

UB Timberland Fund AIF

Responsible Investment Report 2022



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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 Asset Management 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 elements of sustainability 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 at effective management of 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

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

based 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 sustainably 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 sustainable allowable cut 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	72,276
Ha change compared to previous year, %	22.7
FSC-certified, % of properties	84
PEFC-certified, % of properties	100
Protected forest, ha	5,762.4
Private conservation areas, ha	474
Implementation of the first nature restoration pilot project in 2022	
Forest carbon storage, MtCO ₂	61.4
Annual carbon sink, tCO ₂ /ha/year	2.1
Carbon sink in 2022 approx. 124,824 tCO ₂ (carbon balance including soil carbon sequestration, forest growth and actual logging)	



Fund Manager's comment

Timberland investors benefited from the good risk-return ratio and inflation protection offered by timberland investments also in the challenging conditions of 2022. In the long term, however, 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.

During 2022, the fund's sustainability work continued with solid measures, both in forest management and in the development of the fund's reporting. During 2022, the fund was classified as a sustainable investment product (Article 9 of the SFDR) and its investments meet the criteria of the EU taxonomy on climate change mitigation and sustainable forestry. The fund will continue to report annually in accordance with the reporting obligations of the EU's Sustainable Finance Disclosure Regulation (SFDR). Among other things, the fund will report regularly on the development of the carbon balance and carbon sink of the fund's forests.

The main focus of the fund is sustainable forestry, which contributes to climate change mitigation. The fund's operations also take into account the 'do no significant harm' principle, which aims to ensure that forest management causes no harm to biodiversity or ecosystems, pollution prevention, the transition to a circular economy, water and marine areas or adaptation to climate change. The fund also requires its investees and partners to comply with good governance and to respect human rights.

In 2022, the fund continued to take solid measures towards achieving its sustainability goals. During the year, a significant share of the fund's forest assets were added to FSC certification, and today 100 per cent of forest properties are PEFC-certified and 84 per cent FSC-certified. FSC certification means that around 1,000 hectares of the fund's forest assets are now under strict protection. As compensation, the fund receives an additional EUR 1 per cubic metre for all FSC wood sold. In 2022, the fund continued its active work to protect biodiversity. As part of this work, the fund established one new private conservation area. The conservation area is part of a regionally valuable aapa mire complex with significant natural assets related to peatland habitat types and birdlife. The area contains, among other things, a Sphagnum fuscum bog and spruce-pine mire, which are nationally classified as nationally endangered natural habitats.

Kari Kangas

Fund Manager

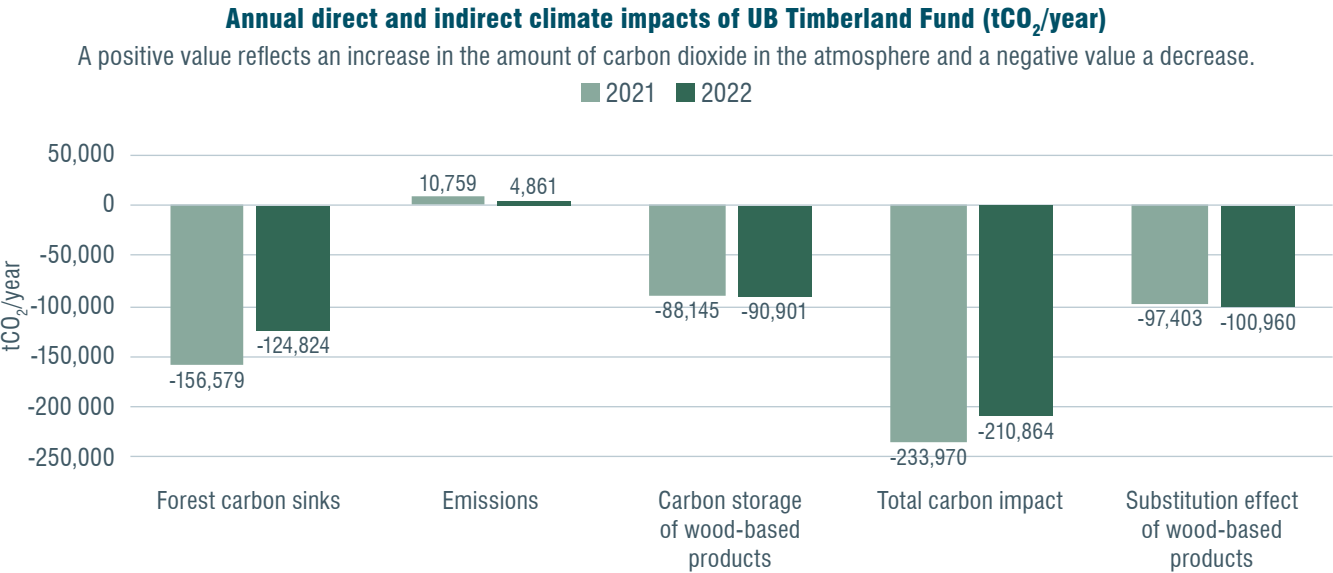
UB Timberland Fund

Fund's forests are a significant 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.

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 2022, and on logging and forest management measures carried out. More detailed information on the calculation methods is available on [the fund's website](#).





	2021	2022
Forest carbon storage contains carbon stored in trees and forest soil	54.4 MtCO ₂ including a total of 55,187 hectares of forest land in Finland.	61.4 MtCO ₂ including a total of 69,754 hectares of forest land in Finland.
Average annual forest carbon sink after annual logging Includes carbon sinks of both tree stocks and soil.	2.9 tCO ₂ /ha/year	2.1 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.	4.2 tCO ₂ /ha/year	3.6 tCO ₂ /ha/year
Carbon footprint (scope 1-3) carbon emissions	10,759 t/CO ₂ /year	4,861 t/CO ₂ /year
Carbon intensity amount of carbon emissions in relation to turnover	647 t/CO ₂ e/MEUR turnover	153 t/CO ₂ e/MEUR turnover

The results for 2022 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 2022 totalled around 61.4 million tCO₂ (2021: 54.4 million tCO₂) at the end of the year. Of this, about 13 per cent was bound in the biomass of the growing stock and the rest in the soil. The results show that the forests also acted as carbon sinks. When carbon sequestration by the soil, forest growth and logging volumes are taken into account, the forest carbon balance in 2022 was about 124,824 tCO₂ (2021: 156,580 tCO₂). In addition, the total annual carbon impact of carbon stored in wood products and the emissions from logging, transport and forest management was about 210,864 tCO₂ (2021: 233,970 tCO₂). This is equivalent to the average annual carbon footprint of around 20,500 people living in Finland (average 10.3 tCO₂ per capita, Sitra).

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 2022 was about 100,879 tCO₂ (2021; 97,403 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.



Forest certification demonstrates sustainable forest management

All the forest properties owned by the UB Timberland Fund, totalling 72,276 hectares, are PEFC™-certified. Additionally, some 84 per cent 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 2022, the fund was audited by the FSC. The audit did not reveal any non-conformities. At the beginning of the monitoring period in 2017, the trunk volume of the tree stock was 688,917 cubic metres. At the end of 2022, the trunk volume of FSC-certified forest land was 4,756,607 cubic metres.

*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. Around 90% of Finland's forests are PEFC-certified and 10% are FSC-certified.

Biodiversity is part of productive forest management

Safeguarding 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. Also prescribed burning is used in accordance with FSC certification requirements to increase biodiversity by providing habitats for organisms that thrive in burnt forests. Burning also increases the amount of nutrients in the forest, contributing to tree growth and carbon sequestration from the atmosphere.

The UB Timberland Fund has also 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 per cent, 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. This means the water balance of peatlands is also better controlled, which reduces leaching into the environment and increases the total carbon balance of forests.

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 with special biodiversity values. In 2022, the fund established one new private conservation area. The conservation area is part of a regionally valuable aapa mire complex with significant natural assets related to peatland habitat types and birdlife. The area contains, among other things, a Sphagnum fuscum bog and spruce-pine mire, which are nationally classified as nationally endangered natural habitats. The fund completed major conservation projects in 2021. It reached an agreement with the Kainuu Centre for Economic Development, Transport and the Environment (ELY Centre) to establish private nature conservation areas in the Teerivaara-Niittysuo area in Paltamo and the Taapuri area in Puolanka. The Puolanka site is characterised by of copses of old spruces in mesic heath forests, old pine woods in rocky terrain, old spruces trees in spruce bogs, and steep and rocky slopes. There are several springs in the area. The total extension of the conservation areas is 146 hectares. In the Teerivaara old-growth forest area there is a large number of rare aphyllophorales and the dry-standing pine trees in the area are home to many endangered species. 320 hectares were protected in Perho. The area complements and preserves the conservation values of the Salamajärvi National Park. The heathland in the southern part of the area is pine-dominated mixed woodland that is over 150 years old, with no signs of logging. It is an important calving and wintering area for the wild forest reindeer in the Suomenselkä area.

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	Salamajärvi National Park natural forest area adjacent to the national park
North Savo	4.7	2019	Mixed riverside forest
	2,644.0		FSC sites under strict protection
	2,644.0		FSC sites with special management methods
Total	5,762.4		

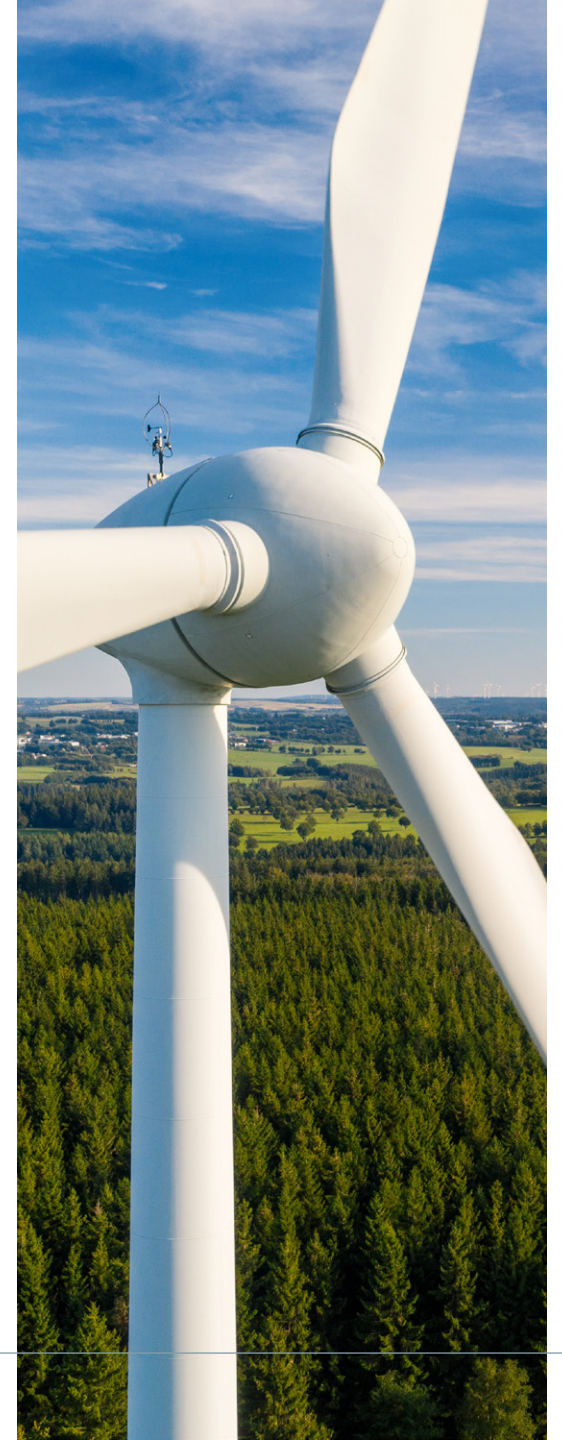
A growing share of deciduous trees and carefully selected continuous cover growth promote biodiversity in commercial forests



Social aspect of forests

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





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.

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 sector, 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 (e.g. wildfires and floods) and chronic (e.g. sea level rise due to melting glaciers) risks 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 sustaina-

bility and climate risks for timberland investments are wind and snow damage and potentially increasing insect damage. In 2022, the total amount of logging caused by wind and storm damage was 1,816 cubic metres. This represents 1.4 per cent of the total logging for that year.

The assessment and management of physical climate risks is being constantly 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 climate- and non-climate related forest damage and related sustainability risks. 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	153
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 carbon sinks. The use of wood from the fund's forests can also be used to replace fossil fuels and fossil-intensive materials, and this way 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 follows 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 estates 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 EU Taxonomy aligned sustainability goals including and carbon sinks and carbon sequestration are monitored through regular carbon balance accounting.

The fund's strategy supports climate change mitigation and promotes several UN Sustainable Development Goals (SDGs), 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
- ✓ Integration of sustainability factors into 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 follows 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 30% of their revenue from thermal coal use in energy production
- ✓ Companies deriving at least 30% 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 the goal of UB Timberland fund is 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, according to their suitability 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 2022	Explanation
1.	Greenhouse gas emissions	Total greenhouse gas emissions	4,861 t/CO ₂ /year	
2.	Carbon footprint	Carbon footprint	4,861 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.
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 Indicators applicable to investments in investee companies				
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 Indicators applicable to investments in investee companies				
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.



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