

Evli Wealth Management's Human Rights Principles



Introduction

The importance and consideration of human rights in business and investment activities have increased in recent years. Climate change, armed conflicts, and global erosion of human and civil rights heightened the risks of adverse human rights impacts. At the same time, evolving sustainability regulation, geopolitical tensions, and disruptions in supply chains have highlighted the importance of managing human rights impacts as part of business and investment risks. For this reason, Evli considers it important that investee companies identify, prevent and mitigate human rights impacts related to their operations and ensure that human rights are appropriately respected in their business operations.

As providers of capital, investors have influence on how companies operate. Investors can set expectations for investee companies and influence how they create and implement their strategies and take human rights into account in their operations. Companies have a direct impact on people through their operations and are dependent on human capital in their operations. Hence, respecting human rights is closely linked to the development and performance of companies and thus also to investments. Therefore, as an investor, it is important to actively develop approaches that can take human rights impacts into account in investment decisions and throughout the investment holding period. Evli believes that respect for human rights and appropriate due diligence processes support the stability of the operating environments of investee companies and their long-term value creation.

Since 2016, Evli has monitored the implementation of global norms in its investments. Human rights impacts in investment activities are multidimensional and often relate to violations of the International Labour Organization (ILO) Principles and Rights at Work, the UN Global Compact (UNGC), the UN Guiding Principles (UNGPs), and the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises on Responsible Business Conduct. Risks are particularly heightened in industries and investment environments where social, occupational safety and health legislation and regulatory supervision are inadequate. The risks associated with such conditions concern, e.g. the use of forced and child labour, inhumane working conditions, restrictions on freedom of assembly and association, discrimination related to work and occupation, corruption and bribery, illicit land grabbing, and the inadequate prevention of environmental and pollution damage by companies. Human rights are also relevant in the context of just climate transition.

Evli's approach to managing human rights impacts

Evli is committed to respecting internationally recognized universal human rights and global norms, including the UN Universal Declaration of Human Rights, the International Labour Organization's (ILO) Fundamental Principles and Rights at Work, and the UN Convention on the Rights of the Child. Evli may also use other sources in its human rights-related assessments, such as resolutions of the UN Human Rights Council, reports of the UN High Commissioner for Human Rights, rulings of the International Court of Justice (ICJ), and reports published by civil society organizations.

Evli approaches human rights issues on the basis of the UN Global Compact's Corporate Responsibility Principles, the UN Guiding Principles on Business and Human Rights (UNGPs), and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct. The above-mentioned global norms and frameworks guide both Evli's own approach to human rights and what we expect from investee companies.

Human rights considerations in responsible investment and related decision-making are implemented in accordance with Evli Group's governance structure of corporate responsibility and Evli's Principles for Responsible Investment. Evli's Principles for Responsible Investment form a cross-cutting approach to responsible investment, and Evli's Wealth Management's Human Rights Principles complements these principles.



1. We assess investee companies prior to investment decision and monitor them regularly

Before making an investment decision, Evli's portfolio managers assess the investee companies in terms of human rights. The assessment examines investee companies' ESG factors (Environmental, Social, and Governance factors), the share of turnover related to controversial industries, and possible violations of global norms. ESG factors are taken into account as part of comprehensive investment analysis and risk management.

Evli's investments are actively analyzed and monitored during the ownership period of the investments. Evli monitors on a quarterly basis whether there are any investee companies (in direct equity and fixed income investments as well as Evli's equity and fixed income funds) that violate the principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, or the ILO's fundamental principles and Rights at Work. Indicators related to the implementation of Evli's climate and nature principles as well as the Principal Adverse Impact (PAI) indicators, which also include indicators related to human rights, are also regularly monitored.

The PAI analysis examines investee companies that violate or lack processes and compliance mechanisms to monitor compliance with the UN Global Compact (UNGC) principles and the OECD Guidelines for Multinational Enterprises. In addition, the analysis takes into account investee companies' unadjusted gender pay gap, board

gender diversity, exposure to controversial weapons, and investee countries subject to social violations. Evli's Responsible Investment Team regularly reviews investee companies flagged in PAI monitoring and may, for example, initiate engagement if it is assessed that the investee company is causing adverse human rights impacts. In alternative asset classes, Evli monitors human rights metrics that are material to the relevant asset class.

As part of the Principles for Responsible Investment, Evli excludes controversial industries from its investments. The excluded industries are defined in more detail in Evli's Principles for Responsible Investment. In addition, Evli does not invest in companies that are subject to sanctions. Compliance with the exclusion criteria and sanctions is monitored by utilizing the analysis of external ESG data providers and sanction lists. The monitoring covers both pre-trading and daily post-trade inspections.

Climate change mitigation and the prevention of biodiversity loss are also central to the realization of human rights. Evli aims to take just transition into account as part of its work in accordance with its climate and nature principles. In regard to the just transition, the analysis assesses how the company manages the social impacts of the transition and takes human rights into account as part of its transition plan.

2. We are an active owner: We engage with companies and support initiatives and statements that promote human rights

Evli aims to target its engagement and risk and impact analyses on investee companies that have the most salient human rights impacts. This refers to adverse human rights impacts that are most serious in scale, scope and irreparability.

Evli primarily aims to engage and have active dialogue with investee companies that may have human rights and/or global norm violations. As mentioned above, we monitor whether there are any companies that violate the principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the ILO's Fundamental Principles and Rights at Work, or Evli's Climate and Nature Principles. If we find that the company we are investing in is breaching the above-mentioned principles, we will analyze the situation together with the portfolio manager, after which the Responsible Investment Team will decide on further actions. There are two options for further action: start engagement measures or move the company to the list of excluded companies. The aim of the engagement is to make the investee company's business practices more sustainable. Engagement can last for a maximum of two years, after which clear justifications for holding the company in investments must be shown, or the company must be excluded.

Evli may also use voting at general meetings as a form of engagement. Evli uses proxy advisors as part of its analysis of voting at general meetings of Finnish companies as well as in voting at selected international general meetings (so-called proxy voting). By participating in and voting at general meetings, Evli also has an opportunity to take a stand on issues related to human rights and good governance.

Evli supports initiatives and position statements that promote human rights in investment activities and in investee companies, for example through the development of regulation and reporting, as long as they are in line with Evli's principles. Evli has been a supporter of the PRI Advance Human Rights initiative since 2022 and has continued to support the collaborative engagement initiative as part of its commitment to promoting human rights and responsible investment. Evli has also highlighted the investor's perspective as part of various research and development projects related to better consideration of children's rights in investments.

3. We develop reporting, analysis methods, and risk management processes of our investments to better identify and assess the human rights impacts

Evli reports to clients on reputation risk indicators of equity and fixed income funds' investments. Risk indicators also cover monitoring of violations of the UN Guiding Principles on Business and Human Rights (UNGPR), the OECD Guidelines for Multinational Enterprises, and the ILO's Fundamental Principles and Rights at Work. In addition, Evli also reports to clients on indicators related to good governance as part of its semi-annual sustainability reports and in accordance with the Sustainable Finance Disclosure Regulation. As part of the Annual Review of Responsible Investment, Evli reports on the progress of responsible investment work and aims to include themes and studies related to human rights as part of responsible investment work.

Evli utilizes available frameworks, data, and analysis provided by a third party to identify and assess the human rights impacts of investments. Evli aims to develop reporting, analysis methods and risk management processes related to human rights impacts, in order to gain a more comprehensive understanding of the human rights impacts of investments and to identify the most significant sectors and companies in which engagement measures should be targeted.

4. We apply heightened human rights due diligence where the operating environment or the investee company presents an elevated risk of adverse human rights impacts or norm violations

In operating and investment environments where an investee company presents elevated risks of adverse human rights impacts or norm violations, Evli aims to ensure that the investee companies are subject to a heightened due diligence process. Evli's Responsible Investment Team assesses situations that involve elevated risks of adverse human rights impacts or norm violations and based on the assessment, determines appropriate remediation and follow-up measures. The views of the Responsible Investment Executive Group and portfolio managers are considered in the planning of the measures.

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