Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Evli Equity Factor USA **Legal entity identifier:** 7437005N2I7MBZ97YL71

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

[ ] Yes	[x] No
[ ] It made **sustainable investments with an environmental objective**: ___%	[x] **It promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 2.3 %:n of sustainable investments
[ ] in economic activities that qualify as environmentally sustainable under the EU Taxonomy	[x] with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
[ ] in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	[ ] with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
[ ] It made **sustainable investments with a social objective**: ___%	[ ] with a social objective
	[ ] It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The fund has promoted environmental and social characteristics by following Evli's Principles for Responsible Investment, Climate Change Principles and climate targets, and by requiring that target companies follow good governance practices. The fund has used the means described below to implement the environmental and social characteristics it promotes:

ESG integration: The fund's target companies have been analyzed before making an investment decision and during the investment period with regard to environmental, social, and corporate governance matters (ESG factors). The analysis is based on Evli's internal database, which is based on data from external data providers. Evli has developed ESG integration by updating its responsible investment principles and developing ESG tools for portfolio management during the year.

Exclusion by industry: The fund has excluded harmful industries on the basis of Evli's responsibility principles and Climate Change Principles. In addition, the target companies have been monitored regularly for violations of the principles defined in the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the OECD Principles for Multinational Enterprises. On the basis of regular monitoring, Evli's Responsible Investment Team will take the necessary measures with respect to companies that are suspected of having violated the above-mentioned international principles. Such companies can either be excluded directly or Evli can engage with them. If dialogue with a company fails or is deemed to be unhelpful, the company may be added to the exclusion list.

Climate change mitigation: Evli's goal is to achieve carbon neutrality by 2050 at the latest, and it has set an interim target of a 50 percent reduction in indirect emissions from all investments by 2030, provided that the investment environment allows for it. The comparison year is 2019. The fund-specific share of the emission reduction target may vary between funds. During the year, Evli reinforced its climate commitment by signing the Net Zero Asset Managers (NZAM) initiative. Work on climate objectives continued by creating a snapshot, developing climate risk management and with engagement, and the Climate Working Group focused on identifying best practices and building on them to develop clear next steps for 2023. The climate targets, together with the Climate Change Principles, provide a systematic approach to taking climate change into account in investments.

Active ownership and engagement: During the year, Evli exercised active ownership by engaging with a total of 22 companies, including three companies in the fund. In addition, Evli participated in the following investor initiatives: Climate Action 100+, investor letters coordinated by CDP, and engagement through CDP, the purpose of which is to encourage companies to set Science-Based Targets. In the area of human rights, Evli joined the PRI Advance initiative, under which investors take joint action on human rights and social issues. Together with other investors, Evli also signed the Global Investor Statement to Governments on the Climate Crisis, a letter to governments encouraging them to ensure that the global temperature increase will be limited to 1.5 degrees Celsius, take early action to keep greenhouse gas emissions in line with the 2030 target, promote non-carbon emission reductions, increase the supply of climate finance and strengthen climate reporting across the financial system with mandatory TCFD reporting, requiring science-based climate transition plans, and coordinating and promoting coherence in global regulation in the financial sector. In addition, Evli signed a global COP15 initiative with other investors at the UN Biodiversity Conference (COP15), calling on governments to take coordinated action to combat climate change and biodiversity loss around the world, to set a stronger mandate for financial institutions to align financial activities with biodiversity targets, and to adopt an ambitious Global Biodiversity Framework at COP15 in Montreal.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

How did the sustainability indicators perform?

Indicator name	Value	Additional information
Companies without serious norm violations	100.0%	Coverage: 98.49%
Weighted average carbon intensity (Scope 1+2 tCO2e / $M sales)	41.2	Coverage: 98.49%
ESG ratings distribution		
AAA	4.6%	
AA	25.2%	
A	37.8%	
BBB	25.1%	
BB	5.0%	
B	0.8%	
CCC	0.0%	
Not rated	1.5%	

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

The fund promotes environmental and social characteristics in addition to other characteristics but does not commit to making sustainable investments. However, the fund has included investments that meet the criteria of the EU taxonomy system (EU Taxonomy Regulation) in environmentally sustainable economic activity that contributes to climate change mitigation or adaptation to it. The EU Taxonomy Regulation sets criteria for environmentally sustainable economic activity that is considered to promote the environmental objectives of the regulation. More detailed information on EU taxonomy-aligned investments can be found later in the report.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

Evli has taken account of the principal adverse impacts of its investments on sustainability factors (Principal Adverse Impact or PAI indicators) in accordance with Evli's Principles for Responsible Investment and its Climate Change Principles. The PAI indicators have been considered through an internal process based on Evli's Principles for Responsible Investment. An internal PAI tool has been built based on data from an external service provider to view PAI indicators relevant to the investment target. Evli's Principles for Responsible Investment are asset class-specific and cover all Evli funds. Evli's Principles for Responsible Investment and Climate Change Principles define industry-specific exclusion limits and the process for dealing with any identified norm violations.

What were the top investments of this financial product?

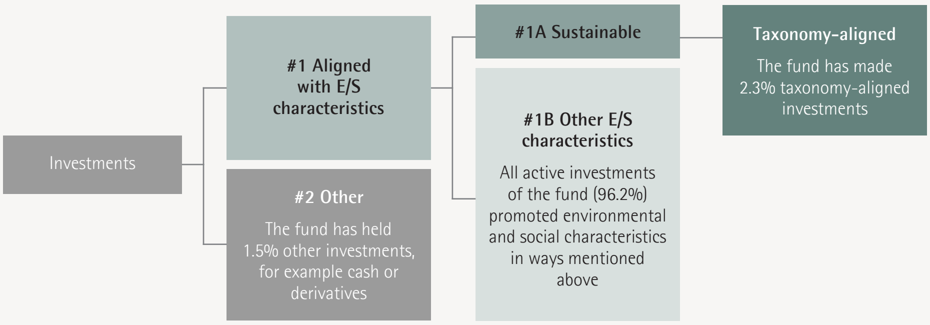
The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 2022

Largest investments	Sector	% Assets	Country
Visa Inc	Information Technology	4.06%	United States
Cisco Systems Inc	Information Technology	3.08%	United States
Broadcom Inc	Information Technology	2.06%	United States
Abbott Laboratories	Health Care	2.05%	United States
Procter & Gamble Co/The	Consumer Staples	1.23%	United States
Consolidated Edison Inc	Utilities	1.12%	United States
Cigna Corp	Health Care	1.12%	United States
McDonald's Corp	Consumer Discretionary	1.05%	United States
Otis Worldwide Corp	Industrials	0.98%	United States
AbbVie Inc	Health Care	0.97%	United States
AutoZone Inc	Consumer Discretionary	0.92%	United States
Jazz Pharmaceuticals PLC	Health Care	0.91%	Ireland
International Business Machine	Information Technology	0.91%	United States
Aflac Inc	Financials	0.88%	United States
Elevance Health Inc	Health Care	0.81%	United States

What was the proportion of sustainability-related investments?

What was the asset allocation?

Asset allocation describes the share of investments in specific assets.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

Sector	% Assets
Energy	1.0%
Materials	2.9%
Industrials	9.0%
Consumer Discretionary	12.1%
Consumer Staples	7.1%
Health Care	23.7%
Financials	11.1%
Information Technology	24.1%
Communication Services	3.3%
Utilities	2.1%
Real Estate	2.1%
Sectors and sub-sectors that derive revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels	4.42%

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emission and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

While the fund is not committed to making investments that are aligned with EU taxonomy, the fund has made investments associated with climate change mitigation or adaptation to climate change that are taxonomy-aligned as set out below. Other investments that promote environmental factors are not sustainable investments under the Taxonomy Regulation.

The proportion of taxonomy-aligned investments is expressed as a share of turnover. The proportion of taxonomy-aligned investments is based on data provided by an external data provider and not verified by a third party.

Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy[1]?

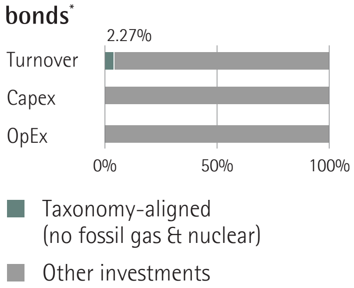
☐ Yes:

☐ In fossil gas ☐ In nuclear energy

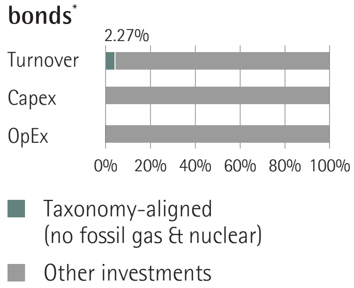
☒ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

1. Taxonomy-alignment of investments **including sovereign bonds***



2. Taxonomy-alignment of investments **excluding sovereign bonds***



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

What was the share of investments made in transitional and enabling activities?

The fund has made 2.3% taxonomy-aligned investments. This share includes possible investments to transitional and enabling activities.

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

The Principles for Responsible Investment, the Climate Change Principles and the exclusion principles apply to all direct investments made by the fund. The fund's other investments can for example be for hedging or liquidity purposes. The fund may also have invested in derivatives contracts both for hedging purposes and within the fund's investment strategy, and it may have held cash. Such investments are not subject to the ESG requirements or minimum safeguards described above.

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective – see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The responsibility factors (ESG) of Evli Equity Factor USA Fund have been comprehensively integrated in the fund's investment processes. The aim is to reduce the fund's carbon emissions by excluding companies with very high carbon intensity (overall emissions in relation to revenue). The fund also avoided investing in companies that have fossil fuel reserves. The fund also excluded companies in which more than five percent of revenue originates from weapons and firearms, tobacco products, alcoholic products, gambling, adult entertainment or thermal coal. In addition, the fund excluded companies that received a poor rating in a general responsibility assessment.