

**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, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Evli Impact Forest Fund II

Legal entity identifier: 3315350-5

## Sustainable Investment Objective

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 product?

The Fund promotes environmental characteristics by sequestering atmospheric carbon dioxide via forest investments. Sequestered carbon is stored in growing forests and sustainable wood products to mitigate climate change. The Fund will also commit to invest a minimum of 50 % to activities that are considered environmentally sustainable to achieve the fund's partial sustainable investment objective of climate change mitigation. The tools to achieve promotion of climate change mitigation and partial sustainable investment objective used in the selection of investments are the following:

**Climate change mitigation:** The Fund's goal is to remove at least 21,000 tonnes of atmospheric carbon dioxide per one million euros invested over the 14-year fund term, a rate equivalent to 1,500 tCO<sub>2</sub>e per annum. The Fund's performance fee is dependent upon achieving this carbon impact goal. The Fund invests in forest funds managed by Timberland Investment Management Organizations (TIMOs). The Fund will use metrics reported by investee managers to measure the attainment of its investment objective. Figures will be reported to investors on a regular basis.

The Fund requires that managers achieve independent sustainability certification for their assets. Evli recognizes the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) forest certification schemes. Forest certification is an independent audit carried out by accredited certification bodies that assess the environmental, social and economic sustainability of forest management against defined criteria. Achieving certification ensures that forests are managed in a way that preserves biodiversity, benefits local communities and workers, and is economically viable.

**Sustainable Development Goals:** The Fund has a direct impact on the UN's Sustainable Development Goal 13: Climate Action. It is expected that the Fund will also support Sustainable Development Goal 15: Life on Land by protecting terrestrial ecosystems, and on Goal 12: Responsible Consumption and Production by producing sustainable timber products that can replace non-renewable materials. Other impacts support Goal 6: Clean Water and Sanitation, and Goal 8: Decent Work and Economic Growth, especially in rural areas.

**ESG integration and active ownership:** Target managers are also required to comply with the OECD Principles for Multinational Enterprises, the UN Global Compact and the UN Guiding Principles on Business and Human Rights.

Through its engagement with managers, Evli advocates for continuous improvement in the measurement and reporting of ESG metrics. Evli's Responsible Investment Policy sets the framework for Evli's engagement and conduct in the event of perceived breaches of norms.

No benchmark index has been designated for the Fund to measure the achievement of the promotion of environmental characteristics or partial sustainable investment objective. The achievement of the environmental characteristics is measured by the sustainability indicators described below.

### 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?**

To track the achievement of the environmental characteristics promoted by the fund, investee managers will report the amount of carbon dioxide (tCO<sub>2</sub>e) sequestered by the Fund's investments in quarterly, annual or other ad hoc reports. The figures will be amalgamated and reported to investors.

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund's sustainable investment objective is to sequester atmospheric carbon dioxide via sustainable forest investments. Sequestered carbon is stored in growing forests and sustainable wood products to mitigate climate change. The Fund will therefore contribute to the environmental objective of climate change mitigation by investing at least 50 % to environmentally sustainable investments.

- **How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?**

The Fund ensures it does no significant harm to other environmental or social objectives. Prior to investment, an evaluation of target managers' Environmental, Social and Governance (ESG) capabilities is conducted.

In addition, Evli Group's Principles for Responsible Investment exclude activities considered to be at higher risk of causing adverse impacts, such as of companies operating in the fossil fuels industry. The excluded activities are incorporated into agreements with target managers to ensure they do not make investments that violate Evli's exclusion principles. The agreements may also include obligations that managers use their best efforts to provide Evli with sufficient information to fulfil its obligations under the Sustainable Finance Disclosure Regulation ("SFDR"), and report on the carbon impact in accordance with the sustainable investment objective. Forest certification is a further tool used in the "do no significant harm" assessment. The Fund will invest with managers pursuing forest certification as described earlier.

- **How have the indicators for adverse impacts on sustainability factors been taken into account?**

To ensure that while meeting its environmental objective of climate change mitigation it does no significant harm to the other environmental or social objectives, the Fund identifies and considers target funds' alignment with obligatory and voluntary Principle Adverse Indicators (PAIs) as set out in Annex 1 of the SFDR Regulatory Technical Standard. Evaluation of PAIs is dependent upon the data availability from these managers.

All the mandatory PAI indicators listed in SFDR are considered, plus relevant voluntary indicators. However, because the Fund invests primarily in real assets rather than companies and given the narrow scope of the Fund's investment activities (forestry and related activities), not all indicators are relevant. While all mandatory PAIs are considered, Evli regards the most relevant for forest investments are: 2. Carbon Footprint, 3. GHG intensity of investee companies, 7. Activities negatively affecting biodiversity-sensitive areas and 10. Violations of UN Global Compact principles and Organisation for Economic and Development (OECD) Guidelines for Multinational Enterprises.

Prior to investment, each target manager is evaluated on their ESG capabilities and ability to report on PAIs.

### 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 bribery matters.

● **How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?**

The investment targets are required to comply with the OECD Principles for Multinational Enterprises, the UN Global Compact and the UN Guiding Principles on Business and Human Rights, which address social factors.

*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.*



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

**Yes**

Yes, Evli takes account of the principal adverse impacts on sustainability factors. The Fund identifies and considers target funds' alignment with the Principle Adverse Indicators (PAIs) as set out in Annex 1 of the SFDR Regulatory Technical Standard. While all mandatory PAIs are considered, Evli regards the most relevant for forest investments are: 2. Carbon Footprint, 3. GHG intensity of investee companies, 7. Activities negatively affecting biodiversity-sensitive areas and 10. Violations of UN Global Compact principles and Organisation for Economic and Development (OECD) Guidelines for Multinational Enterprises. Information on the main adverse impacts on sustainability factors is available in the fund's annual report on attainment of sustainable investment objective.

**No**

**What investment strategy does this financial product follow?**

The Fund is a fund of funds investing through third-party managers (Timberland Investment Management Organizations) in unlisted commercial forestry funds, which in turn invest in, and manage sustainable forestry assets. Eligible strategies aligned with the carbon impact goal include:

- Sustainable forest management to increase production of sustainable certified timber
- Afforestation – planting bare land (often degraded pastureland) with trees to increase the area of forest cover
- Possible participation in carbon markets through the sale of registered forest carbon credits.

● **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?**

The Fund requires that managers achieve independent sustainability certification for their assets. Evli recognizes the Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC) forest certification schemes. Forest certification is an independent audit carried out by accredited certification bodies that assess the environmental, social and economic sustainability of forest management against defined criteria. Achieving certification ensures that forests are managed in a way that preserves biodiversity, benefits local communities and workers, and is economically viable.

Environmental, social and corporate governance issues are analyzed prior to investment and are integrated into the investment decision. Investment recommendations submitted to the Fund's Investment Committee include an assessment of the managers' ESG capabilities. Monitoring of ESG performance is made at regular intervals post investment. The investment targets are required to comply with the OECD Principles for Multinational Enterprises, the UN Global Compact and the UN Guiding Principles on Business and Human Rights, which address social factors.

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

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

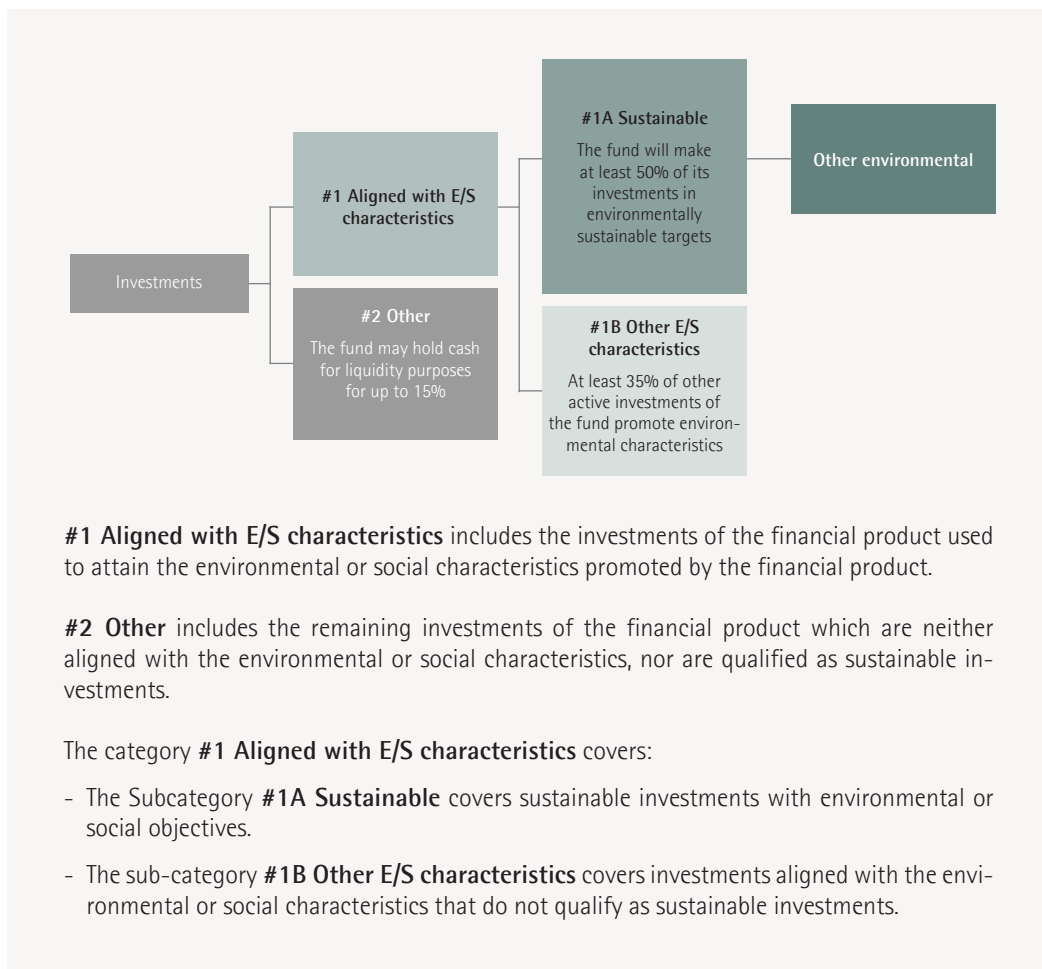
● **What is the policy to assess good governance practices of the investee companies?**

The fund assesses governance quality to ensure that its investments comply with the OECD Principles for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights. The assessment includes factors such as competitive behavior, bribery and corruption, governance and business ethics, human resources 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 Subcategory **#1A Sustainable** covers sustainable investments with environmental or social objectives.
- 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.

The fund commits to make 50% of environmentally sustainable investments that do no significant harm to any other environmental or social objectives (#1A). Other investments that are not considered environmentally sustainable promote environmental characteristics (#1B). Social safeguards are applied to investments in #1A and #1B. The fund may also hold cash for short term liquidity purposes and social safeguards are not applicable.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

The Fund does not commit to make Taxonomy-aligned investments. At this point, there is no sufficiently precise information about the compliance of the fund's investments with EU Taxonomy which would support the commitment to environmentally sustainable investments according to the EU taxonomy.

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.

**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.

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

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 is the minimum share of investments in transitional and enabling activities?**

The fund does not commit to EU Taxonomy aligned investments that it should target to transitional or enabling activities.

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

The fund invests a minimum share of 50% to environmentally sustainable investments. The Fund is not currently able to disclose to what extent the investments in underlying funds will be aligned with the EU Taxonomy. To the extent that environmentally sustainable investments are not environmentally sustainable under the EU Taxonomy Regulation, they are other environmentally sustainable investments.

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

The Fund may hold cash for up to 15% for short-term liquidity purposes. However, the fund has no intention to hold cash for long-term periods. Cash does not meet the definition of a sustainable investment and the minimum environmental or social safeguards are not applicable.



**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>

<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.