



Sustainability at eQ Group in 2021



“Our values ‘honest, open, competent and efficient’ guide the work of every eQ employee and constitute the foundation for daily co-operation with clients, partners and other key stakeholders.”

Sanna Pietiläinen,
Director for Responsible Investment



Sustainability is a key part of eQ's business operation and corporate culture

We work in a responsible and sustainable manner as eQ Group, and integrate sustainability systematically and practically with eQ Asset Management's investment activity and Advium's corporate finance operation. Our values "honest, open, competent and efficient" are at the core of the Group's work culture. They guide the work of every eQ employee and constitute the foundation for daily co-operation with clients, partners and other key stakeholders.

We have developed sustainability purposefully in recent years. The most important development project in 2021 was the preparation of a sustainability classification for all of eQ's investment products. While working on product classifications at all our investment teams, we also evaluated what various classification requirements mean for the current investment strategies and practices of our products and for ESG reporting, and what we should perhaps develop further.

During the autumn we also updated the Code of Conduct concerning the Group. The Code of Conduct describes joint rules based on eQ's values and the general principles guiding behaviour, decision-making and business operation that every eQ employee must follow.

Customer satisfaction and wellbeing at work are objectives that steer our operation. Despite the prolonged COVID-19 pandemic, the satisfaction of both our clients and employees has remained at an extremely high level, and we are very grateful for this.

We now publish our Sustainability Report for the fifth time as part of the Annual Report. For us it is very important to report about sustainability in our operations to our shareholders, clients and other key stakeholders in a transparent

manner. We have also actively and for a long time encouraged our investees to report on corporate responsibility and to develop the contents and quality of their reports.

At present, we look at the year 2022 with great interest. Our own work on sustainability continues by, e.g., bringing changes arising from the EU's Regulation on sustainability-related disclosures and the Taxonomy Regulation to a concrete level in all our areas of investment. In the big picture, amendments to statutes at the EU level are intended to increasingly promote the direction of cash flows toward sustainable development projects. Do we investors currently have enough relevant data at our disposal for making investment decisions which, at the same time, also promote the financing of sustainable development and the green transition? This question undoubtedly gives many people pause for thought, and building a sustainable portfolio requires patience. As the availability and quality of responsibility data improve, the view of investments becomes more diversified. For instance, a company reviewed by Scope 3 emissions may be very different from the sustainability perspective than by data on Scope 1 and Scope 2 emissions alone.

It is time to thank our clients. You challenge us to ponder topical new themes and trends in responsibility and sustainability, and to develop our approach on this basis. We will be happy to meet this challenge going forward.

Let us continue to work together as we have done thus far.

Sanna Pietiläinen
Director, Responsible Investment



Sustainability Report 2021

Sustainability and its reporting in eQ Group

Purpose of sustainability reporting

eQ Group is a Finnish group of companies that concentrates on asset management and corporate finance business. The parent company eQ Plc's shares are listed on Nasdaq Helsinki.

The purpose of sustainability reporting is to describe eQ Group's role as a responsible actor in relation to its stakeholders and society at large. eQ wishes to ensure the transparency and openness of its operations by regularly and extensively reporting on its sustainability work and its development, both at company level and in its investment operations. Even though eQ Group, based on its size and operations, is not obliged to draw up a non-financial report required by the Finnish Accounting Act, since 2017 the Board of Directors of eQ Plc has decided to voluntarily report on its sustainability to shareholders, clients and other major stakeholders.

This report follows Nasdaq's ESG global reporting guide for public and private companies published in May 2019 (ESG Reporting Guide 2.0 – A Support Resource for Companies) for the parts that are relevant to eQ's operations.



eQ Group's responsible operations

Responsible operations are a key part of eQ's entire business. We act in a responsible and sustainable manner as eQ Group and integrate this work systematically and in practice to eQ Asset Management's investment operations and Advium's corporate finance operations. eQ's values (below) are at the core of the Group's work culture. They guide the work of each eQ employee and constitute the foundation for daily co-operation with clients, partners and other key stakeholders.

HONEST

We are honest and reliable, true to our word. We act correctly and responsibly. We comply with the regulation of the financial industry and eQ's joint rules.

OPEN

We are easily approachable and discuss all matters openly. We do not cover up mistakes or problems, we learn from them. We rejoice successes together. We also respect dissimilarity.

COMPETENT

We want to understand our clients' needs. We constantly develop our professional skills and procedures. We dare to question matters. We share information, provide assistance and give feedback.

EFFICIENT

We do what we promise briskly and carefully. We do the work, we do not simply talk and plan. We work diligently and with an uncompromising attitude together with our clients, colleagues and partners.

eQ encourages the companies in which it invests to transparent stakeholder information and the development of sustainability reporting, regardless of the size of the company or the regulatory requirements. More information about sustainability, the related principles and other relevant documents can be found on eQ’s website (www.eq.fi/en/about-eq-group/sijoittajat/vastuullisuus).

Sustainability themes

eQ has in its business four material subject areas that create the framework for sustainability. The sustainability themes have been approved by eQ Plc’s Board of Directors. The section below describes in detail what these four themes mean in practice:

“As a result of the successful sustainability performance at Group level, eQ Plc has been given the international ISS ESG Prime responsibility rating.”

At Group level, the Management Team is responsible for sustainability, and the work is conducted in close co-operation with eQ’s Director for Responsible Investment. eQ Plc’s Board of Directors receives annual reports on how sustainability has been carried out within the company as well as on future development plans.

We provide our employees with continuous training in sustainability matters. In 2021 the training was focused on eQ Group’s updated version of the Code of Conduct, which is described in detail in section 6.4 of this Report. Upon the launch of the Code of Conduct, eQ also internally deployed the new eQ Whistleblower reporting channel. In its induction programme, eQ commits new employees to comply with and implement eQ’s principles and procedures on responsible investing. In 2021 the company organised two induction trainings for new employees related to sustainability.

As a result of the successful sustainability performance at Group level, eQ Plc has been given the international ISS ESG Prime responsibility rating. ISS assesses how responsibility matters are carried out by a company with regard to environmental, social and governance aspects. The ISS ESG Prime rating is awarded to companies that reach or exceed the criteria for the best ESG practices defined by ISS ESG. eQ Plc was among the best tenth in its sector regarding responsible operations.

eQ Plc is included in the Nasdaq OMX Sustainability Finland index. The index consists of 40 companies ranked best on Nasdaq Helsinki in terms of sustainability criteria. In order to promote openness and transparency eQ has already for four years reported key ESG ratios describing operations based on sustainability reporting to the ESG database maintained by Nasdaq. In recognition of this, Nasdaq has awarded eQ Plc with the “Nasdaq ESG Transparency Partner” certificate.

STRONG CORPORATE GOVERNANCE AND HIGH ETHICAL STANDARDS	CLIENTS	THE ENVIRONMENT	PERSONNEL
<ul style="list-style-type: none"> Adherence to the law and the company’s internal instructions, commitments, policies (such as the policy on conflicts of interest) and Code of Conduct in all operations eQ’s transparent reporting – the pricing of asset management products, for example, is presented openly and clearly, both ex-ante and ex-post Proactive activities against corruption, bribery and money laundering, as well as promoting these activities in the entire sector eQ Group’s sustainability report 	<ul style="list-style-type: none"> An honest, open, competent and efficient partner to eQ’s clients In-depth understanding of customer needs and meeting these needs Monitoring customer satisfaction, e.g. SFR 2021 no. 1 regarding overall quality 	<ul style="list-style-type: none"> Green electricity in use on eQ’s premises (hydropower) For example, minimizing the use of plastic, taking recycling into account on the premises, favouring public transport and alternative ways of travelling (Environmentally friendly guidelines to eQ’s employees since 2019) Training on environmental matters for our employees Support for the Baltic Sea Action Group (BSAG) since 2019. The support is channelled through the BSAG share of the eQ Blue Planet Fund, and in 2021 it amounted to almost EUR 160,000 	<ul style="list-style-type: none"> Equal and diverse work community Wellbeing at work and work ability – workplace ergonomics, fitness tests, monitoring the quality of indoor air Early support programme eQ – opportunity for professional development Monitoring job satisfaction

Responsible and sustainable investing at eQ Asset Management

eQ Asset Management has for several years acted as an active forerunner for responsible investing. eQ signed the UN Principles for Responsible Investment (PRI) in 2010. eQ is an active member of Finnish Venture Capital Association, Invest Europe, Rakli, Finsif (Finland’s Sustainable Investment Forum), and Finance Finland. eQ is also a signatory to CDP’s Climate Change Programme and encourages companies to specify emission reduction targets for their own operation, based on science, through the Science Based Target Initiative organised by the CDP. eQ is also a member of the GRESB (Global Real Estate Sustainability Benchmark) with regard to the company’s real estate investments.

Responsibility and sustainability are a key part of eQ Asset Management’s investment activities and processes. The goal is to identify investments that benefit from sustainable operation and their potential for return, and to reduce the risk in investments. Sustainability risks and opportunities are taken into account systematically and practically in the selection, monitoring and reporting of investments in all of eQ’s areas of investing. The sustainability risk refers to an event or a circumstance related to the environment, society or governance practices whose realisation could have an actual or potential significant negative impact on the value of the investment. The material nature of sustainability risks varies in different sectors and business models, and investments can also be exposed to sustainability risks through their value chains.

eQ Asset Management’s principles for responsible investment form a framework to eQ’s investment operations and their processes. The principles cover all asset classes, and their application depends on the asset class and investment method. These principles have been approved by eQ Asset Management’s Board,

and they are based on policies on responsible investing specified by the Board. The corporate governance principles of eQ Asset Management Ltd are available on eQ’s website.

Everyone who works on investment activity at eQ understands, recognises and takes into account the potential sustainability risks and opportunities pertaining to investments. In addition to sustainability ESG analyses, it is an important part of a portfolio manager’s job to have a regular engagement dialogue with the investees. Each investment team also has a dedicated person who has deeper knowledge of sustainable investing. The coordination of work on sustainable investing, its development and training are the responsibility of eQ’s Director for Responsible Investment.

Implementation of the EU regulation on sustainability-related disclosures was at the centre of such training in 2021. Obligations imposed by regulation have hardly changed eQ Asset Management’s vision and practices relating to responsibility and sustainability. Sustainability and its consistent and practical development have been at the core of eQ’s operation for a very long time. However, last year all of eQ’s investment teams carefully studied and evaluated what various classification requirements mean for the current investment strategies and practices of eQ’s products and for ESG reporting, and what should perhaps be developed further. The company also sought lessons and understanding of climate questions by listening to the path to carbon neutrality of Nestlé, the world’s largest food and beverage company, in 2050. During the autumn eQ’s real estate teams acquired more knowledge and expertise for climate work concerning real estate investments.

eQ Plc’s Board of Directors is reported once a year on implementation of sustainability and sustainable investing and on future development activities in all of eQ’s areas of investing. eQ Fund Management Company’s Board regularly discusses engagement activities with investees. eQ also annually reports to PRI on the company’s practices in sustainable investing and on concrete engagement activities in the investees.

Reported areas	eQ Asset Management’s result 2020*	Median of respondents
Strategy and Governance	A+	A
Private Equity	A+	A
Listed Equity – Incorporation of ESG	A+	A
Listed Equity – Active Ownership:		
I Active interaction with investments A+	B	B
II Voting at General Meetings C		
Property	A	B

*The table shows grades received by eQ Asset Management for 2020 PRI reporting. PRI reporting scale E to A+ PRI is reforming the reporting, so the 2021 results are not available yet. In the spring of 2021, however, eQ reported on sustainability.

Training and conversations with clients are a material part of eQ’s customer work. We listen to our clients and learn from them. In 2021 eQ organised for its clients two ESG webinars, the first one on the contents of the EU regulation on sustainability-related disclosures and its implementation, in general, in operations by actors in the financial markets. The subject of the other ESG webinar focused on sustainability classification of eQ’s products and on observing sustainable development in the choice of companies. eQ’s ESG experts have also

been active on several domestic and international forums in order to promote the distribution of information based on best sustainability practices.

In the following chapters, eQ briefly presents the most important events concerning ESG matters in 2021 in the various asset classes. There is more detailed information about our responsible investment operations and the ESG matters that we monitor in our investees in the ESG reports per asset class.

Equity and fixed income investments

Observing sustainable development in eQ's equity and fixed income investments

Taking into account the risks and opportunities related to responsibility and sustainability, besides the traditional financial indicators, is part of the portfolio manager's day-to-day work. We aim at excellent long-term return. Portfolio managers go through all investments with sustainability indicators specified for each fund. Actively managed equity and fixed income funds promote the reduction of carbon emissions in the companies held.

Corporate emission details and their trends and reporting are some of the environment-related themes monitored. eQ also evaluates how environmental questions are taken into account in business operations and how companies promote sustainable procedures. As an example of this procedure, last year eQ Emerging Dividend fund invested in a Chinese environmental technology company called China Everbright Environment, which focuses on infrastructure construction projects in, e.g. the waste to energy sector and on consultation in environmental resource management. The company co-operates with the government and contributes to the reduction of China's emissions in waste management, in particular. Another example is Kempower, an investment in the eQ Finland fund; eQ participated in its initial public offering last year. The company's efficient electric charging technology enhances the charging of electric vehicles and buses. This facilitates the electrification of both private motoring and public transport and, ultimately, the reduction of emissions.

Funds	Article 6	Article 8 The fund promotes environmental and social characteristics and the companies in which the investments are made follow good	Article 9 The fund has sustainable investment as its objective
FIXED INCOME FUNDS			
Money Markets			
eQ Euro Short Term		x	
Government Bonds			
eQ Government Bond		x	
Investment Grade Credit			
eQ Euro Floating Rate		x	
eQ Euro Investment Grade		x	
eQ Euro Investment Grade Bond Index (Vanguard)	x		
High Yield Credit			
eQ High Yield		x	
Emerging Markets Credit			
eQ Emerging Markets Corporate Bond HC		x	
eQ Emerging Markets Corporate Bond Local Currency		x	
EQUITY FUNDS			
Finland			
eQ Finland		x	
Europe			
eQ Europe Dividend		x	
eQ Nordic Small Cap		x	
eQ Europe Active (Fidelity)		x	
eQ Europe Stock Index (Vanguard)	x		
North America			
eQ US Stock Index (Vanguard)	x		
Emerging Markets			
eQ Emerging Dividend		x	
eQ Emerging Markets Small Cap		x	
eQ Frontier Markets		x	
Japan			
eQ Japan Stock Index (Vanguard)	x		
Global			
eQ Blue Planet			x

One governance-related theme to which eQ pays attention is the composition of a company's board of directors. The contents of our funds are monitored quarterly to detect any violations of the UN's Global Compact principles. In fixed income funds, eQ favours reasonably priced ESG loans (incl. green bonds and sustainability-linked bonds). Thus we aim to promote the financing of sustainable development and the green transition in fixed income funds. The share of ESG loans in funds has increased in the past three years. In the eQ Euro Investment Grade and eQ Emerging Markets Corporate Bond funds the share of ESG loans was approximately 25% and in the eQ High Yield fund over 10%.

eQ's portfolio managers have a direct dialogue with companies in both positive and negative questions pertaining to sustainability. One of the most important areas of active influence is promoting the availability of sustainability reporting and improving its contents and quality, and how companies adopt the emission reduction target based on science. Portfolio managers also contact companies in cases of possible violations of norms. During the period 1 Jan. 2021 to 31 Dec. 2021 we carried out altogether 50 engagement activities in our equity and fixed income funds in the following areas: 3 within governance, 14 within social responsibility, 30 regarding the availability of the sustainability report, 1 regarding environmental responsibility and 2 regarding the follow-up of a verified violation of a norm. Periodically, eQ also participates in joint engagement initiatives together with other investors.

The preparation of a sustainability classification for eQ's equity and fixed income funds was an important development project last year. While working on product classifications, we also evaluated what various classification requirements mean for the current investment strategies and practices of eQ's products and for ESG reporting, and what should perhaps be developed further.

Detailed descriptions of the investment processes, methods and indicators of all equity and fixed income funds for monitoring sustainability are available in fund prospectuses on eQ's website. The section below describes in detail what the sustainability classification (Article 9) of eQ Blue Planet equity fund is based.

eQ Blue Planet – aimed at making sustainable investments (financial product according to Article 9)

eQ Blue Planet Fund makes investments globally in companies whose business is centrally linked to smarter use of the Earth's critical resources, sustainable consumption and implementation of social responsibility. The fund's investments should be sectors and companies that represent a considerable leap in sustainability.

The key factor when selecting companies is how significant sustainability is in the company's strategy and, for example, whether it has a climate goal according to the Paris Agreement. It takes into account the company's emissions throughout its production value chain, all the way to final use. A science-based commitment also means that the objectives are assessed by an outside party.

At present, 80 per cent of the weight of the eQ Blue Planet fund is on companies with an ambitious or scientifically accepted emission reduction target. Behind every investment decision there is also at least one other important sustainability criterion.

Real estate investments

Real estate investments have a carbon neutrality target in terms of in-use energy consumption by 2030

Special investment funds eQ Commercial Properties, eQ Community Properties and eQ Residential II fund, which is about to be launched, are classified as financial products according to Article 9 of the EU regulation on sustainability-related disclosures, whose target is to make sustainable investments.

At the end of 2020, a carbon neutrality target in terms of in-use energy consumption was set for all of eQ's real estate investments by 2030. The carbon neutrality target set guides practical actions in eQ's real estate investing concerning both the property purchasing process and development measures promoting responsibility and sustainability in properties during the ownership period. Measures for reaching this target are specified in the low-carbon roadmap concerning eQ's real estate investments. The realisation of the target is monitored and reported to investors annually.

Responsibility and sustainability are part of the due diligence process when properties are purchased. This includes matters related to soil, energy efficiency, background information on the tenant, and availability of public transport. Energy-efficient and eco-friendly choices of materials and design decisions are preferred at new sites. Since early 2018, electricity generated from renewable sources has been used in investments made by real estate funds. In addition, we always evaluate the possibilities of using geothermal, solar energy and green district heating in our new sites.

The construction, maintenance and use of properties emphasises safety, good health and functionality for individuals who work with users, builders and owner services. Responsibilities of clients and socially responsible procedures are considered when acquiring services and materials. All agreements (such as on building contracts and with service providers) include eQ's Code of Conduct for suppliers as an enclosure.

During the ownership period, measures are taken in separate properties in order to promote responsibility and sustainability. Consumption data (energy, water and waste) of all sites is collected, deviations are monitored, and action is taken based on such data. In additions, energy efficiency is improved through measures relating to ventilation, heating and cooling systems, lighting and heat insulation of structures. The carbon footprint (tCO₂) serves as an important indicator in monitoring the realisation of the sustainability objective. The trend in the carbon footprint in relation to the target set is reported annually in the ESG report. The other indicators are energy consumption (MWh), water (m³) and waste (t).

We use the BREEAM (Building Research Establishment’s Environmental Assessment Method) certification to assess the operability of both an individual property and related maintenance functions, identify any shortcomings and select areas of development. The funds intend to apply for a Breeam In-Use certificate for all sites, on the Very Good level at the very least. At the fund level, we utilise the GRESB (Global Real Estate Sustainability Benchmark) in developing operations and in comparing eQ’s funds and their performance with other actors and the markets.

Another key aspect is co-operation with significant stakeholders. As examples, we can mention regular customer satisfaction surveys for tenants and recommendations on responsibility in lease agreements.

eQ is committed to constantly developing the responsibility and sustainability of the funds. We look at our operations as a “permanent owner”, which means that it is important to carry out sustainable solutions on a long term in order to develop both our own processes and the technical features of the real estate investments. eQ also wants to be make an active contribution to the industry and its practices.

The next section describes the 2021 key sustainability activities in eQ’s real estate investments.

GRESB-results

The strong trend in the GRESB results continued. eQ Community Properties and eQ Commercial Properties both received three stars of the maximum five stars (participants in the GRESB assessment since 2019). Both funds saw an improvement of more than ten points. Also, the funds were awarded the GRESB Green Star for the second time already.

eQ Commercial Properties GRESB results



eQ Community Properties GRESB results



Green financing

In July eQ Commercial Properties agreed on a significant financing package (800 MEUR) with a Nordic funding consortium, and in November a similar financing arrangement (700 MEUR) was implemented for the eQ Community Properties special investment fund. Both financing packages are classified as green, responsible funding with regard to the bank loans. In this context, green financing means that at least the number of properties equal to the loan amount must meet a certain level of Breeam In-Use certification.

Identification of climate risks

Climate work at eQ is in progress. Regarding its real estate investments, eQ has already taken several measures to reduce the climate impacts of the real estate funds and to mitigate climate change. eQ has specified for its real estate investments material physical risks (such as storms, rise in average temperature and changes in precipitation) and transitional risks (such as stricter obligations in emissions reporting) and their financial impacts in various climate scenarios.

eQ Residential

A total of 1,408 homes on 20 sites will be built for the eQ Residential fund. At the turn of the year the fund owned 17 sites, three of which were completed. All the residential investments will be certified (BREEAM In Use) once they have been completed. A solar power plant will be built on all sites. Two sites under construction will have geothermal energy. All the sites are new and have a good energy classification (energy category B at a minimum). According to current information, 200 of the homes have the best energy category A. The eQ Residential fund under construction and the eQ Residential II fund about to be launched will be included in the GRESB sustainability assessment in 2023 according to the current estimate.

Private equity, private credit and venture capital investments

More ESG indicators used by private equity investors in target companies

Factors associated with sustainability and responsibility are systematically taken into account in private equity investments. The starting point of sustainable investing is the broad integration of ESG into the processes that include fund selection and monitoring, and investor reporting. In Northern European funds (incl. asset management programmes), eQ is responsible for manager selection and holds sustainability conversations with the managers before making an investment decision. In funds that invest in North America and private credit loans, where eQ's partner handles manager/loan selection, eQ requires the partner to meet the sustainability criteria and to make an ESG due diligence report in selecting investments. In late 2021 eQ launched its first venture capital fund in co-operation with TrueBridge Capital from the United States. Although venture capital funds are often pioneers in thinking related to responsibility, it appears that systematic monitoring of responsibility factors is even less frequent than in private equity investments, for example. eQ and TrueBridge jointly monitor and develop procedures on this matter.

Responsibility is always part of an investment decision. As part of the investment process, eQ aims to extensively identify sustainability and sustainability risks and opportunities associated with target funds. In an ESG due diligence report, eQ assesses the sustainability and responsibility of the target fund's management company from the following perspectives, among others:

- the management company's attitude toward responsibility,
- policies, commitments and other guidelines that steer responsible investing,
- how the fund manager handles responsibility matters,
- integration of responsibility into decision-making on investments and monitoring of investees, and the tools and ESG indicators used in support of such monitoring, and
- ESG reporting to investors.

During the due diligence process, eQ specifies for every fund a responsibility assessment and monitors and reports its development on an annual basis. eQ's goal is to include objectives related to sustainability and responsibility in each target fund's legal documentation.

eQ evaluates and monitors the realisation and development of sustainability and responsibility at private equity and private credit investments by, e.g. an annual ESG survey sent to target funds and in conversations with target funds. eQ also actively participates in target funds' annual general meetings and in the work of advisory boards.

The contents of eQ's ESG survey sent out since 2017 has remained mostly unchanged, so the ESG trend can be consistently monitored at management companies and their target funds. If a target fund receives a poor responsibility assessment as a result of the ESG survey and eQ does not see a positive trend in development, the matter is brought up in conversations with the target fund's management company.

The 2020 ESG survey was sent to 104 management companies in January 2021. It covered 160 target funds and an estimated 1,000 target companies. The survey received responses from 97.1% (101) of the management companies. A total of 17 ESG events were observed in eQ's target funds for which the management companies have submitted their explanations. The results of the 2020 survey demonstrate that matters relating to responsibility are increasingly more often included in both ordinary monitoring of target companies and the reporting required. The results showed a very positive trend in ESG matters:

- a positive trend in the responsibility grades of target funds,
- monitoring of ESG indicators at target companies has increased,
- contents of ESG policies have been updated in general,
- main responsibility for ESG has been increasingly dedicated to an individual or a specific ESG committee, and
- Implementation of the EU regulation on sustainability-related disclosures (2019/2088) was in progress or being planned at more than half of the respondents in spring 2021. eQ uses the survey to actively monitor the realisation of diversity at management companies and their portfolio companies.

The ESG survey concerning the year 2021 has already been sent to management companies of target funds for their responses. Climate questions were included as a new theme in the survey. eQ is, first and foremost, interested in hearing how perspective related to climate change are taken into account in investment processes, how common the setting of a carbon neutrality target is, and to which extent emission figures are calculated for investments.

At the outset, eQ classifies all private equity, private credit and venture capital funds as financial products according to Article 6 of the EU regulation on sustainability-related disclosures. Although responsibility has an increasingly important role in target funds, a considerable share of the funds are Article 6 products. eQ already promotes the fulfilment of conditions under Article 8 in target funds. In late 2021 we saw the introduction to the marketplace of several private equity funds under Article 9 and the first ones under Article 9, and the first actors also imposed carbon neutrality goals.

The significance of responsibility in investing by private equity funds is constantly growing, and eQ believes that the managers will lead the development in this field as well.

Besides its own operation, eQ also wants to actively promote the implementation and development of responsible investing practices in the private equity sector. eQ is the chair of the ESG working group and the working group for sustainable financing at the Finnish Venture Capital Association.



Environmental responsibility

Mitigation of climate change is an important theme both in eQ Group and in eQ Asset Management’s investment activities. eQ has a significant opportunity to promote sustainable development through responsible investing, in particular.

In recent years eQ has started to pay more and more attention to the environmental impacts of its own operation, and to develop its procedures in an increasingly more sustainable direction. In late 2021, on the basis of the current operating principles, eQ outlined and prepared an environmental policy concerning eQ Group that consists of five themes (1. recycling, sorting and cleaning, 2. movement, 3. food, 4. procurement, and 5. energy and water). The next area of development will be setting indicators and goals for these themes and reporting on them in future sustainability reports.

“Mitigation of climate change is an important theme both in eQ Group and in eQ Asset Management’s investment activities.”



eQ Group's own business places a relatively minor direct burden on the environment. Energy use is primarily related to the consumption of energy on the premises. Companies in eQ Group have used fully renewable energy in their own electricity consumption since 2018. The premises have been rented. Consequently, the heat and water consumption as well as the air conditioning (district cooling) is included in the rent, and consumption data regarding them are not available from the lessor. The quality of indoor air is also an important consideration with regard to the health and wellbeing of our employees. For this end, eQ purchased in the spring of 2019 a system that monitors the quality of indoor air (temperature, humidity, CO₂, fine particles) to the offices.

eQ encourages its employees to use public transport and other alternative ways of travelling. The employees are offered a travel ticket as employee benefit and part of the overall salary, and the employees also have access to eQ's joint public transport travel cards when travelling in the near-by area during the working day. The company prefers direct flights, and when possible, negotiations are conducted with remote negotiation technologies. eQ also reports the total CO₂

emissions for work-connected flights of our employees and, as a new key ratio, the amount of emissions per person. The CO₂ emissions of the Group's air travel remained at a very low level in 2021, largely due to the COVID-19 pandemic.

The lessor of the premises used by eQ is responsible for waste management. eQ takes care of the sorting and recycling of the office waste produced on its premises. In 2021, special attention was paid to reducing the amount of waste and increasing recycling, as in previous years. During the past year, we carried out the measures introduced in 2019 regarding the sorting and recycling of office waste. These measures were:

- drawing up eco-friendly guidelines to eQ's employees and arranging training on them,
- going over to double-sided printing,
- removing individual waste bins for mixed waste and the reassessment of the present sorting containers,
- giving up plastic bottles, and
- the use of recyclable and permanent tableware.

eQ Group's environmentally friendly guidelines are always presented when new employees are being trained. eQ also reports on the consumption of paper at its premises. Going over to double-sided printing could be seen as a positive trend in the consumption data. In 2021, paper consumption was reduced significantly from the preceding year. eQ has not been engaged in legal proceedings or claims concerning environmental accidents.

Own energy consumption of the organisation

	2021	2020	2019	2018	2017
Electricity consumption, kWh	106,369	89,893	100,396	107,235	106,527
Origin of electricity:					
Share of renewable energy, %	100%	100%	100%	100%	25%
Share of nuclear power, %	0%	0%	0%	0%	42%
Share of fossil fuels, %	0%	0%	0%	0%	33%
Specific carbon dioxide emissions of electricity, g/kWh	0	0	0	0	198
Nuclear fuel used in electricity, mg/kWh	0.0	0.0	0.0	0.0	1.2
Carbon dioxide emissions of electricity, total, kg	0	0	0	0	21,092
Carbon dioxide emissions of electricity per net revenue, g/EUR	0.00	0.00	0.00	0.00	0.52
Electricity consumption per rented office square metre, kWh	64	54	60	64	64
Electricity consumption per person, kWh	1,108	956	1,128	1,254	1,268

Other environmental responsibilities*

	2021	2020	2019	2018	2017
Other indirect greenhouse gas emissions					
Travelling by air, CO ₂ emissions, kg	4,669	3,961	42,455	70,396	75,786
Travelling by air, CO ₂ emissions, kg per person	49	42	477	823	902
Use of material					
Paper consumption, total, kg	715	1,710	1,985	1,950	1,555
Paper consumption, kg per person	7	18	22	23	19

*The table shows an estimate of carbon dioxide emissions of air travel and paper consumption. Paper consumption is reported based on paper purchased.



Social responsibility

eQ as employer

The aim of eQ Group is to act as a responsible employer. The personnel is eQ's most important resource, as professional and committed employees are the key to the success of the clients and eQ.

The financial year 2021 was still strongly characterised by the COVID-19 pandemic. eQ continued to implement the procedures prepared for the coronavirus situation in the spring of 2020, in order to secure a safe operating environment for eQ's employees, clients and partners and to minimise infections. Similarly to the previous year, eQ purchased masks to all employees and strongly recommended their use as well as social distancing according to the guidelines issued by the Finnish Institute for Health and Welfare. Coronavirus vaccination is part of eQ's occupational health care agreement. Vaccination of occupational health care clients became possible at the Hospital District of Helsinki and Uusimaa (HUS) in late 2021. eQ has encouraged its employees to utilise this opportunity.

The COVID-19 situation has caused challenges for every employee's coping at work. Despite the prolonged COVID-19 pandemic, the Group personnel's commitment and satisfaction have remained at an extremely high level. The results of the biannual study on well-being at work were excellent in 2021 as well. The study deals with the personnel's commitment, well-being at work, satisfaction with the work community and the work of the superior. On a scale from 1 to 5, job satisfaction and well-being at work received the score 4.3 (2020: 4.3). According to the study, the employees also recommend eQ Group as employer. The eNPS value that describes this was very high at 44 (on a scale from -100

to +100, where 0 to +20 is good, over 20 excellent and over 40 a top result). The response rate was also high at 89.3% (2020: 92.3%). The personnel study is one of eQ's most important tools for developing internal working methods and the quality of managerial work. At team-specific meetings, the results are discussed in detail, and potential development measures and goals are agreed for monitoring them.

eQ invests in the well-being of its personnel by offering extensive occupational health care, exercise benefit vouchers and other welfare services, for instance. The emphasis of occupational health care lies strongly on preventive measures.

Development discussions are conducted with the entire personnel in all Group companies. The discussions are conducted at least once a year and they assess the performance of the previous period and set targets for the following one as well as assess, e.g. the need to develop the employee, managerial work and the work community.

eQ's employees may participate in training offered by the employer and partners, in other external training, or study independently. The Group is favourably disposed to studies at the employees' own initiative. All studies are supported.

Calculated as full-time resources, eQ Group had 96 employees at the end of 2021 (2020: 94). When calculating full-time resources, part-time employees and those on parental and study leave have been included. Altogether 102 persons had an employment relationship with eQ (2020: 103), and 11 of them worked part-time (2020: 9). Part-time employees are used in seasonal tasks or projects.

Personnel

	2021	2020	2019	2018	2017
Personnel as full-time resources	96	94	89	86	84
Permanent employment relationship	91	94	88	85	83
Temporary employment relationship	11	9	4	6	6
Employment relationship, total	102	103	92	91	89
Share of temporary employees, %	10.8	8.7%	4.3%	6.6%	6.7%
Full-time, total	93	95	89	86	83
Part-time, total	9	8	3	5	6
Age and gender distribution, no.					
18–30 years total, (F/M)	25 (10/15)	23 (9/14)	15 (4/11)	17 (6/11)	19 (4/15)
31–40 years total, (F/M)	28 (13/15)	31 (13/18)	34 (14/20)	31 (10/21)	30 (11/19)
41–50 years total, (F/M)	22 (8/14)	20 (7/13)	17 (7/10)	19 (8/11)	18 (8/10)
51–60 years total, (F/M)	26 (8/18)	27 (11/16)	25 (14/11)	22 (11/11)	20 (9/11)
61+ years total, (F/M)	1 (1/0)	2 (1/1)	1 (-/1)	2 (-/2)	2 (-/2)
Total	102 (40/62)	103 (41/62)	92 (39/53)	91 (35/56)	89 (32/57)
Average age of employees, years	41.2	41.3	41.3	40.9	39.8
Employment relationships based on gender, no. and %					
Female	40 (39%)	41 (40%)	39 (36%)	35 (38%)	32 (36%)
Male	62 (61%)	62 (60%)	53 (64%)	56 (62%)	57 (64%)
Employee turnover (%)	8.7%	4.2%	9.3%	8.8%	8.4%
Sick leaves during the year, day per person	1.7	2.7	2.8	1.9	2.3
Registered accidents	0	0	1	2	1

SATISFACTION AND WELL-BEING AT WORK
4.3
 (SCALE 1–5)

NUMBER OF PERSONNEL
96

Of the personnel, 39% were women (2020: 40%) and 61% men (2020: 60%). The average age of the personnel was 41.2 years (2020: 41.3), and the employee turnover in 2021 was 8.7% (2020: 4.2%). In 2021, the average sick leave of the personnel was 1.7 days per person (2020: 2.7) and there were no occupational accidents (2020: 0).

Equal pay between genders

eQ Group pays the same salary to employees for the same or similar work regardless of gender. Similar in this respect means that the central requirements, expertise, responsibility, workload and working conditions are on the same level. The job title is not decisive. Instead, the remuneration system is based on how demanding the work is.

Equality

Equality, justice, and non-discrimination are important principles for eQ Group. eQ has drawn up an equality plan, which comprises the measures for promoting equality and the agreed follow-up measures. The plan is assessed and updated on a regular basis and covers all Group companies. The plan is available to all employees of eQ Group on the Group’s internal website.

Health and Safety Policy

eQ Group has drawn up a policy for promoting health and safety at work and for maintaining the working capacity of the employees. It covers the needs to develop working conditions as well as the impacts and development needs of factors related to the work environment. The policy is available to all employees of eQ Group on the Group’s internal website. eQ Group also uses the early support method.

Principles related to human rights violations and child labour

eQ Group has not drawn up separate principles related to human rights violations or child labour. All operations of the Group are located in Finland, at one single office. Therefore the Group can monitor operating practices related to the employees in a reliable manner.

Board diversity

eQ Plc's Board of Directors aims to promote the diversity of the Board's composition for its part. When assessing diversity, the Board takes into consideration, for instance, the age and gender of the directors, their education and professional experience, individual characteristics and experience that is essential with regard to the task and the company operations. eQ Plc has defined as goal regarding the equal representation of genders on the Board that there should always be representatives of both genders on eQ Plc's Board of Directors. The Board aims at reaching this goal and maintaining it primarily by informing eQ Plc's owners actively about it.

During the financial period 2021, eQ Plc's Board met the preconditions set for the company diversity, including the goal of having representatives of both genders on the Board. The following persons were on eQ Plc's Board of Directors during the financial period 2021 from the Annual General Meeting: Janne Larma (Chair) Georg Ehrnrooth (Vice Chair), Nicholas Berner, Timo Kokkila, Lotta Kopra and Tomas von Rettig. The directors have versatile experience from sectors that are of importance to the company, such as the investment and finance sector and the real estate sector. In addition, the diverse work experience and education of the directors as well as their international experience complement each other. eQ Plc's Annual General Meeting elects the directors.

The Board of Directors of the company has monitored diversity issues in the company during the financial period 2021.

Diversity of the Board of Directors on 31 December 2021

Directors, total	6	100%
Female	1	17%
Male	5	83%
Board members who are independent of the company	4	67%
Board members who are independent of the major shareholders	3	50%





Governance

Board – separation of powers and transparent practices

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association on 1 January 2020. The entire Code is publicly available on the website of the Securities Market Association at (www.cgfinland.fi/en). eQ Plc draws up annually a Corporate Governance Statement required by the Corporate Governance Code separately from the report by the Board of Directors. The Corporate Governance Statement and other information that shall be disclosed in accordance with the Corporate Governance Code as well as the company's financial statements, report by the Board of Directors and auditors' report are available on eQ Plc's website (www.eq.fi/en/about-eq-group).

eQ's largest shareholders, who as a rule represent at least one-half of the number of shares in the company and the votes these represent, submit a proposal to the Annual General Meeting (AGM) on the number of Board members, the members of the Board of Directors and their remuneration. eQ Plc's Annual General Meeting is ultimately responsible for the election of Board members and preparations for the election. The company's Articles of Association do not include a provision on appointment of Board members in any specific order.

Each person elected as a member of the Board must have the competence required by the task and enough time to handle it. The company contributes to the work of the Board by providing Board members with sufficient information about the company's operation. Five to seven members can be elected to eQ Plc's Board of Directors, and the members of the Board select a chair from

among their number. Board members are elected for one year at a time. In 2021 a full-time Chair was appointed for eQ Plc's Board whose duties, besides serving as Chair, include developing eQ's strategy together with the CEO. The appointment of the full-time Chair of the Board took effect on 1 April 2021, after the Annual General Meeting. In the Corporate Governance Report, the company states the number of Board meetings held during the financial period and the members' average attendance at Board meetings.

The company discloses the following personal and ownership information on Board members: name, gender, year of birth, education, main occupation, key work experience, international experience, start date of Board membership, key positions of trust, and shareholdings in the company. The statement also includes any dependency of the company or the company's significant shareholders, and any grounds why the Board member is not deemed to be independent. Members of eQ Plc's Board of Directors must provide the Board and the company with adequate information so their competence and independence can be evaluated, and report any changes in this information.

The Board's charter, the minutes of meetings and other documents on Board operations are not publicly available. The main tasks included in the charter are listed in the Corporate Governance Statement. The company discloses information about events that concern the Group in accordance with valid legislation and the company's disclosure policy. The company's disclosure policy is available on eQ's website (www.eq.fi/en/about-eq-group).

Remuneration

eQ's remuneration system is based on the strategy and long-term goals defined by the Board, and it is one of the major tools used for reaching the Group's long-term and short-term strategic goals. The remuneration system contributes to good, efficient and comprehensive risk management within eQ Group and prevents above all detrimental risk-taking. The remuneration systems must also take into account sustainability risks related to eQ Group and its business operations. The aim of comprehensive risk management is to take into consideration the goals, values and interests of the Group companies, funds under management and the investors, for instance. The remuneration of the company management is not separately dependent on meeting certain ESG criteria.

In addition to eQ Group's Remuneration Principles, eQ Plc has a Remuneration Policy for the governing bodies, required by the Corporate Governance Code, which accounts for the remuneration of the Board and the CEO. The Remuneration Policy for governing bodies is presented to the Annual General Meeting for consideration at least every four years and always when major changes have been made in it. eQ Group's Remuneration Principles and the Remuneration Policy for the governing bodies can be found on eQ's website (www.eq.fi/en/about-eq-group/hallinnointi/palkitseminen).

eQ Plc publishes annually a Remuneration Report regarding the governing bodies at the same time as the Annual Report. The Remuneration Report regarding the governing bodies for 2021 has been drawn up in accordance with the Corporate Governance Code for listed companies that entered into force on 1 January 2020, and the Board of Directors has reviewed it on 3 February 2022.

The Remuneration Report regarding the governing bodies accounts for the remuneration paid to the Board of Directors and CEO during the previous financial period, how the Remuneration Policy for the governing bodies has been applied during the previous financial period and how remuneration promotes the company's financial success on a longer term. The Remuneration Report also compares the development of the Board's and CEO's remuneration with the development of the average remuneration of company employees and the company's financial development during the five previous financial periods. eQ

Plc's Remuneration Report regarding the governing bodies is available on eQ's website (www.eq.fi/en/about-eq-group/hallinnointi/palkitseminen).

In addition to the Remuneration Policy and Report regarding the governing bodies, eQ presents in the remuneration section of its website information about the remuneration principles for the Board, CEO and the rest of the Management Team. Information about the remuneration of the Board, CEO and the rest of the Management Team is available on eQ's website (www.eq.fi/en/about-eq-group/hallinnointi/palkitseminen).

Application of collective labour market agreements

No collective agreements are applicable to eQ Group's employees, nor are they covered by the universally applicable collective agreement in Finland.

Code of Conduct

eQ Group's Code of Conduct describes joint rules based on eQ's values and the general principles guiding behaviour, decision-making and business operation that every eQ employee must follow. The Code of Conduct also serves as an "umbrella" for eQ's other internal guidelines that contain detailed operational instructions from various sectors. Still, the Code of Conduct cannot cover all situations we encounter, so advice must always be asked in new and unclear situations. By honest, open, competent and efficient action, eQ earns the trust and respect of clients, other stakeholders, the surrounding society and the financial markets.

eQ requires its partners to act in a responsible manner. All agreements in real estate investments (such as on building contracts and with service providers) include eQ's Code of Conduct for suppliers as an enclosure. eQ Group has found other, separate Codes of Conduct concerning subcontractors unnecessary due to the small number of direct subcontractors and their minor significance for the business operation.

eQ Group's Code of Conduct was updated in the autumn of 2021. The previous Code of Conduct was drawn up in 2016. The personnel survey conducted in May

served to launch the updating process. The purpose of the survey was to determine, anonymously and on a one-time basis, the practical realisation of the old Code of Conduct regarding any abuses and problems observed by employees, as well as the culture of intervention in these and the appropriate action. Another purpose was to increase awareness of the themes chosen and their importance, and to help employee reflect on their own actions. The survey received responses from 76% of the Group's employees, and its results were discussed at eQ's personnel event and teams.

Contents of the old Code of Conduct were used in updating the new version, and new and topical themes where a need for development had been detected were added. Observations from the personnel survey in the spring were also taken into account in the updating work. The themes of eQ Group's updated Code of Conduct are:

- Complying with regulation and acting correctly
- Clients' interests, eQ's interests, and management of conflicts of interest
- Information security and data protection
- Intervention in abuses and problems
- Trust and confidentiality
- Responsibility and responsible investment activities
- Equality, diversity and respect
- Cooperation with stakeholders
- Reputation management
- Cooperation and development of competence
- Occupational safety and wellbeing at work
- Prevention of financial crimes
- Offering and accepting gifts and hospitality
- Sponsorship, donations and partnerships

The Code of Conduct is available on eQ's website (www.eq.fi/en/about-eq-group/hallinnointi/code-of-conduct).

Tax transparency

As part of this sustainability report, eQ reports its financial impact on society in form of taxes and charges of tax-like nature. Transparent reporting is part of responsible operations and governance. eQ Group does not have a separate tax strategy approved by the Board. The Group pays its taxes to Finland.

eQ Group is a major taxpayer. In 2021, the income tax for eQ's taxable profit paid in Finland totalled EUR 9.6 million (2020: EUR 6.2 million). The Group's effective tax rate was 20.1% (2020: 20.2%).

As employer, eQ pays charges related to pension, unemployment and social security and remits the withholding from the salaries to tax authorities. The charges of tax-like nature related to the personnel that eQ Group paid in 2021 totalled EUR 3.3 million (2020: EUR 3.0 million). The withholdings that eQ made

from the salaries amounted to EUR 6.5 million (2020: EUR 6.5 million) and the other tax-like charges totalled EUR 1.5 million (2020: EUR 1.4 million).

The value-added tax remitted by eQ Group in 2021 totalled EUR 0.7 million (2020: EUR 0.4 million). In addition, part of the value-added tax included in purchases is paid by eQ, as the operations are partly exempted from VAT.

The taxes withdrawn from the dividend and equity repayment that eQ Plc paid in 2021 totalled EUR 1.2 million (2020: EUR 1.2 million).

eQ has not received any public subsidies for its operations.

External validation of the report

This report has not been validated by an external party.

The Firm of Authorised Public Accountants KPMG Oy Ab has audited eQ Plc's financial statements for the financial period 1 January to 31 December 2021. eQ Plc's Board and CEO are responsible for the other information in the Annual Report. This report is included in eQ's Annual Report and treated as "other information", as defined in the Auditors' Report. Even though the auditors do not audit other information, they have in their report assessed whether the other information essentially conflicts with the financial statement and information obtained by the auditors or if it otherwise seems to be incorrect for essential parts.

Taxes, EUR 1,000	2021	2020	2019	2018	2017
Taxes paid					
Income tax, Finland	9,560	6,209	5,306	4,679	4,220
Effective tax rate	20.1%	20.2%	20.2%	20.8%	20.9%
Charges of tax-like nature payable by the employer (employee pension, social security and unemployment charges)	3,317	2,978	2,960	2,770	2,451
Taxes remitted					
Withdrawal from salaries, Finland	7,102	6,483	5,901	5,267	4,507
Charges of tax-like nature payable by the employee (employee pension, unemployment charges)	1,529	1,405	1,308	1,106	884
Value-added tax paid, Finland	658	393	1,503	768	871
Tax withdrawn from dividend and equity repayment, Finland	1,246	1,217	1,061	976	994