

EVLI WEALTH MANAGEMENT'S CLIMATE CHANGE PRINCIPLES

Under the Paris Climate Agreement signed in 2015, the increase in average global temperatures shall be limited to less than two degrees, aiming at 1.5 degrees. In order to accomplish this, a global balance between greenhouse gas emissions and sinks must be achieved by 2050. The mean global temperature has already risen by one degree compared to the pre-industrial age, which means that to achieve the goal of the Paris Agreement and mitigate climate change, more significant emissions reductions will be required.¹ For this reason, we want to further increase the significance of climate change and related procedures in Evli Wealth Management's investments. Climate change and related impacts on investments are observed using four procedures:

1. Analysis and monitoring of greenhouse gas emissions of investments

We monitor the emissions of companies in Evli's equity and fixed income funds by analyzing fund-specific carbon footprints. As an indicator of the carbon footprint², we use the weighted average carbon intensity according to the recommendations of the Task Force on Climate-related Financial Disclosures³ (TCFD). We report the carbon intensity figures of funds in fund-specific ESG reports, which are public at Evli's website (<https://www.evli.com/en/products-and-services/funds/funds/esg-reports>)

Responsible Investment team monitors the carbon intensity of our equity and fixed income funds regularly and reports the development to the Responsible Investment Executive Group. The Responsible Investment Executive Group consists of Chief Executive Officer, Head of Legal, Risk Management and Compliance, Head of Institutional Clients, Head of Private Clients, Chief Investment Officer, Head of Equities or Fixed Income, Head of Discretionary Mandates and Head of Sustainability. We are aware that there are certain limitations in the measurement of investments' carbon intensity but believe that openly reporting these increases transparency. Because the indicators of the climate impacts of investments are still being developed, we monitor the development of indicators and reporting methods as part of our aim to find the highest-quality indicator for evaluating the climate impacts of investments.

2. Monitoring thermal coal, oil sands and peat companies and excluding them from investment instruments

We monitor Evli's funds and direct investments to identify companies that earn a significant part of their revenue (30% or more) from thermal coal or oil sands extraction. Business operations related to thermal coal means thermal coal mining and the use of thermal coal in energy production. Possible investments in thermal coal and oil sands companies are assessed in Evli's Responsible Investment team. We avoid investing in thermal coal and oil sands companies, but we can depart from the exclusion, if company has a concrete plan to change its procedures. In addition, we have excluded companies manufacturing peat for energy production from our investment universe.

3. Engaging with companies

Together with other investors, we encourage companies to report the climate impacts of their operations and describe how the companies control and benefit from the risks and opportunities

¹ Prime Minister's Office 20.12.2018 https://vnk.fi/artikkeli/-/asset_publisher/kahdeksan-eduskuntapuoluetta-paatti-yhteisista-ilmastopolitiikan-tavoitteista

² TCFD – Task Force on Climate-related Financial Disclosure, <https://www.fsb-tcdf.org/>

³ Task Force on Climate-related Financial Disclosure: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures. June 2017. <https://www.fsb-tcdf.org/wp-content/uploads/2017/06/FINAL-TCFD-Report-062817.pdf>

related to climate change. This takes place in practice through various investor initiatives and investor cooperation. For example, we have been involved in the investor letters coordinated by the CDP sent to companies with the highest emissions and climate change-related risks that do not yet report on the climate impacts of their operations. We have also signed the Climate Action 100+ initiative, in which investors act together to influence the top 100 greenhouse gas emitting companies in the world to mitigate climate change. In the Climate Action 100+ initiative, investors aim to achieve better climate change management in companies, a reduction in greenhouse gas emissions and more transparent reporting on climate impacts. We are also a signatory of the Investor Statement to Governments on Climate Change letter sent to governments urging them to promote transition to a low-carbon society.

We also monitor, as part of the process related to the UN Global Compact's corporate social responsibility principles, our direct equity investments and funds to identify companies committing serious environment violations. If we discover such companies in our investments, we first analyze the situation with the portfolio manager, after which the Responsible Investment team decides on further action. There are two options for further action: to start engagement activities 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.

4. Reporting of Evli's climate risks

Our aim is to report on climate risks in accordance with the TCFD's⁴ recommendations over the coming years across Evli Bank's functions as a whole. The TCFD is an international climate risk reporting framework in which the economic impacts of climate risks become part of the official financial reporting.

In addition to the procedures mentioned above, the aim of Evli Wealth Management is to continuously develop its way of carrying out responsible investment and the related processes, including observing climate change in its investment activities. In practice, this means we regularly evaluate our procedures, actively monitor the market and climate discussion and carry out discussions with our stakeholders and various companies in order to develop responsibility.