

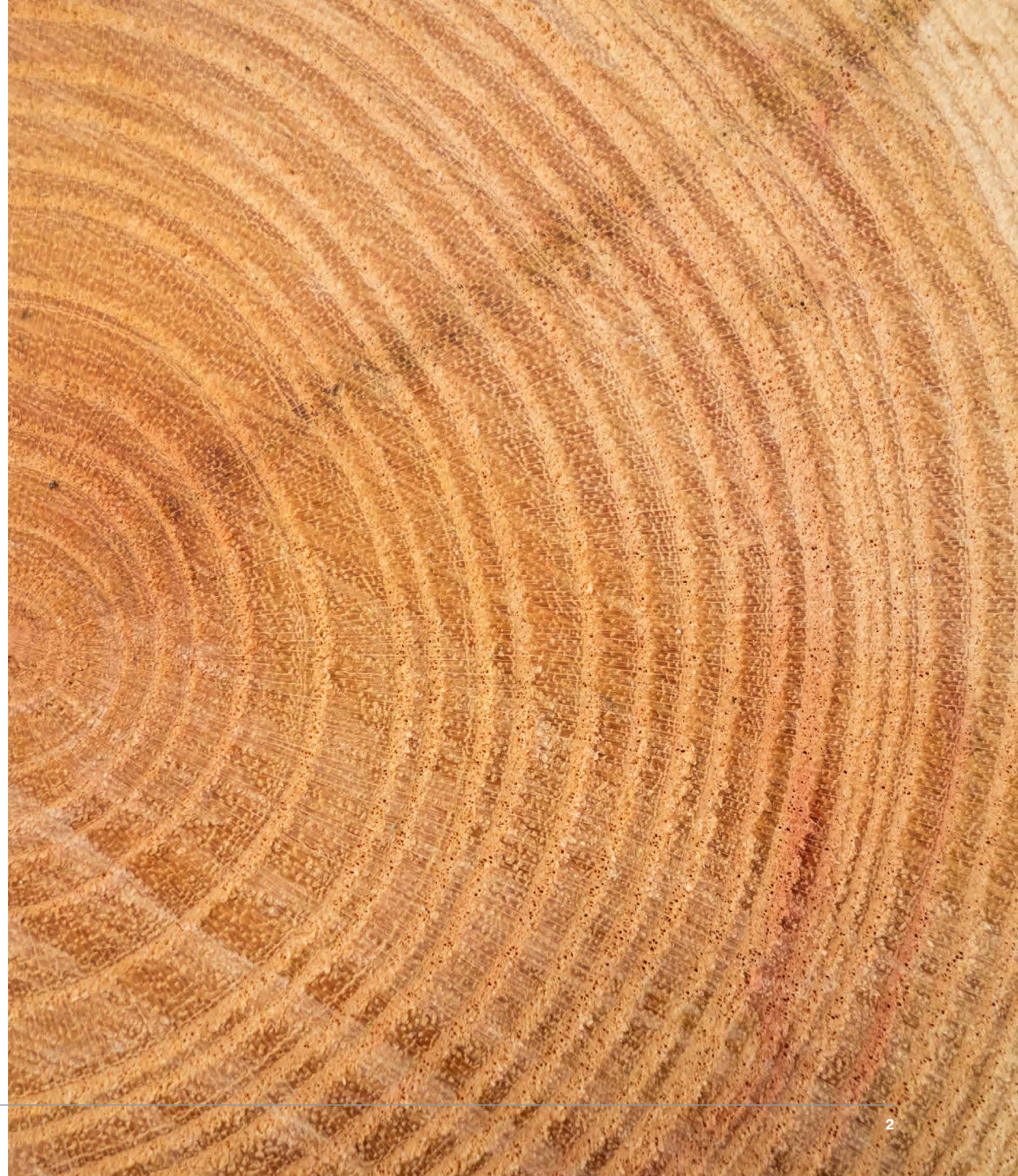
UB Timberland Fund AIF

Responsible Investment Report 2023



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Sustainable forest management and climate action at the core of UB Timberland Fund

The UB Timberland Fund (AIF) managed by UB Fund Management Company Ltd invests in Finnish forest properties. The goal of the investment activities is to increase the value of assets in the long term. The fund is intended for investors who want to invest in Finnish forest properties and seek a steady return through logging income and the increase in the value of the growing stock.

In forestry, the main sustainability criteria are the sustainable management of commercial forests, water protection and the protection and promotion of biodiversity in both commercial and natural forests. The UB Timberland Fund wants to lead the way in responsible forest management. These measures also aim to effectively manage sustainability risks, as the changes in forests brought about by climate change, for example, are directly linked to the planning and implementation of practical forest management measures.

Economic sustainability is ensured on the fund's lands by keeping forests vibrant and productive. Forest management is based

The fund's forest management combines the requirements of the FSC and PEFC certificates with a strong climate focus, which is centred on the development of forest carbon sinks over the long term

on systematic planning, which ensures that the management measures are carried out in a timely manner. The fund's forest management combines the requirements of the FSC® (FSC-C109750) and PEFC™ certificates* with a strong climate focus, which is centred on the development of forest carbon sinks over the long term. Logging is carried out in the forests in a sustainable way so that the value of the growing stock does not decline in the long term. For example, in FSC-certified forests, this means that logging volumes never exceed the logging plans calculated for every ten-year period. Forest growth can also be enhanced with fertilisers in suitable sites.

UB TIMBERLAND FUND – KEY SUSTAINABILITY FIGURES

Forest in Finland, ha	97,238
Ha change compared to previous year, %	17.7
FSC-certified, % of properties	78
PEFC-certified, % of properties	100
Protected forest, ha	5,657
Private conservation areas, ha	540
Forest carbon storage, MtCO ₂	68.8
Annual carbon sink, tCO ₂ /ha/year	0.7
Carbon sink in 2023 about 47,533 tCO ₂ (carbon balance taking into account soil carbon sequestration, forest growth and actual logging)	

*There are two major international certification schemes: FSC and PEFC. FSC is a system used by environmental and conservation organisations. PEFC is a scheme supported by forest owners' organisations and the forest industry. While there are no significant differences in the criteria used by the two schemes, FSC places a slightly greater emphasis on the environment and its protection. According to the Finnish Forest Centre, around 90% of Finland's forests are PEFC-certified and around 10% are FSC-certified.

Portfolio Manager's comments

In 2023, the forest industry business cycle weakened markedly and companies' earnings plummeted. However, demand for wood remained moderate, and wood prices in Finland even strengthened on the previous year. Timberland investors benefited from the good risk-return ratio and inflation protection offered by forests. In the long term the most sustainable sources of return for timberland investors are the growth and the increase in value of the growing stock. Additional revenue will be generated in the future, for example from land leases with wind power companies. The fund has signed a number of agreements with such companies in recent years.

The fund is classified as making sustainable investments (Article 9 of the SFDR) and its investments meet the criteria of the EU taxonomy on climate change mitigation and sustainable forestry. The fund reports annually in accordance with the reporting obligations of the EU's Sustainable Finance Disclosure Regulation (SFDR). In its responsible investment and sustainability reporting, the fund reports on, among other things, the development of the carbon balance and carbon sink of the fund's forests. For 2023, the results show a reduction in the carbon sink of the fund's forests. The carbon balance can vary from year to year depending on how logging is completed during each calendar year. The fund's long-term logging plan is based on sustainability factors, whereby above-average logging in some years mean below-average logging in others, and thus higher carbon sinks.

From the point of view of climate change mitigation, it is more important that actions are climate-resilient in the long term than their impact in a given year. For the first time, a long-term climate impact analysis was also carried out for the fund in line with the requirements of EU taxonomy, and it showed that the management practices adopted for the fund's forests, including the high level of FSC certification in the fund's forests, result in more positive climate impacts than average traditional forest management practices. Long-term scenario calculations will provide a good reference for future annually calculated.

Kari Kangas

Portfolio Manager
UB Timberland Fund





Fund's forests are a major carbon sink

The goal of the UB Timberland Fund is to mitigate climate change through sustainable forestry. The fund's forest management aims to ensure that its forests act as carbon sinks. The fund's carbon impact is monitored through annual carbon balance calculations. In addition, the fund uses long-term modelling to plan forest management and the carbon balance.

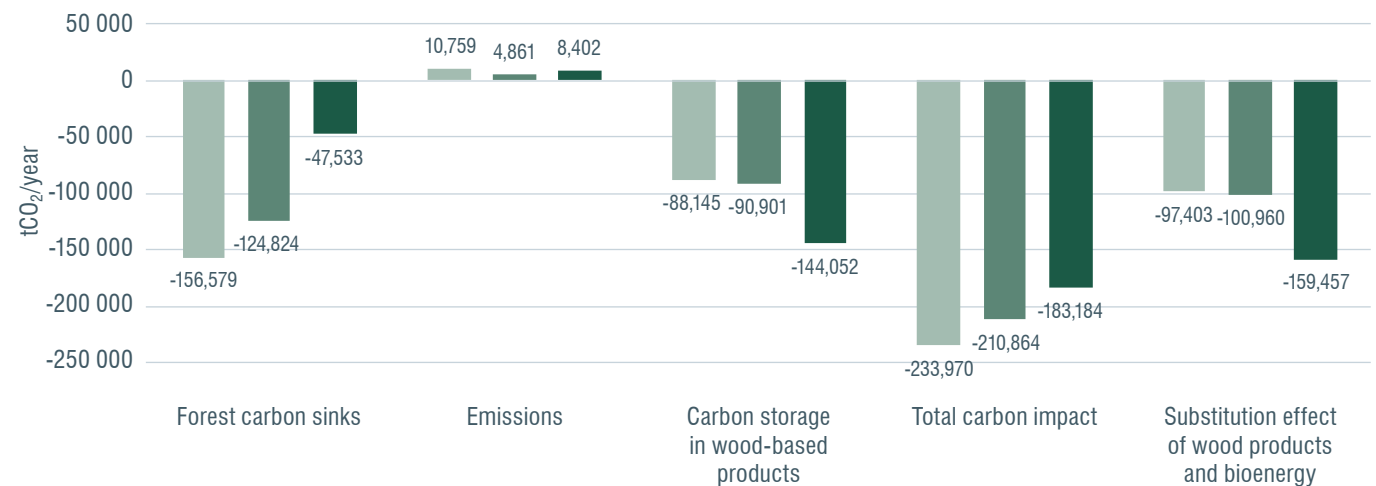
DIRECT AND INDIRECT CLIMATE IMPACTS

The calculations take into account the annual growth of the tree stock, the logging and forest management measures

carried out during the year, as well as the emissions from logging, transport and manufacturing. The calculation also provides a separate description of the estimated substitution effects of the end products. The source information for the calculations consisted of the forest asset data of the forest properties owned by the fund at the end of 2023, and on logging and forest management measures carried out. More detailed information on the calculation methods is available on [the fund's website](#).

Annual direct and indirect climate impacts of UB Timberland Fund (tCO₂/year)

A positive value reflects an increase in the amount of carbon dioxide in the atmosphere and a negative value a decrease. ■ 2021 ■ 2022 ■ 2023





	2022	2023
Forest carbon storage contains carbon stored in trees and forest soil	61.4 MtCO ₂ including a total of 69,754 ha of forest land in Finland.	68.8 MtCO ₂ including a total of 79,324 ha of forest land in Finland.
Average annual forest carbon sink after annual logging residues. Includes carbon sinks of both tree stocks and soil.	2.1 tCO ₂ /ha/year	0.7 tCO ₂ /ha/year
Average annual carbon impact including the carbon sink of the forest and the carbon stored in wood products, and taking into account emissions from logging, timber transport and manufacturing of wood products	3.6 tCO ₂ /ha/year	2.7 tCO ₂ /ha/year
Carbon footprint (scope 1-3) carbon emissions	4,861 t/CO ₂ /year	8,402 t/CO ₂ /year
Carbon intensity amount of carbon emissions in relation to turnover	153 t/CO ₂ e/ MEUR turnover	162 t/CO ₂ e/ MEUR turnover

The results for 2023 show that the forests of the UB Timberland Fund are a significant carbon storage; the carbon storage of forest assets owned at the beginning of 2023 totalled around 68.8 million tCO₂ (2022: 61.4 million tCO₂) at the end of the year. Of this, about 13% was bound in the biomass of the growing stock and the rest in the soil. When carbon sequestration by the soil, forest growth and logging volumes are taken into account, the forest carbon balance in 2023 was about 47,533 tCO₂ (2022: 124,824 tCO₂). Taking into account the annual carbon balance of the forest and the carbon stored in wood products, the total annual carbon impact was about 183,184 tCO₂ (2022: 210,864 tCO₂). This is equivalent to the average annual carbon footprint of around 17,800 people living in Finland (average 10.3 tCO₂ per capita, Sitra). The results show that the forests acted as carbon sinks, although for 2023 the results show a decrease in the carbon sink of the fund's forests compared to the previous year. The completion of logging in each calendar year is reflected in the variation of the carbon bal-

ance between individual years. The fund's long-term logging plan is based on sustainability factors, whereby above-average logging in some years mean below-average logging in others, and thus higher carbon sinks.

The substitution effects of manufactured products were also assessed in the carbon balance calculation. The substitution effect illustrates the carbon dioxide emissions that are potentially avoided by replacing fossil-intensive products with wood. When the use of wood-based end-products and bioenergy are taken into account, the substitution effect calculated using the roundwood assortment removals of logging carried out by the fund in 2023 was about 159,457 tCO₂ (2022: 100,960 tCO₂). As the method differs from the forest carbon balance calculation, the substitution effect is presented here separately and is not included in the total carbon impact. However, the positive climate impacts of the forests owned by the fund increase even further when the substitution effect is taken into account.

LONG-TERM REVIEW OF CARBON SINK EVOLUTION

In 2023, a modelling of the long-term evolution of carbon sinks was carried out for the fund. The review compared the fund's forest management and its impact on the long-term evolution of carbon sinks with the average in conventional forest management in Finland. The results show that the fund's forest management enables long-term carbon sink growth and leads to a higher growth than average conventional forest management methods. The above-average positive climate impacts of the fund's forest management include a higher-than-average FSC certification rate (78% in the fund, compared to an average of around 10% in Finnish forests), timing of logging, promotion of continuous cover growth on lush peatlands and the use of growth-enhancing and ash fertilisation. The long-term carbon balance calculation can be used in the future as a reference level for annual calculations by monitoring the change in climate impacts in relation to projections.

Forest certification demonstrates sustainable forest management

All the forest properties owned by the UB Timberland Fund, totalling 97,238 ha, are PEFC™-certified. Additionally, some 78% of them are FSC®-certified (FSC-C109750). Certification is an important tool for sustainable forestry as it is a way of demonstrating that the forest management is economically, socially and ecologically sustainable. The sustainability of the activities is regularly reviewed when the certificates are audited. Today, sustainable forest management is also a condition for access to the timber market. It brings predictability to the activities and makes the commercial use of forests acceptable.

An independent audit with site visits ensures that the fund's forest management fulfils the criteria for FSC certification. In 2023, the fund was audited by the FSC. The audit did not reveal any non-conformities.

Preserving biodiversity is part of productive forest management

Preservation of biodiversity and the ecological sustainability of forests are an essential part of the fund's activities. To ensure ecological sustainability, the forest management activities in the forests owned by the UB Timberland Fund are planned and implemented with due regard for the natural assets of the environment. In logging, this means that permanent retention trees and any dead or decaying trees are left in the logging site. In the forests owned by the fund, the aim is to leave logging residues in the forest to increase the carbon sinks and provide nutrients for new growth. Controlled burning in accordance with FSC certification requirements also increases biodiversity by providing habitats for organisms that thrive in burnt forests. Controlled burning also increases the amount of nutrients in the forest, contributing to tree growth and carbon sequestration from the atmosphere.

At least 5% of all FSC-certified forests owned by the UB Timberland Fund are under strict protection and at least 5% are designated as special logging areas.

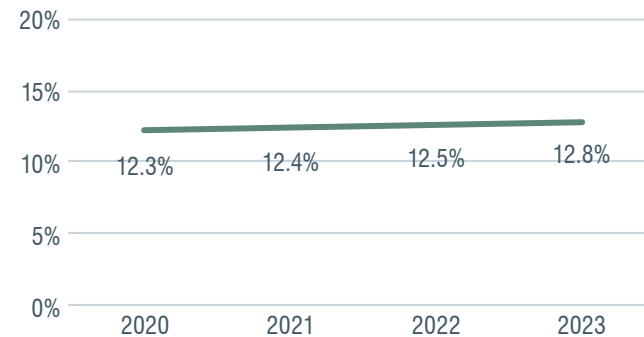
The fund has also voluntarily protected areas that have special natural assets. In 2023, the fund established one new private conservation area. The protected area is a natural swamp complex in North Ostrobothnia.

A growing share of deciduous trees and carefully selected continuous cover growth promote biodiversity in commercial forests

The share of deciduous trees in UB Timberland's forests has increased steadily. The fund has set a longer-term goal to double the total share of deciduous trees in the forests that it owns in Finland to a total of 20% and to promote continuous cover forestry on lush peatlands. Increasing the share of deciduous trees

can improve biodiversity, while also increasing the wood production capacity of forests and improving climate resilience. Continuous cover forestry can also have a positive impact on biodiversity. In addition, the water balance of peatlands remains in a better condition, reducing leaching into the environment and improving the overall carbon balance of forests.

Change in the share of deciduous trees in UB Timberland Fund's forests



Region	Area, ha	Year of establishment	Conservation basis
Central Finland	3.0	2022	Sphagnum fuscum bog, spruce-pine mire
Kainuu	33.0	2021	Old natural forest area, decaying wood
Kainuu	113.0	2021	Old pine forest and a natural swamp complex
Central Ostrobothnia	320.7	2021	A natural forest area adjacent to the Salamajärvi National Park
North Savo	4.7	2019	Mixed riverside forest
North Ostrobothnia	57	2023	Natural swamp complex
	2,829		FSC sites under strict protection
	2,829		FSC sites with special management methods
Total	6,189.4		



Social aspect of forests

Social sustainability is maintained by, among other things, taking into account the needs of local communities. The funds cooperate with stakeholders, such as hunting clubs and entrepreneurs operating in the forest area. Entrepreneurs are taken into account in the operation of the funds by avoiding actions that could complicate their business or operations. Forest funds have also signed several land lease

THE FINNISH FORESTRY FOUNDATION

The UB Timberland Fund also provides funding for the Finnish Forestry Foundation through voluntary sales promotion fees paid on timber sales. The Finnish Forestry Foundation provides funding for communications promoting the interests of forest owners, the forest industry and other groups that earn their living from forestry. The Foundation seeks to create favourable conditions for forestry and forest-based industries, to increase the use of wood and wood-based products, and to fund social and economic research in the sector.

agreements for wind power development. The prospective partners' backgrounds and operating principles are always vetted before cooperation begins. In addition, to ensure a high standard of quality and occupational safety, all work is carried out by qualified contractors and the applicable regulations and guidelines are complied with.

Hunting clubs are an important stakeholder. Hunting clubs regulate the elk population, which helps to limit damage caused by elk. The clubs also report on any wind and snow damage, which helps to reduce losses. The clubs are charged a reasonable land rent.





Sustainability risks

Sustainability risks refer to events or circumstances related to the environment, society, or governance that, if realized, could cause an actual or potential negative impact on the value of the investment. Taking sustainability risks into account in the fund's investment activities is expected to reduce sustainability risk and hence the overall risk of the fund's investment and to have a positive impact on the fund's return potential.

As part of the investment process, the fund's portfolio management assesses the sustainability risks of the investment target as part of the investment decision in accordance with United Bankers' Principles for Responsible Investment and the fund's own sustainability principles, which complement them. In practice, the fund considers sustainability risks in its investment strategy and operations by observing the principles of sustainable forest management in line with the FSC and PEFC certifications and other best practices, which aim to ensure the long-term well-being of forest ecosystems and profitable forest management. In addition, the fund seeks to take into account sustainability risks related to biodiversity and climate resilience in choosing investment targets by investigating habitats that are important in terms of biodiversity and surveying the proportion of deciduous trees in the target before making an investment decision, and by analysing the target's sustainability from the perspective of storm and climate damage. The sustainability risks identified are taken into account in the forest management plans prepared for each site.

Identification and management of climate risks

In recent years, the **Task Force on Climate-related Financial Disclosures (TCFD)** has established itself as the world's leading standard for climate-related financial reporting. According to the TCFD, the direct and indirect business impacts of climate change must be addressed in investment operations and risk management. In the forest industry, climate change can have a direct impact on the value and condition of forest properties and on the timber market, and thus the cash flow generated by a fund investment. In 2021, United Bankers committed to reporting in line with the TCFD recommendations. United Bankers' first TCFD report was published as part of the 2022 sustainability reporting.



According to the TCFD, climate risks are divided into two main categories according to their nature. Physical risks describe natural disasters and extreme weather events resulting from the progression of climate change. They are typically classified into acute risks (e.g. wildfires and floods) and chronic risks (e.g. sea level rise due to melting glaciers) based on their time horizons. Transition risks describe the new market-based risks created

by action that people and societies take towards a low-carbon lifestyle in terms of legislation, technology, markets and reputational damage.

The climate risk analysis of timberland investments is so far focused on the analysis of physical climate risks. As the fund invests directly and indirectly in forests mainly in Finland, the average climate risks are lower than in Central Europe and North America, for example. The most significant sustainability and climate risks for timberland investments are wind and snow damage and potentially increasing insect damage.

The assessment and management of physical climate risks are constantly being developed. In the fund's investment criteria certain areas particularly vulnerable to deforestation due to climate risks have been excluded from its investments. The fund actively monitors forest damage and associated sustainability risks from the perspective of the climate and other factors. For example, hunting clubs that use the fund's forest land have a contractual obligation to report any forest damage they detect to the fund. In addition, FSC and PEFC certificates are important tools for managing sustainability risks.

Fund's sustainability objectives and principles

UB TIMBERLAND FUND	
EU SFDR classification	SFDR 9
Carbon intensity t/CO ₂ e/MEUR turnover	162
Investments in line with the EU classification system	99%
UN Global Compact share of norm violations	0%

ESG STRATEGY

The UB Timberland Fund (AIF) makes sustainable investments in accordance with Article 9 of the SFDR Regulation.

The fund invests in environmentally sustainable economic activities, transitional activities or enabling economic activities that meet the criteria of the EU taxonomy regulation¹.

The fund invests in forests and aims to mitigate climate change through its sustainable timberland investments. The fund's forests absorb carbon dioxide from the atmosphere and bind it in growing trees and forest soil. When logging is lower than forest growth, forests act as so-called carbon sinks. The use of wood from the fund's forests can also be used to replace fossil fuels and fossil-intensive materials, which means wood promotes the opportunities to transition to a circular economy.

Sustainable forestry is an effective solution for removing carbon from the atmosphere and an important means of achieving the goals of the Paris Climate Agreement. The fund observes the principles of sustainable forest management in line with the FSC® (FSC-C109750) and PEFC™ certifications and other best practices in the field, which aim to ensure the long-term well-being of forest ecosystems and profitable forest management. All forest properties owned by the fund in Finland are FSC- and PEFC-certified. Foreign forests are certified with either FSC- or PEFC-certificates or both. The fund's sustainability targets under the EU taxonomy and realisation of carbon sequestration are monitored through regular carbon balance calculations.

The fund's strategy supports climate change mitigation and promotes several UN Sustainable Development Goals, in particular Goal 13: **Climate action**, Goal 15: **Life on Land** and Goal 9: **Industry, innovation and infrastructure**.



ESG PRACTICES

The fund observes the following principles for responsible investment:

- ✓ Exclusion from investments
- ✓ Taking sustainability factors and risks into account in investment decisions
- ✓ Active ownership through sustainable forest management
- ✓ Impact investing

The ESG practices are described in more detail in [United Bankers' Principles for Responsible Investment](#). The principles are approved by the Board of Directors of United Bankers.

EXCLUSION CRITERIA

The fund observes the following exclusion criteria:

- ✓ Companies involved in the manufacture and sale of controversial weapons
- ✓ Companies involved in the development and production of nuclear weapons programmes
- ✓ Companies whose principal line of business is tobacco, weapons, thermal coal production, gambling or adult entertainment
- ✓ Companies deriving at least 25% of their revenue from thermal coal use in energy production
- ✓ Companies deriving at least 25% of their revenue from oil sands extraction
- ✓ Companies that violate international standards (UN Global Compact)

¹ The proportion of the fund's investments in operations that are in accordance with the EU taxonomy is reported in the fund's annual report. For an economic activity to be considered environmentally sustainable under the EU taxonomy regulation, the economic activity must contribute substantially to one or more of the environmental objectives defined in the EU taxonomy regulation and the activity must not, in addition to contributing to one or more of the environmental objectives, cause significant harm to the other environmental objectives set out in the regulation. The 'do no significant harm' principle is applied to the fund's investments as they take into account the EU criteria for environmentally sustainable economic activities.

EU indicators of adverse impacts on sustainability factors

Greenhouse gas emission and carbon footprint indicators are at the centre of the fund's operations, as UB Timberland Fund aims to mitigate climate change through sustainable timberland investments in

line with the EU taxonomy. The fund also takes into account other EU indicators of adverse impacts on sustainability factors, if they are relevant to the fund. For several other indicators, the indicators

refer to investee companies, not direct investments in forest properties. More detailed information on the indicators can be found in the fund's RTS periodic disclosure.

Indicator	Metric	Value 2023	Explanation	
TABLE 1: Disclosure of the main adverse impacts of investment decisions on sustainability factors				
Indicators related to climate and other environmental issues				
1.	Greenhouse gas emissions	Total greenhouse gas emissions	8,402 t/CO ₂ /year	
2.	Carbon footprint	Carbon footprint	8,402 t/CO ₂ /year	
3.	Greenhouse gas emission intensity of investee companies	Greenhouse gas emission intensity of investee companies	N/A	Not suitable for the fund, as the fund invests primarily directly in forest properties, not in companies
4.	Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel companies	0%	The fund invests primarily directly in forest properties, not in companies
5.	Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production by investee companies compared to renewable energy sources, expressed as a percentage of total amount of energy sources	0%	The fund invests primarily directly in forest properties, not in companies
9.	Hazardous waste and radioactive waste ratio	Hazardous waste and radioactive waste generated by investee companies in tonnes per million euros invested, expressed as a weighted average	0%	The fund invests primarily directly in forest properties, not in companies. The fund's activities do not generate significant amounts of hazardous or radioactive waste.
Indicators on social issues and employees, respect for human rights and combating corruption and bribery				
14.	Exposure to risk related to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments where the investee company is involved in the manufacture or sale of controversial weapons	0%	The fund invests primarily directly in forest properties, not in companies
TABLE 2: Additional climate and other environmental indicators				
4.	Investments in companies that do not have carbon emissions reduction initiatives	Share of investments where the target company has no carbon emission reduction initiatives that comply with the Paris Agreement	0%	The fund invests primarily directly in forest properties, not in companies. The fund aims to mitigate climate change and it seeks to engage in operations in line with the EU taxonomy by investing in the aims of the Paris Agreement.
TABLE 3: Additional indicators on social issues and employees, respect for human rights and combating corruption and bribery				
9.	Lack of a human rights policy	Share of investments where the investee does not have a human rights policy	0%	The fund invests primarily directly in forest properties, not in companies. The fund requires its partners to comply with good governance and international standards and to respect for human rights.



United Bankers

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