

**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 Rental Yield Fund (AIF)

Legal entity identifier: 2892419-2

## 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 characteristics in accordance with Evli's Principles for Responsible Investment, Climate Change Principles and climate targets, and requires that target companies observe good governance. Environmental characteristics promoted by the fund include improving the energy efficiency of investments, the carbon neutrality of the energy consumed by investments, and the investment's own renewable energy production. The fund uses the tools described below to promote these characteristics:

**Climate targets:** 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. For the properties it owns, the fund is participating in the nationwide Energy Efficiency Agreement, which aims to help Finland achieve the energy efficiency objectives of the EU Energy Performance of Buildings Directive (improving energy efficiency by 7.5 percent by 2025).

**ESG integration:** The fund complies with Evli's Principles for Responsible Investment and the real estate funds' own responsible investment principles. Responsibility is an inseparable part of the portfolio management processes:

#### Trading

In the investment process the company is assessed from an ESG perspective as part of the overall investment decision. An outline for a solution is prepared for the risks identified in this process. If a significant and unresolved ESG issue is revealed in the assessment, there will be no investment. A broad due diligence process carried out before purchasing a property is used to implement the risk assessments related to the environment, covering

harmful substances, floods and the risks of soil pollution, for example. In addition, analyses of the environmental certification potential and energy efficiency potential are commissioned. As a part of the investment process, a business plan is created for the company, including a plan for a long-term overhaul and improvements.

#### Owning real estate

During the ownership period, the energy, water and waste efficiency of real estate is improved and the carbon dioxide emissions of the held real estate portfolio are reduced, for example by purchasing green electricity and heat, through efficient waste recycling, through systematic optimization of building use and maintenance, and by increasing the amount of fossil-free energy produced on site when profitable. Environmentally friendly material choices and energy- and water-saving alternatives are favored in repair construction. The addition of new environmental certifications in the portfolio is examined during the ownership period.

**Monitoring and engagement:** The portfolio management team will arrange the administration, development and hiring of property companies and will ensure that the property managers actively manage the target real estate, for example by monitoring their energy and water consumption and reacting to deviations when necessary, and systematically implement maintenance measures to improve energy efficiency. The portfolio management team conducts an annual tenant satisfaction survey and visits the properties regularly. 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 investments' energy and water consumption, energy consumption within the scope of own purchasing, and carbon dioxide intensity and waste recycling rate are used as indicators to measure the realization of the environmental 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 (exposure to fossil fuel-related risk in investment assets and exposure to risk related to energy-inefficient 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.

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 Rental Yield Fund (AIF) is a real estate fund which invests in office premises in Finland. The purposes of use of the fund's real estate investments may include, among other things, business premises, commercial premises, offices, accommodation, services, and industry.

- **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.

As the fund mainly purchases built office real estate, the criteria for promoting an environmental characteristic with respect to trading are related to the risk assessment carried out during the due diligence process not showing any substantial irresolvable problem, and instead an outline for a solution can be prepared for the duration of ownership. If a significant and unresolved ESG issue is revealed in the assessment, there will be no investment. Evli's real estate funds only deal with trusted partners and tenants. Where applicable, the criteria of Evli's norm-based screening are applied to tenant selection.

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?**

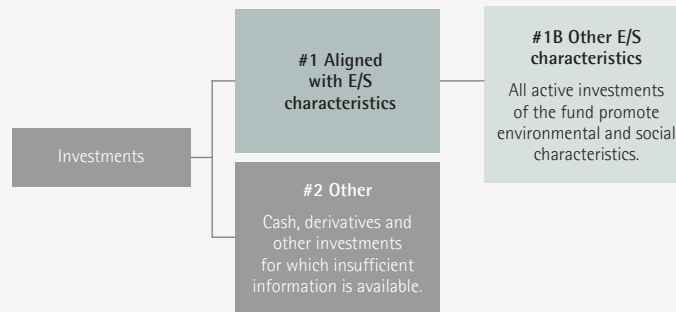
The fund management company acts on behalf of or on the account of the fund, principally as the sole shareholder of the invested companies. The property companies owned by the fund are managed in accordance with the principles of good governance and taking stakeholders into account. Partners are expected to exercise good governance, and compliance with the good governance practices is a prerequisite of cooperation.

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.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

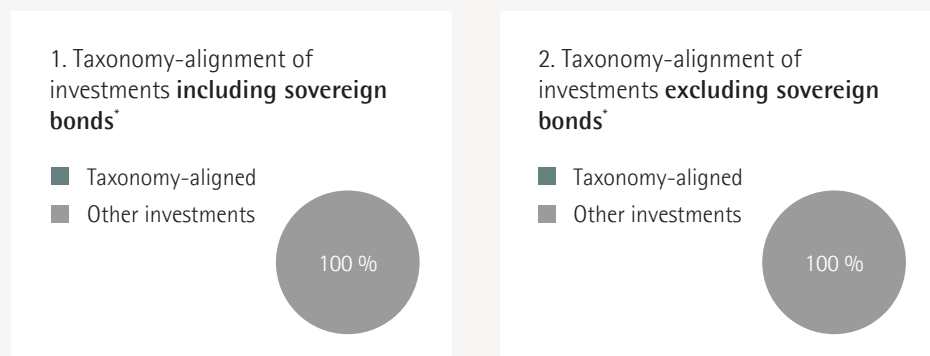
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities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

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.



\*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.

**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.



### 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>