EVLI LEVERAGED LOAN

Fund ESG report 2023

SFDR classification: Article 8

Carbon footprint (Scope 1+2) (1)	9.75 (t CO2e/M€ revenue)	UN Global Compact fails	0%

ESG Approach

ESG integration
Active ownership
Exclusion
Engagement
Climate Change Principles

Exclusion

Controversial weapon manufacturers(2)
Tobacco manufacturers(3)
Adult entertainment producers(3)
Controversial lending(3)
Russia(4)

Exclusion Climate Change Principles

Thermal coal mining and gen. 10% revenue threshold
Oil sands extraction 10% revenue threshold
Energy peat producers

This ESG report is ESG reporting carried out by Evli about the Fund. The Fund's sustainability information in accordance with EU Sustainable Finance Disclosure Regulation is reported as part of the Fund's Annual Review.

ESG Strategy

The Fund follows Evli's Responsible Investment Principles. Before the investment decision, ESG risks are addressed through their influence on credit quality, i.e. on company financials. In the Fund's company analysis, a particular focus is placed on ESG risks that are material for each company. If the company has a significant and unresolved ESG issue, this will, in practice, prevent an investment from being made in the company. The analysis of ESG factors is based on a holistic view of the company, which is based on information provided by the company, the portfolio manager's own analysis, and MSCI's ESG information.

Engagement Activity

The Fund's portfolio manager and the Fund management team meet with, and regularly contact, the companies. At these meetings, ESG issues are discussed, among others. The main engagement themes for Evli are good governance, climate change mitigation and international norms compliance. In addition to Evli's own engagement, Evli engages with other investors in different initiative such as Climate Action 100+, CDP's investor letters, CDP's Science-Based Targets (SBTs) collaborative engagement and Nature Action 100.

Evli's Climate Change Principles

Evli's Climate Change Principles consist of four procedures: 1) analysis and monitoring of greenhouse gas emissions of investments, 2) exclusion, 3) engagement, and 4) reporting of climate risks following the TCFD's (5) recommendations. In addition to revenue restrictions, Evli does not finance new coal-fired power plants, coal mines or oil sands projects that are in the planning or construction stages. We may depart from this exclusion if company has a concrete plan to change its procedures and/or the company supports just transition. In June 2021 Evli published companywide Climate Targets (6). Evli aims to be carbon neutral by 2050 at the latest and has set separate interim targets, which apply to both Evli's own operations' and its investments' emissions.

Fund manager's comment

In 2023, we collected data from the portfolio companies on their principal adverse sustainability impacts to gain a deeper understanding of their sustainability performance. Although coverage for certain indicators remains relatively low—partly due to the sectoral split within the fund—we were generally positively surprised by the quality and completeness of the data collected. The data collection also showed that the portfolio companies are well-aware of the importance of sustainability reporting and shed light on their future plans and ambitions. For example, several portfolio companies confirmed that they are currently in the process of setting science-based climate targets. The principal adverse impact indicators (PAI indicators) are presented in the table below (6). A more detailed description of selected indicators can be found in the Methodology section at the end of the report.

	PAI-indicator	Value 2023	Unit of measure	Coverage
1	Scope 1 GHG emissions	342	tCO2e	67%
	Scope 2 GHG emissions	222	tCO2e	67%
	Scope 3 GHG emissions	17 313	tCO2e	67%
	Total GHG emissions	17 876	tCO2e	67%
2	Carbon footprint (Scope 1+2+3)	128	tCO2e/MEUR invested	67%
3	GHG intensity of investee companies	163	tCO2e/MEUR of revenue	67%
4	Investments in companies active in the fossil fuel sector	0	%	93%
5	Share of non-renewable energy consumption and production	51	%	69%
6	Energy consumption intensity per high impact climate sector	No data available (6)	GWh/MEUR revenue	-
7	Investments in companies with activities negatively affecting biodiversity-sensitive areas	0	%	71%

8	Emissions to water	0.02	tonnes/MEUR invested	21%
9	Hazardous waste ratio	0.2	tonnes/MEUR invested	44%
10	Investments in companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	%	79%
11	Investments in companies with lack of processes and compliance mechanisms to monitor compliance with or address violations of UNGC principles and OECD Guidelines for Multinational Enterprises	4	%	83%
12	Unadjusted gender pay gap	14	%	40%
13	Board gender diversity	25	%	82%
14	Investments in investee companies involved in the manufacture or selling of controversial weapons	0	%	92%
E4	Investments in companies without carbon emission reduction initiatives	42	%	80%
S14	Number of identified cases of severe human rights issues and incidents	0	weighted average no. of cases	93%

Footnotes

(1) Scope 1 and 2 GHG intensities (tCO2e/EUR million revenue) of investee companies as a weighted average with the current value.
(2) Companies manufacturing controversial weapons (landmines, cluster munitions, incendiary weapons, laser-blinding weapons, nuclear weapons, depleted uranium, chemical weapons, biological weapons, non-detectable fragments) with 0% revenue threshold.
(3) Revenue threshold for the exclusion is 5%.
(4) Since 03/2022 Russian companies and the Russian state are excluded.
(5) See https://www.fsb-tcfd.org/
(6) Available at https://www.evli.com/en/responsibility/responsible-investing
(7) Data were collected on all mandatory PAI indicators, as well as two additional indicators selected by Evli. With the exception of PAI6 (Energy consumption intensity per high impact climate sector), for which sufficiently granular data were not available, all collected indicators are presented in this report.

Methodology

Data collection

The data for this report were collected in fall 2023 and are thus based on sustainability data reported by the investee companies for the reporting year 2022. The data were gathered through a dedicated questionnaire sent to the investee companies. In cases of unclear or otherwise inconsistent data, the investee companies were contacted for further clarification. If, despite these efforts, the quality of the data remained unsatisfactory or data coverage was very low, it was omitted from the report.

PAI indicators

GREENHOUSE GAS EMISSIONS

Sum of investee companies' Scope 1, 2 and/or 3 GHG emissions (tCO2e) weighted by the size of the investment relative to the overall value of the company.

CARBON FOOTPRINT (SCOPE 1+2+3)

Sum of investee companies' Greenhouse Gas Emissions (as defined above) relative to current value of all investments.

GHG INTENSITY OF INVESTEE COMPANIES

Scope 1, 2 and 3 GHG intensities (tCO2e/EUR million revenue) of investee companies as a weighted average with the current value.

INVESTMENTS IN COMPANIES ACTIVE IN THE FOSSIL FUEL SECTOR

Share of investee companies whose business is related to fossil fuels, including the extraction, processing, storage and transportation of petroleum products, natural gas and coal, weighted with the current value.

SHARE OF NON-RENEWABLE ENERGY CONSUMPTION AND PRODUCTION

Share of non-renewable energy consumption and/or production of the investee companies in relation to total energy consumption and/or production as a weighted average.

INVESTMENTS IN COMPANIES WITH ACTIVITIES NEGATIVELY AFFECTING BIODIVERSITY-SENSITIVE AREAS

Share of investee companies whose operations in biodiversity-sensitive areas have caused significant negative impacts on these areas, weighted with the current value.

EMISSIONS TO WATER

Sum of wastewater discharged to surface water by the investee companies (in tonnes) as a weighted average relative to the enterprise value.

HAZARDOUS WASTE RATIO

Sum of hazardous waste generated by investee companies (in tonnes) as a weighted average in relation to the enterprise value.

INVESTMENTS IN COMPANIES THAT HAVE BEEN INVOLVED IN VIOLATIONS OF THE UNGC PRINCIPLES OR OECD GUIDELINES

Share of investee companies whose operations have violated the UNGC principles or the OECD Guidelines for Multinational Enterprises, weighted with the current value.

INVESTMENTS IN COMPANIES WITH LACK OF PROCESSES AND COMPLIANCE MECHANISMS TO MONITOR COMPLIANCE WITH OR ADDRESS VIOLATIONS OF UNGC PRINCIPLES AND OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES

Share of investee companies that lack processes and compliance mechanisms to monitor the UN Global Compact principle or the OECD Guidelines for Multinational Enterprises, weighted with the current value.

UNADJUSTED GENDER PAY GAP

Unadjusted gender pay gap of investee companies (the difference between the average hourly pay of men and women relative to men's hourly pay) as a weighted average.

BOARD GENDER DIVERSITY
Gender diversity of the boards of the investee companies (share of women of all board members) as a weighted average.

INVESTMENTS IN INVESTEE COMPANIES INVOLVED IN THE MANUFACTURE OR SELLING OF CONTROVERSIAL WEAPONS
Share of investee companies linked to the manufacture or sale of landmines, cluster munitions, chemical and biological weapons, weighted with the current value.

INVESTMENTS IN COMPANIES WITHOUT CARBON EMISSION REDUCTION INITIATIVES
Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement,

NUMBER OF IDENTIFIED CASES OF SEVERE HUMAN RIGHTS ISSUES AND INCIDENTS
Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis.