

PRINCIPLES FOR RESPONSIBLE INVESTMENT FOR REAL ESTATE FUNDS

At Evli, responsible investment activities are governed by Evli's Principles for Responsible Investment. The purpose of the Principles for Responsible Investment is to define Evli Wealth Management's approach to responsible investing and to communicate the methods used. For further information on our responsible investment practices, please refer to our Principles for Responsible Investment available at Evli's website (evli.com).

Real estate funds' approach to responsible investing

This document seeks to complement the Principles for Responsible Investment by defining Evli's real estate funds' approach to responsible investing. As part of Evli Fund Management Company, the real estate funds are committed to complying with Evli's Principles for Responsible Investment. In addition to following Evli's Principles for Responsible Investment, the real estate funds' ESG approach includes:

Analysis

Evli's real estate funds' approach to ESG integration is driven by the need to understand how to address material ESG topics in different stages of the investment process. Evli has several real estate funds, some of which are investing in land plots and these funds aim to build on properties, whereas some the funds are primarily investing into mutual real estate companies which own already-built properties. In the real estate funds that make direct investments, the portfolio managers manage not only the fund, but also the property companies in which the funds have invested. This hands-on approach enables portfolio managers to integrate ESG practices into the whole investment process from acquisition to potential sale. In the acquisition process, due diligence is performed not only on the property but also on the companies owning the properties. In the funds that start the ownership phase from the land development, the portfolio managers are evaluating the construction materials and techniques used in the construction phase, as well as the companies working in the construction sites, which means that all phases of the building process will adhere to high ESG standards. The sustainable aspects of the construction are also included in the requirements of technical property managers, architects and construction management consultants when renovating existing buildings.

In the real estate funds before making a decision on purchasing or building a property the energy consumption is assessed as well as the ways in which energy consumption can be reduced during the ownership period and thus reduce the property's environmental effects. External evaluators with relevant training and sufficient experience are used to help evaluate these matters. In addition, before an investment decision the real estate funds carefully analyse the characteristics of macro and micro location for the appropriate purpose. As part of the analysis, the accessibility of the sites is assessed and where relevant, primarily invest in properties that are located along good transport links. We also evaluate case by case the possibilities for renewable energy production and the available environmental certifications.

The funds outsource the day-to-day property management, and the property managers are expected to follow sustainability best practices in maintenance management, company management, energy use, etc. Tenants are considered to be one of the most important stakeholders in the stakeholder engagement process. From a shareholders' perspective, good real estate returns are considered to be a very important sustainability principle from a sustainable development perspective.

Monitoring and engagement

The portfolio management team actively monitors the target properties, such as their energy and water consumption, tenant satisfaction and also makes regular visits to the properties. The consumption figures are used in the development of own operations and communication with the property's users with the aim of reducing users' effects on the property's energy consumption. For property waste the possibility

of recycling has been reserved for each property. The aim is to reduce the amount of waste and to further improve recycling. Evli's real estate funds have several stakeholders. The portfolio management team engages with the different stakeholders to understand the relevant material ESG issues for the stakeholders and to develop the quality of the properties and support energy efficiency targets.

The real estate funds see sustainability as an integral part of our value creation and are committed to produce pleasant and sustainable areas as well as continuously develop best practices in the construction and rental sectors. This requires a systematic approach to ESG integration at all stages of the investment process and active engagement with the stakeholders.

The real estate funds follow the industry's best practices and the members of the portfolio management team promote responsibility also in the real estate investment industry, for example as being an active member of the Green Building Council Finland¹ and by participating actively in the delivery of statistical information of real estate investments to an independent specialist, Kiinteistötieto Oy (KTI), which furthers the target of achieving transparency in the office real estate investment market.

As an example of following the industry's best practices, part of the real estate funds have joined the energy efficiency agreements² by the government's sustainable development company, Motiva.

Exclusion

The real estate funds operate only with trusted co-operation partners and tenants.

Reporting

The real estate funds report on responsibility annually either in their annual reports and/or in separate responsibility report. The funds' responsibility information is used also in the funds' communication with clients and other stakeholders. The responsibility of the real estate funds and its development are also reported as part of Evli's responsible investment reporting, where appropriate.

¹ [Green Building Council Finland – Green Building Council Finland \(figbc.fi\)](https://figbc.fi)

² Energy Efficiency Agreements are an important part of Finland's energy and climate strategy and the principal method by which to promote the efficient use of energy in Finland. (Motiva 2022, [Energy Efficiency Agreements - Motiva](#))