1 January 2022

# RESPONSIBLE INVESTMENT AND ADDRESSING SUSTAINABILITY RISKS AND IMPACTS

Evli Fund Management Company takes account of sustainability risks in its investments and in particular of the investments' principal adverse impacts on sustainability factors in accordance with Evli Group's Principles for Responsible Investment. Sustainability risk refers to an environmental, social or governance event or condition that, if it occurred, could cause an actual or a potential material negative impact on the value of the investment. Sustainability factors refer to environmental, social and employee matters, respect for human rights, and anti-corruption and anti-bribery matters. Significant sustainability risks can affect the financial performance of investment instruments, and therefore the return of funds. Evli Group's Principles for Responsible Investment are asset class-specific and cover all the active investments under Evli's management. Evli Group's Principles for Responsible Investment are publicly available on Evli's website at www.evli.com/en/responsibility/responsible-investing.

Below is information on the consideration of sustainability risks in Evli Impact Forest Fund I (EIFF I) and the fund's sustainable investment objective. Evli Impact Forest I Feeder A is a feeder fund that invests only in Evli Impact Forest Fund I.

The abbreviation ESG refers to the term Environmental, Social and Governance.

EU Taxonomy Regulation (2020/852) refers to legislation defining environmentally sustainable economic activities and the reporting obligations for companies and financial products related to such economic activities.

## Taking sustainability risks into account

The Fund takes sustainability risks into account in its investment decisions. In the investment process the portfolio manager assesses the target fund's ESG risks and opportunities. Forests are physical natural assets subject to abiotic and biotic risks. Active forest manage-ment reduces the prevalence and severity of losses due to fire, wind, pests and diseases. A geographically dispersed portfolio of non-contiguous as-sets, diversified across tree species, further mitigates risk. A structured Environmental, Social and Governance (ESG) due diligence questionnaire is used to rate managers on their environmental performance prior to making a commitment.

Forest certification schemes, that have been developed over the past twenty-five years, are used to verify the sustainable management of forests. In-dependent audits conducted by recognized accreditation bodies issue a certificate if forest management conforms to internationally agreed criteria. Evli requires managers to become forest certified and recognizes the Forest Stewardship Council (FSC) and Program for the Endorsement of Forest Certification (PEFC) certification schemes.

Significant sustainability risks, if realized, can affect the financial performance of the Fund's investments, and therefore the return of the Fund.

## SFDR classification: article 9

## Corporate governance

The Fund requires good corporate governance practices from its investments. An assessment of the quality of corporate governance is an integral part of the assessment of the Fund's potential investments.

The corporate governance assessment evaluates the ability of the manager to assess and manage risks, its corporate structure, ethics policies and health and safety practices. Alignment of the manager with fund performance is also evaluated. The corporate governance assessment lays the foun-dation for long-term responsible value creation.

## Sustainable investment objective

The Fund has sustainable investment as its objective, with a goal to remove atmospheric carbon dioxide and store it in growing forests and sustainable wood products to mitigate climate change. The Fund strategy supports the long-term global warming objectives of the Paris Agreement and contributes to several of the UN's Sustainable Development Goals (SDGs). The fund's sustainable investment objective contributes to climate change mitigation. The fund will make investments in environmentally sustainable economic activities, transitional activities or enabling economic activities that meet the criteria of the EU Taxonomy Regulation. The fund expects to make the majority of its commitments to such investments.

Forestry can reduce carbon emissions when sustainable wood products replace carbon intensive materials, such as steel and concrete in construction, and plastics in the packaging sector. Going beyond emissions reduction, forestry is an effective and low-cost solution to remove already emitted carbon, an essential pathway to achieving the Paris Agreement targets. Through photosynthesis, trees absorb atmospheric carbon dioxide, converting it to wood. The carbon is stored in growing forests and in long lived wood products when harvested sustainably.

EIFF I's goal is to remove at least 21,000 tonnes of atmospheric carbon dioxide per EUR 1 million invested over the 14-year fund term. Evli's fund performance fee is dependent upon achieving this carbon impact goal.

EIFF I will invest in unlisted commercial forestry funds selected for positive carbon impact and attractive financial return. Carbon capture is enhanced by investing in regions with higher rates of forest growth, but in countries with robust environmental regulation and established wood processing industries to achieve the financial aims of the Fund.

Eligible strategies aligned with the positive carbon impact goal include:

- Sustainable forest management to increase production of sustainable 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.

EIFF I will contribute directly to SDG 13: Climate Action. Sustainable forest management also contributes to SDG 15: Life on Land, by protecting terrestrial ecosystems and SDG 12: Responsible Consumption and Production, through the production of sustainable wood products that can replace non-renewable materials. Other effects support SDG 6: Clean Water and Sanitation and SDG 8: Decent Work and Economic Growth, particularly in rural areas.

EIFF I does not have a benchmark. The impact objective is attained by measuring and reporting the volume of carbon dioxide sequestered annually (tCO2e) in the underlying funds. Reported by each manager, Evli ensures that managers' methodologies for calculating carbon sequestration conform to good practice. Models for estimating carbon stock are maturing.

More information about sustainable investing at Evli Group and disclosures in accordance with European Union Sustainable Disclosure Regulation is available at www.evli.com/en/responsibility/responsible-investing.