

UB Nordic Property Fund AIF

Responsible Investment Report 2022



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UB Nordic Property Fund in Brief

INVESTS IN PROPERTIES LOCATED IN THE NORDIC COUNTRIES

Total property value:

528 MEUR

Number of properties:

51

ACTIVE DIVERSIFICATION INTO DIFFERENT PROPERTY TYPES

Aiming for a well diversified portfolio capitalising on opportunities in market trends







PROFESSIONAL PORTFOLIO MANAGEMENT TEAM

Long experience and specific expertise in the Nordic real estate market

The team is also supported by United Bankers' fixed income and equity market strategists

GEOGRAPHICAL DIVERSIFICATION

 
51% **23%**

 
15% **11%**

ANNUAL RETURN TARGET

7-9%*

EU SFDR CLASSIFICATION: ARTICLE 8**

The fund focuses on developing existing properties

Aiming to reduce in-use energy consumption carbon neutrality by 2035



Figures 12/2022. *Fund investments always involve financial risk. The value of the investment in the fund may rise or fall, and the return target set for the fund may not be achieved. The return target is based on example calculations and does not necessarily reflect the historical or expected development of the product. Subscription or redemption fees are not taken into account in the calculation of the return target. **A fund under Article 8 of the Sustainable Finance Disclosure Regulation (EU) is a fund that, among other goals, promotes environmental or social characteristics or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.

Fund Key Figures

528 MEUR

IN REAL ESTATE ASSETS

51

PROPERTIES

260,000 m²

TOTAL FLOOR AREA

275

TENANTS

102 GWh

TOTAL ENERGY CONSUMPTION

69%

SHARE OF RENEWABLE ENERGY

9

PROPERTIES USE GREEN ELECTRICITY

7

BREEAM-CERTIFIED PROPERTIES

Figures 12/2022



Portfolio Manager Commentary

The year 2022 began in great uncertainty due to Russia's invasion of Ukraine. The war caused great human suffering and it also had a significant impact on the economy. A sharp rise in energy prices, among other things, accelerated inflation, which led to a sharp rise in interest rates during the year. However, the UB Nordic Property Fund was able to exploit the hedge real estate provides against inflation, by passing rent indexations, tied to the cost-of-living index, in full to rents, which is an indication of the moderate rent levels and solid financial standing of the tenants in the properties owned by the fund. Rising interest rates put upward pressure on yield requirements towards the end of the year, which was reflected as a negative trend in real estate valuation levels.

In the Nordic countries, the decline in property values was particularly evident in Sweden. Although a similar development was also evident in Finland and Denmark, the decline in value in these markets remained more moderate. In Norway, there was no large-scale decline in property values, due to the country's strong economy and the more moderate inflation and interest rates compared to the other countries. Despite the challenges, the fund met its return targets.

During 2022, the UB Nordic Property Fund (AIF) acquired five new properties. Three of these are in Norway, two in Denmark, and one in Sweden. The fund also sold its stake in a small logistics portfolio in Sweden, whose valuation and realised rental income no longer met the fund's yield requirements.

The fund continued to carry out energy saving projects and environmental certifications for the properties it owns. These measures resulted in four new BREEAM In-Use certificates with a rating of "Very Good". In addition, the rating of one property was raised to "Excellent". The fund also participated for the first time in the GRESB Real Estate Assessment, which is an internationally recognised sustainability reporting framework for real estate properties. The fund's first GRESB result provides a benchmark for the long-term sustainability development of the properties in the coming years.

In 2022, the fund was classified as an Article 8 investment product in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR, 2019/2088)

In 2022, the fund was classified as an Article 8 investment product in accordance with the EU's Sustainable Finance Disclosure Regulation (SFDR, 2019/2088). Article 8 funds, which are also known as "light green funds" promote sustainability factors, i.e., environmental and social objectives, among other characteristics. Following good governance practices is also part of the investment activities required by the regulation. The fund's climate target is to achieve a carbon neutral real estate portfolio by 2035, based on the in-use energy consumption of the properties. The fund's climate targets will be incorporated into a more extensive climate roadmap of United Bankers, which will be developed in 2023.

Jaakko Onali and Mikko Hentinen
Portfolio Managers
UB Nordic Property Fund

Fund Sustainability Objectives

The UB Nordic Property Fund invests primarily in Nordic real estate and real estate securities. The fund aims to invest in Nordic commercial properties as broadly as possible. The fund invests in grocery stores, offices, logistics properties, and public administration buildings. The investment objective is to generate a long-term return in line with the Nordic real estate market.

The environmental and social characteristics promoted by the fund include climate change mitigation and adaptation. The fund actively participates in the development and management of the properties it owns, for example by influencing environmentally friendly building solutions and material choices, as well as sustainable energy solutions during the life cycle of the property. In property management attention is paid to issues such as energy efficiency, the use of renewable energy, and the sustainability of the operations of property users.

The promotion of the environmental and social characteristics promoted by the fund is monitored based on the following sustainability indicators:

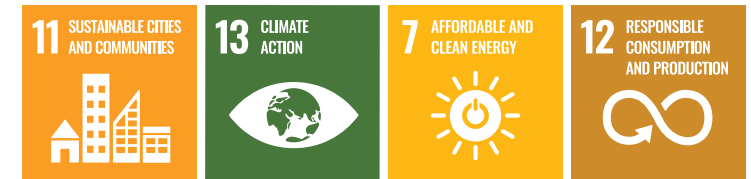
- Properties' total energy consumption
- Energy intensity describing the properties' energy efficiency
- Share of renewable energy used by properties in energy consumption
- Greenhouse gas intensity of energy used by properties

The sustainability indicators are based on consumption data collected annually from properties and used in calculations in line with international practices.

The sustainability of the fund's real estate portfolio is also assessed and verified annually in the [GRESB global real estate sustainability benchmark](#). The fund's overall score in the benchmark is used to compare the fund's responsibility with that of the other real estate funds participating in the benchmark. United Bankers' real estate funds will participate in the GRESB assessment for the second time in 2023.

The following UN Sustainable Development Goals (SDGs) are at the heart of the fund's activities:

- **SDG 11:** Sustainable Cities and Communities
- **SDG 13:** Climate Action
- **SDG 7:** Affordable and Clean Energy
- **SDG 12:** Responsible Consumption and Production



REAL ESTATE PORTFOLIO SUSTAINABILITY MANAGEMENT

Fund Sustainability Principles

The fund is managed in accordance with the Principles for Responsible Investment approved by the Board of Directors of United Bankers, which define the responsible investing policies that apply to the entire Group. United Bankers signed the UN Principles for Responsible Investment (UN PRI) in 2012. The fund's responsible investment report is produced in accordance with the PRI's guidelines on real estate investments. United Bankers participates in several collaborative engagement initiatives concerning the climate (CDP, PCAF, TCFD) and the development of sustainability in the real estate sector (GRESB, EPRA, RAKLI).

ESG PRACTICES

The fund adheres to the following principles for responsible investment:

- ✓ Exclusion of certain industries and economic activities
- ✓ Integration of sustainability factors and risks in investment decisions
- ✓ Promotion of sustainability factors through stewardship and engagement in property lifecycle management

The ESG practices are described in more detail in United Bankers' [Principles for Responsible Investment](#).

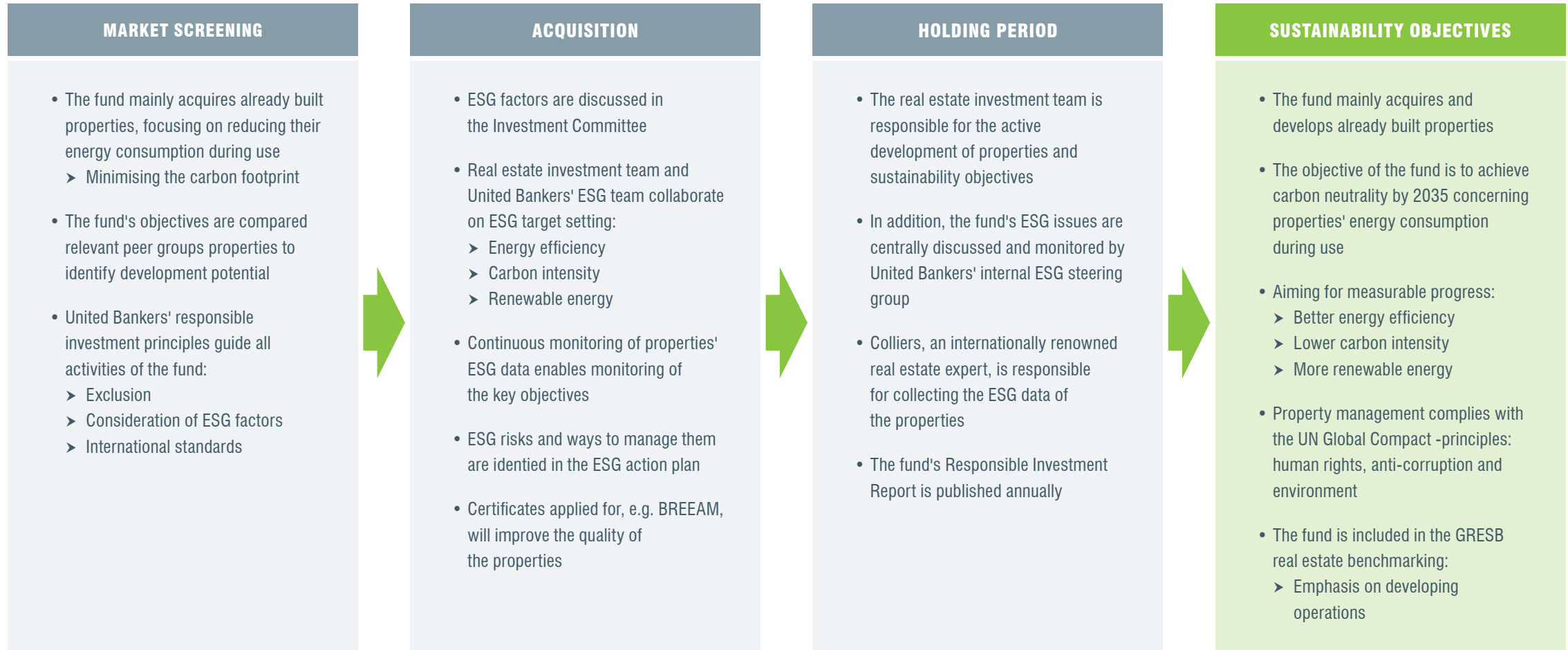
EXCLUSION CRITERIA

The fund adheres to the following exclusion criteria:

- ✓ Companies involved in the production and sale of controversial weapons
- ✓ Companies involved in the development and production of nuclear weapons programs
- ✓ Companies focused on tobacco, arms, thermal coal mining, gambling, or adult entertainment
- ✓ Companies generating >30% of their revenues from thermal coal energy production
- ✓ Companies generating >30% of their revenues from oil sands mining
- ✓ Companies violating international standards, i.e., the UN Global Compact Principles



Sustainable Development as Part of Real Estate Investment

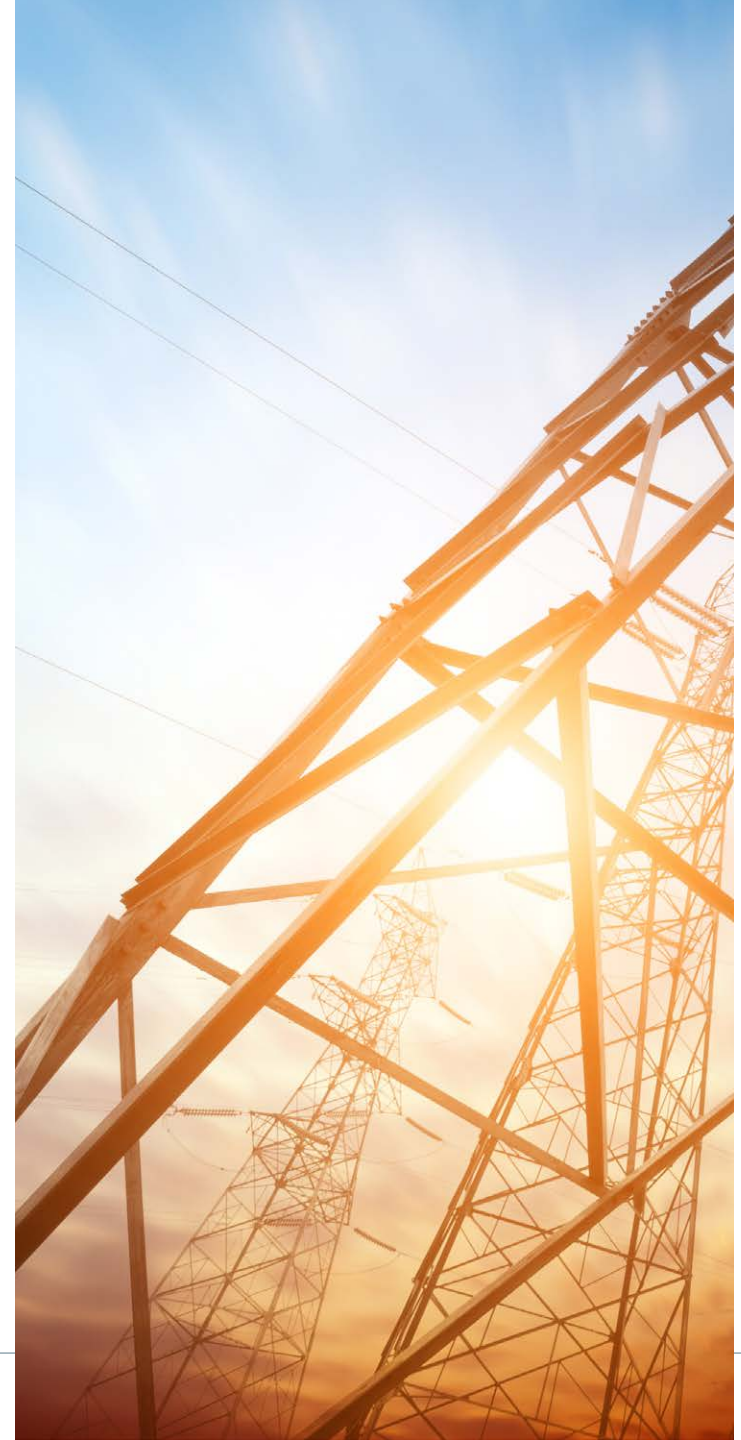


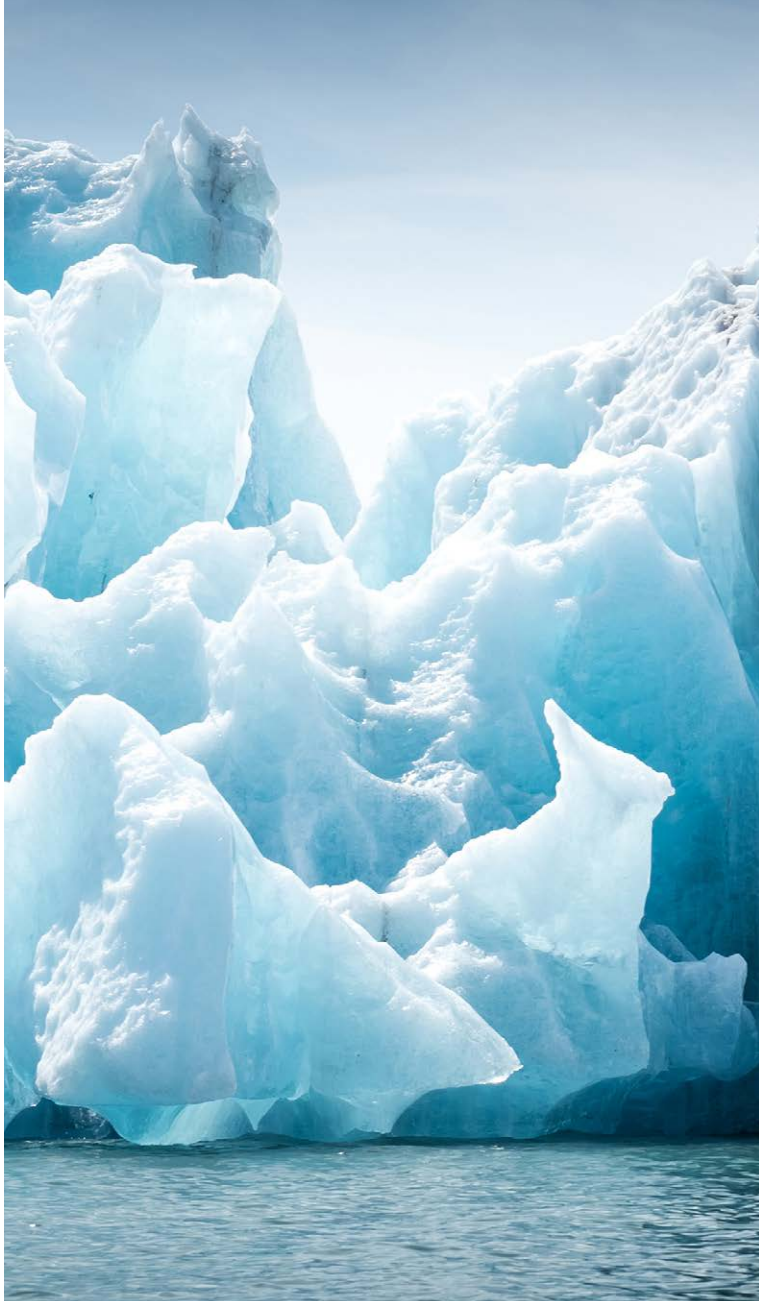
Colliers Finland – Our Partner in Real Estate Management

Colliers Finland is responsible for the day-to-day management of the properties owned by the fund. Colliers Finland is part of Colliers International Group, a world-leading professional and advisory services firm in the real estate sector. United Bankers has chosen to emphasise responsible operations and good governance in its choice of real estate manager. The cooperation enables the fund to meet the growing expectations of investors and users regarding the overall sustainability of the properties, for example in terms of environmental impacts and social factors. Colliers' extensive expertise in the real estate sector also supports the sustainability work conducted at the management level of the fund.

The fund's portfolio managers hold regular collaboration and development meetings with the real estate managers at Colliers. In real estate management, attention is paid to the following issues:

- The fund has set **an energy efficiency target** that the real estate manager is required to consider when carrying out repairs and other activities.
- Sustainable and **environmentally friendly materials and energy and water efficient solutions** must be favoured when carrying out renovations and major development projects at the fund's or its tenants' properties.
- The satisfaction of the users of properties, i.e., tenants, is a key element in real estate management. The fund strives to promote tenants' sustainability targets to the best of its abilities. Real estate managers also hold regular meetings with tenants. An extensive **tenant satisfaction survey** was sent to all tenants in February 2023 concerning the year 2022.
- All new properties comply with **building safety requirements** and a quality manual for building. Low-carbon material choices are prioritised in new construction.





REAL ESTATE PORTFOLIO SUSTAINABILITY MANAGEMENT

Identification and Management of Climate Risks

In recent years, the [Task Force on Climate-related Financial Disclosures \(TCFD\)](#) has become 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 real estate sector, climate change can have a direct impact on the value and condition of properties and on the business operations of tenants, and thus the cash flows generated by fund investments.** 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 (e.g., forest fires and floods) and chronic (e.g., rising sea levels due to melting glaciers) risks based on their respective time horizons. **Transition risks** describe the new market-based risks created by actions undertaken by people and societies towards a low-carbon economy in terms of legislation, technology, markets, and reputational damage.

The climate risk analysis of real estate investments **is so far focused on the assessment of physical climate risks**. As the fund invests in real estate in all Nordic countries apart from Iceland, the average climate risks are lower than in Central Europe and North America, for example. In terms of regional risks, some properties in coastal areas are at risk of flooding, and out of the total number of properties, one is estimated to be at medium risk of flooding. In terms of climate risks, properties are classified as low-, medium- and high-risk properties, and the aim is to maintain low climate risk levels across the portfolio. The assessment of physical risks will be further refined in the future.

[The GRESB global real estate sustainability benchmark's fund assessment](#), which includes several climate risk indicators, is also used in the assessment of real estate. The 2023 GRESB assessment contains four sections focusing on climate risks, including the identification of physical and transition risks and the assessment of the practical impacts on the real estate portfolio. United Bankers participates in the assessment.

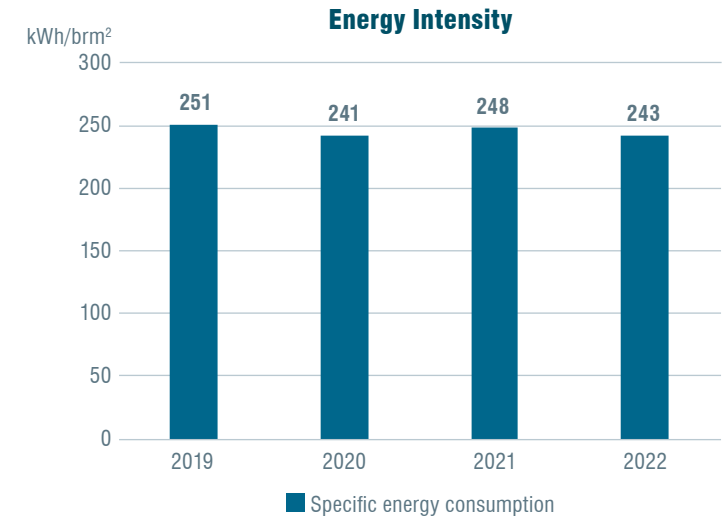
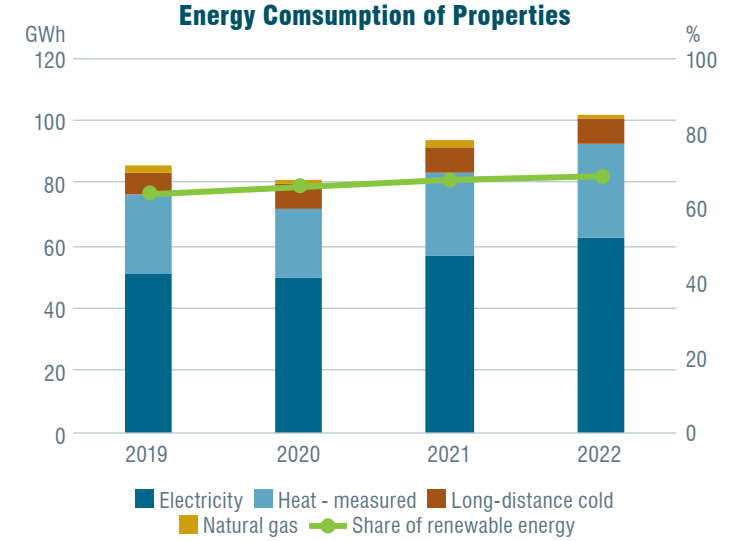
REAL ESTATE PORTFOLIO SUSTAINABILITY DEVELOPMENT

Consumption Data: Heat, Electricity and Water

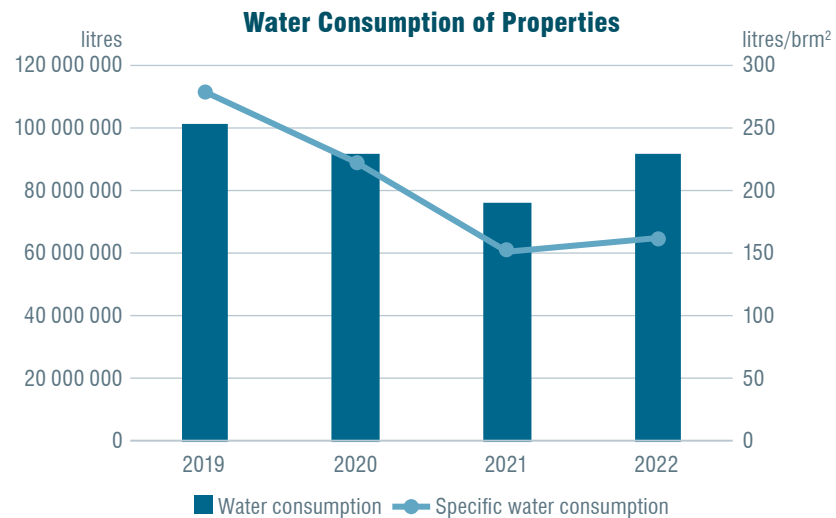
The energy consumption of buildings mainly consists of electricity, heating, and district cooling. Although the total energy consumption of the fund's properties increased slightly compared to the previous year as the number of properties increased, the energy intensity of the properties, which measures energy efficiency, continued to decline compared to the comparison years.

Most properties are heated using district heating. Two of the properties were heated with natural gas and two properties produced renewable geothermal heat. Green electricity produced from 100 per cent renewable energy sources was purchased for nine properties. **Almost 70 per cent of the total energy consumed at the properties was generated using renewable sources**, which can be considered a great milestone towards a more climate-friendly real estate portfolio. The fund aims to continuously increase the share of renewable energy by increasing the amount of renewable energy produced by the properties.

Energy efficiency surveys and improvements (including the construction of solar power plants and the modernisation of ventilation systems) are constantly being carried out at the fund's investments. If the tenant is primarily responsible for the energy costs of the property, the fund may agree on a repayment arrangement with the tenant, whereby the fund makes an energy efficiency investment on behalf of the tenant and finances the investment by charging higher rent. The arrangement benefits the tenant through reduced overall costs. **In 2019, the fund joined the [Energy Efficiency Agreement for Property Sector](#)**, which aims to improve the energy efficiency of properties by 7.5 per cent from 2015 consumption levels by 2025.



The specific consumption of **water** used in properties (162 litres per gross m²) increased slightly from a year ago (152 litres per gross m²), but **the overall trend has been downwards over the last four years**. As the fund invests in commercial rather than residential properties, the main reason for the slight increase in specific consumption of water in 2022 is likely to be the return of property users to the office after coronavirus restrictions were lifted.



CALCULATION PRINCIPLES: At the end of 2022, the fund owned 51 properties (2021: 44) Consumption data was requested for all properties, regardless of the fund's ownership share or maintenance responsibility. Final consumption data were received for a total of 39 properties (2021: 38) The consumption data are calculated on a 100 per cent basis for all properties, i.e., the figures are not set in proportion to the fund's ownership share.



REAL ESTATE PORTFOLIO SUSTAINABILITY DEVELOPMENT

Property Waste Data

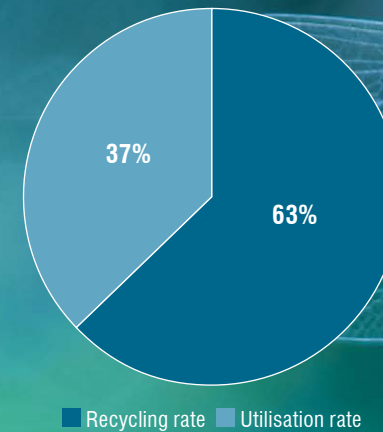
Improving waste management at the properties and increasing recycling rates are important drivers towards a sustainable circular economy. In 2022, properties owned by the fund generated a total of circa 1,360 tonnes of waste, of which 63 per cent was recycled and the rest was reused as energy. In 2022, 22 of the properties participated in the fund's waste monitoring, whereas in 2021 waste data was obtained from seven properties. The years are therefore not fully comparable due to improvements in waste data coverage.

The reported waste data are obtained from the in-house reporting systems of the waste management companies used by the properties, from the real estate managers, and directly from the waste management companies. The coverage of waste data is still low compared to other reported figures, so the aim is to improve the coverage of waste reporting, especially for properties in Sweden, Denmark, and Norway. In addition, the aim is to improve average recycling rates at the properties and to increase the number of waste fractions collected. In most properties, the tenant is responsible for the waste management contract, so active dialogue is carried out with tenants to encourage them to increase the number of fractions collected and to improve the recycling rate.

CALCULATION PRINCIPLES: The total waste figures are calculated on a 100 per cent basis for all properties, i.e., the figures are not attributed to the fund's ownership.

WASTE DATA FOR PROPERTIES	2022	2021
Total amount of waste	1 362 t	964 t
Recycling rate	63%	68%
Efficiency rate in energy production	37%	32%
Number of reported properties	22/51	7/43

Disposal of Waste



REAL ESTATE PORTFOLIO SUSTAINABILITY DEVELOPMENT

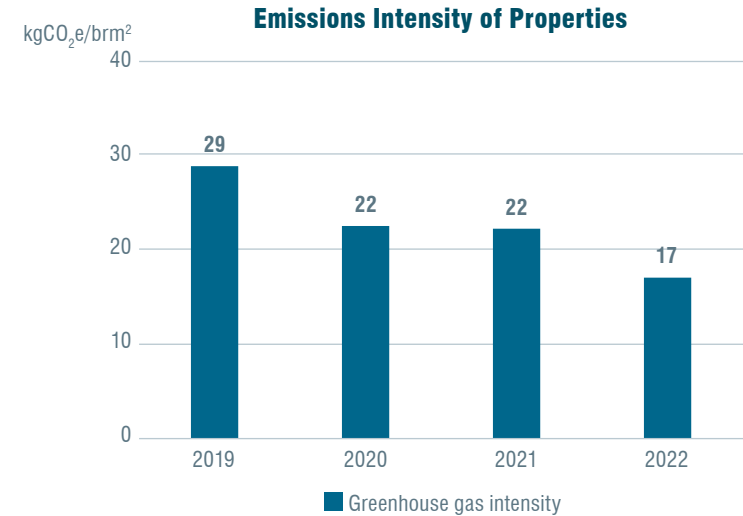
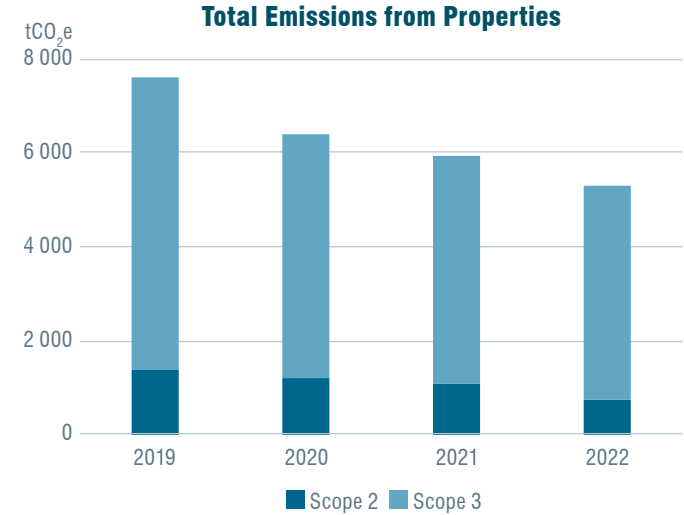
Carbon Emissions from Energy Consumption

The fund's total emissions consist of the Scope 2 emissions of gross rent properties managed by the fund (property owner is responsible for heating and purchase of electricity) and the Scope 3 emissions of net rent properties (tenant is responsible for heating and purchase of electricity). The fund's total emissions in 2022 were around 5,300 tCO₂e, which is **a reduction of approximately 10 per cent compared to 2021**.

The average greenhouse gas intensity of the fund's properties declined by just under a quarter in 2022. Although the use of renewable energy sources in the production of district heat has increased every year, district heat is still partly produced with fossil fuels. The fund is constantly working to reduce buildings' emissions from heat production, for example by promoting the transition to geothermal heating.



CALCULATION PRINCIPLES: The emission figures are calculated on a 100 per cent basis for all properties, i.e., the figures are not attributed to the fund's ownership. The calculation of carbon dioxide emissions is based on the methodology of [the Greenhouse Gas Protocol Corporate Standard](#). Scope 2 and Scope 3 emissions have been calculated by multiplying the reported energy consumption figures by the location-based average emission factors for each target country. Greenhouse gas emissions have been calculated for electricity and district heating using absolute consumption data. The sources of energy consumed in properties have been calculated for Finland according to the national residual mix for electricity maintained by the Energy Authority. District heating is calculated according to the district heating statistics compiled by Finnish Energy. For the other Nordic countries, production mix coefficients have been used to calculate the electricity consumption and Eurostat statistics have been used for heating.



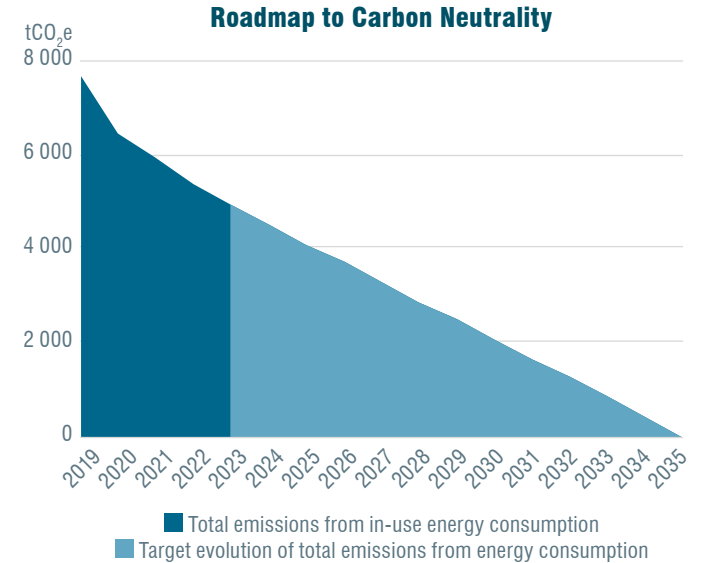
Roadmap to Carbon Neutrality

The fund aims to achieve carbon neutrality regarding the in-use energy consumption of the properties by 2035. The target that was set in 2022 will be incorporated into United Bankers' overall climate roadmap that will be constructed for the entire Group in 2023.

The carbon neutrality objective will guide the fund's activities and investment choices in the coming years. As the fund's opportunities to influence decision-making are naturally lower for minority holdings, the fund will increasingly focus on investing in majority property stakes. A substantial proportion of the fund's properties are also net rent properties, where the tenant is responsible for the purchasing of energy. In these properties, the fund aims to actively influence the tenant's energy choices and provide financial support for the necessary investments. The challenges of change management are met through active interaction carried out by both the fund and external real estate managers.

To achieve carbon neutrality, the following actions will be taken:

- Primary actions are reducing **energy consumption and improving energy efficiency** in buildings. Active property management and cooperation with tenants are key actions in terms of energy consumption, and energy efficiency measures are already surveyed during the fund's investment process.
- To minimise greenhouse gases, the energy used in properties should be as green as possible, so **the fund invests in renewable energy production by the properties and supports tenants in making the necessary investments.** The aim is to update all energy contracts to fully green. The fund's geographical diversification also makes it possible to increase the number of solar power plants, especially in properties in Denmark and southern Sweden.
- As it is not possible to eliminate all emissions stemming from the in-use energy consumption of a property by reducing consumption or switching to green energy, it is necessary for the fund to offset the remaining emissions with a reliable partner. However, the fund prioritises other actions over offsetting.



BREEAM Environmental Certifications

SITE	CERTIFICATE	LEVEL
NMK Næringsseiendom AS	BREEAM In-Use	Excellent (Part 1)
K2 Eiendom AS	BREEAM In-Use	Very Good (Part 1)
KOy Paimion Green Field 1	BREEAM In-Use	Very Good (Part 1)
KOy Vanha Kaarelantie 33 A	BREEAM In-Use	Very Good (Part 1)
ME Real Estate Ljungby AB	BREEAM In-Use	Very Good (Part 1)
Oulu Ideapark	BREEAM In-Use	Very Good (Part 1) Very Good (Part 2)
Fastena Limhamn AB	BREEAM New Construction	Very Good

Environmental certification of properties is an essential part of the fund's sustainability work. Seven of the fund's properties have BREEAM environmental certification, and the objective is to increase the number of certified properties every year. The fund aims to achieve the highest certification levels, which in the BREEAM classification are "Excellent" (highest level) and "Very Good" (second highest level). The potential for certification is assessed for each property before an investment decision is made.

[BREEAM \(Building Research Establishment Environmental Assessment Method\)](#) is an international system for the environmental classification of buildings, which assesses buildings using various environmental indicators. A BREEAM-certified property therefore meets the criteria for a responsible property, both in terms of the physical building and the management of the property. BREEAM certification is always verified by a third-party and is valid for several years.

Six of the fund's properties have BREEAM In-Use certification, which assesses the environmental impacts of the in-use performance and management of buildings in areas such as responsible sourcing, use of materials, waste recycling, energy and water efficiency, climate change mitigation, and biodiversity. The purpose of the classification is to reduce the environmental impacts of a building during its use. Certification also calls for active cooperation and communication with tenants to achieve set sustainability targets.



REAL ESTATE PORTFOLIO SUSTAINABILITY DEVELOPMENT

Oulu Ideapark Shopping Centre Was Awarded the BREEAM In-Use Certification in 2022

Oulu Ideapark shopping centre, which was acquired in 2021, is the largest single investment made by the fund. Ideapark, which is located in Kuivasranta, Oulu, has rental floor area of around 23,550 m² and almost 50 shops. From the very earliest stages of the acquisition, the fund's objective was the certification of the property, and in 2022, Oulu Ideapark achieved the BREEAM In-Use environmental certification level "Very Good". The current certificate is valid until 2025. The certification process was launched with a pre-analysis, which led to the following development measures, among others:

- Modernising the property's lighting
- Improving the monitoring of indoor air quality
- Increasing the number of electric vehicle charging points
- Conducting a tenant satisfaction survey

As part of the process, Oulu Ideapark's sustainability strategy and energy efficiency action plan were updated to comply with the sustainability principles required for certification. Colliers Finland was responsible for implementing the process from pre-analysis to audit. The development measures were also evaluated in close cooperation with the shopping centre's management, owner, and the property asset manager.

The shopping centre management, together with the property owner and Avant Capital Partners Oy, which is responsible for real estate development, are constantly looking for ways to reduce the energy consumption of the entire property. A good example of this is the replacement of all outdoor lighting with LED lights, which will reduce carbon emissions by an equivalent of the annual kilometres driven by around 50 passenger cars.



Contact Information

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Fund investments always involve financial risk. The UB funds are managed by UB Fund Management Company Ltd. Fund prospectuses and key information documents are available at www.unitedbankers.fi.