



## Sustainability-related disclosures

### UB Nordic Forest Fund II

#### a) Summary

SFDR classification\*: Article 9, sustainable investment objective. The fund makes EU taxonomy aligned sustainable investments.

The Fund invests in timberland and endeavours to mitigate climate change. Forests remove carbon from the atmosphere by binding it into tree growth and forest soil. When the forest fellings fall short of the forest growth, forests function as so-called carbon sinks. Furthermore, the use of the timber grown in the forests of the Fund can partially replace fossil fuels and fossil-intensive materials and facilitate transition to circular economy.

Sustainable forestry is an effective solution for the removal of already released carbon from the atmosphere and a vital means of attaining the goals set in the Paris Agreement. The fund adheres to FSC® (FSC C109750) ja PEFC™ certifications and other industry best practices in sustainable forest management. The goal is to ensure the wellbeing of forests and profitable forest management also in long term. All forest properties in Finland are certified to both FSC and PEFC -certifications. Forests in other countries are certified in either FSC or PEFC, or both.

The attainment of the EU taxonomy aligned sustainable investment objectives and carbon removals is monitored regularly with carbon balance accounting. The results are communicated in fund's reporting.

The analysis of sustainability risks and sustainability of the investments is carried out by the portfolio managers specialized in forestry, with the support of United Bankers ESG team. Due diligence reports, subject matter experts and geospatial information is used in the analysis and monitoring of the fund. The fund adheres to the United Bankers principles of responsible investment, including general exclusion criteria. In case the assessment reveals a considerable sustainability risk that cannot be resolved, the investment will not be made.

The sustainability aspects of the fund, environmental and social characteristics, and sustainability risks, as well as the proportion of EU taxonomy aligned sustainable investments are reported periodically. The fund has no benchmark index.

\*Pursuant to EU's Sustainable Finance Disclosure Regulation 2019/2088 (SFDR), United Bankers' funds have been classified into three categories in terms of sustainability factors: mainstream Article 6 funds consider sustainability risks in their activities, Article 8 funds promote environmental and social characteristics alongside other characteristics. Furthermore, some of these funds are committed to having a portion of their investments in sustainable investments. The investment objective of Article 9 funds is sustainable investments.

#### b) No significant harm to the sustainable investment objective

The "Do No Significant Harm" -principles are considered in the forestry operations of the Fund, endeavouring to ensure that forestry does not cause significant harm to biodiversity and ecosystems, pollution prevention, transitioning to the circular economy, water and sea areas or climate change adaptation.

The Fund complies with all applicable forestry- and environmental legislation. In addition, the Fund adheres to the principles of sustainable forestry and all of the Fund's forest properties located in Finland are to be certified through the FSC and PEFC sustainable forest management certificates. The objective of the certifications is to guarantee the environmental and social soundness of the forest management practices, inter alia, to secure biodiversity. For example in FSC certification, 5 % of the forest area is excluded from economic use to support biodiversity values.

- The principal adverse impacts on sustainability factors are analysed in connection with sustainability risks and as part of due diligence processes prior to making investment decisions, monitored during the investment period, and reported upon in the fund's periodic reports. United Bankers' approach to analysing principal adverse impacts is risk-based and is based on principal adverse impact indicator data available in ESG databases or data collected from the prospective investments. In case of listed funds or assets, principal adverse impact indicator data provided by Sustainalytics & Morningstar is used. In case of non-listed assets and timberland assets, the fund seeks to collect relevant data during due diligence of each investment. In case of timberland assets consideration of principal adverse impacts is subject to data availability and the suitability of the indicators, as the indicators are designed for investments made into companies and are thus by nature not compatible with real property timberland investments. The following indicators are considered:

**Table 1 Indicators applicable to investments in investee companies**

1. GHG emissions
2. Carbon footprint
3. GHG intensity of investee companies
4. Exposure to companies active in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity per high impact climate sector
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste and radioactive waste ratio
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

**Table 2 Indicators applicable to investments in investee companies**

14. Natural species and protected areas

**Table 3 Indicators applicable to investments in investee companies**

9. Lack of human rights policy

- Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, is analysed as part of due diligence processes prior to making investment decisions, monitored during the investment period, and reported upon in the fund's periodic reports. In case of listed assets, the analysis, monitoring, and reporting is based on ESG data provided by Sustainalytics & Morningstar (Global Standards Screening). In case of non-listed assets and real property timberland investments, the assessment is based on information collected during the due diligence. The fund does not invest in investment objects that breach the abovementioned norms and conventions. In case norm breach or a high risk of

breach occurs during the investment period, the fund seeks to engage with the investee to remedy the situation within a reasonable timeframe, or if not possible, exits the investment.

### **c) Sustainable investment objective of the financial product**

The Fund makes sustainable investments. The objective of the fund is to mitigate climate change through sustainable forestry. Additionally, the timber produced in the Fund's forests can also facilitate transition to a circular economy.

The Fund invests in timberland and endeavours through its timberland investments to absorb carbon dioxide from the atmosphere into tree growth, as well as in sustainable timber products. Furthermore, the use of the timber grown in the forests of the Fund can partially replace fossil fuels and fossil-intensive materials. The objective is to manage the forests as carbon sinks over long term. Sustainable forestry is an effective solution for the removal of carbon from the atmosphere and a vital means for attaining the goals set in the Paris Agreement. The forest management practices of the fund are designed based on 30 year GHG and carbon balance models to ensure carbon capture beyond conventional forest management practices.

The Fund strategy supports climate change mitigation and promotes several of the UN sustainable development goals, particularly goal 13: Climate action, goal 15: Life on land and goal 9: Industry, innovation and infrastructure. In addition the fund may develop and zone forest properties, utilise the soil materials of the forest properties, as well as their potential recreational values.

### **d) Investment strategy**

The assets of the UB Nordic Forest Fund II are invested directly or indirectly primarily in forest properties located in Finland. The primary means for generating returns is the sales of timber from the forest properties being invested in. For this reason, the investment activities focus on properties with potential for value appreciation as a result of tree growth and positive climate impact, as well as steady cash flow from the felling income. The Fund may also invest in units of jointly owned forests, other timberland funds as well as securities of forest companies, or otherwise indirectly in forest properties. Revenue may additionally be generated through developing and zoning forest properties as well as by utilising the soil materials and potential recreational values. For further information concerning the investment strategy, please refer to: [UB Nordic Forest Fund](#)

EU taxonomy alignment of the forest management practices is the core of the investment strategy. The fund carries out forest management activities, or invests in forest management, in line with the criteria set out in EU Taxonomy Climate Change Mitigation for Forest Management.

The fund does not invest in objects that are in the United Bankers' exclusion list (Exclusion list available on the page [Responsible investing](#)).

Good governance practices are assessed in line with United Bankers' principles for responsible investment. Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, as well as their underlying conventions and declarations is analysed as part of due diligence processes prior to making investment decisions, monitored during the investment period, and reported upon in the fund's periodic reports. The analysis, monitoring and reporting is based on ESG data provided by Sustainalytics & Morningstar (Global Standards Screening), and on information gathered directly from the investment. The fund does not invest in investment objects that breach the abovementioned norms and conventions. In case norm breach or a high risk of breach occurs during the

investment period, the fund seeks to engage with the investment object to remedy the situation within a reasonable timeframe, or if not possible, exits the investment.

#### **e) Proportion of investments**

99% of the investments are sustainable forest investments that meet the EU taxonomy criteria for forest management. Majority of the assets of the Fund are invested directly or indirectly primarily in forest properties located in Finland. In addition, the fund may invest in sustainable forestry through investments to other timberland funds.

The Fund may also invest in units of jointly owned forests, other timberland funds as well as securities of forest companies, or otherwise indirectly in forest properties. Revenue may be generated through developing and zoning forest properties as well as by utilising the soil materials and potential recreational values. These activities account for 1% of the investments of the fund under normal market conditions, and these investments may not necessarily meet the EU Taxonomy sustainability criteria.

#### **f) Monitoring of sustainable investment objective**

The attainment of the Fund's sustainability goals is monitored through regular carbon balance accounting, and the results are included in the Fund's reporting. The forest management practices of the fund are designed based on 30 year GHG and carbon balance models to ensure carbon capture beyond conventional forest management practices.

The GHG balance calculation, modelling and reporting are conducted in accordance with best international practices that are constantly evolving. The Fund reports annually, inter alia, the size of the Fund's carbon sink, the surface area of FSC and PEFC-certified forests, and areas excluded from economic use, the areas set-aside for different types of forest conservation, and various biodiversity indicators.

#### **g) Methodologies**

The attainment of the sustainable investment objective of the fund is monitored by following the development of carbon sink and sustainable forestry indicators. The indicators that are being monitored are the annual carbon balance and carbon sink of the forests, the results of long-term carbon modelling, areas of FSC and PEFC certified forests, areas of protected forests and biodiversity indicators.

Carbon balance modelling is used to ensure that the long term GHG removals generated by the fund are greater than those generated by business-as-usual forest management practices. The forest certifications ensure that the forest management practices are environmentally, socially, and economically sound. United Bankers monitors and reports the sustainability indicators regularly.

#### **h) Data sources and processing**

The analysis, monitoring and reporting of environmental and social characteristics relies primarily on forest resource data and data collected from the sites. The forest carbon accounting methodology follows the good practices in estimating forest carbon emissions and removals which currently rely heavily on the IPCC Guidelines for National GHG Accounting (2006, and Refinement from 2019). Modelling of the biomass and soil carbon stock growth meets the general requirements of the highest level of accuracy (Tier 3). Similarly, the emissions along the supply chain are estimated in general according to the IPCC practice of combining activity data with relevant emission factors (IPCC, 2006). Models used for standing stock analysis and growth

modelling are based on published peer-reviewed scientific articles and the latest national forest inventory (NFI) results. Further information regarding the methodologies available from United Bankers upon request.

In addition, the fund uses Sustainalytics and Morningstar ESG-databases and information the Carbon Disclosure Project publishes on climate targets and GHG emissions. In addition, other sources of information deemed of good quality by united bankers may ne used.

The data is processed carefully by United Bankers and the relevant ESG-service providers. To ensure good data quality, global and reputable ESG-databases and analysis methods are used. Some data contained in these databases is based on information reported by the investment objects, and some is based on estimated made by the ESG-data providers. The share of data that is based on estimates depends on the ESG database in question.

#### **i) Limitations to methodologies and data**

The methodologies and data sources for carbon balance modelling of forests are constantly evolving. The fund seeks to follow the best international practices. It is possible to evaluate the attainment of environmental and social objectives only based on available information and using currently available methodologies. The updates of baseline information and development of analysis methods can both affect the analysis and reporting. The reporting intends to transparently describe the data coverage, data sources and methodologies the reporting and monitoring is based on.

#### **j) Due diligence**

The investment objects of the fund are diligently analyzed prior to investment decision (a due diligence process). In this process the risks and opportunities are analyzed from the sustainability factors and sustainability risks perspective. Regarding sustainability factors the due diligence process typically includes the analysis of how the alignment of the potential investment with the United Bankers Principles of Responsible investment, the investment strategy and goals of the fund, sustainability risks, principal adverse impacts on sustainability factors, climate aspects of the investments, alignment with EU taxonomy, good governance, and international norms. The due diligence process is carried out according to United Bankers due diligence guidelines.

#### **k) Engagement policies**

The fund engages with the investment objects as an active owner inter alia by planning the forest management activities at the forest properties. In addition, the fund participates in the general stewardship and engagement activities according to their relevance to the fund portfolio. These include among others the Carbon Disclosure Project (CDP) -campaign, through which United Bankers for example encourages companies to increase transparency and reporting on their climate impact and set ambitious SBTi climate targets.

Further information on stewardship and engagement activities: [Responsible investing](#)

#### **l) Attainment of the sustainable investment objective**

The objective of the fund is to mitigate climate change by binding carbon dioxide from the atmosphere into the forests of the fund. Thus, the primary focus is greenhouse gas removals. For this reason, the fund has no benchmark index, and no EU Climate Transition Benchmark or EU Paris-aligned Benchmark as defined in in Article 3, points (23a) and (23b), of Regulation (EU) 2016/1011. The alignment of the fund with the goals of the Paris Agreement is ensured by

making sustainable investments that meet the EU taxonomy criteria for forest management and climate change mitigation.