

# Responsible Investment Report 2021



**The Responsible Investment Report 2021 focuses on how United Bankers Plc has developed its responsible investment practices and general sustainability performance. Detailed information on responsible investments and their performance is disclosed in the funds' ESG reports.**

## Spotlight on sustainability

United Bankers operates responsibly with regard to the economy, the environment and society while promoting sustainability both in its own activities and investments. This Responsible Investment Report 2021 focuses on responsibility and sustainability in United Bankers' investment activities. Other aspects of corporate sustainability are addressed in the company's annual report.

**United Bankers is committed to offering its customers sustainable and profitable investment opportunities and increasing their wealth responsibly.**

At the heart of United Bankers' corporate responsibility lies a commitment to profitable business operations. This is based on sustainable principles that ensure the continuity of operations and provide sustained returns for customers. Customers' goals and needs are at the centre when United Bankers offers its products and services. This ensures that the products and services offered for customers fit their risk profile and increase their wealth as effectively as possible. United Bankers offers a wide range of funds investing in real assets that offer investment opportunities diverging from

mainstream strategies. Additionally, the offerings include investment products from select partners.

United Bankers strives to offer its customers sustainable and profitable investment opportunities and increase their wealth responsibly. The sustainable investment activities aim for maximum returns at the risk level chosen by the customer both in the short and long

term. As part of these efforts, United Bankers factors environmental, social and corporate governance aspects into investment decisions alongside financial metrics.

We clearly and openly communicate the sustainability performance of the investment products to our customers. United Bankers believes that analysing sustainability issues, along with financial metrics, contributes to a better understanding of the contemplated investment and the associated risks and opportunities.

**Sustainability is critical for companies' future success.**

**We believe that taking the sustainability aspect into account also has a positive effect on the return on the investments.**





United Bankers is a signatory of the UN Principles for Responsible Investment (UN PRI). United Bankers continuously develops its activities in accordance with these principles, and the company reports on its performance annually to the PRI organisation. Unfortunately, no global report has yet been released for 2021 as PRI has had challenges with its new IT system.



## ENCOURAGING SUSTAINABILITY

Sustainability and responsible investment lie at the heart of United Bankers' strategy. When setting strategic priorities and developing business concepts, United Bankers pays due attention to the long-term factors affecting the markets and demand. In 2021, United Bankers updated its policy for portfolio management and executive remuneration by integrating sustainability and corporate responsibility as one of the key criteria for remuneration. Future incentive rewards will, along with a range of other considerations, be determined in terms of sustainability and positive climate impact. Since the promotion of sustainability and responsible investments are of central importance to United Bankers, the relative weight of sustainability performance is significant in remuneration.

**We believe that due consideration of sustainability factors in business operations and investment activities generates substantial added value for customers.**

## RESPONSIBLE INVESTMENT

A responsible investor considers environmental, social and governance (ESG) performance when making investment decisions. A sustainable and responsible approach calls for investments that are sustainable in terms of the environment,



society and corporate governance while at the same time recognising potential sustainability risks.

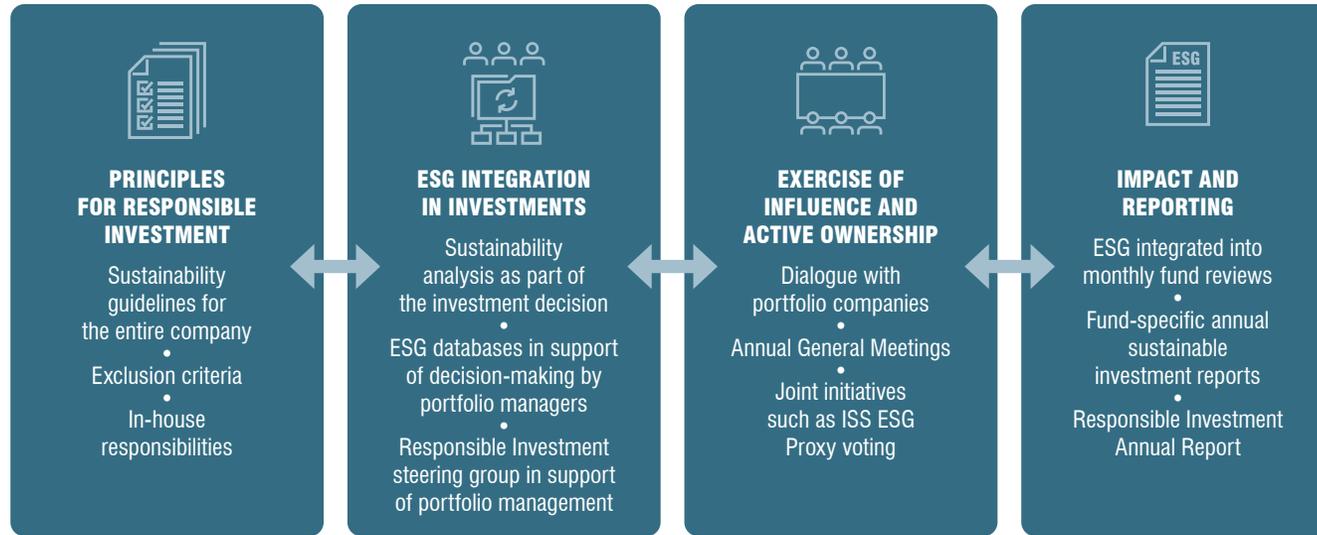
An analysis of sustainability matters, alongside financial metrics, contributes to a better understanding of the prospective investment and the risks and opportunities associated with it. It is also expected to improve the prospects for healthy returns. At United Bankers, sustainability (ESG<sup>1</sup>) is integrated into investment activities and portfolio management practices, including the design and development of products and services. Consideration of sustainability risks is also a key element in the Group's overall risk management.

## RESPONSIBLE INVESTMENT PROCESS

United Bankers became a signatory of the United Nations Principles for Responsible Investment (UN PRI) in 2012. United Bankers has integrated sustainability analysis into its investment processes, promotes sustainability goals in its capacity as an active shareholder and continuously develops sustainability reporting.

<sup>1</sup> ESG stands for Environmental, Social and Governance

**Figure 1. Responsible investment by United Bankers**



**PRINCIPLES AND ORGANISATION OF RESPONSIBLE INVESTMENT**

United Bankers' Principles of Responsible Investment govern the investment activities of the entire Group. The principles define United Bankers' approach to sustainable and responsible investment. They describe how United Bankers identifies and analyses sustainability risks and main adverse impacts and how the company takes them into account in its investments and operations. The principles for responsible investment are approved by United Bankers' Board of Directors. They were last updated in December 2021.

Responsibility for sustainability matters rests with the Director of Institutional Asset Management, who is a member of the Executive Management Team. The Responsible Investment steering group in turn is responsible for updating the principles, providing capacity building and guidance to staff in sustainability matters, and monitoring compliance with the principles. The steering group includes representatives from Portfolio Management, Compliance, Sales and Marketing. The steering group is chaired by the Sustainability Director. At the day-to-day level, responsibility for implementing the principles in practice rests with the portfolio managers. In addition to the general principles for responsible investment,

some UB funds and investment products apply stricter sustainability criteria.

**INTEGRATING SUSTAINABILITY INTO INVESTMENT DECISIONS**

At United Bankers, assessment of the sustainability of investments is integrated into the investment activities and portfolio management. Prospective investments are analysed from an environmental, social and governance perspective as part of the decision-making process. Additionally, sustainability performance is monitored over the life of the investment.

The purpose of the environmental, social and governance sustainability analysis is to identify sustainability risks that may have an impact on the investment. The assessment includes analysis of how the investment would contribute to the attainment of United Bankers' sustainability goals or those of individual funds. Steps are also taken to ensure that the investment complies with United Bankers' responsible investment principles and any fund or product-specific sustainability criteria.

**At United Bankers, responsibility and sustainability are integrated into the investment activities and portfolio management.**

In equity and fixed income investments, portfolio managers analyse and monitor corporate responsibility data available in the global ESG databases provided by Sustainalytics and Morningstar, among others. In 2021 United Bankers increased the amount of data available for analysis and monitoring. For example, portfolio managers can look up information on ESG scores, ESG risks, controversies as well as emission data. Especially when investments are made in real assets, the investment analysis includes case specific due diligence assessments, while leveraging publicly available data and databases as well as expert consultants as appropriate.



The responsible investment steering group monitors compliance with the responsible investment principles and assists portfolio managers in matters related to sustainability performance.

## EXCLUSIONS

Excluding specific activities from investments is one of the most concrete methods of responsible investment. United Bankers has excluded companies involved in the manufacture and sale of controversial weapons (landmines, cluster bombs, depleted uranium, biological and chemical weapons) and companies involved in the development and production of nuclear weapons programmes. Additionally, United Bankers has excluded companies whose main line of business is tobacco, guns, coal production, gambling or adult entertainment. All United Bankers' funds comply with these general exclusion criteria. A number of funds apply even stricter exclusion criteria.



## ACTIVE OWNERSHIP AND ENGAGEMENT

Exercise of investor influence is an important part of responsible investment. Ideally, active shareholders and investors are an asset to a company keen to develop its operations. As a shareholder and investor, United Bankers seeks to promote the sustainability of its investees by advocating responsible management of environmental, social and governance issues. The goal is to support the efforts to improve the sustainability of the investees in accordance with the principles for responsible investment and best international practices adopted in the field of activity in question.

United Bankers monitors its portfolio companies on a regular basis and seeks to influence their ways of working. United Bankers utilizes several strategies to engage and advocate for sustainability. These include the exercise of voting rights at the meetings of shareholders; direct engagement with the companies; participation in joint action by investors; stakeholder cooperation; and public debate.

**United Bankers monitors the portfolio companies on a regular basis and advocates for sustainability**

To enhance its potential to influence, United Bankers expanded its collaboration with ISS ESG, a research and consulting firm operating under the auspices of Institutional Shareholder Services Inc., adopting the proxy voting service provided by ISS ESG in spring 2021. The proxy voting service provides investors with information in support of their voting decisions at shareholders' meetings. It allows portfolio managers to vote at the general meetings of portfolio companies throughout the world. In 2021, United Bankers'

representatives participated in 82 annual general meetings of shareholders. More details on the votes are available from United Bankers.

United Bankers' fund offering focuses on funds that invest in real assets. For example, in funds investing in Finnish and other Nordic real estate

and in timberland funds. United Bankers is an active owner that promotes the sustainability of these investments together with its partners through concrete actions affecting the management and administration of the portfolio companies directly.

# Responsible investments as part of sustainable development

Responsibility is about managing risks on the one hand and promoting positive development on the other. The positive effects of investment stem from both what companies do and how responsibly they act. United Bankers' long-term goal is to reduce the negative climate impacts of its investments and increase the positive ones.

United Bankers seeks to promote the UN's Sustainable Development Goals (SDGs). The purpose of the SDGs is to

redirect global development to a path that seeks to secure welfare, human rights, economic prosperity and the stability of society in a manner that is environmentally sustainable. While the SDGs are universal, the actions to promote them may vary from country to country and sector to sector. All the SDGs are closely intertwined: no single goal can be pursued at the expense of another.



**Why are companies important?** When the UN Sustainable Development Goals and Agenda 2030 were being prepared, it became abundantly clear that the objectives could not be achieved through official development cooperation alone. According to some estimates, the cost of achieving the SDGs is USD 4,000 billion. A major percentage of this money should come from the private sector - i.e., from companies and business operations. Yet it is obvious that companies are unable to solve all the problems related to sustainable development. Attaining the Sustainable Development Goals calls for cooperation between numerous sectors, and responsible businesses have an important role to play in this.

United Bankers monitors how its investments contribute to the SDGs. Impact Cubed, United Bankers' partner in reporting on equity and fixed income funds, conducts annual analyses of how the investment funds have contributed to the SDGs. More details on the performance of individual funds is provided in the ESG report of each fund. The analysis considers all the SDGs, as multi-strategy funds in particular may contribute to several goals at the same time.

Funds investing in asset classes such as infrastructure or real estate are expected to contribute to objectives specifically related to these sectors.

**United Bankers' long-term goal is to reduce the negative climate impacts of its investments and increase the positive ones.**



**The real estate funds** focus on the SDGs most relevant to the sector. Key sustainability objectives for these funds include:

- Goal 11: Sustainable cities and communities
- Goal 13: Climate action
- Goal 7: Affordable and clean energy

Progress towards these targets is assessed by monitoring, inter alia, the energy efficiency and consumption of buildings, the share of renewable energy in the energy consumed and the recycling of wastes generated by real estate properties.

**For timberland funds**, the key SDGs are:

- Goal 13: Climate action
- Goal 15: Life on land
- Goal 9: Industry, innovation and infrastructure

Progress in attaining these goals is monitored by means of indicators such as carbon sequestration by forests and the carbon balance of forestry activities.

For more information on the impacts of different investments, see the reports on specific funds.



# Protecting biodiversity is part of responsible forest management

Protecting biodiversity is an important part of United Bankers' sustainability efforts. United Bankers' timberland funds give due consideration to biodiversity conservation in practical forest management.

United Bankers' timberland funds have set long-term goals to enhance biodiversity by increasing the share of deciduous trees in the fund-owned forests in Finland to 20% and favouring continuous cover forestry on lush peatlands. By increasing the share of deciduous trees, it is possible to enhance biodiversity, while at the same time increasing the wood production capacity of forests and improving climate resilience. Continuous cover forestry too has a positive impact on biodiversity. Moreover, it improves the water balance of peatlands, reducing leaching into the environment and increasing the total carbon balance of forests.

In 2021, United Bankers' timberland funds established four new private nature conservation areas with a total area of 572 hectares. Two were established under the METSO-conservation

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programme and one site was chosen using the scientific selection criteria applied in the programme. Based on these criteria, only sites that represent special natural features are eligible. Additionally, one conservation area was established in the context of the Helmi action programme and the Natura 2000 framework. The areas protected in 2021 contain different types of old forests important in terms of natural conservation as well as rare and endangered species. More information on the protected areas is provided in the reports on timberland funds.

METSO and Helmi are voluntary forest protection and restoration programmes intended for Finnish forest owners. Voluntary protection safeguards forest habitats that are representative in terms of tree structure and species diversity. The programmes help protect and manage natural forest assets while at the same time contributing to biodiversity. The programme, which combines forest conservation and commercial use, aims to halt the degradation of forest biotypes and species as well as consolidate the favourable trend in biodiversity conservation.

Additionally, the timberland funds comply with the principles of economically, socially and ecologically sustainable forest management. Sustainable forest management is ensured through certification, which is also profitable for investors because of the demand for certified wood and its higher price. Two major international certification schemes are in place: FSC® and PEFC™. FSC is a system used by environmental and conservation organisations. PEFC, in turn, 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 slightly more emphasis on the environment and its protection. Currently approx. 85% of forests in Finland are PEFC-certified and less than 10% are FSC-certified. United Bankers' timberland funds aim to have all forest holdings in Finland, totalling 115,496 hectares, both PEFC and FSC-certified. Currently, 99% of the forest estates owned by United Bankers' timberland funds are PEFC-certified and 76% FSC-certified.

**United Bankers' timberland funds aim to have all forest holdings in Finland, totalling 115,496 hectares, both PEFC and FSC-certified.**



# Climate change – risks and opportunities

Climate change is one of the most pressing issues of our time, with short and long-term effects on our operating environment. Studies show that climate change will affect different countries and regions differently, and it is likely that climate change will also affect returns on investments. However, these projections are still riddled with uncertainty.

United Bankers wants to be an active player in mitigating climate change. It seeks to reduce the climate impacts of its investments through long-term action. As part of this effort, United Bankers offers its customers the opportunity to invest in timberland funds that mitigate climate change. In 2021, the impact of United Bankers' timberland funds in terms of contributing to carbon sequestration and reducing carbon emissions was equivalent to the average annual carbon footprint of 36,800 people living in Finland (10.3 tCO<sub>2</sub> per capita on average). More details on timberland funds and carbon sequestration is provided in the relevant reports.



Additionally, United Bankers is active in assessing the possible risks and impacts of climate change. In spring 2021, United Bankers declared that it would report on the climate risks of its investment activities according to the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). The TCFD is an expert working group set up by the G20 Financial Stability Board to develop voluntary guidelines for climate risk reporting by businesses

and investors. The recommendations help companies manage and anticipate the physical and financial risks posed by climate change by means of corporate governance, strategy, risk management, indicators and targets. At the same time, the recommendations encourage companies to assess and report extensively on the climate risks associated with their activities.

## HEALTHY FORESTS MITIGATE CLIMATE CHANGE

Through United Bankers' timberland funds, it is possible to invest directly in climate change mitigation, as forests absorb carbon from the atmosphere and serve as so-called carbon sinks.

United Bankers carries out regular carbon balance and carbon stock calculations on its timberland funds. They are based on the FSC and PEFC-certified forest management practices. The calculations show that the volume of timber will grow in all the stands owned by United Bankers' timberland funds over the next 50 years, while forests continue to absorb carbon dioxide from the atmosphere.

The 2021 carbon accounting calculations show that forests have acted as carbon sinks. Taking into account carbon sequestration by the soil, forest growth and logging volumes, the forest carbon balance in 2021 was about 243,000 tCO<sub>2</sub>. When the carbon stored in wood products and emissions from felling, transport and forest management activities are factored in, the total annual carbon impact was about 378,800 tCO<sub>2</sub>.

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## Energy-efficient and user-friendly real estate properties

In the real estate sector, important sustainability issues currently include energy efficiency and the reduction of negative climate impacts, as well as the sustainability performance of supply chains. Social responsibility is primarily reflected in the selection of partners and lessees, including the consideration of their wishes. Transparency is an important element of sound corporate governance.

From an environmental perspective, the main focus for United Bankers' real estate funds is to reduce the carbon footprint of buildings over their entire lifecycle and increase the carbon handprint, i.e., the positive environmental impact.

Investments in energy efficiency and increasing the use of renewable energy by portfolio properties are among the most significant environmental actions taken by United Bankers' real estate funds in recent years. Another objective is to select materials with low emissions and long service life. When new investment decisions are made, steps are also taken to explore the potential for environmental certification. A low-emission certified building is both cost-effective and user-friendly due to lower energy costs.

United Bankers' real estate funds monitor indicators such as the energy consumption and carbon footprint of the proper-

ties and the share of renewable energy of total consumption as well as the sustainability of the operations of the lessees. The data collected can be used to set new targets and monitor the progress made in attaining the goals. Customer satisfaction is based on proper maintenance, security and the ability to listen to lessees. The properties are managed by third-party managers who are responsible for the day-to-day operation of the buildings. Sustainability issues are regularly discussed with managers in order to improve the sustainability of properties.

**A low-emission certified building is both cost-effective and user-friendly due to lower energy costs.**



## A wider selection of bonds

At United Bankers, sustainability is also a growing theme in bond investments. In 2021, United Bankers issued six sustainability-oriented structured bonds with returns linked to ESG indexes.

The ESG indexes underlying these bonds include companies with a good level of sustainability performance. Each index has its own specific ESG criteria. As a rule, ESG indexes focus on companies' ESG risk management and exclude certain industries. These ESG index-linked bonds represent more than a quarter of the structured investment bonds issued by United Bankers in 2021.

**In 2021, United Bankers issued six sustainability-oriented structured bonds with returns linked to ESG indexes.**

In addition, two bonds were issued under the issuer's Sustainable & Positive Impact Bond framework. This means that the issuer uses the proceeds from the investment for projects that have a positive environmental or social impact. In these, special efforts are made to promote climate change mitigation and other UN Sustainable Development Goals.

According to the Sustainable & Positive Impact Bond framework, the money raised by these bonds will be invested in renewable energy, sustainable construction, low-carbon transport and traffic, water and wastewater treatment, pollution prevention and management, as well as the circular economy. Where possible, these investments will comply with the environmental sustainability criteria of the EU taxonomy<sup>2</sup>. Additionally, money will be invested in areas that

promote social development, such as investments that support the activities and employment of small and medium-sized enterprises, social sustainability, housing, education and health.

The feedback received and experiences gained by United Bankers from sustainability-oriented bonds have been positive. This theme will continue to be pursued in the coming years as sustainable and responsible investment gains more ground.

<sup>2</sup> According to the issuer's definition: The eligibility criteria of green categories are intended to comply with the recommendation of the TEG technical report on the EU classification system for environmentally sustainable economic activities Taxonomy (the "EU Taxonomy").

# Memberships and commitments

United Bankers participates in the promotion of responsible investment both in Finland and internationally through various organisations and initiatives:

## **UN Principles for Responsible Investment (PRI)**

United Bankers signed the United Nations Principles for Responsible Investment in 2012. The company is committed to taking environmental, social and corporate governance factors into account in its investment activities and reports annually to the PRI on its performance in this respect.

## **FINSIF**

The association promotes responsible investment in Finland by providing a networking platform and a forum for the exchange of information. Established in 2010, Finsif currently has over 80 member organisations.

## **European Public Real Estate Association (EPRA)**

Founded in 1999, EPRA is an advocacy organisation for listed European real estate companies.

EPRA supports the transition to a sustainable built environment by promoting sustainable development reporting and identifying opportunities for EPRA members related to sustainable development regulations and initiatives at the European level.

## **Global Listed Infrastructure Organisation (GLIO)**

GLIO, established in 2015, represents infrastructure companies and funds that invest in infrastructure. As part of its efforts, the organisation has been active in promoting greater transparency and information on sustainability issues at listed infrastructure companies. GLIO has also partnered with GRESB (Global ESG Benchmark for Real Assets) to build the first ESG-filtered index of listed infrastructure companies.

## **CDP (formerly Carbon Disclosure Project)**

Since 2020, United Bankers has been involved in the CDP's Climate Campaign, which calls on financial companies to align their emissions reduction efforts with the 1.5°C target defined in the Paris Climate Agreement. CDP encourages

1600 companies to set their emission reduction targets to conform to the Science Based Targets (SBT) initiative to ensure that they comply with industry standards and are independently verifiable. To be adopted, companies' objectives must be in line with the 1.5 degree target as of July 2022. The initiative has been signed by 220 financial firms with assets under management exceeding the entire gross domestic product of the US, China or the EU.

## **Montréal Carbon Pledge**

PRI launched the Montréal Carbon Pledge initiative at its annual conference in Quebec in September 2014. The participants signing the initiative committed to measuring and reporting the carbon footprint of their investment portfolios. United Bankers has supported the initiative since 2020.

## **METSO – Forest Biodiversity Programme for Southern Finland 2014-2025**

Protecting biodiversity is an important part of United Bankers' sustainability efforts. United Bankers' timberland funds participate in the Ministry of Agriculture and Forestry's METSO programme. The programme, which combines for-

est conservation and commercial use, aims to halt the decline of forest biotypes and species as well as consolidate the favourable trend in biodiversity preservation. Based on voluntary participation by forest owners, the METSO programme employs a range of permanent and temporary measures. Only sites that represent special natural assets are eligible for the programme. Voluntary protection safeguards forest habitats that are representative in terms of types of trees and variety of species.

## **Task Force for Climate-related Financial Disclosures (TCFD)**

The TCFD is an expert working group set up by the G20 Financial Stability Board that has developed voluntary guidelines for climate risk reporting by businesses and investors, among others. The recommendations cover climate change issues from the standpoint of corporate governance, strategy, risk management, indicators and targets. In spring 2021, United Bankers committed to comply with the TCFD's climate reporting recommendations and will start reporting as of 2022.



# Partners in sustainability

United Bankers engages in cooperation with several partners in valuing and reporting forest holdings. Carbon balance and carbon stock calculation are carried out together with AFRY Management Consulting Oy. AFRY's carbon accounting is a comprehensive and analytical way to assess annual trends in carbon stocks in the value chain from forest to wood products. The calculation takes into account carbon flows in biomass, soil and wood-based products, operational emissions in the wood supply chain as well as the substitution effect in end products.

Colliers Finland Oy is United Bankers' partner in the sustainability efforts of alternative investment funds investing in real estate properties. Colliers is an international professional services and investment management company providing advice to property holders, owners and investors. The company seeks to accelerate the transformation towards a

sustainably built environment by finding solutions that contribute to a healthy, comfortable and safe built environment, maximising the potential of properties throughout the life of real estate investments.

To monitor and report on the sustainability performance of its listed funds, United Bankers draws upon the services of Morningstar and its subsidiary Sustainalytics.

Sustainalytics is a leading, independent global operator providing ESG and management research services and investment risk ratings. Another partner in sustainability reporting since spring 2020 is Impact-Cubed, which offers services for assessing the impact of funds as well

as tools for this purpose. Impact-Cubed carries out impact assessments on all United Bankers' equity, fixed income and multi-strategy funds. The factors used in impact assessment are based on the UN Sustainable Development Goals.

**Investors are able to track how their investments in United Bankers funds contribute to Sustainable Development Goals.**





# United Bankers' timberland funds

**At the end of 2021, United Bankers had four timberland funds, two of which are private equity funds and two AIF funds.**

In forestry, the main sustainability factors include nature management of commercial forests, water protection and the protection and promotion of biodiversity in both commercial and natural forests. United Bankers' timberland funds want to lead the way in sustainable forest management.



United Bankers' timberland funds aim to have all forest holdings in Finland, totalling 115,496 hectares, both PEFC™- and FSC®-certified. Outside Finland, a total of 16,057 hectares of United Bankers' forest holdings have been PEFC and/or FSC-certified in accordance with host country practices. At present, 99% of the estates owned by United Bankers' timberland funds are PEFC-certified and 76% FSC-certified. Certification is a way of demonstrating that forest management is economically, socially and ecologically sustainable. To ensure ecological sustainability, forest management action is designed and implemented with due regard to environmental assets. In logging, this means that permanent retention trees are left on the felling site, including any dead or decaying trees. Where possible, logging residues are left in fund-owned forests to increase carbon sinks and provide nutrients for new growth.

Certification is a tool for sustainable forestry, as 5% of all FSC-certified forests owned by United Bankers are under strict protection and 5% are designated as special logging areas. Forests are also burnt over in accordance with FSC certification requirements to increase biodiversity by providing habitats for organisms that thrive in burnt forests. Moreover, burning increases the amount of nutrients in the forests, which contributes to tree growth and carbon sequestration. Sustainable forestry is a necessary precondition for access to the timber market. It also gives added predictability and contributes to the acceptability of commercial use of forests.



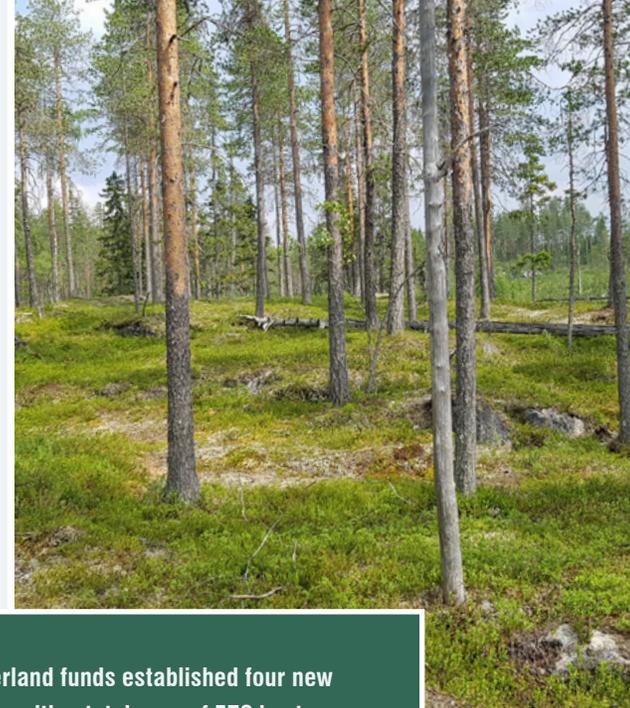
During the past year, the United Bankers' timberland funds established four new private conservation areas, covering a total area of 572 hectares. Two areas were established under the METSO-conservation programme and one site was chosen using the scientific selection criteria applied in the METSO programme. Additionally, one conservation area was established under the Helmi action programme and the Natura 2000 project. METSO and Helmi are voluntary forest protection and restoration programmes intended for Finnish forest owners.

\*Two major international certification schemes are in place: FSC and PEFC. FSC is a system used by environmental and conservation organisations. PEFC, in turn, 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 slightly more emphasis on the environment and its protection. Of Finland's forests, some 85% are PEFC-certified and less than 10% FSC-certified.



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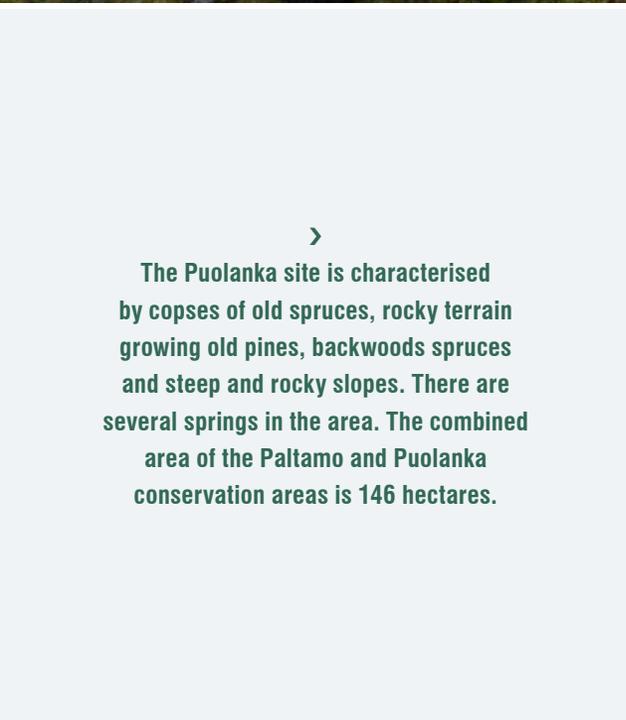
In the Teerivaara old-growth forest in Paltamo, a large number of rare aphyllophorales have been found, and there are many endangered species living in the standing dead pine trees in the area.



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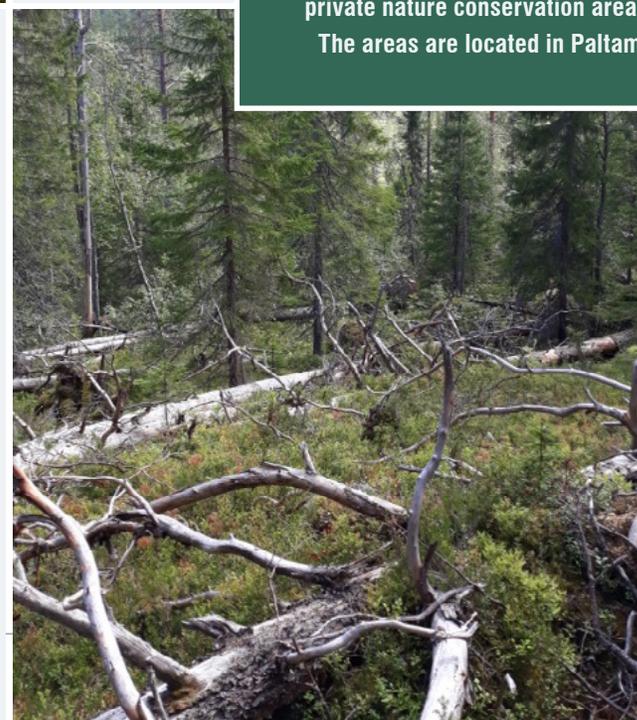
The 106-hectare Korkealouhi-Katajavaara protection area, established on Tipasoja in Sotkamo, Kainuu, is important for nature conservation because of its rocky terrain featuring old dense-grained and dead pines. A special feature of the terrain is the deep, narrow gorge of Korkealouhi, to the north of the area. There are several ponds in the area with beautiful untouched shores. Other characteristic features include steep slopes, sparsely wooded bogs and riparian forests.

In 2021, United Bankers' timberland funds established four new private nature conservation areas with a total area of 572 hectares. The areas are located in Paltamo, Puolanka, Perho and Sotkamo.



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The Puolanka site is characterised by copses of old spruces, rocky terrain growing old pines, backwoods spruces and steep and rocky slopes. There are several springs in the area. The combined area of the Paltamo and Puolanka conservation areas is 146 hectares.



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The Perho conservation area with an area of 320 hectares is an extension to the Salamajärvi national park protecting the natural assets around the area. The moors to the south of the area are old pine-dominated mixed woodlands with no signs of logging. It is an important calving and wintering area for the Finnish forest reindeer.



United Bankers' timberland funds have set long-term goals to double the total share of deciduous trees in the fund-owned forests in Finland to 20% and to promote continuous cover forestry on lush peatlands. By increasing the percentage of deciduous trees, it is possible to increase biodiversity, while at the same time increasing the wood production capacity of forests and improving climate resilience. Continuous cover forestry also has a positive impact on biodiversity. Moreover, it improves the water balance of peatlands, reducing leaching into the environment and increasing the total carbon balance of forests.

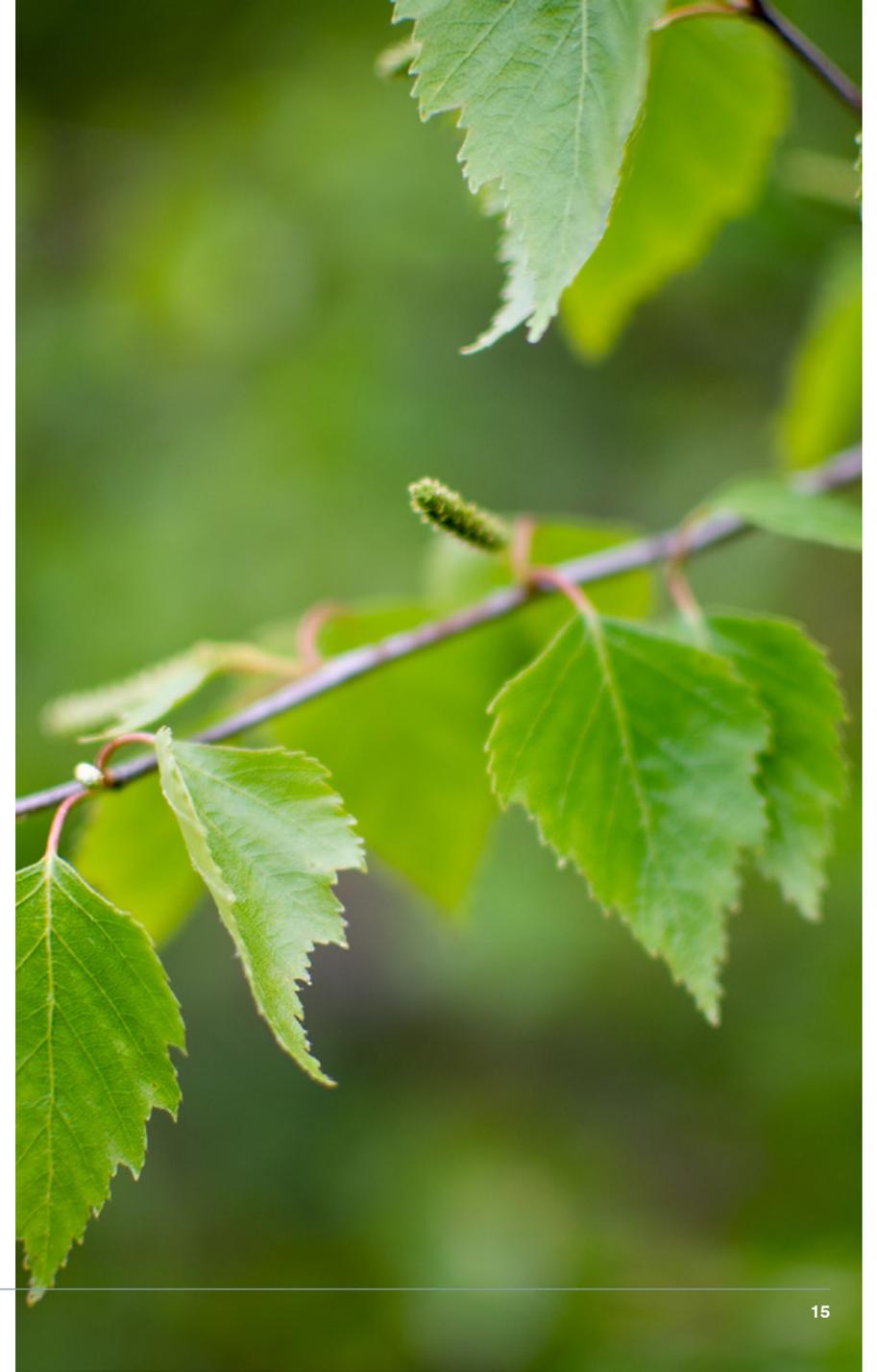
United Bankers also sponsors the Finnish Forestry Foundation through voluntary sales promotion fees. The Finnish Forestry Foundation provides funding for communications promoting the interests of forest owners, the forest industry and other groups that earn their living from forestry.

**By increasing the percentage of deciduous trees, it is possible to increase biodiversity, while at the same time increasing the wood production capacity of forests and improving climate resilience.**

The Foundation seeks to create favourable conditions for forestry and forest-based industries, increase the use of wood and wood-based products, and to fund social and economic research in the sector.

The foundation engages in close cooperation with its stakeholders, such as hunting clubs and forest contractors. The funds give due consideration to contractors by avoiding actions that could complicate their business or operations. Additionally, timberland funds have signed several land leases for wind power development. All prospective partners are carefully vetted before cooperation is commenced.

The sustainability of operations is assessed annually when certificates are audited. The FSC-audit of one of the UB timberland funds carried out in 2021 revealed no non-conformances.



## CLIMATE IMPACT OF TIMBERLAND FUNDS

AFRY Management Consulting Oy was commissioned by United Bankers to carry out carbon stock and carbon balance calculations for United Bankers' timberland funds. The calculations describe the carbon balance in 2021, with due regard to the annual growth of the tree stands, the logging and forest management measures carried out during the year, as well as emissions from logging, transport and manufacturing. Additionally, the report provided a specific description of the estimated substitution effects of the end products. The input data for the calculations consisted of the forest reserves held by United Bankers' timberland funds at the beginning of 2021 and the logging and forest management operations carried out.

The 2021 findings show that the forests owned by United Bankers' timberland funds serve as an important carbon pool; the carbon stock of forest assets owned at the beginning of 2021 totalled around 90.5 million tCO<sub>2</sub> at the end of the year. Of this, about 15% was bound in tree biomass and 85% in the soil. The results show that the forests also served as carbon sinks; when carbon sequestration by the soil, forest growth and logging volumes are taken into account, the forest carbon balance in 2021 was about 243,000 tCO<sub>2</sub>. When the carbon stored in wood products and emissions from felling, transport and forest management activities are factored in, the total annual carbon impact was about 378,800 tCO<sub>2</sub>. This is equivalent to the average annual carbon footprint of 36,800 people living in Finland (average 10.3 tCO<sub>2</sub> per capita).

The substitution effects of manufactured products were also assessed in the calculations. Substitution effects illustrate 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

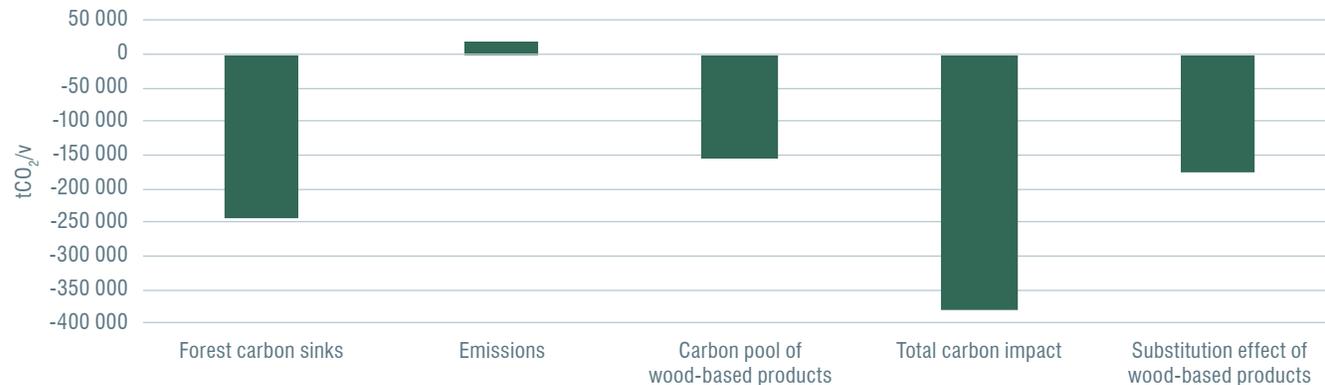
calculated substitution effect of the carbon stocks represented by the forests owned by United Bankers' timberland funds in 2021 was about 173,800 tCO<sub>2</sub>. As the method differs from forest carbon balance accounting, the substitution effect is presented here separately and is not included in the total carbon impact.

The 2021 findings show that the forests owned by United Bankers' timberland funds serve as important carbon stocks.



### Annual climate impact of UB's timberland funds in 2021:

A positive value reflects an increase in the amount of carbon dioxide in the atmosphere and a negative value reflects a decrease





## United Bankers Plc

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The UB funds are managed by UB Asset Management Ltd.