

United Bankers

Principles for identification and consideration of the Principal Adverse Impacts of investments

Pursuant to the EU Sustainable Finance Disclosure Regulation (SFDR, 2019/2088), Principal Adverse Impacts (PAI) on sustainability factors refer to any direct or indirect adverse impacts entailed by investment decisions or advice on the environment, society or social factors. This document sets forth the principles and methods applied in the consideration of Principal Adverse Impacts at United Bankers. These principles apply to the following companies: UB Fund Management Company Ltd, and UB Asset Management Ltd. The United Bankers Responsibility Steering Group adopted these principles on 28 February 2023, and has approved the changes made in the principles on 23 February 2024.

On the acknowledging and prioritisation of sustainability impacts and indicators and the operating principles concerning Principal Adverse Impacts

United Bankers acknowledges that business operations, and thereby investments, may have both positive and adverse impacts on the environment and the society. The assessment of the Principal Adverse Impacts of investments comprises a part of the responsible investment processes at United Bankers. Further information concerning United Bankers' operating methods and principles for responsible investment is available from the Group's Principles of Responsible Investment: <https://www.unitedbankers.fi/en/sustainability/commitments-and-principles/>

United Bankers assesses Principal Adverse Impacts (PAI) as part of its investment decisions. The Principal Adverse Impacts are considered in all products encompassed by Articles 8 and 9 of the SFDR. In products encompassed by Article 6, indicators are not considered at the moment, and for now they are not being reported for technical reasons. Going forward, the intention is to also extend the reporting to apply to products encompassed by Article 6.

United Bankers has adopted a risk-based approach to the analysis of Principal Adverse Impacts. Principal Adverse Impacts are analysed in connection with sustainability analyses and as part of due diligence processes prior to making investment decisions and they are monitored regularly during the investment period. Furthermore, United Bankers strives as an active owner to influence companies in an effort to develop the management of responsibility matters so that the adverse impacts of the investment objects upon the environment and society are reduced and the positive impacts are increased.

As concerns fixed income and equity funds that are valued daily, the information concerning Principal Adverse Impacts is based upon the information generated by the ESG service providers (Sustainalytics, Morningstar, Bloomberg). In relation to alternative investment funds and funds investing in real assets, the PAI information is to the extent possible ascertained for the investment objects in connection with the due diligence processes and updated regularly in connection with the monitoring of the investments. An exception from this are products for which information concerning Principal Adverse Impacts is not yet available. United Bankers is continuously seeking to develop its methods for the assessment of Principal Adverse Impacts and to improve the availability of information.

The indicators to be taken into consideration are elaborated upon in detail in the materials of each investment product. United Bankers considers the following Principal Adverse Impacts indicators:

Table 1

Indicators applicable to the investments made in the underlying companies

1. Greenhouse gas emissions
2. Carbon footprint
3. Greenhouse gas intensity of the underlying companies
4. Exposure associated with companies operating in the field of fossil fuels

5. Proportion of non-renewable energy consumption and production
 6. Energy consumption intensity per industry that is significant in terms of its environmental impacts
 7. Activities having an adverse impact on areas sensitive in terms of biodiversity
 8. Emissions to water
 9. Amount of hazardous waste and radioactive waste
 10. Breaches of the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises
 11. Lack of processes and mechanisms relating to the monitoring of compliance with the UN Global Compact Principles and the OECD Guidelines for Multinational Enterprises
 12. Unaddressed gender salary gap
 13. Gender diversity on the Board of Directors
 14. Exposure to risks associated with controversial weapons (land mines, cluster bombs, chemical and biological weapons)
- Indicators applicable to investments made in states and supranational organisations
15. Greenhouse gas intensity of countries serving as investment objects
 16. Countries serving as investment objects that have breached social security legislation as referred to under international conventions and treaties, principles of the United Nations or, as the case may be, national legislation
- Indicators applicable to investments made in real assets
17. Exposure to risks associated with fossil fuels through real assets
 18. Exposure to risks associated with energy inefficient real assets

Table 2

- Indicators applicable to investments in companies serving as investment objects
4. Investments in companies with no initiatives aimed at reducing carbon emissions

Table 3

- Indicators applicable to investments made in underlying companies
9. Lack of operating principles relating to human rights

Actions and contemplated actions related to Principal Adverse Impacts

Financial activities may have positive and adverse impacts on the environment and society. In its operations, United Bankers considers numerous indicators illustrating sustainability impacts. These illustrate, inter alia, impacts on the climate and the environment, respect for human rights, as well as the prevention of corruption and bribery. In its investment decisions, United Bankers endeavours to consider and report extensively on all mandatory indicators illustrating adverse impacts. Furthermore, United Bankers seeks to report all investments made in companies that have no initiatives aiming at the reduction of carbon emissions, as well as all investments in companies that have no operating principles relating to human rights.

With the aid of Indicators illustrating sustainability impacts, we are striving to further develop sustainability towards a more positive direction. United Bankers analyses the Principal Adverse Impacts of investment objects upon sustainability factors both in the due diligence process and regularly during the investment period. It is possible for portfolio management to select investment objects whose indicators illustrating sustainability impacts are at a good level. Particularly the due diligence process seeks to identify objects, whose Principal Adverse Impacts appear to be exceptionally high or otherwise exceptional. Such objects are subjected to further scrutiny and the reason for the deviation is to the extent possible ascertained prior to making the investment. The Responsibility Steering Group may resolve upon commencing impacting measures concerning an object whose adverse impacts are deemed particularly high. The Steering Group may also decide to exclude investment objects whose Principal Adverse Impacts are deemed particularly high.

United Bankers avails itself particularly of indicators related to climate change and carbon emissions in assessing the environmental impacts of investments. The United Bankers' climate roadmap to be published in 2023 will further accentuate the importance of these indicators, as the company is seeking to achieve the objectives under the Paris Agreement.

Engagement policies

United Bankers considers active ownership to constitute an integral part of responsible investment. In its capacity as an active owner, United Bankers acts in its investment objects towards the furthering of responsibility, for instance, through exercising its voting right in General Meetings and through maintaining a dialogue with the companies. In funds focused on real assets, United Bankers seeks to promote responsibility directly through the active management of assets.

Compliance with international standards

The underlying factor behind United Bankers' assessment of the Principal Adverse Impacts of investments is compliance with international treaties and standards. Some of the fundamental ones include the following:

- UN Principles of Responsible Investment (UN PRI)
- UN Global Compact Corporate Responsibility Initiative (UNGC)
- UN Guiding Principles for Business and Human Rights (UNGP)
- Carbon Disclosure Project (CDP)
- Task Force on Climate-related Financial Disclosures (TCFD)

Additionally, United Bankers has undertaken to conduct its operations in compliance with the UN Sustainable Development Goals.

Principal Adverse Impacts in investment advice and insurance advice

United Bankers provides investment advice and insurance advice. In these activities, we seek to offer customers transparent information concerning the adverse impacts of the products that the investment advice and/or insurance advice relates to. United Bankers does not seek to rate financial products in any order of superiority in relation to the sustainability indicators. The threshold values concerning Principal Adverse Impacts are not employed in the selection of financial products and the advisory concerning same.

The United Bankers' product selection also includes carefully selected third-party products. All third parties must act in accordance with the UN Principles of Responsible Investment and provide comprehensive and transparent responsibility information concerning their products, including the appropriate information concerning the consideration of Principal Adverse Impacts.