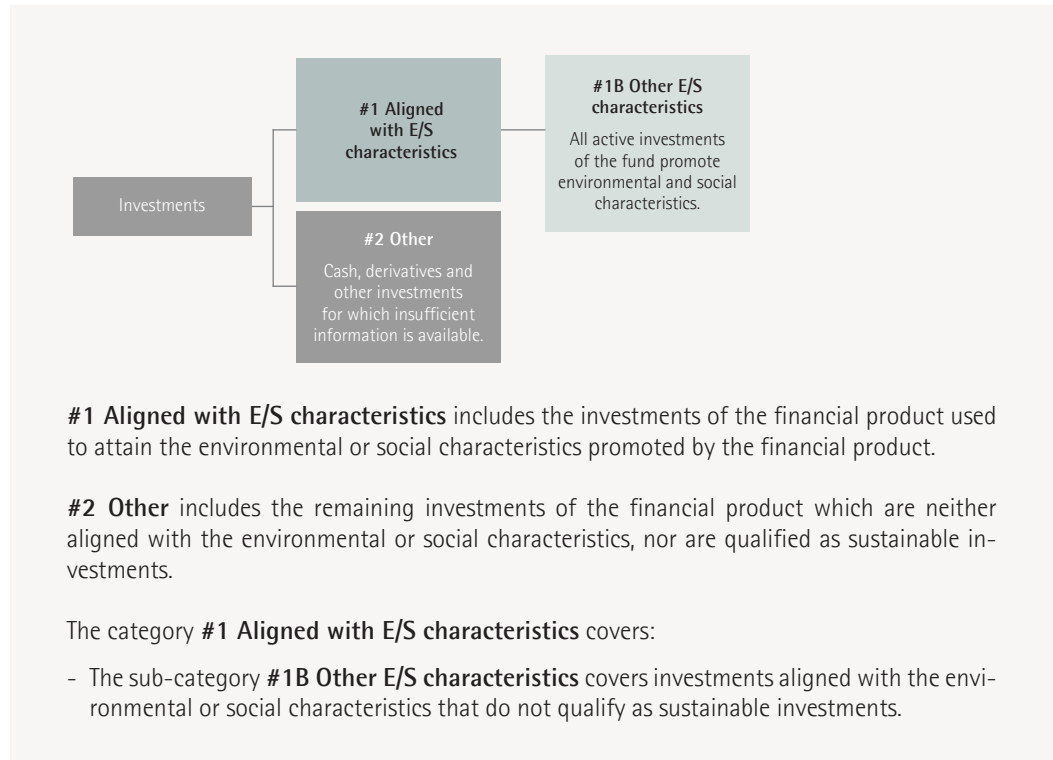
The housing companies constructed by the fund are managed in accordance with the principles of good governance and taking stakeholders into account. Also during the construction period, partners are expected to exercise good governance, compliance with which is a prerequisite of cooperation. An assessment of the quality of corporate governance is an important part of the assessment of potential investments.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



## What is the asset allocation planned for this financial product?

**Asset allocation** describes the share of investments in specific assets.



Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.



## What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The fund promotes environmental and social characteristics but does not commit to making investments that are sustainable under the EU's Taxonomy Regulation. Not all the targets in which the fund can invest are covered by the environmental objectives of the Taxonomy Regulation. Reported data on taxonomy alignment is not yet available, and the coverage of the industries and reported data under the classification system does not support a commitment to a minimum proportion of taxonomy-aligned investments. Reporting on alignment with the Taxonomy Regulation will improve as the reporting and regulation evolve.

### Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy<sup>1</sup>?

- Yes:
- In fossil gas       In nuclear energy
- No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

<sup>1</sup> Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

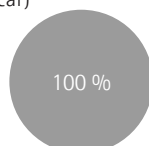
**Enabling activities** directly enable other activities to make a substantial contribution to an environmental objective.

**Transitional activities** are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.

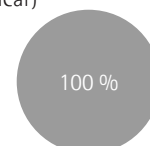
1. Taxonomy-alignment of investments **including sovereign bonds\***

- Taxonomy-aligned (no fossil gas & nuclear)
- Other investments



2. Taxonomy-alignment of investments **excluding sovereign bonds\***

- Taxonomy-aligned (no fossil gas & nuclear)
- Other investments



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures



**What investments are included under "#2 Other", what is their purpose and are there any minimum environmental or social safeguards?**

The fund may also make investments for hedging or liquidity purposes, for example. The fund may also invest in derivatives contracts both for hedging purposes and within the fund's investment strategy, and it can hold cash. Such investments are not subject to the ESG requirements or minimum safeguards described above.



**Where can I find more product specific information online?**

More product-specific information can be found on the website: <https://www.evli.com/en/products-and-services/alternative-investment-funds>