EVLI

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ADDRESSING SUSTAINABILITY RISKS AND ADVERSE SUSTAINABILITY IMPACTS

Evli Plc's (Evli) Responsible Investment Executive Group approved the following principles regarding the addressing of sustainability risks and adverse sustainability impacts. Sustainability risk refers to an environmental, social or governance event or condition that, if it occurred, could cause an actual or potential material negative impact on the value of an investment. These principles regarding the addressing of sustainability risks and adverse sustainability impacts will be applied whenever Evli Plc invests client assets under its asset management, offers investment advice (except when the client's investment objectives or constraints do not allow the application of the principles in exceptional circumstances and the matter has been discussed with the client in advance), and to the funds managed by Evli Fund Management Company Ltd and the assets under its asset management. Therefore, the same principles will be applied throughout the Evli Group, and the word "Evli" below will refer to all Evli Group companies.

When Evli invests assets in its asset management and in funds managed by Evli Fund Management Company Ltd, traditional financial and other key indicators, such as risk and valuation indicators, and sustainability risks are taken into account in investment decisions. In addition to the analysis made in connection with investment decisions, the sustainability risk is managed with the exclusion of certain sectors and/or companies. When realized, material sustainability risks can affect the financial performance of the fund's investment instruments, and therefore the fund's return. Excluding certain sectors and/or financial instruments from investment can reduce the fund's sustainability risk. It can, however, increase the fund's concentration risk. A potential increase in concentration risk, taken in isolation, may lead to greater volatility and increase the risk of loss.

According to the regulation, Evli identifies and takes into account the client's possible preferences related to the sustainability of investments when offering the client discretionary asset management service and investment advice.

Addressing sustainability risks and adverse sustainability impacts in investment operations

Evli takes account of sustainability risks in its investments and the investments' principal adverse impacts on sustainability factors in accordance with Evli's Principles for Responsible Investment. The principal adverse impacts on sustainability factors are addressed in Evli's asset management and funds through an internal process based on Evli's Principles for Responsible Investment and Climate Change Principles in a way that does not in conflict with the execution policies or investment preferences agreed with the client. Evli's Principles for Responsible Investment are asset class-specific and cover all the active investments under Evli's management. Fund-specific or asset class-specific principles may vary regarding the way in which sustainability risks and principal adverse impacts are considered. In addition, there can be individual products per fund or asset management portfolio that do not address adverse sustainability impacts or sustainability risks.

Evli's Principles for Responsible Investment cover:

- Evli Wealth Management's Principles for Responsible Investment
- Evli's Climate Change Principles
- Evli's Climate Targets
- Evli Plc's ownership control principles
- Evli Fund Management Company's ownership control principles
- Evli's Principles for Responsible Investment for direct private equity investments and funds

- Principles for responsible investment for alternative fund of funds
- Real estate funds' principles for responsible investment
- Direct infrastructure funds' principles for responsible investment
- Evli forest funds' principles for responsible investment.

The principles describe how Evli identifies and analyzes sustainability impacts and the related indicators and what Evli's procedures are with respect to these. One example of a negative sustainability impact is a breach of a norm, i.e. an act that breaches the principles of the UN Global Compact corporate responsibility initiative, for which Evli has specified a systematic procedure. We monitor Evli's own funds and direct equity and corporate bond investments to find out whether they contain companies that violate the principles of the UN Global Compact. The UN Global Compact is an international corporate responsibility initiative that requires companies to respect human rights, implement anti-corruption measures and consider environmental issues. It is made up of ten principles, which are derived from the UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Rio Declaration on Environment and Development and the UN Convention Against Corruption. If we discover that a company we have invested in is violating the principles of the UN Global Compact, we will first analyze the situation with the portfolio manager after which the Responsible Investment team will decide on further action. There are two options for further action: to start engagement activities and/or to place the company on the list of excluded investments. The purpose of engagement activities is to change the company's practices so that they become more responsible.

Evli also has separate ownership control principles which describe the ownership control methods used by Evli. Evli reports on adverse sustainability impacts annually at the company level in accordance with the SFDR. In addition, as a part of other responsibility reporting, Evli reports on the responsibility of its funds and its client portfolios with fund/portfolio-specific ESG reports, which extensively describe the indicators related to responsibility and sustainability impacts. The implementation of the ownership control principles is reported annually on the company's website and as part of the mutual funds' semi-annual reports and annual reports.

Addressing sustainability risks and adverse sustainability impacts in investment advice

Evli always identifies and takes into account the client's possible sustainability preferences when offering investment advice.

In the investment advice it provides, Evli takes into account sustainability risks and the principal adverse impacts on sustainability factors when providing investment advice on the asset management it offers and on the funds managed by Evli Fund Management Company. Evli has assessed the potential impact of sustainability risks on the return on financial products as described above. When realized, material sustainability risks can affect the financial performance of the investment instruments also used in asset management, and therefore the portfolio's return. Excluding certain sectors and/or financial instruments from investment can reduce the sustainability risk. It can, however, increase the concentration risk. A potential increase in concentration risk, taken in isolation, may lead to greater volatility and increase the risk of loss.

Evli's Principles for Responsible Investment describe how Evli identifies and analyzes sustainability impacts, the related indicators and what Evli's procedures are with respect to these. Evli does not rank financial products in order of preference in relation to the PAI indicators describing the principal adverse impacts. The above-mentioned principles describe the thresholds that are applied to the funds managed by Evli Fund Management Company and asset management. When selecting financial products, sustainability risks and adverse impacts on sustainability factors are taken into account alongside the client's other investment preferences in accordance with the process described above.

When Evli provides investment advice on products other than those listed above, Evli does not take into account sustainability risks or principal adverse impacts on sustainability factors.