

EVLI WEALTH MANAGEMENT'S BIODIVERSITY ROADMAP

Incorporating biodiversity, or in other words natural diversity, into investing is fast emerging as a significant area of responsibility alongside climate change. More than half of the world's gross domestic product is moderately or heavily dependent on nature and the services it provides.¹ In the worst-case scenario, biodiversity loss could lead to significant losses for companies and investors alike. Evli has already made climate change and policies related to climate change more prominent in Evli Wealth Management's investments and published separate Climate Change Principles in 2019, which Evli's investments follow. Evli's climate work is further supported by Evli's Climate Targets published in 2021. In addition to climate change mitigation, Evli makes further efforts to take biodiversity into account in its activities. Evli has continued its biodiversity work by preparing a biodiversity roadmap that aims to increase biodiversity-related analysis, measuring and reporting as well as to encourage companies to take biodiversity into account in their actions.

The significance of biodiversity in investing and business

Biodiversity has a significant impact on the wellbeing of humans and the Earth as well as on the preconditions for economic activity. Nature provides ecosystem services on which many business activities depend on. Ecosystem services include provisioning services (such as nutrition, water, medicinal substances, and materials), supporting services (such as photosynthesis and soil quality), regulating services (such as climate regulation, clean air, and clean water) and cultural services (such as recreation and aesthetic nature).² Biodiversity loss disrupts ecosystem services, and in the worst-case scenario, it could lead to significant losses for both companies and investors.

Correspondingly, companies' activities may have impacts on biodiversity and ecosystem services. Therefore, it is also important to recognize the impacts of corporate actions on nature and to consider their double materiality. Nature impacts refers to the positive or negative impacts of corporate actions on biodiversity. IPBES³ has identified five drivers of biodiversity loss as the 1) changes in land and sea use, 2) direct exploitation of organisms, 3) climate change, 4) pollution and 5) invasive alien species. These biodiversity loss drivers, for example, can be used to examine the negative impacts of corporate actions. On the other hand, when assessing positive impacts, it is possible to make use of the EU taxonomy definition of environmentally sustainable business activities, for example.

The Kunming-Montreal Global Biodiversity Framework (GBF) is a global framework adopted in December 2022 at the meeting of the Conference of the Parties (COP15) and signed by 196 countries. The target of the GBF framework is that, by 2050, biodiversity is valued, conserved, restored, and wisely used and that ecosystem services are maintained. One of the GBF's intermediate targets is that companies assess and report their biodiversity-related dependencies, impacts and risks as well as reduce their negative impacts on nature.⁴

Biodiversity work up till now

Evli raised biodiversity-related research as one of the focus areas for responsible investing for 2022–2024. In the summer of 2022, Evli joined the Taskforce on Nature-related Financial Disclosures forum⁵ and as a member was able to follow the development of the framework more closely. Together with other investors Evli signed the global COP15 investor statement published in conjunction with the UN

¹ [World Economic Forum](#)

² [World Resources Institute](#)

³ [Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services \(IPBES\)](#)

⁴ [Kunming-Montreal Global Biodiversity Framework](#)

⁵ [Taskforce on Nature-related Financial Disclosures](#)

Biodiversity Conference COP15 in December 2022. The statement called on governments to take coordinated action to tackle climate change and biodiversity loss around the world, to give financial institutions a stronger mandate to align their financial activities with biodiversity targets, and to adopt the ambitious Global Biodiversity Framework. Before this, in 2020, Evli has been involved in the PRI-led collaborative engagement initiative 'Need for Biodiversity Metrics', with the aim of encouraging the development of biodiversity-related reporting practices. In addition, Evli joined the Nature Action 100⁶ initiative in the fall of 2023. The initiative focuses on driving greater corporate ambition and action to reverse biodiversity loss.

During 2022, Evli improved its portfolio analysis based on data provided by the ENCORE tool⁷. Based on the analysis, it is possible to evaluate, based on industry distribution, on which ecosystem services a portfolio is dependent and what possible impacts the portfolio's industries can have on biodiversity loss. During 2022, as part of its biodiversity work, Evli has been studying the TNFD framework and its recommended nature-related reporting metrics. In addition, Evli has studied available biodiversity data in relation to TNFD's recommendations, nature loss drivers defined by IPBES and the PAI indicators describing the principal adverse impacts of investment decisions on sustainability factors. As part of the sustainable finance legislation, Evli takes into account and reports the PAI indicators of its investments, which also include biodiversity-related metrics, such as greenhouse gas emissions, activities negatively affecting biodiversity-sensitive areas, emissions to water and hazardous waste ratio. The analysis has been continued and further developed in 2023 and will be continued in accordance with the biodiversity roadmap.

⁶ [Nature Action 100](#)

⁷ [ENCORE \(Exploring Natural Capital Opportunities, Risks and Exposure\)](#)

Evli's biodiversity roadmap

Evli has prepared its Wealth Management's biodiversity roadmap with action steps for 2023–2025. The objective of the roadmap is to gain a better understanding of biodiversity-related risks and impacts of investments on biodiversity. The roadmap aims to develop biodiversity-related ESG integration and reporting in such a manner that biodiversity is integrated in Evli's operations in line with best practises. The aim of the roadmap's action steps is to set more specified biodiversity-related principles and targets in the future.

<u>Planned schedule</u>	<u>Roadmap phase</u>	<u>Actions</u>
2023–continuous	Building a snapshot	<ul style="list-style-type: none"> – Recognizing Evli's risks and dependencies related to biodiversity in different asset classes – Analysing investments – Building a snapshot is a continuous analysis
2023–Q3/2024	Developing data and tools	<ul style="list-style-type: none"> – Improving access to information and researching metrics – Developing the continuous analysis of investments and tools
2023–continuous	Engagement and active ownership	<ul style="list-style-type: none"> – Recognizing engagement targets that are relevant based on biodiversity analysis – New collaborative engagement initiatives and promoting the initiatives Evli has already joined – Engagement is continuous
Q4/2024–2025	Developing reporting	<ul style="list-style-type: none"> – Adding relevant biodiversity-related metrics to Evli's responsibility reports
H1/2025	TNFD reporting	<ul style="list-style-type: none"> – The first TNFD reporting of the year 2024 – Tracking TNFD development and recommended metrics
In the future	Specifying biodiversity-related principles and targets	<ul style="list-style-type: none"> – Specifying biodiversity-related principles – More detailed asset class-specific targets and policies

1. Building a snapshot

In its investment activities, Evli seeks to identify biodiversity-related risks and dependencies as well as the impacts on biodiversity. For this purpose, Evli improves the analysis of its investments, for example, based on the ENCORE tool. Furthermore, the aim is to examine biodiversity-related metrics and data to better identify the nature impacts of its investment activities. The purpose is to examine the biodiversity-related risk and possibilities of target companies and possible investments in Evli's equity and fixed income funds as well as to explore how alternative asset classes recognize and measure key figures related to biodiversity.

2. Developing data and tools

As part of building a snapshot and expanding the analysis of investments, Evli examines biodiversity-related metrics, for example based on the TNFD recommendations. The purpose is to examine available data, to identify the needs of new metrics and to develop portfolio management tools so that biodiversity-related metrics are taken into account in investment analysis. In addition, Evli will arrange internal training in biodiversity metrics. Evli can also engage with external service providers in order to develop the metrics.

3. Engagement and active ownership

Based on relevant biodiversity metrics and analysis, Evli seeks to identify target companies it can engage with in biodiversity matters. Based on the analysis, the purpose is to identify corporate risks related to biodiversity loss and how companies take into account the risks and impacts on biodiversity loss as part of their operating activities. Before engagement, targets for the engagement outcome are set based on the observations of the analysis. In addition, Evli aims to integrate just transition into its engagement analysis.

As part of active ownership, Evli also collaborates with other investors to engage with companies when the target and goals are in line with Evli's biodiversity work. In 2022, Evli signed the global COP15 initiative 'Moving Together on Nature'. In 2020, Evli has been involved in the PRI-led collaborative engagement initiative 'Need for Biodiversity Metrics', with the aim of encouraging the development of biodiversity-related reporting practices. In the fall of 2023, Evli also joined the investor-led Nature Action 100 initiative, which focuses on driving greater corporate ambition and action to reverse biodiversity loss. Evli also explores new collaborative engagement ways and actively follows the development of the initiatives.

4. Developing reporting and TNFD reporting

After identifying the biodiversity metrics relevant to investment activities, Evli aims to improve its biodiversity reporting. Evli's responsible investing is based on transparency and openness, which is why we report responsibility factors comprehensively to our clients. Our responsibility reporting consists of the funds' ESG reports, clients' responsibility reports and the responsible investment annual report. Evli wants to find biodiversity metrics that comply with, for example, recommendations of TNFD or other reporting frameworks, and describe, in the best possible way, biodiversity risks and impacts related to investments. TNFD is a biodiversity framework which Evli will use to further improve its reporting on nature impacts of its investment activities, in accordance with the roadmap. In the summer of 2022, Evli joined the TNFD forum, and as its member, Evli has been able to follow the development of the framework. By following the TNFD's reporting recommendations and their development, Evli seeks to comply with the best biodiversity-related reporting practices.

5. Setting biodiversity-related principles and targets

As a result of the roadmap, Evli seeks to set biodiversity principles that specify how Evli takes into account biodiversity as part of its investment activities in different asset classes. In addition, Evli's monitored metrics, analysis tools, engagement targets and principles as well as reporting related to biodiversity will be described in the principles.

In the future, Evli also seeks to set biodiversity-related targets. The aim of Evli's biodiversity roadmap is to set action steps for biodiversity-work, and based on that more detailed biodiversity targets and asset class-specific policies can be set in the future. In target setting, the following can be taken into account: biodiversity principles and their specification, possible selection principles of investments, pursuit of positive nature impacts, sustainable investments as well as separate engagement targets.