



ESG and Sustainability at United Bankers

Seela Sinisalo, Head of ESG, United Bankers

May 11, 2023

Key components of ESG and corporate responsibility

WE DRIVE TRANSITION TO A SUSTAINABLE ECONOMY AND INCREASE OUR CLIENTS' WEALTH SUSTAINABLY

- Sustainability targets beyond Net Zero
- International best practices and initiatives in responsible investing: UN PRI (2012), UNGP, CDP, Montréal Pledge, TCFD, SBTi, GRESB

WE PROVIDE MEANINGFUL WORK AND INSPIRING OPPORTUNITIES

- Inspired and talented workforce
- Policy and processes for diversity and inclusion

WE ARE TRANSPARENT AND ACCOUNTABLE FOR OUR ACTIONS

- Sustainability reporting based on Global Reporting Initiative (GRI) since 2022
- Sustainability fully integrated into corporate strategy, remuneration, and risk management

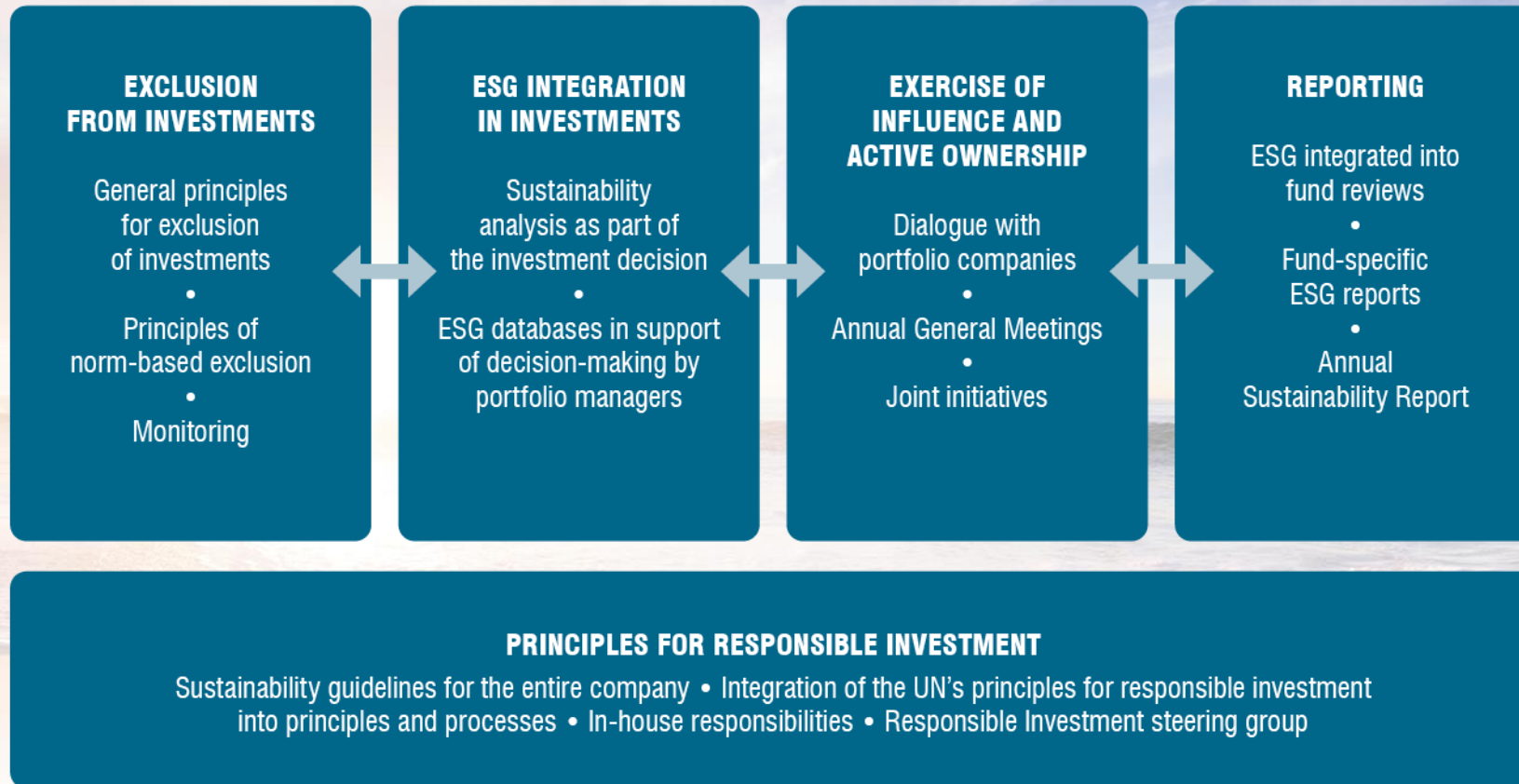
BIODIVERSITY

HUMAN RIGHTS

CLIMATE



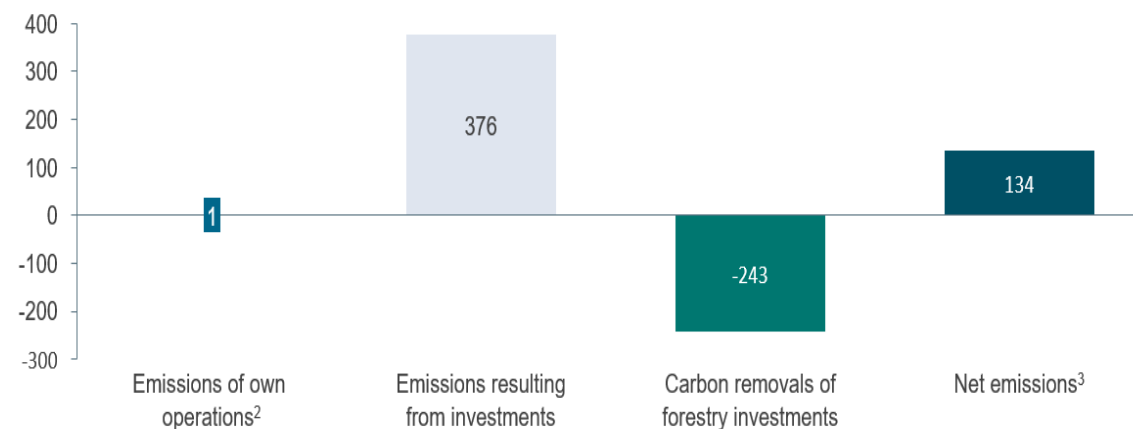
Four pillars of responsible investment in practice



UB's climate work centers around carbon neutrality

- Majority of Uniter Bankers' carbon footprint originates from our investment products
- Forestry investments include significant carbon removals
- 2022 baseline calculations based on PCAF
- 2023 creation of United Bankers' Climate Roadmap, incl.
 - Commitment to SBTi
 - Short term and long-term targets
 - Targets and action plan for Scope 1 and Scope 2 emissions
 - Targets and action plans for different product types

UNITED BANKERS' CARBON EMISSIONS AND CARBON REMOVALS IN FORESTRY INVESTMENTS (2021)



United Bankers' portfolio does not only cause released GHG emissions but also contributes to emissions removals through forestry investments. This is crucial when aiming for a net zero portfolio.

A net zero portfolio is reached when anthropogenic emissions in the atmosphere resulting from the investment activities are balanced by an equal amount of anthropogenic removals that are contributed by the investments ³Financial institutions are allowed to separately report net numbers that display the difference between total portfolio-related emissions and emissions removals. However, this number should not be disclosed without data on its components and the focus of GHG disclosures should be on the financed emissions instead of removals.

Climate change – ESG risks and opportunities in infrastructure



CLIMATE RISKS according to TCFD

PHYSICAL RISKS

related to the physical impacts of climate change

- Acute
- Chronic

TRANSITION RISKS

related to the global transition to a low-carbon economy

- Policy and legal
- Technology
- Market
- Reputation

Climate change – ESG risks and opportunities in infrastructure



CLIMATE IMPACT

CLIMATE CHANGE MITIGATION

Actions that reduce the rate of climate change

- GHE emissions reduction
- GHG emissions removal from the atmosphere
- Goal is the de-carbonization of real economy

CLIMATE CHANGE ADAPTATION

The process of adjustment to actual or expected climate and its effects

- Infrastructure is key for societal climate resilience

Investor's climate targets

- Net zero or carbon neutral investment portfolio
- Tools:
 - Exclusion
 - Divestment
 - Engagement and support to investees in decarbonization
 - Re-orientation of focus
 - Investment in emissions removals
 - Investment in low-carbon activities
 - ESG-integration
 - Impact investment

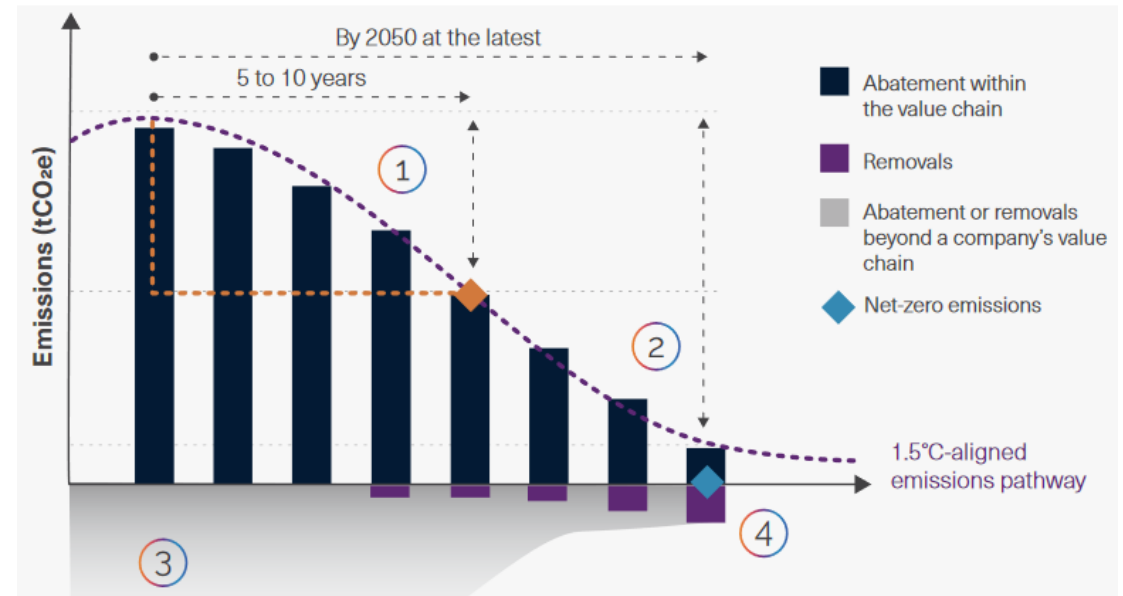
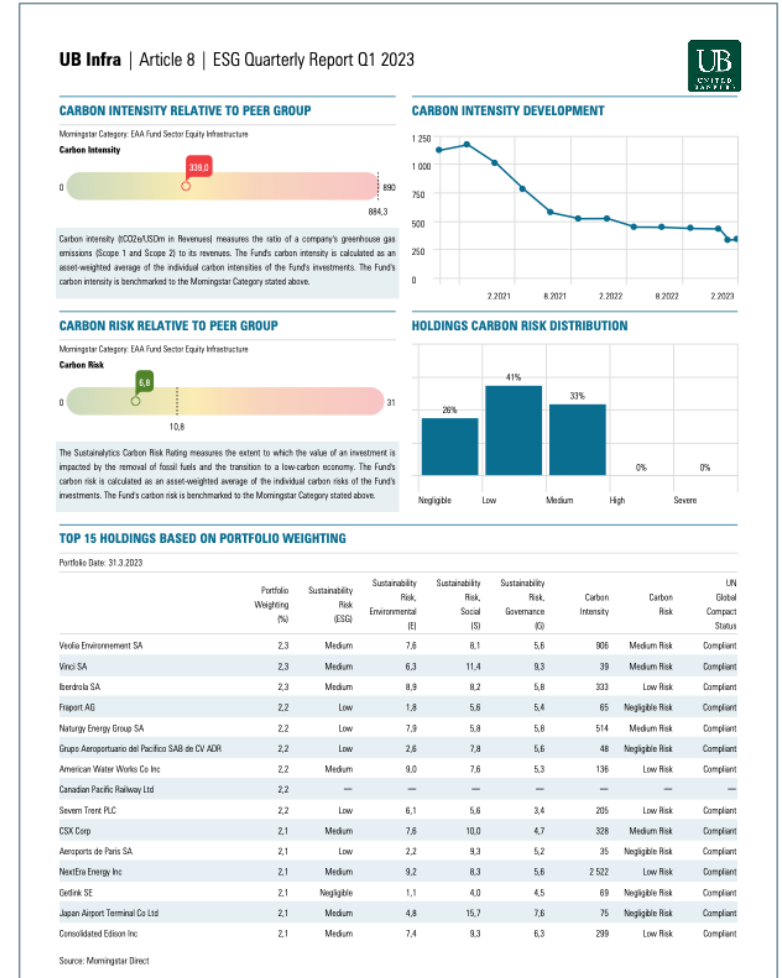
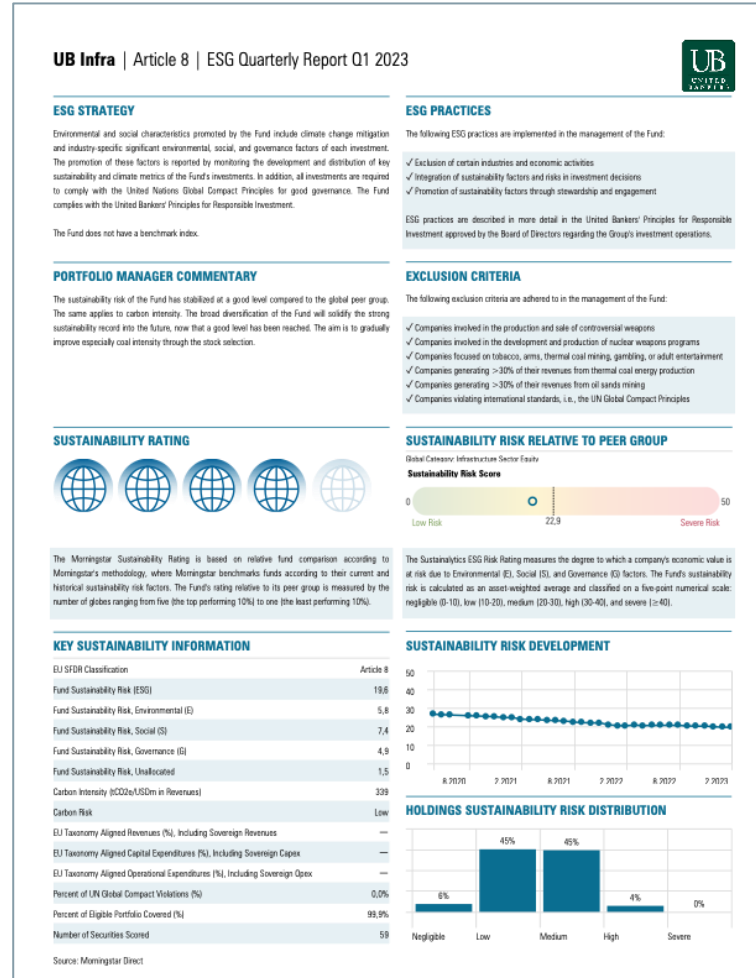


Image: SBTi

Especially in infrastructure investment the **climate change adaptation perspective** should be remembered. We all need functioning infrastructure also in changing conditions.

New ESG reports launched Q1 2023

- New comprehensive quarterly ESG reporting for UB daily-valued funds
- Available on the website of each fund
- Includes basic ESG information of the fund and the main ESG indicators:
 - ESG risk
 - Carbon risk
 - Carbon intensity
 - PAI-indicators
 - Global Compact compliance status
 - SDG contribution
 - Sustainability rating
 - Etc.

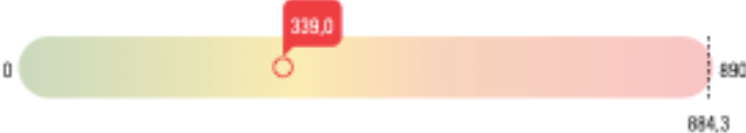


Current climate indicators in UB's funds

CARBON INTENSITY RELATIVE TO PEER GROUP

Morningstar Category: EAA Fund Sector Equity Infrastructure

Carbon Intensity



Carbon intensity (tCO2e/USDm in Revenues) measures the ratio of a company's greenhouse gas emissions (Scope 1 and Scope 2) to its revenues. The Fund's carbon intensity is calculated as an asset-weighted average of the individual carbon intensities of the Fund's investments. The Fund's carbon intensity is benchmarked to the Morningstar Category stated above.

CARBON RISK RELATIVE TO PEER GROUP

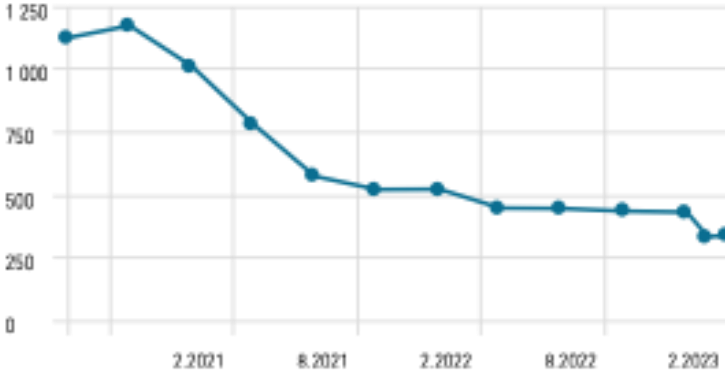
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Carbon Risk

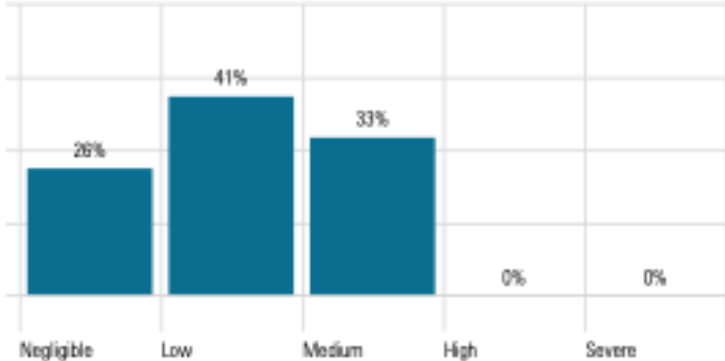


The Sustainalytics Carbon Risk Rating measures the extent to which the value of an investment is impacted by the removal of fossil fuels and the transition to a low-carbon economy. The Fund's carbon risk is calculated as an asset-weighted average of the individual carbon risks of the Fund's investments. The Fund's carbon risk is benchmarked to the Morningstar Category stated above.

CARBON INTENSITY DEVELOPMENT



HOLDINGS CARBON RISK DISTRIBUTION



ESG PRACTICES

The following ESG practices are implemented in the management of the Fund:

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

ESG practices are described in more detail in the United Bankers' Principles for Responsible Investment approved by the Board of Directors regarding the Group's investment operations.

EXCLUSION CRITERIA

The following exclusion criteria are adhered to in the management of the Fund:

- ✓ 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

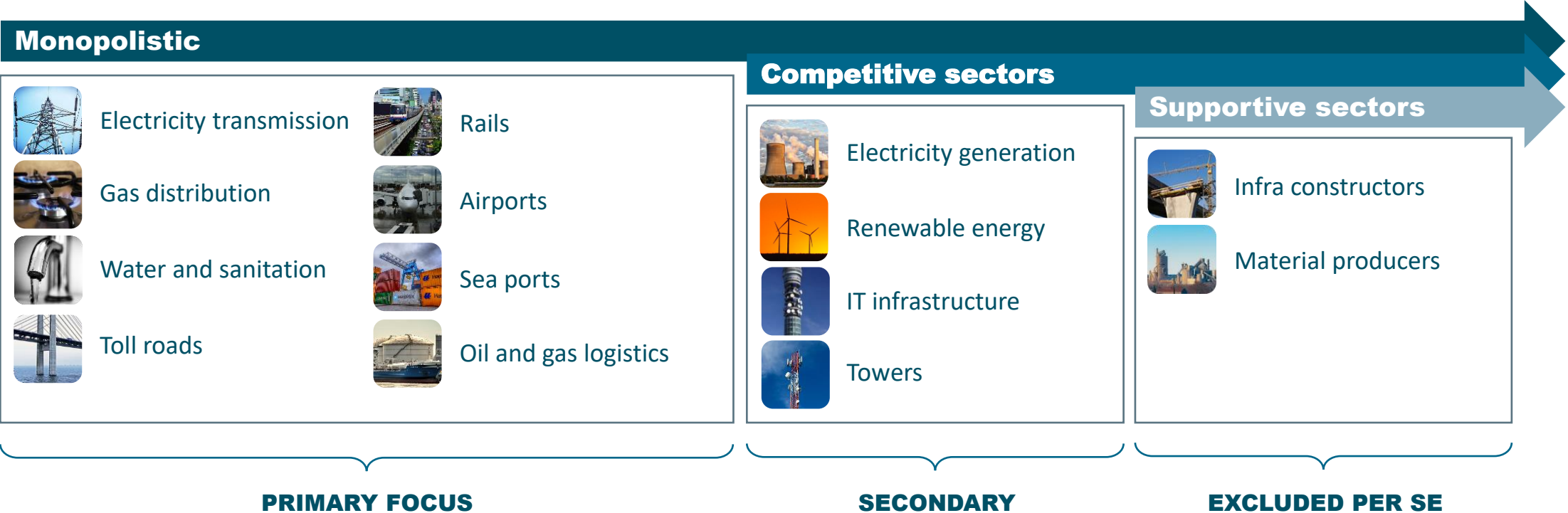
Restructure your infrastructure portfolio to achieve a lower carbon footprint

Pekka Niemelä, Portfolio Manager, United Bankers

May 11, 2023

Listed infrastructure companies – our focus

Primary focus on monopolistic infrastructure companies



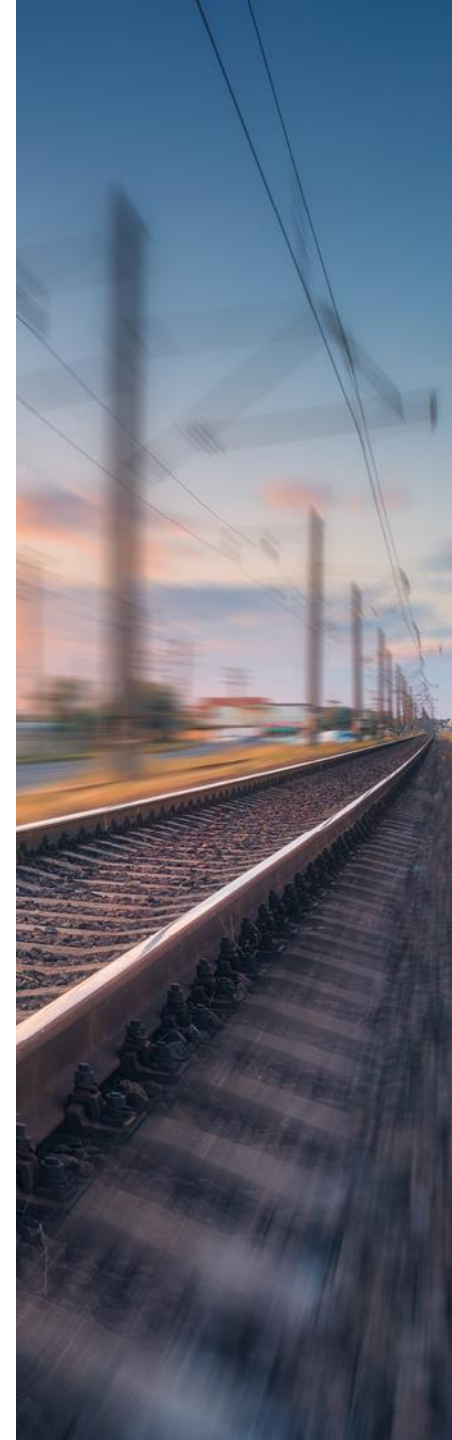
Challenges on the road to lower carbon footprint

- Investors have different demands
 - Institutional investors have different ESG goals, but everybody expects competitive performance
 - Institutional investors have different time-horizons in their respective ESG policies, and they keep changing
- Renewing original investment strategy
 - How to integrate ESG into portfolio strategy so that the product stays competitive
 - How to maintain historic risk/return profile (and listed infrastructure characteristics)
 - How to integrate ESG so that various end-investors requirements are taken into account
- Structure of infrastructure universe
 - Electric utilities are by far the largest industry and the major source of carbon emissions

Sector	Market cap (mln., \$)	Weight (%)
Electric Utilities	669,502	31.6%
Ground Freight	289,952	13.7%
Oil & Gas Distribution	259,013	12.2%
Multiutilities	152,750	7.2%
Telecom Infrastructure	143,292	6.8%
Ground Transportation Services	120,246	5.7%
Highways & Railways	109,946	5.2%
Airports	133,043	6.3%
Gas Utilities	93,959	4.4%
Water Utilities	71,692	3.4%
Marine Ports	32,182	1.5%
Diversified	19,302	0.9%
Satellites	15,504	0.7%
Construction & Engineering	5,739	0.3%
Grand Total	2,116,121	100.0%

Our approach

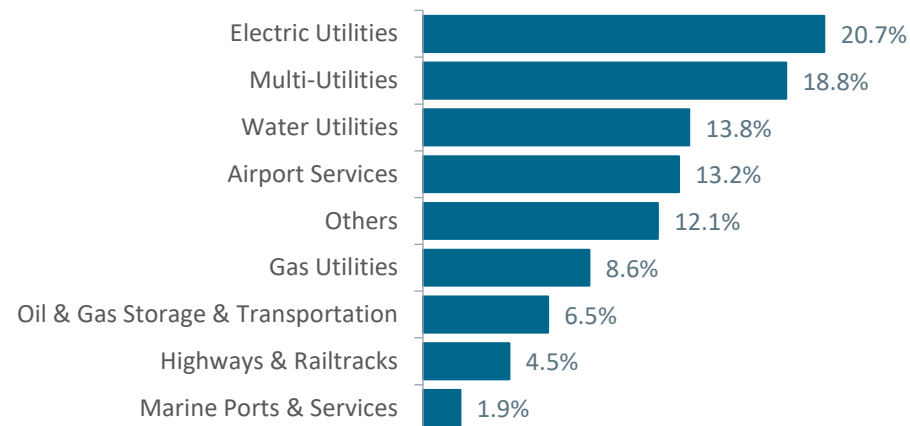
- ESG has become a fundamental parameter, it is necessary to integrate it into company analysis
- Original portfolio strategy has been successful – stay as close as possible to it
 - Focus on monopolistic infrastructure
 - Broad diversification (company, industry, geographical), stock “weight-control”
- If compromises are required be as faithful as possible to original strategy
- Portfolio transformation is an ongoing process – keep making gradual but meaningful changes capitalizing on natural market volatility
- Try to find long term replacements i.e. companies that can survive the next round of new requirements, “goal-posts keep moving”
- Avoid “flavour of the month stocks” i.e. ESG-hypes too come and go
- Companies do change in order to reduce fossil footprint, “black-listed” can make come-backs



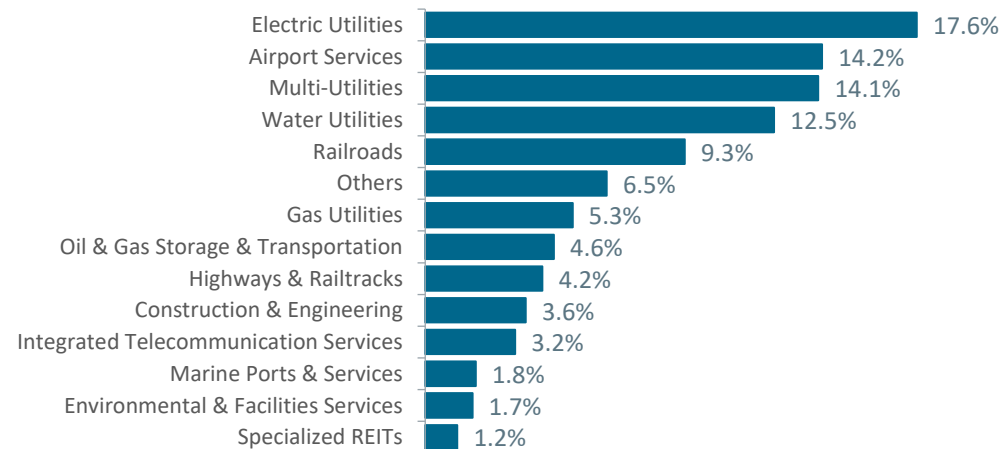
UB Infra industry allocations 4/2021 vs. 4/2023

- We have cut exposure to
 - electric utilities, multiutilities (coal-burning power plants)
 - oil& gas storage and transportation, gas utilities (oil pipelines, gas fields)
- We have diversified to
 - railroads
 - telecom infrastructure
 - environmental infrastructure
- Broader diversification aims to compensate the cut in traditional utilities

UB Infra 4/2021
Industry Allocation



UB Infra 4/2023
Industry Allocation



How have we succeeded?

- Our carbon footprint has fallen substantially over the last few years
- Our ESG score is clearly better than the average in global infrastructure peer group and has improved faster
- We have gained four globes in Morningstar rating
- We believe that we have now achieved a stable form in terms of ESG due to broad diversification. There is no need for larger structural changes in the portfolio
- Our long and short-term investment performance has been competitive in a very challenging investment environment and while we have pursued green transformation in the portfolio
- We have been able to keep portfolio characteristics quite close to original strategy
- Some compromises have been made. We have cut exposure to electric utilities and increased exposure to ground logistics i.e. railways and telecom infrastructure
- The last few years have been extraordinary in the financial markets so that it is difficult to determine how much the transformation has eventually impacted risk/return profile, but we believe that long term volatility has slightly increased



ESG report based on Morningstar sustainability Rating

SUSTAINABILITY RATING



The Morningstar Sustainability Rating is based on relative fund comparison according to Morningstar's methodology, where Morningstar benchmarks funds according to their current and historical sustainability risk factors. The Fund's rating relative to its peer group is measured by the number of globes ranging from five (the top performing 10%) to one (the least performing 10%).

KEY SUSTAINABILITY INFORMATION

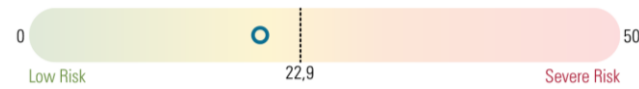
EU SFDR Classification	Article 8
Fund Sustainability Risk (ESG)	19,6
Fund Sustainability Risk, Environmental (E)	5,8
Fund Sustainability Risk, Social (S)	7,4
Fund Sustainability Risk, Governance (G)	4,9
Fund Sustainability Risk, Unallocated	1,5
Carbon Intensity (tCO2e/USDm in Revenues)	339
Carbon Risk	Low
EU Taxonomy Aligned Revenues (%), Including Sovereign Revenues	—
EU Taxonomy Aligned Capital Expenditures (%), Including Sovereign Capex	—
EU Taxonomy Aligned Operational Expenditures (%), Including Sovereign Opex	—
Percent of UN Global Compact Violations (%)	0,0%
Percent of Eligible Portfolio Covered (%)	99,9%
Number of Securities Scored	59

Source: Morningstar Direct

SUSTAINABILITY RISK RELATIVE TO PEER GROUP

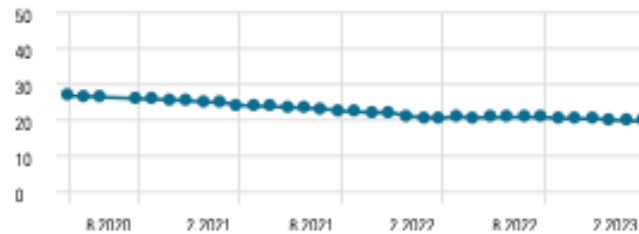
Global Category: Infrastructure Sector Equity

Sustainability Risk Score

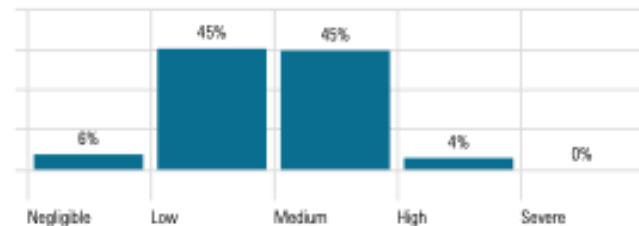


The Sustainalytics ESG Risk Rating measures the degree to which a company's economic value is at risk due to Environmental (E), Social (S), and Governance (G) factors. The Fund's sustainability risk is calculated as an asset-weighted average and classified on a five-point numerical scale: negligible (0-10), low (10-20), medium (20-30), high (30-40), and severe (≥ 40).

SUSTAINABILITY RISK DEVELOPMENT



HOLDINGS SUSTAINABILITY RISK DISTRIBUTION



Carbon risk based on Morningstar sustainability Rating

CARBON INTENSITY RELATIVE TO PEER GROUP

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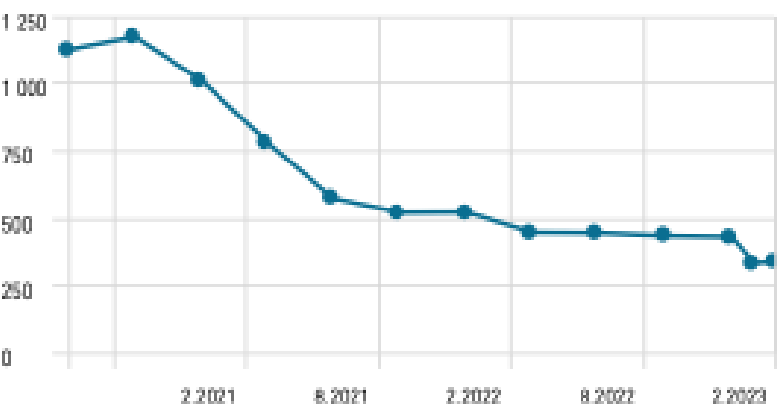
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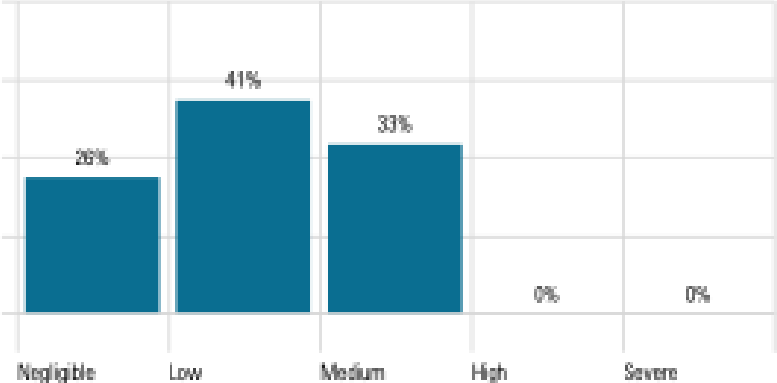


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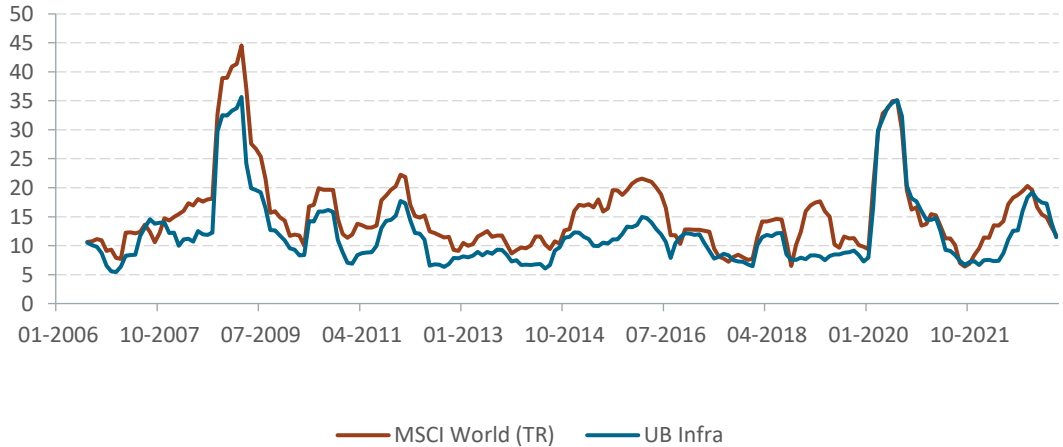


UB Infra performance vs Peer Group & Volatility

UB Infra vs. Morningstar-peers Group



Rolling (6 mths) Volatility (%)



Thank you



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