

Information required under the EU SFDR Regulation 2019/2088 (on sustainability-related disclosures in the financial services sector) regarding UB Asset Management Ltd's portfolio management

General

Of the companies within the United Bankers Group (UB), UB Asset Management Ltd (UBA) offers its clients discretionary asset management services. The executed asset management strategy may adhere to an off-the-shelf model determined by UBA, or an individual strategy tailored specifically for the relevant client.

Key terminology

Sustainability factor

Sustainability factors refer to matters or considerations related to the environment, society and employees, such as respect for human rights, as well as combatting corruption and bribery.

Sustainability risk

Sustainability risks refer to events or circumstances related to the environment, society or governance, the materialisation of which could have an actual or potential material adverse effect on the value of the investment. The materialisation of material sustainability risks may impact the performance of the investment objects and, hence, the fund return.

Principal adverse impacts

Principal adverse sustainability impacts refer to any direct or indirect adverse effects on the environment, society or social factors caused by the operations of our investment objects.

ESG

The abbreviation ESG refers to the expressions Environmental, Social and Governance.

SFDR, EU's Financial Disclosure Regulation

Refers to the EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector.

Asset management strategies under the UB Asset Management 360 asset management model

The UB 360 asset management model reconciles active investing and index investing. The asset management allocation team selects the optimal investment objects that are suitable for the client and the client's portfolio in accordance with the market and economic conditions prevailing at any given time. The selections may be made from among different geographical areas and active equity funds representing different asset categories and industries, cost-effective index funds, i.e., ETFs (exchange traded funds) as well as fixed-income funds representing different risk categories and from among other ETFs. Investing in the global equity market through extensively combining different market areas and investment styles enables wide diversification and considerably improves the probability of the actualisation of the investment targets.

The customer selects the asset management strategy suitable for them and the basic allocation is carried out on the basis of same. There are four available strategies: EQUITY 25, EQUITY 50, EQUITY 75 AND EQUITY 100 that determine the proportion of equity and fixed-income investments in the client's portfolio. Additionally, the client may, at their discretion, select, for instance, the following additional components for their asset management portfolio: timberland, real estate, real estate share, infrastructure share, fixed-income and equity funds, structured bonds and, in a discretionary management model portfolio, also direct equity and direct bonds. As a main rule, the additional components consist of UB's products.



Image 1: Components of the United Bankers Asset Management Model

In executing a strategy aligned with the asset management agreement, UBA may issue subscription, redemption and other orders pertaining to the investment objects as it envisages from time to time.

The asset management strategies do not follow any reference indices, but a reference index may be taken into use at a later time.

For further information on the asset management strategies, please visit: <https://www.unitedbankers.fi/fi/services-and-products/asset-management>

Consideration of sustainability risks in investment decisions

Under the UB 360 asset management model, the portfolio management team decides on the asset category-specific allocation as well as on the allocation within asset categories, and ensures sufficient diversification. The team charts out potential ETFs and funds as well as monitors the agreed basic allocation. The portfolio managers monitor the markets constantly and in real time and take advantage of the investment research of collaboration partners. The decision-making process for the execution of the investment strategies considers sustainability risks alongside the financial key figures, such as risk and valuation indicators, as follows:

- In an effort to manage sustainability risks, the sustainability risks of the UB 360 investment strategies are to the extent possible maintained at a good level as a whole.
- To the extent in the indirect investment objects of the UB 360 asset management portfolios, UBA is unable to impact the investment policies of the funds and ETFs selected for the client's asset management portfolio or the execution of same, UBA endeavours in such products to select so-called ESG indices that consider ESG risks and ETFs based on same, in which the ESG risks have been taken into account at a higher level than in so-called ordinary indices. Nevertheless, UBA requires of the underlying funds and ETFs compliance with the principles of responsible investment and transparency concerning their ESG policies and consideration of sustainability risks. The UB 360 investment strategies do not entail any separate exclusion criteria in relation to investment objects, but, rather, the direct investments abide by the exclusion criteria that are aligned with the United Bankers responsibility principles.
- The individual components to be selected for the asset management portfolios may comprise United Bankers' funds, direct equity investments or bonds. In relation to these, sustainability risks have been considered in accordance with the United Bankers Principles of Responsible Investment through integrating information concerning sustainability risks in the investment decisions, impacting the investment objects and excluding same. In these respects, for instance, certain industries have been excluded from the products included in the investment strategies (not applicable to index-based solutions). The United Bankers Principles of Responsible Investment are publicly available on the company's website at: <https://www.unitedbankers.fi/fi/services-and-products/responsible-investment/>

The key sustainability risks entailed by each investment strategy may, when realized, impact the financial success of the selected investment objects and, hence, the portfolio return.

Environmental and social characteristics

The selection of the investment products utilised in the asset management strategies emphasises investment products that, alongside other characteristics, promote environmental and social characteristics in accordance with Article 8 of the SFDR. In these investment strategies, the proportion of such investment products adhering to Article 8 or Article 9 under customary market conditions amounts to no less than two-thirds of the market value

of the client's assets the strategy pertains to. In exceptional situations, such as during the prevalence of higher-than-normal volatility in the market or in the case of other significant disruption of the capital markets, the proportion may be lower than this.

The direct investments and the target companies underlying the investment products (excluding indirect investments) are analysed regularly during the investment period in relation to matters related to the environment, society and good governance, i.e., the ESG factors. The analysis takes advantage of the ESG databases maintained by Sustainalytics and Mornigstar. An ESG score is regularly audited for each object, illustrating how well the underlying companies have as a whole considered the risks and opportunities pertaining to the sustainability factors. Furthermore, the analysis examines, *inter alia*, the company-specific ESG scores and their development, information on any breaches of the UN Global Compact, as well as data concerning the carbon intensity of investments.

Additionally, UBA carries out impacting in relation to the target companies in compliance with the United Bankers' Principles of Responsible Investment and Ownership Policy in the funds managed by the UB Fund Management Company. The basis for impacting may include, *inter alia*, norm violations or reasons relating to climate change. The United Bankers Principles of Responsible Investment are publicly available from the company's website at: <https://www.unitedbankers.fi/fi/services-and-products/responsible-investment/>

Information related to the EU Taxonomy

Within the framework of the asset management strategies, it is possible to make environmentally sustainable investments in economic activities, transition activities or enabling economic activities meeting the criteria of the EU's Taxonomy Regulation¹. UBA's investment strategies are not, however, committed to making such investments.

Good governance

Of the funds included in the asset management strategy being invested in, funds promoting environmental or social factors as referred to under Article 8 of the SFDR, or funds making sustainable investments as referred to under Article 9 adhere to good governance practices and require also their investment objects to do the same.

UB Fund Management Company Ltd's funds included in the asset management strategies require of their investment objects compliance with good governance practices and international norms (e.g., the UN Global Compact Principles and OECD's operating guidelines for multinational corporations, UNGP), in accordance with the United Bankers' Principles of Responsible Investment.

The portfolio management team analyses the investments under the investment strategies regularly in order to detect potential norm violations (the UN Global Compact Principles and OECD's operating guidelines for multinational corporations, UNGP). The OECD's operating guidelines for multinational corporations also encompasses disputes related to the target company taxation. The portfolio managers of UB Fund Management Company's funds monitor compliance with such norms as part of the portfolio management of each fund.

Investment objects not meeting the criteria of the strategy

The bylaws, operating methods and the investments made by the investment products utilised in the asset management strategies may change during the investment period for reasons beyond UBA's control.

The adverse environmental and/or social characteristics of the investment objects, poor governance of the target companies or the management companies, the controversy of functions or breaches of the UN Global Compact Principles may result in investments being abandoned.

Upon detecting that the investment object fails to meet the criteria of the strategy, UBA shall abandon the investment, seeking to avoid causing any substantial damage to the value development of the portfolios, unless credible remedial measures are on the horizon within the investment object.

Responsibility process within the asset management strategies

Investment decisions consider a variety of factors related to the economic and market development. The ESG factors are one component of the risk analysis and the making of investment decisions. The United Bankers Principles of Responsible Investment set the framework for the investment activities. The United Bankers

¹ For economic activity to be deemed environmentally sustainable in accordance with the EU Taxonomy Regulation, it must considerably promote one or more of the environmental goals determined in the EU's Taxonomy Regulation, and the activities must not, alongside the promotion of one or more environmental goals, do any significant harm to any of the other environmental goals mentioned in the regulation. The 'Do No Significant Harm' principle is only applied to such of the fund's investments that consider the EU criteria pertaining to environmentally sustainable activities.

Responsible Investment Steering Group makes decisions on the framework of responsible investment and the responsible investment team supports the portfolio managers in their work.

United Bankers' own products, such as funds, are managed in accordance with the United Bankers' Principles of Responsible Investment. The United Bankers Principles of Responsible Investment are publicly available on the company's website at: <https://www.unitedbankers.fi/fi/services-and-products/responsible-investment/>

The funds and ETFs, as well as other investment products and objects utilised in the asset management strategies, may either occasionally, regularly, extensively or not at all utilise investment instruments not falling under the ESG requirements, such as derivatives, within the framework of their bylaws and operating principles. Funds managed by third parties are required to have signed the UN PRI, as well as responsible investment principles, operating processes and reporting that accord with same.

Reporting

United Bankers' responsibility reporting consists of the funds' ESG reports, client-specific portfolio reports as well as the responsible investment annual review. Furthermore, United Bankers reports on the promotion of environmental and social factors in accordance with the EU Finance-Related Disclosures Regulation, as part of the annual report of the funds managed by UB Fund Management Company and as concerns the strategies, as part of the portfolio management's half-year reviews.

Client-specific individual strategies - Unique

In lieu of off-the-shelf asset management strategies, UB Asset Management may provide clients with entirely individualised asset management. In the individual Unique asset management, portfolio management is based on the client's individual preferences and needs.

Sustainability risks

In the decision-making process for the individual investment strategies, consideration is given, alongside financial key figures, such as risk and valuation indicators, to sustainability risks to the extent the client prefers. To the extent the products included in the strategy constitute United Bankers' funds, the management of the sustainability risks of same abides by the United Bankers Principles of Responsible Investment. The Principles of Responsible Investment are publicly available on the company's website at: <https://www.unitedbankers.fi/fi/services-and-products/responsible-investment/>

Environmental and social characteristics

Individual investment strategies may promote environmental and social sustainability factors and make sustainable investments in accordance with client preferences. For instance, investment products promoting sustainability factors or sustainable investments may be selected for the asset management portfolio according to the weighting preferred by the client. If the client so prefers, it is also possible to not consider environmental and social factors in individual asset management solutions.

Information related to the EU Taxonomy

Within the framework of the asset management strategies, it is possible to make environmentally sustainable investments in economic activities, transition activities or enabling economic activities meeting the criteria of the EU's Taxonomy Regulation². UBA's investment strategies are not, however, committed to making such investments.

Good governance

Of the funds included in the asset management strategy being invested in, funds promoting environmental or social factors as referred to under Article 8 of the SFDR, or funds making sustainable investments as referred to under Article 9 adhere to good governance practices and require also their investment objects to do the same.

UB Fund Management Company Ltd's funds included in the asset management strategies require of their investment objects compliance with good governance practices and international norms (e.g., the UN Global Compact Principles and OECD's operating guidelines for multinational corporations, UNGP), in accordance with United Bankers' Principles of Responsible Investment.

² For economic activity to be deemed environmentally sustainable in accordance with the EU Taxonomy Regulation, it must considerably promote one or more of the environmental goals determined in the EU's Taxonomy Regulation, and the activities must not, alongside the promotion of one or more environmental goals, do any significant harm to any of the other environmental goals mentioned in the regulation. The 'Do No Significant Harm' principle is only applied to such of the fund's investments that consider the EU criteria pertaining to environmentally sustainable activities.

Reporting

United Bankers' responsibility reporting consists of the funds' ESG reports, client-specific portfolio reports as well as the responsible investment annual review. Furthermore, United Bankers reports on the promotion of environmental and social factors in accordance with the EU Finance-Related Disclosures Regulation, as part of the reporting of the funds managed by UB Fund Management Company.