

# Sustainability Report

## Sustainability and its reporting in eQ group

### Purpose of 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 Sustainability Report describes 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, the Board of Directors of eQ Plc has decided to voluntarily report on its sustainability to investors and other major stakeholders. eQ Group's Sustainability Report 2020 has been approved by the Board of Directors and it is published as part of the Annual Report. The Sustainability Report has been published since 2017.

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 and responsible investments

Responsible operations are part of our entire business. It is very important for us that 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 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/fi/about-eq-group/sijoittajat/vastuullisuus](http://www.eq.fi/fi/about-eq-group/sijoittajat/vastuullisuus)). The website has been updated in 2020 for the parts dealing with sustainability work at company level and responsible investments.

### eQ Group and responsible operations

The sustainability themes that are the most essential for our business operations have remained the same during the past few years. In 2019, the Group supported by its management defined four sustainability themes and activities to promote them. eQ Group's Board of Directors approved these themes. Strong corporate governance and high ethical standards are the foundations of eQ's business operations. It is important for us that our clients are satisfied and feel that they get professional service. We promote business operations that are environmentally sustainable. In addition, we do our best to make eQ a good working place so that professionals want to work with us.



### 1. Strong corporate governance and high ethical standards are the foundations of our business, covering for instance

- Adherence to the law and the company's internal instructions, commitments, and ethical principles in all operations
- eQ's open and transparent reporting – the pricing of asset management products 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 Plc publishes a Sustainability Report

### 2. Professional customer service

- In accordance with our values, we wish to be a professional, honest, skilled and high performing partner for our clients, and we also promote these values
- In-depth understanding of customer needs and meeting these needs
- Monitoring customer satisfaction, e.g. SFR 2020 no. 1 of 17 regarding overall quality

### 3. Promoting business operations that are environmentally sustainable

- We use green electricity in our own property (hydropower)
- We pay an annual fee to the Baltic Sea Action Group (BSAG). The support is canalised through the BSAG share of the eQ Blue Planet Fund, and in 2020 it amounted to almost EUR 100,000.
- We have minimised the use of plastic materials, we recycle in our premises and prefer public transports and alternative ways of travelling (Environmentally friendly guidelines to eQ's employees since 2019)
- We provide relevant training regarding environmental matters for our employees

### 4. The shared belief that our company is a responsible employer that attracts the best talent available

- Equal and diverse work community
- Wellbeing at work and work ability – fitness tests, monitoring the quality of indoor air
- Early support programme
- eQ – enabler of professional development
- Monitoring job satisfaction

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. The Board 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. Improving the awareness and knowledge of our personnel, above all in environmental and climate matters, was a key theme in 2020 as well. EU's regulations on sustainable finance will be put in practice during the year 2021. The EU regulation on sustainability-related disclosures in the financial services sector will become applicable on 10 March 2021 for most parts. During the autumn of 2020, the Management Team as well as all investments teams and the administration have reviewed the obligations resulting from legislation and initiated preparations in order to integrate the obligations to our processes in a sensible and practical manner. In our induction programme, we engage our new employees in eQ's ways of working and responsible investment. In 2020, we arranged three induction training sessions on sustainability to our new employees.

As a result of the successful sustainability performance at Group level, eQ Plc was given the international ISS ESG Prime responsibility rating in the autumn of 2019. 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.

In order to promote openness and transparency eQ has already for three years reported key ESG ratios describing operations based on sustainability reporting to the ESG database maintained by Nasdaq. In recognition of this, Nasdaq awarded eQ Plc with the "Nasdaq ESG Transparency Partner" certificate in September 2019.

### Responsible investment at eQ Asset Management

eQ Asset Management has for several years acted as an active forerunner for responsible investment. We have signed the United Nations' Principles for Responsible Investment (PRI) in 2010. We promote responsible investment at the Finnish Venture Capital Association, Invest Europe and Rakli. Since the spring of 2020, eQ has been member of Finance Finland's Responsibility Committee. In addition, we are an active member of Finsif (Finland's Sustainable Investment Forum) and have signed CDP's Climate Change programme.

eQ Asset Management's principles for responsible investment form a framework to the Group'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 updated in the autumn of 2020, and eQ Asset Management's Board has approved them on 3 September 2020. The principles for responsible investment are available on eQ's website. The corporate governance principles of eQ Fund Management Company Ltd and eQ Asset Management Ltd, which were updated in the spring of 2020, can also be found on the website.

Responsible investment is not a separate consideration for eQ, as ESG is part of all investment operations. In practice this means that sustainability is continuously and systematically integrated in the selection, monitoring and reporting of investees in all investment areas of eQ. eQ's Director for Responsible Investment is responsible for this work and its development. Each investment team also has a dedicated person who has deeper knowledge of responsible investments. In addition to these persons, we believe that it is of utmost importance that all our portfolio managers and analysts understand, recognise and take into account the potential sustainability risks and opportunities pertaining to investments. This is something that cannot be outsourced. In addition to ESG analyses, it is an important part of a portfolio manager's job to have a regular engagement dialogue with the investees.

We regularly report to PRI on sustainability in our investment process, our concrete engagement activities in the investees and our development initiatives regarding the responsible investment approach. The table below shows the ratings of our PRI reporting in 2020.

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

PRI reporting scale E to A+

eQ Asset Management received the best ratings (A+) in areas related to a responsible investment strategy and governance, private equity investments and incorporation of ESG regarding listed equity. Active interaction with listed equity investments was also at the excellent A+ level. Property investments (A) also exceeded the median of respondents (B).

eQ Asset Management's activities related to responsible investment are also discussed by eQ Plc's Board of Directors once a year. In addition, the Board of eQ Fund Management Company Ltd receives regular reports on ESG events and the engagement dialogue with the investees in all of eQ's investment areas.

Sustainability and the climate change were prominent themes in both our client seminars and the internal training of our employees last year. Before the outbreak of COVID-19, we arranged a client seminar in early spring under the theme sustainability and the food system. Saara Kankaanrinta, one of the founders and Chair of the Board of the Baltic Sea Action Group, was among the speakers. In addition, Michaela Ramm-Schmidt spoke about the BSAG's work in the Carbon Action project and told how all relevant actors from farmers to corporate decision-makers are put together.

Our 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. The EU's future regulations on sustainable finance have been a major theme that we, as experts, have informed our stakeholders about.





In the following chapters, we briefly present the most important events concerning ESG matters during the year in all our 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.

### *Sustainable companies are the winners during the COVID-19 pandemic*

Integrating ESG matters in equity and bond investments is very down to earth and part of the portfolio manager's day-to-day work when selecting investments and managing funds. We aim at excellent long-term return. Responsible and sustainable operations are fully in line with this goal, and that is why the ESG analysis is a key element in the investment processes of all our funds.

We influence our investees actively in questions pertaining to sustainability by having a direct dialogue with companies. During the period 1 Jan. 2020 to 31 Dec. 2020 we carried out altogether 144 engagement activities in our equity and fixed income funds in the following areas: 4 within governance, 2 within social responsibility, 131 regarding the availability of the sustainability report and 7 regarding the follow-up of a verified violation of a norm. The reason for the high number of activities related to the availability of the sustainability report in 2020 was the fact that our portfolio managers carried out an active engagement dialogue with all investments that do not yet report their emissions to the CDP organisation. We were happy to see that there is interest in emission reporting. Some companies already had this on their agenda but with some, we just began discussing emission reporting. In general, we wish to encourage companies to report to their stakeholders information on their emissions, the sustainable products that they offer and on how they take climate change into account in their business operations. In connection with the theme, we also signed CDP's joint initiative that aims at encouraging companies to set science-based emission reduction targets for their operations.

We go through all our investments with the ESG metrics that we have selected. One of the most important areas is the availability of sustainability reporting, where we have for years actively encouraged companies to better transparency. As a special theme related to the environment, we follow up companies to see how they take into account climate issues in their business operations. Most of our funds have a lower carbon footprint than their benchmark indices, which

can be seen in the ESG reports available on eQ's website. When we look at the bond market, we see that the supply of green bonds and so-called social and ESG bonds has increased from year to year. 2020 saw once more a record in new issued loans. As a result of the COVID-19 pandemic, the supply of above all so-called social responsibility loans increased markedly. The market is expected to grow further in 2021. The interest of investors in these loans is increasing, and companies have realised that financing with an ESG loan is often cheaper than with ordinary corporate loans. We increased the weight of ESG loans in eQ's fixed income funds in 2020. In the eQ Euro Investment Grade and eQ Emerging Market Corporate Bond funds the share of ESG loans has increased to about ten per cent and in the eQ High Yield Fund to over five per cent of the investments. eQ aims at increasing the share of ESG loans in its funds even in future, without forgetting the relevant return potential.

The themes of climate and social responsibility figure prominently in the eQ Blue Planet Fund. The fund just reached a five-year return history. The fund has achieved a good long-term return through a process that emphasises environmental matters and above all the importance of social responsibility by studying the impacts of companies extensively through different stakeholders.

Since 2018, our own sustainability assessment work has been supported by ISS-Ethix, which monitors the contents of our funds quarterly to detect any violations of the UN's Global Compact principles. These violations are typically related to environmental matters, corruption, human rights, and the rights of employees. The information produced by ISS-Ethix is used actively in the interaction with companies, and in all verifiable violations, we will launch a process in order to find out if the investment is still in line with our responsibility principles for long-term ownership. If the portfolio manager comes to the conclusion that the prerequisites behind the original investment decision are no longer valid during the engagement dialogue, eQ will give up the investment. The number of serious violations has remained very low in 2020 and is limited to a few companies world-wide.

When we are looking for a potential fund managed by some other asset manager, we always find out before the actual investment if the asset manager has signed the UN's Principles for Responsible Investment, if the asset manager

has a policy for responsible investment and what ESG resources and processes as well as reporting practices it uses. We monitor any changes in the above mentioned matters with an annual ESG inquiry sent to the funds. In the autumn of 2020, we sent an ESG inquiry to the investments included in the eQ Fronter Fund, already the second year in a row. The results of the inquiry show that the PRI ratings have improved and that the number of sustainability reports has increased, for instance. The available ESG resources have remained unaltered. On the whole, we expect of our partners regular reporting on how their responsible investment approach has developed and a summary of the annual voting activity and the dialogue with the investments.

### *Good results in the GRESB sustainability assessment accelerate development in eQ's real estate funds*

When a property is purchased, the due diligence process always comprises sustainability matters. The process goes through matters related to soil, energy efficiency, administration, taxation and background information on the main tenant, for instance. We also assess sustainable forms of transport, the location of the potential investment target with regard to public transport and the management of life cycle costs.

During the ownership period, measures are taken in both separate properties and the operating models and processes of the funds in order to promote sustainability. The consumption data on, e.g. energy, water and waste of all targets are monitored. If deviations from the set intervals are detected, we will find out with what measures energy consumption, for instance, can be reduced. The starting point is that every investment target is in good shape, as for the basic systems and adjustments, and functions efficiently as planned. After this we can look for new ways of further developing energy and cost efficiency.

BREEAM (Building Research Establishment's Environmental Assessment Method) considers the environmental impacts of a building regarding management, energy and water consumption, materials and traffic. The aim of eQ's real estate funds is that the majority of the investments have the certificate, and at the moment at least five investments from both funds are certified annually. The certification is used for assessing both the property and the maintenance measures related to it, for identifying any deficiencies and for choosing the development targets.

Environmental matters have become more and more important globally. The construction industry and real estate account for no less than 40% of global emissions and energy consumption. The starting point of our choices is to find low-carbon alternatives. We have used electricity generated from renewable sources in the investment targets of the real estate funds since 2018. In addition, we always evaluate the possibilities of using geothermal and solar energy in our new targets. The use of green district heating has increased considerably in 2020.

Among the major projects in 2020 can be mentioned the low-carbon roadmap that we have drawn up for our Care and Finnish Real Estate funds. The aim of the roadmap is to define the measures with which funds can reduce their carbon footprint in an efficient and appropriate manner.

We use the results from the GRESB (Global Real Estate Sustainability Benchmark) as one important tool when monitoring our sustainability work. The extensive number of participants in GRESB also makes comparison with other actors possible. eQ participated in the global GRESB assessment measuring the responsible management of a real estate portfolio now for the second year in a row. The participants in the 2020 GRESB assessment were the eQ Care Fund, which received two stars, and eQ Finnish Real Estate, which received three stars out of five. Overall, the results of both funds improved considerably, more than ten points from the results in 2019. The assessment in 2020 is based on the reporting year 2019 and covers different areas of the sustainability of properties in an extensive manner. The areas that are compared cover responsible management, manners of operating, reporting, risk management, carbon footprint, water and energy consumption, the exploitation of data, co-operation with stakeholders and environmental certification.

The results in the different areas of the GRESB assessment showed our strengths and development objects. eQ's real estate funds received good ratings for, e.g. waste management, water and energy consumption as well as the engagement of stakeholders and environmental certification. The development targets that emerged were the information provided for tenants, inclusion as well as increasing efficiency measures and their documentation in the properties. One development target that was put in order in 2020 was the strengthening of sustainability communications with tenants. We added a news bulleting and customer satisfaction inquiries as new communication tools in addition to annual sustainability reporting.

Early in 2020, we draw up for eQ's suppliers a Code of Conduct, which is part of eQ's guidelines for sustainable real estate operations. The aim is that the suppliers that we use in purchases related to real estate investments also take care of their sustainability obligations in an exemplary manner. In addition, we began

*“eQ's Real Estate funds participated in the GRESB sustainability assessment for the second year in row and the results improved clearly.”*

publishing an annual ESG report on eQ's real estate funds to investors. The ESG report is also available on eQ's website.

We are committed to constantly developing sustainability. We look at our operations as so-called "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 targets. In addition, we wish to actively participate in developing the sector and its practices.

#### *Positive ESG development in the processes of private equity companies*

We have also incorporated ESG (environment, social, governance) systematically throughout our private equity investment processes, including fund selection, follow-up and investor reporting. In the eQ fund products where we use an external advisor (Private Credit and US funds), eQ requires that its partners fulfil the sustainability criteria and that ESG due diligence is made when investments are being selected. eQ partly (US funds) carries out the ESG follow-up related to the investments itself.

During the fund selection phase, we scrutinize the prospective fund manager's ESG policy and overall commitment to sustainability. Concretely, we evaluate relevant ESG checklists, tools for monitoring investments and ESG reporting. We aim at including matters related to ESG to the legal documentation of the investee fund. Sustainability is always included in our investment decision.

The sustainability of private equity investments is also assessed and monitored continuously with, e.g. a regular inquiry sent to the investee funds and in discussions with them. In addition, we actively participate in the annual meetings of the investee funds and the work of the advisory boards.

The basic contents of our ESG inquiry have not changed much during the past few years. This makes it easier to study and monitor the ESG development trend in management companies and the funds included in them systematically. The ESG inquiry regarding 2019 was sent to 96 management companies at the beginning of 2020, and it covered 150 investee funds and approximately 1,000 companies. 96.9% (93 companies) of the management companies answered the inquiry. There were 15 ESG incidents in eQ's investee funds. Some of them were

repeated in several funds. The management companies have given us accounts of the incidents, and we will report them as part of the annual ESG report to fund investors.

The results of our annual inquiry show that questions related to sustainability are more and more often included in the normal follow-up and required reporting of the target companies. Diversity was introduced as a new theme in our 2020 ESG inquiry. We wish to understand what it means in both the management companies and in the portfolio companies of their funds. We also inquired if the management companies have begun to consider the implementation of the EU regulation on sustainability-related disclosures in the financial services sector in their own processes. The inquiry was sent as an e-inquiry for the first time.

In addition to our own operations, we wish to actively promote responsible investment practices and their development within the private equity industry. Since the autumn of 2020, we have acted as deputy chair of the Finnish Venture Capital Association's ESG working group and as chair of the association's working group for sustainable finance.

#### **The EU will introduce regulations on sustainable finance in 2021**

Legislation on sustainable finance has been prepared in the European Union for several years. The ultimate purpose of the new legislation is to promote the investment of capital in more sustainable targets. This can be done by, e.g. increasing the openness and transparency of investment products with regard to responsibility and sustainability, thereby preventing the greenwash of investments. The regulation on sustainability-related disclosures in the financial services sector (EU) 2019/2088 will become applicable from 10 March 2021 for most parts, and it will introduce new obligations to the financial market participants and financial advisors. They will, for instance, have to tell about the sustainability risks related to their operations and whether they take into account the possible negative impacts of an investment decision on sustainability factors. The term sustainability risk, used in the regulations, means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. The new regulations will also require the updating of the infor-

mation provided to clients, the interim reports and remunerations policies, for instance. There will also be changes in the MiFID II regulations next year requiring that clients are asked about their sustainability preferences. We feel that the intention of the regulations that will enter into force in March is good and it will improve investor protection, although it means new reporting obligations to actors in the finance sector.

*"The sustainability of private equity investments is also assessed and monitored continuously with, e.g. a regular inquiry sent to the investee funds and in discussions with them."*

## Environmental responsibility

The business operations of eQ Group have relatively low direct environmental impacts. Energy consumption is mainly related to the energy consumption of the premises. From the beginning of 2018, companies in eQ Group began using only renewable energy for their own electricity consumption. eQ's premises are modern and exploit technological solutions that promote energy efficiency. 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 the 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, CO<sub>2</sub>, 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 began reporting the CO<sub>2</sub> emissions related to the work-connected flights of our employees at the beginning of 2019. In 2020, we introduced as new key ratio flights, CO<sub>2</sub> emissions, kg per person. Compared with 2019, the CO<sub>2</sub> emissions (kg) of eQ Asset Management were reduced by 91% per person in 2020. A major contributor to the decrease in flight kilometres is the COVID-19 pandemic, due to which travelling by air ceased in practice completely in April.

*“eQ Group companies use only renewable energy for their own electricity consumption.”*



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 2020, special attention was paid to reducing the amount of waste and increasing recycling, as in 2019. In 2020, we carried out the measures introduced in 2019 regarding the sorting and recycling of office waste. Key activities were drawing up environmentally 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 started to report on the consumption of paper at its premises in 2019. Going over to double-sided printing could be seen as a positive trend in the consumption data. In 2020, paper consumption was reduced by about 18% per person. eQ has not been engaged in legal proceedings or demands concerning environmental accidents. Climate change mitigation is an important theme at both eQ and in our investment operations. Even though eQ Group has no separate climate change policy, the theme is prominent in our work at company level, in the investment decision processes of all our asset classes and in the engagement dialogue with the investment targets.

**Own energy consumption of the organisation**

	2020	2019	2018	2017	2016
Electricity consumption, kwh	89,893	100,396	107,235	106,527	105,975
Origin of electricity:					
Share of renewable energy, %	100%	100%	100%	25%	25%
Share of nuclear power, %	0%	0%	0%	42%	42%
Share of fossil fuels, %	0%	0%	0%	33%	33%
Specific carbon dioxide emissions of electricity, g/kwh	0	0	0	198	198
Nuclear fuel used in electricity, mg/kwh	0.0	0.0	0.0	1.2	1.2
Carbon dioxide emissions of electricity, total, kg	0	0	0	21,092	20,983
Carbon dioxide emissions of electricity per net revenue, g/EUR	0.00	0.00	0.00	0.52	0.59
Electricity consumption per rented office square metre, kwh	54	60	64	64	64
Electricity consumption per person, kwh	956	1,128	1,254	1,268	1,325

**Other environmental responsibilities\***

	2020	2019	2018	2017	2016
Other indirect greenhouse gas emissions					
Travelling by air, CO <sub>2</sub> emissions, kg	3,961	42,455	70,396	75,786	76,200
Travelling by air, CO <sub>2</sub> emissions, kg per person	42	477	823	902	953
Use of material					
Paper consumption, total, kg	1,710	1,985	1,950	1,555	1,860
Paper consumption, kg per person	18	22	23	19	23

\*The table shows an assessment of the carbon dioxide emissions of air travel and paper consumption.



## 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 2020 was very exceptional due to the COVID-19 situation. We went flexibly over to remote work in March. Due to the increasing news about COVID-19, we had early in 2020 secured the remote connections and tools needed by employees. Consequently, the transfer to remote work went flexibly and we were able to manage our clients' investment assets well and serve them even virtually. We drew up instructions for our employees on how to act if an employee or his or her close relative has been exposed to the virus or has received a positive test result. We have also purchased masks to all our employees and strongly recommended their use as well as social distancing according to the guidelines issued by the Finnish Institute for Health and Welfare.

Despite the exceptional circumstances resulting from COVID-19, the Group personnel's commitment and satisfaction are at an excellent level. The results of the annually conducted study on well-being at work were excellent in 2020 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 (2019: 4.4). According to the study, the employees also recommend eQ Group as employer. The eNPS value that describes this was very high at 49 (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 92.3% (2019: 91.8%). The personnel study is one of eQ's most important tools for developing internal working methods and the quality of managerial work.

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 94 employees at the end of 2020 (2019: 89). When calculating full-time resources, part-time employees and those on parental and study leave have been included. Altogether 103 persons had an employment relationship with eQ (2019: 92), and nine of them worked part-time (2019: 4). Part-time employees are used in seasonal tasks or projects.



Of the personnel, 40% were women (2019: 36%) and 60% men (2019: 64%). The average age of the personnel was 41.3 years (2019: 41.3), and the employee turnover in 2020 was 4.2% (2019: 9.3%). In 2020, the average sick leave of the personnel was 2.7 days per person (2019: 2.8) and there were no occupational accidents (2019: 1).

### 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.

### SATISFACTION AND WELL-BEING AT WORK

4.3

(SCALE 1–5)

### NUMBER OF PERSONNEL

94

### Personnel

	2020	2019	2018	2017	2016
Personnel as full-time resources	94	89	86	84	80
Permanent employment relationship	94	88	85	83	80
Temporary employment relationship	9	4	6	6	4
Employment relationship, total	103	92	91	89	84
Share of temporary employees, %	8.7%	4.3%	6.6%	6.7%	4.8%
Full-time, total	95	89	86	83	80
Part-time, total	8	3	5	6	4
Age and gender distribution, no.					
18–30 years total, (F/M)	23 (9/14)	15 (4/11)	17 (6/11)	19 (4/15)	13 (3/10)
31–40 years total, (F/M)	31 (13/18)	34 (14/20)	31 (10/21)	30 (11/19)	29 (9/20)
41–50 years total, (F/M)	20 (7/13)	17 (7/10)	19 (8/11)	18 (8/10)	23 (9/14)
51–60 years total, (F/M)	27 (11/16)	25 (14/11)	22 (11/11)	20 (9/11)	18 (9/9)
61+ years total, (F/M)	2 (1/1)	1 (-/1)	2 (-/2)	2 (-/2)	1(-/1)
Total	103 (41/62)	92 (39/53)	91 (35/56)	89 (32/57)	84 (30/54)
Average age of employees, years	41.3	41.3	40.9	39.8	41.5
Employment relationships based on gender, no. and %					
Women	41, 40%	39, 36%	35, 38%	32, 36%	30, 36%
Men	62, 60%	53, 64%	56, 62%	57, 64%	54, 64%
Employee turnover (%)	4.2%	9.3%	8.8%	8.4%	6.3%
Sick leaves during the year, day per person	2.7	2.8	1.9	2.3	3.4
Registered accidents	0	1	2	1	3



### Principles related to human rights violation 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

The Board's aim is 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 2020, 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 2020 from the Annual General Meeting: Georg Ehrnrooth (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 2020.

### Diversity of the Board of Directors in 2020:

Directors, total	5	100%
Female	1	20%
Male	4	80%
Board members who are independent of the company	5	100%
Board members who are independent of the major shareholders	3	60%

## 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](http://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/fi/about-eq-group](http://www.eq.fi/fi/about-eq-group)).

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/fi/about-eq-group](http://www.eq.fi/fi/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 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. The EU regulation on sustainability-related disclosures in the financial services sector (EU) 2019/2088 will become applicable in 2021. This means that the actors in the finance market and investment advisors must include in, e.g. their remuneration principles information on how these principles are consistent with taking into account the sustainability risk and publish the information on their websites. We will also adjust eQ Group's Remuneration Principles in this respect during the year 2021.

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/fi/about-eq-group/hallinnointi/palkitseminen](http://www.eq.fi/fi/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 2020 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 4 February 2021.

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/fi/about-eq-group/hallinnointi/palkitseminen](http://www.eq.fi/fi/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/fi/about-eq-group/hallinnointi/palkitseminen](http://www.eq.fi/fi/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 has drawn up a Code of Conduct for the Group. eQ Plc's Board of Directors has reviewed and approved the Code, which define eQ's common principles for ethical operations. eQ's Code of Conduct is applicable to all employees of the Group. We find it important that the suppliers that we use in purchases related to real estate investments also take care of their sustainability obligations in an exemplary manner. Consequently, we drew up early in 2020 a Code of Conduct

for eQ’s suppliers, which is part of eQ’s guidelines for sustainable real estate operations. eQ Group has deemed that it does not need any other separate supplier codes of conduct due to the low number of suppliers and their insignificance for the operations.

Guidelines on bribery and anti-corruption are included in eQ Group’s Code of Conduct, which states that it is prohibited to issue any improper payments or advantages in business operations. According to eQ’s Code of Conduct, all operations that encourage to improper acts or the misuse of a person’s position are regarded as giving or taking of bribes. In addition to monetary bribes, gifts, hospitality, credits, discounts, trips, personal advantages, accommodation and services may be regarded unreasonable or improper advantages.

The reception or acceptance of unreasonable or improper advantages is also forbidden at eQ. It is also forbidden to strive for personal advantage through customer relations. A customer relation has been established between eQ and the customer. When giving gifts, remembering anniversaries and offering hospitality, the Group takes into account the guidelines on bribery and anti-corruption and in addition, the restrictions and principles for bribery of the receiving person or organisation and respects them. Additionally, the person’s superior must always accept the giving and receiving of any gifts and hospitality.

The Code of Conduct is available to all employees of eQ Group on the Group’s internal website.

### 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 2020, the income tax for eQ’s taxable profit paid in Finland totalled EUR 6.2 million (2019: EUR 5.3 million). The Group’s effective tax rate was 20.2% (2019: 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 2020 totalled EUR 3.0 million (2019: EUR 3.0 million). The withholdings that eQ made from the salaries amounted to EUR 6.5 million (2019: EUR 5.9 million) and the other tax-like charges totalled EUR 1.4 million (2019: EUR 1.3 million).

The value-added tax remitted by eQ Group in 2020 totalled EUR 0.4 million (2019: EUR 1.5 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 2020 totalled EUR 1.2 million (2019: EUR 1.1 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 2020. 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	2020	2019	2018	2017	2016
<b>Taxes paid</b>					
Income tax, Finland	6,209	5,306	4,679	4,220	3,465
Effective tax rate	20.2%	20.2%	20.8%	20.9%	20.9%
<b>Charges of tax-like nature payable by the employer (employee pension, social security and unemployment charges)</b>					
	2,978	2,960	2,770	2,451	2,358
<b>Taxes remitted</b>					
Withdrawal from salaries, Finland	6,483	5,901	5,267	4,507	4,085
Charges of tax-like nature payable by the employee (employee pension, unemployment charges)	1,405	1,308	1,106	884	850
Value-added tax paid, Finland	393	1,503	768	871	2,031
Tax withdrawn from dividend and equity repayment, Finland	1,217	1,061	976	994	1,079