



United Bankers – 2nd Nordic Real Assets Lunch 2022



United Bankers

YOUR NORDIC EXPERT IN REAL ASSETS

Patrick Anderson, CEO, United Bankers

United Bankers in brief



UB
1986
UB Group
founded



€4.6 bn
Assets under
management
(6/2022)



Listed
on Nasdaq
Helsinki



~200
Investments
professionals



22
Funds



~140.000
ha



~285.000
m²

Our focus areas

Nordic Forestry



As a pioneer within Nordic forestry investments, we acquire and manage timberland properties and are the 4th largest private forest owner in Finland

Nordic Real Estate



We manage Nordic real estate strategies with focus on developing properties to carbon net neutrality and above average yield

Global REIT/Infrastructure



Our offering includes actively managed listed REIT and Infrastructure strategies focusing on monopolistic, cash yielding businesses



WHY INVEST WITH A NORDIC MANAGER?

- The Nordic region is the global sustainability leader
- High quality financial markets and investment infrastructure
- Highly ranked academic institutions, research, and higher education
- Large Nordic pension institutions set high standards for asset managers
- Increasingly attractive location for competent investment professionals
- Political stability (EU, EEA)
- Predictable regulation e.g., MiFID, AIFMD, and UCITS

Finnland – bei Nachhaltigkeit und Innovation ein wichtiger Partner für Deutschland

Hubertus Kolster, Honorarkonsul von Finnland in Hessen

Investment case for forestry as an asset class

12th Oct 2022

Jyri Hietala, Porfolio Manager, United Bankers

United Bankers – Your leading forest asset manager in the Nordics

United Bankers is the fourth largest private forest owner in Finland through the forest assets it manages. In total, UB manages approximately 139,000 hectares of forests with a total value of € 590 million (June 2022).



Nordic Forest Sector

Some Key statistics of a Nordic country: Finland

Forest area

22,8

mil. ha

Standing volume

2,5

bil. m³

Annual growth of trees

103,5

mil. m³/a

Harvested volume

76

mil. m³/a

Share of
protected area

12,6%

of total forest area

Average size of
a forest property

30,5

ha

Stumpage
earnings

2,7

bil. EUR

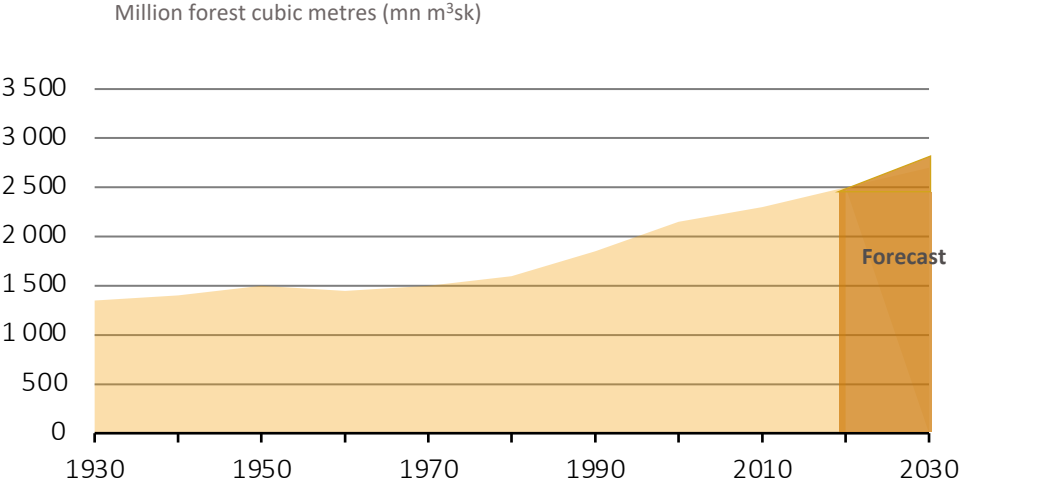
Forest industry
products export value

14,2

bil. EUR

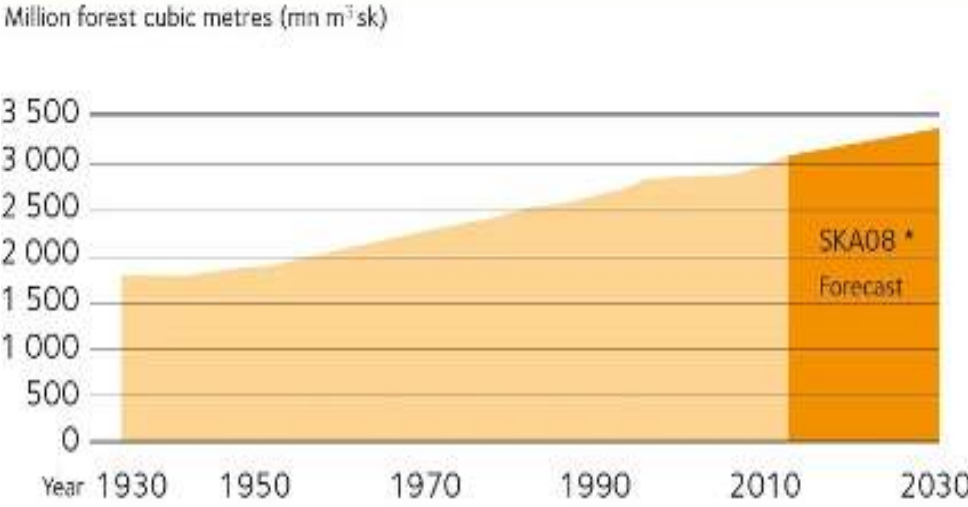
Increasing forest resources in the Nordics forms a strong foundation

STANDING VOLUME IN FINLAND



Source: Luonnonvarakeskus

STANDING VOLUME IN SWEDEN

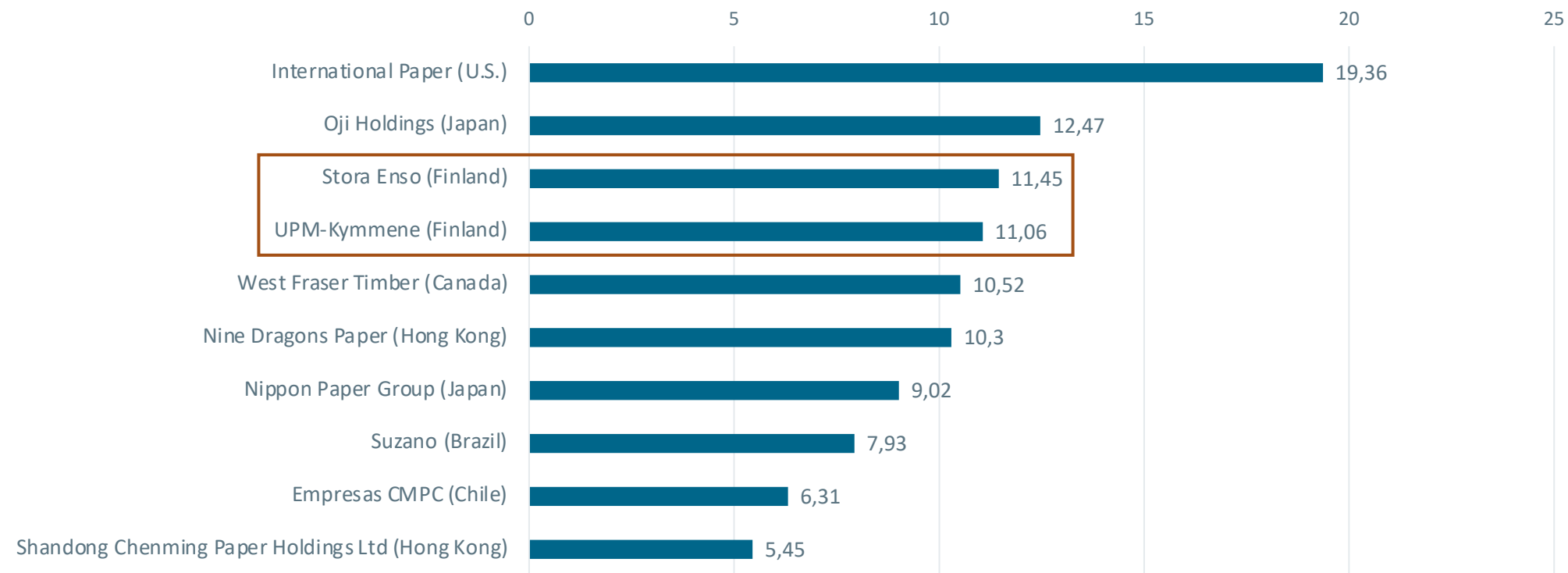


* SKA = Forest impact analyses

Source: Swedish Forest Agency

Some of the leading forest industry companies located in the Nordics

Leading forestry and paper companies worldwide based on revenue in 2021, in billion U.S. dollars



Investment Case – Forestry as an asset class

Timberland investment returns – main drivers

Biological tree growth

- Distinguishes timberland from other types of investments
- The effect is two-dimensional: trees grow both in volume and turn into higher value products as they grow.
- Some of the tree growth is harvested each year; economically sustainable forest management results in increasing standing stock.

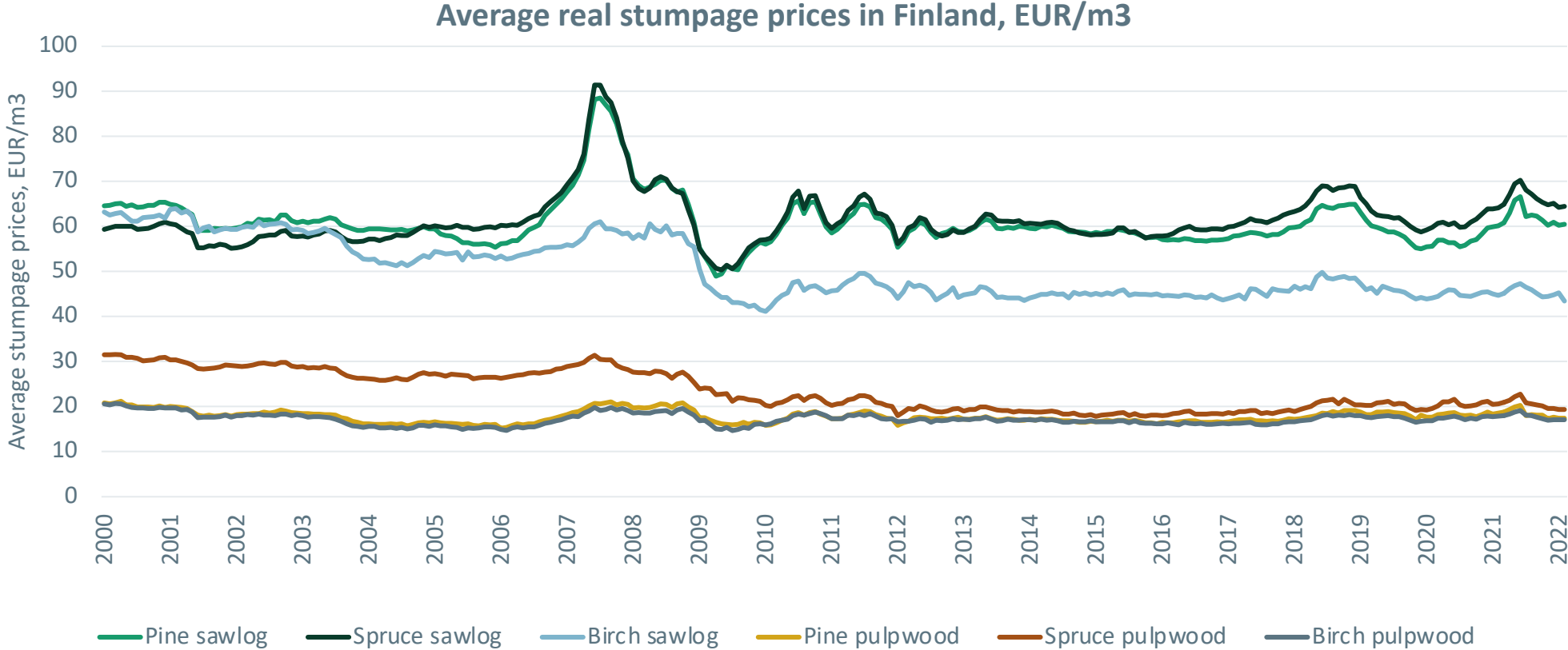
Timber prices

- Competitive markets; demand and supply of end-products determines the price of timber.
- Macro factors; population growth, GDP/Capita, construction sector demand, inflation and interest rates.
- Micro factors; local, consumer, environmental and regulatory issues.

Land value

- Competitive markets; demand and supply of land determines the price.
- Land is a scarce resource (intrinsic value)
- Highest and best use (HBU) of land ultimately determines the value of land.

Inflation hedge, diversification and stability with forest investments



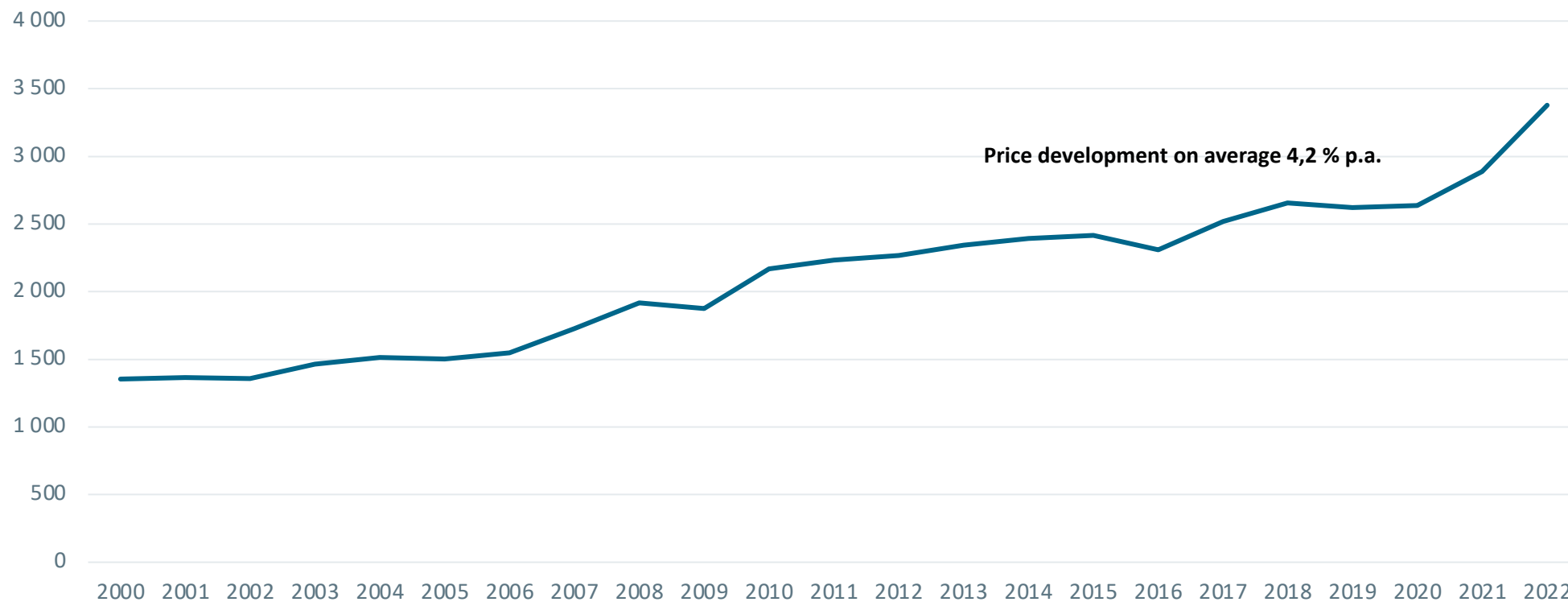
Source: Natural resources institute Finland

Inflation hedge, diversification and stability with forest investments



Inflation hedge, diversification and stability with forest investments

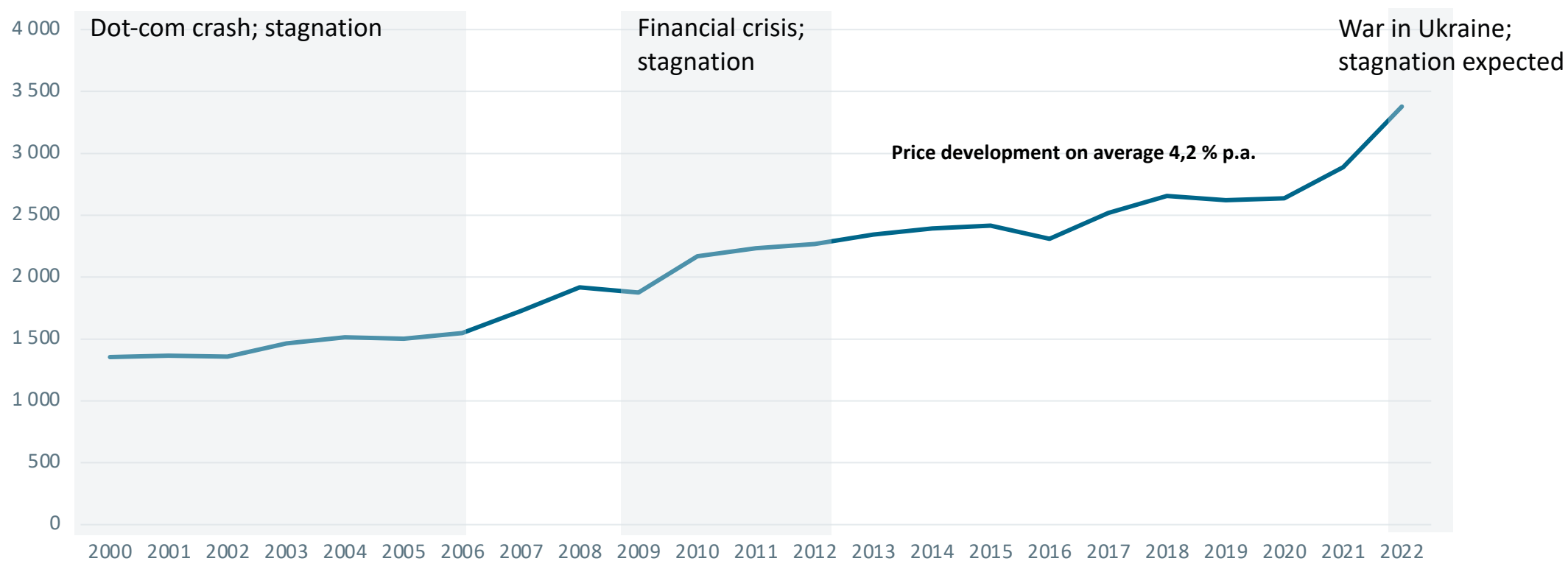
Price development of forest properties in Finland 2000-2022*, median EUR/ha



* statistics per 27th of Sept 2022 | Source: National Land Survey of Finland

Inflation hedge, diversification and stability with forest investments

Price development of forest properties in Finland 2000-2022*, median EUR/ha



* statistics per 27th of Sept 2022 | Source: National Land Survey of Finland

Megatrends are supporting global forest products demand and investments

- Demographics (population growth, aging population)
- Growth of the middle class, increased demand of consumer products; tissue paper and hygiene products
- Substituting plastics and cotton textiles; environmental awareness and regulation.
- The growth of e-commerce; Growing demand for packaging material
- The renaissance of wood construction; Sawn timber, veneer, cross laminated timber (CLT), laminated veneer lumber (LVL): act as carbon storage
- Recycling trend favours the use of wood based products



Source: Finnish Forest Industries

Megatrends are supporting global forest products demand and investments

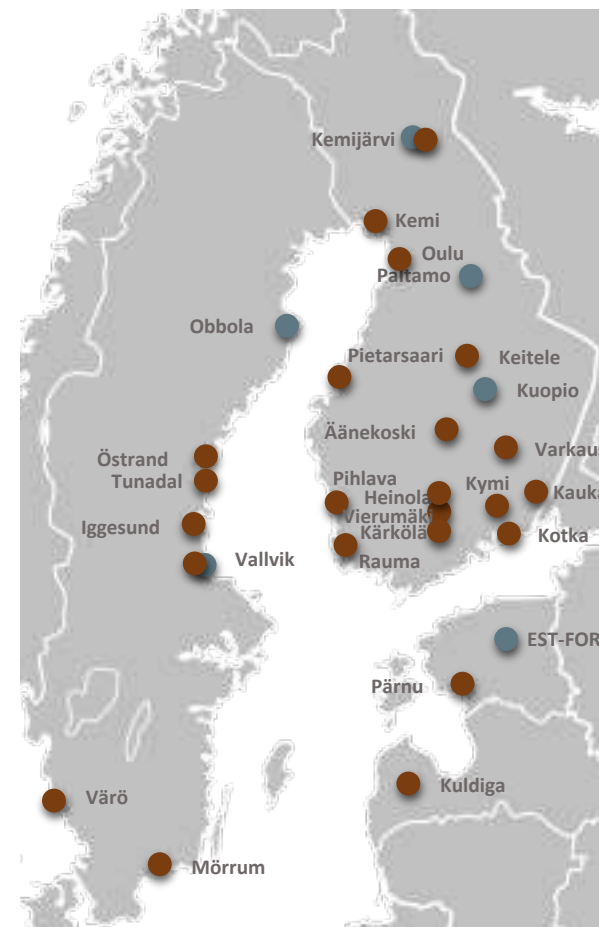
EXAMPLES OF CONFIRMED RECENT INVESTMENTS

Country	Company	Location	Increase in wood consumption, m ³ /a
FIN	Metsä Fibre	Äänekoski	4.4 million m ³
SWE	SCA	Östrand	2.3 million m ³
SWE	SCA	Tunadal	0.4 million m ³
FIN	Stora Enso	Varkaus	1.3 million m ³
FIN	Stora Enso	Heinola	0.1 million m ³
FIN	UPM-Kymmene	Kymi	1.2 million m ³
FIN	UPM-Kymmene	Pietarsaari	1.4 million m ³
FIN	UPM-Kymmene	Kaukas	0.6 million m ³
EST	UPM-Kymmene	Otepää	0.2 million m ³
SWE	Södra	Värö	1.4 million m ³
SWE	Södra	Mörrum	0.2 million m ³
SWE	Holmen	Iggesund	0.3 million m ³
FIN	Kotkamills	Kotka	0.2 million m ³
FIN	Westas	Pihlava	0.2 million m ³
FIN	Keitele	Keitele, Kemijärvi	0.3 million m ³
FIN	Metsä Fibre	Rauma	1.5 million m ³
FIN	Junnikkala	Oulu	0.8 million m ³
FIN	Versowood	Vierumäki	0.3 million m ³
FIN	Koskisen	Kärkölä	0.2 million m ³
FIN	Metsä Fibre	Kemi	4.5 million m ³
SWE	Rottneros	Vallvik	0.1 million m ³
EST	Metsä Wood	Pärnu	0.1 million m ³
LAT	Latvijas Finieris	Kuldīga	0.1 million m ³

EXAMPLES OF PLANNED INVESTMENTS

Country	Company	Location	Increase in wood consumption, m ³ /a
SWE	Rottneros	Vallvik	0.4 million m ³
SWE	SCA	Obbola	2.0 million m ³
FIN	Finnpulp ¹⁾	Kuopio	6.7 million m ³
EST	EST-FOR ¹⁾	TBC	3.5 million m ³
FIN	Boreal Bioref	Kemijärvi	2.5 million m ³
FIN	KaiCell ¹⁾	Paltamo	2.5 million m ³

¹⁾ Postponed/Canceled

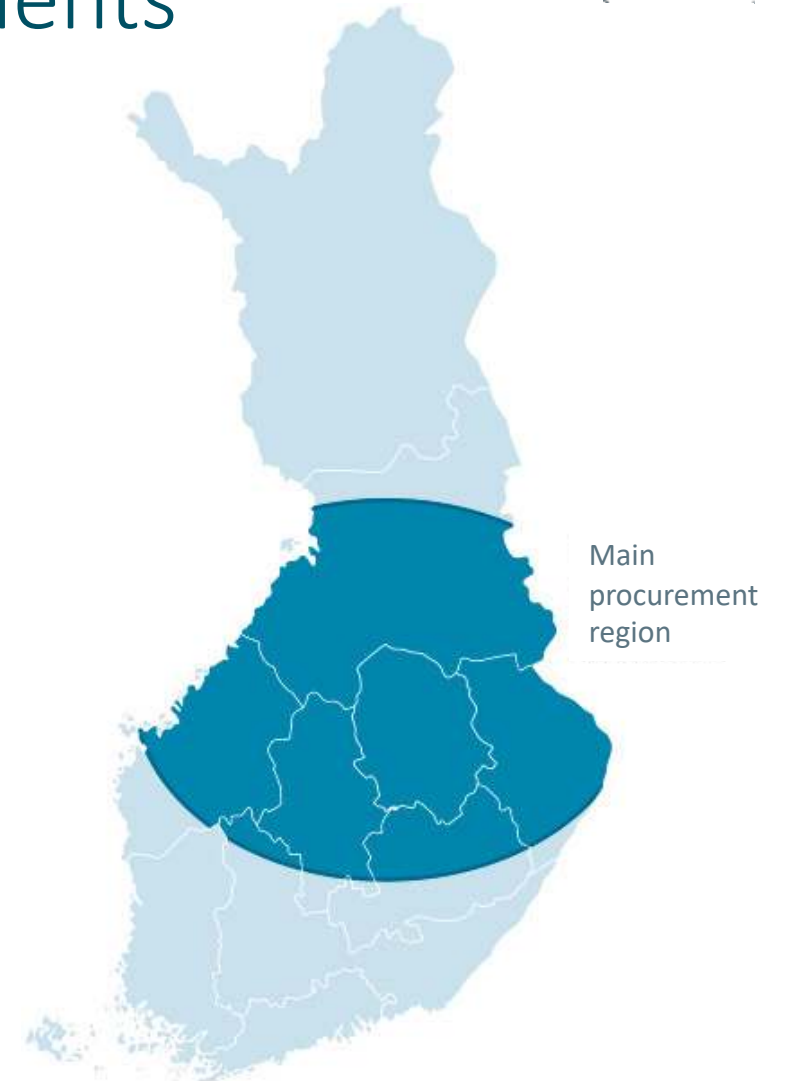




Case United Bankers

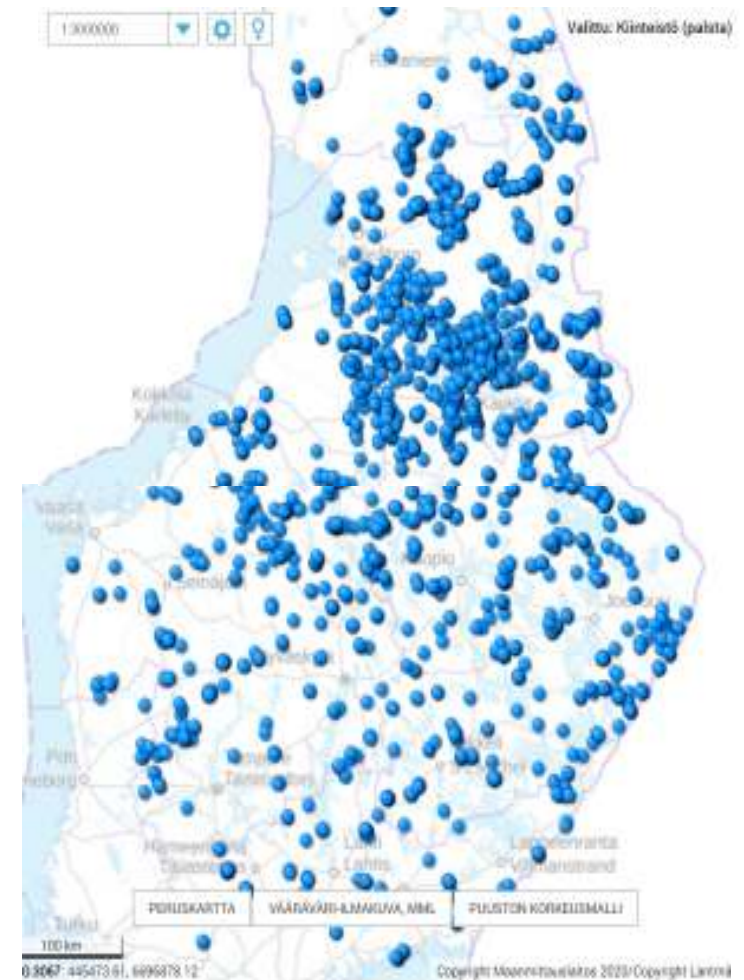
The cornerstones of timberland investments

- Forest property acquisitions
 - Well defined strategy in building a portfolio
 - Systematic data collection, valuation and verification
 - Risk management procedures
- Forest management
 - Maximizing return (IRR) and value growth of trees with "rational forestry"
 - Ecologically, economically and socially sustainable forest management
 - Fieldwork to control actual realized return from forest management activities
- Administration
 - Up-to-date forest resource information is the foundation to all forest management activities
 - ESG principles



Timberland acquisition process explained in brief

- Regularly collecting transaction data to monitor all transactions in Finland (comparable sales model)
- Forest inventory data collection and verification of input variables
- Identification of specific characteristics such as location, soil type, fertility conditions, timber inventories, harvesting conditions, road access and transporting distance etc.
- Environmental values of the forest and their possible effects on future forest activities are also taken into account in this phase
- Estimating expected return (IRR) for each potential investment object based on verified data



Maximizing expected return with 'rational forestry'

- Forest management plan formed for each property
- Extending yield requirement from property and compartment level to tree level
- Guiding factors are the optimization of expected return and maximization of value growth of trees
- Both even- and uneven-aged forest managements applied – always selected on a case-by-case basis
- All activities steered by the forest act and forest certification criteria
- Field controls ensure that return is realized as planned



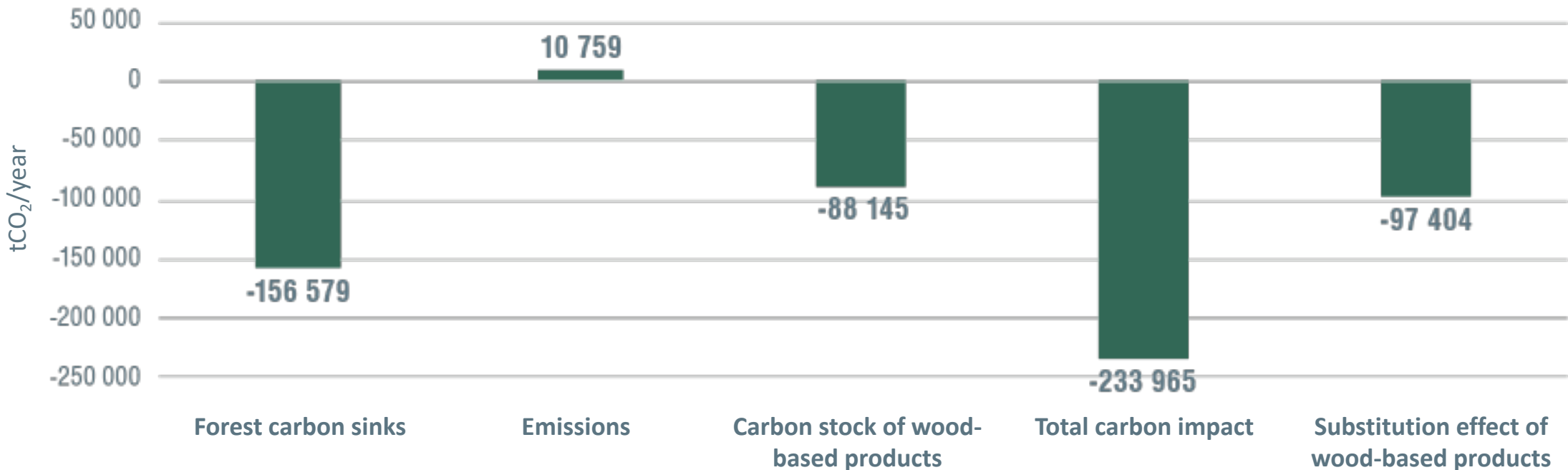
‘Rational forestry’ is diverse and sustainable

- In addition to optimizing yield, in rational forestry forest biodiversity remains richer than when managed on the principles of either even- or uneven-aged forestry alone
- Biodiversity is also taken into account in with nature management actions in commercial forests as well as forest conservation.
- All forest properties are always certified; both PEFC™- and FSC®-certifications (FSC-C109750) applied.
- Through certification we can demonstrate that forest management is ecologically, economically and socially sustainable.
- United Bankers also voluntarily conserves forests especially in case of larger areas of key habitats.



Forests act as carbon sinks when managed sustainably

Case example of a forest portfolio; positive value reflects an increase of CO₂ in the atmosphere and a negative value a decrease



Calculations have been made on the basis of the distribution of current end-products. Due to the substitution effect of new products and increased utilization of wood, the carbon balance may increase further in the future.

Conclusions

- Investing in the asset class adds to the diversification of your portfolio
- The Finnish forest industry is on a strong growth path
- Sustainability trends and climate change is a key driver for strong growth of the asset class
- Nordic forest industry has potential for good risk adjusted returns and delivering climate positive contributions to your portfolio
- UB is a Nordic Real Asset manager with very strong expertise in the area of forestry related investment



The value chain of forestry

12th Oct 2022

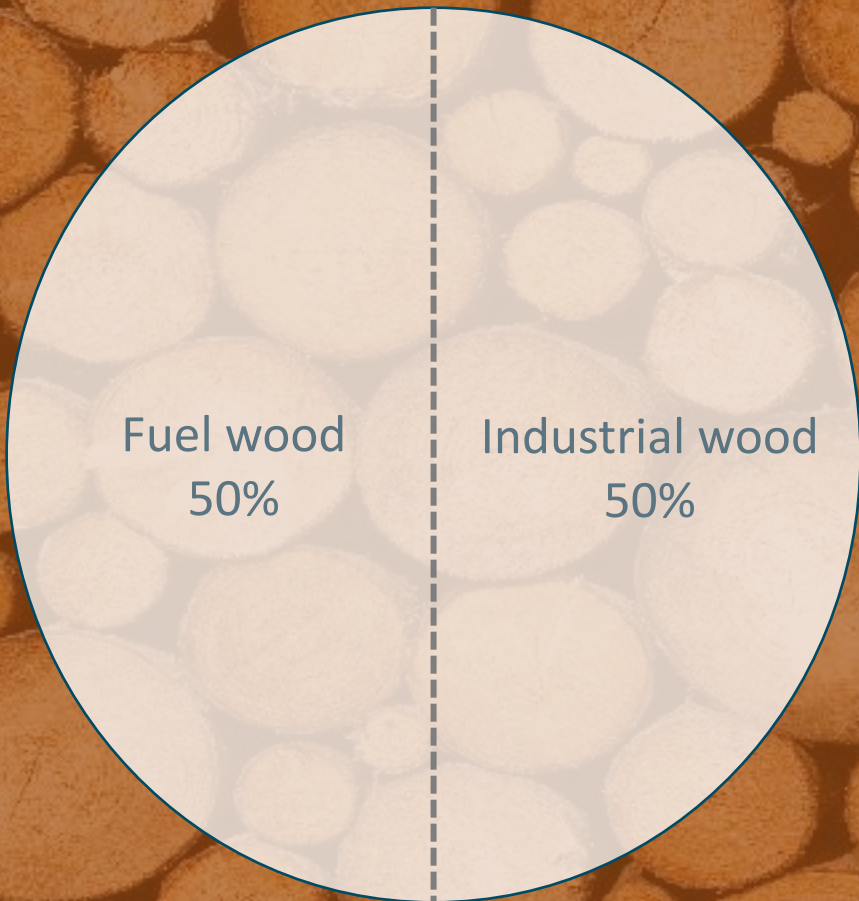
David Walker, Timber and Forestry Products Specialist, United Bankers

Key messages

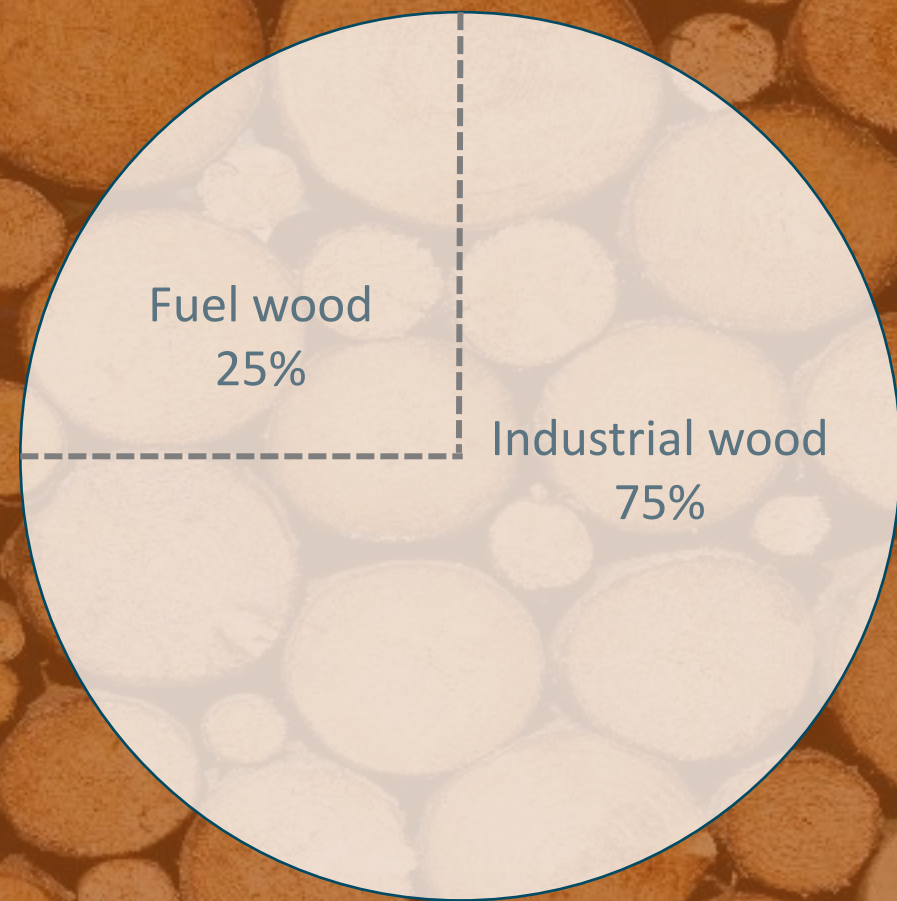
- The forest products industry continues to grow in both volume and value
- There is increased recognition of the industry based upon its use of a renewable natural resource
- Traditional product areas are combining with innovations which substitute non-renewable product inputs
- Opportunities exist to utilise undervalued waste streams to further increase forest value
- The industry continues to enhance its environmental performance and is part of a global solution to lowering CO₂ emissions.

Use of harvested forest resources

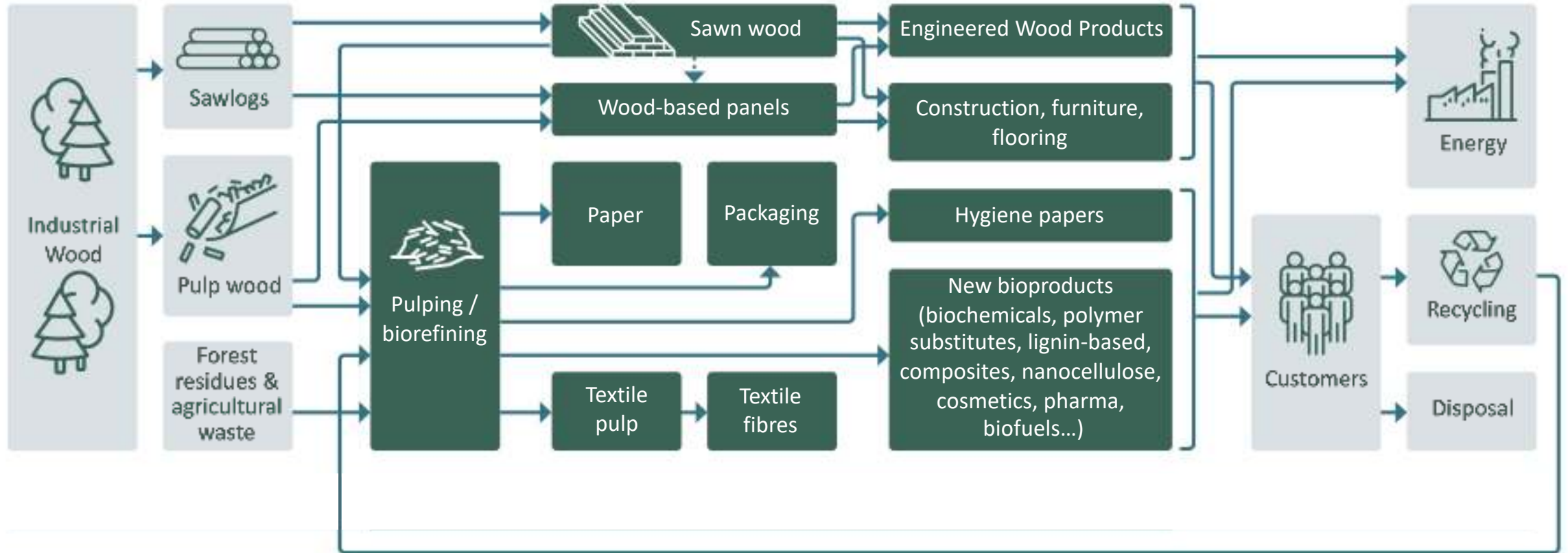
WORLD



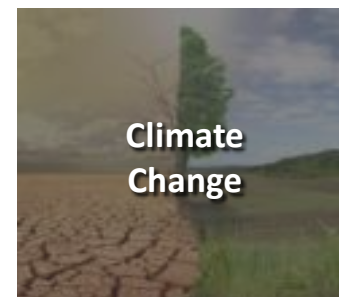
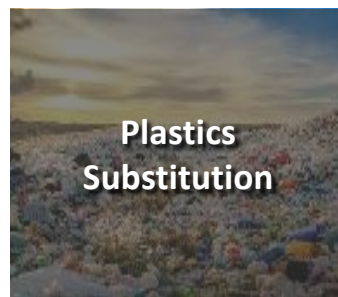
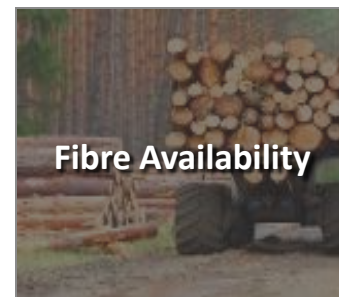
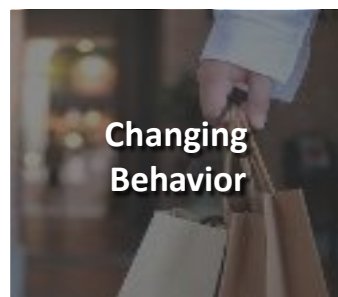
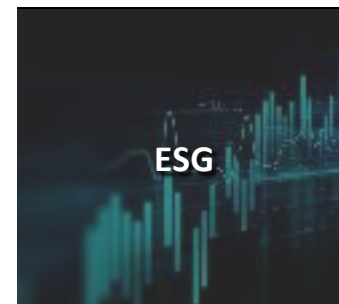
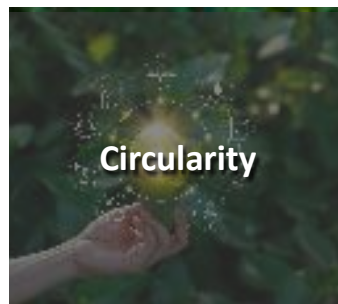
EUROPE



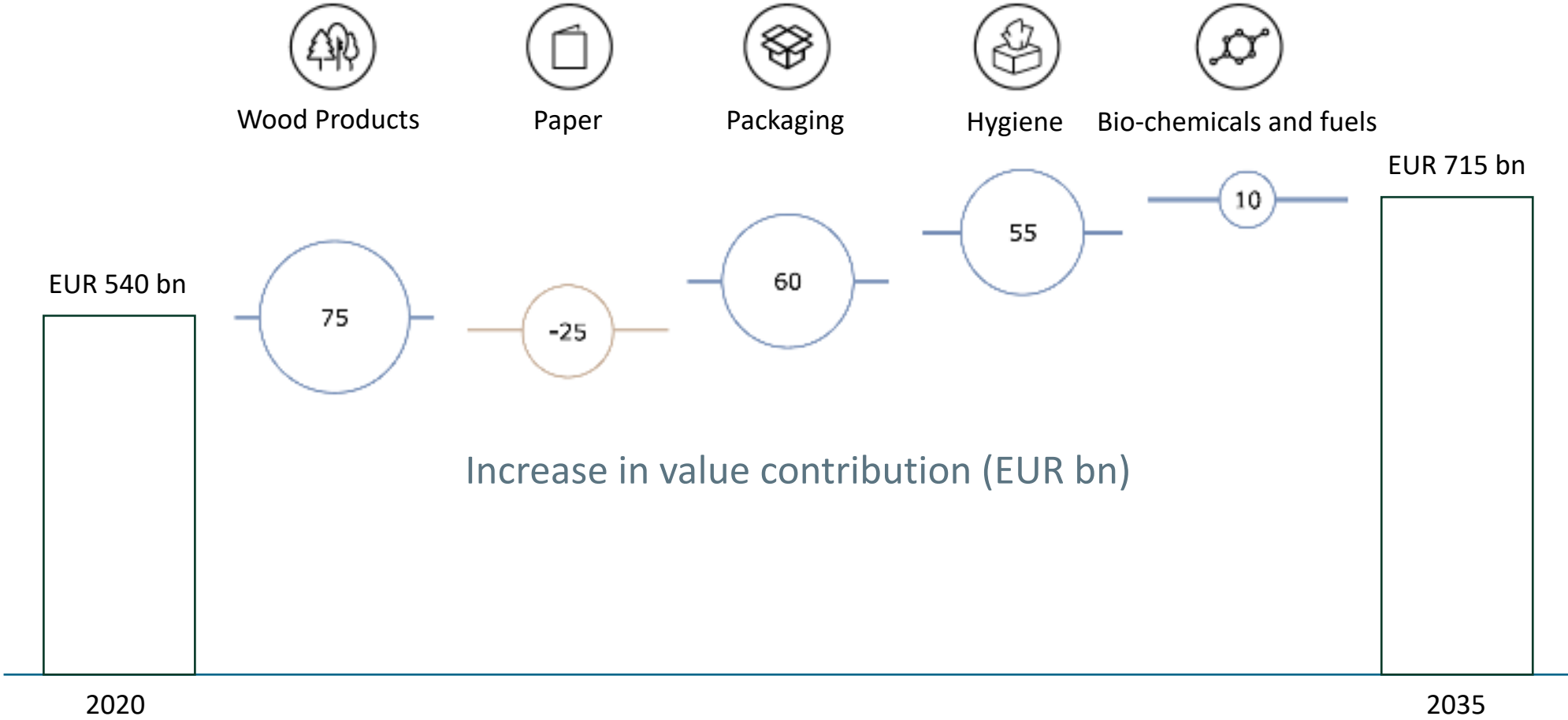
Forest and bio-industry value chain



Forest industry megatrends and growth drivers



Forest industry global market value growth



Source: AFRY

Sustainable building solutions

- **Traditional wood products provide a renewable source of building materials**
- **Wood products capture and retain carbon throughout their life**
- **Engineered wood product solutions are substituting concrete and steel in construction, lowering GHG emissions in building (20–50% reduction)**
- **High-rise construction using wood based products is proven**
- **Wood fibre foam provides sustainable insulation**
- **Composite products also use bio-chemical binding agents for even lower environmental impact**



Paper, tissue and consumer board

- **Newsprint and graphic paper demand is on the decline as digitalisation takes hold**
- **Consumer board continues to grow as consumers prefer recyclable packaging solutions**
- **Consumption of tissue and hygiene products expand as consumer behaviour and health concerns increase**
- **Products benefit from consumer preferences for recyclable products based upon a renewable resource**



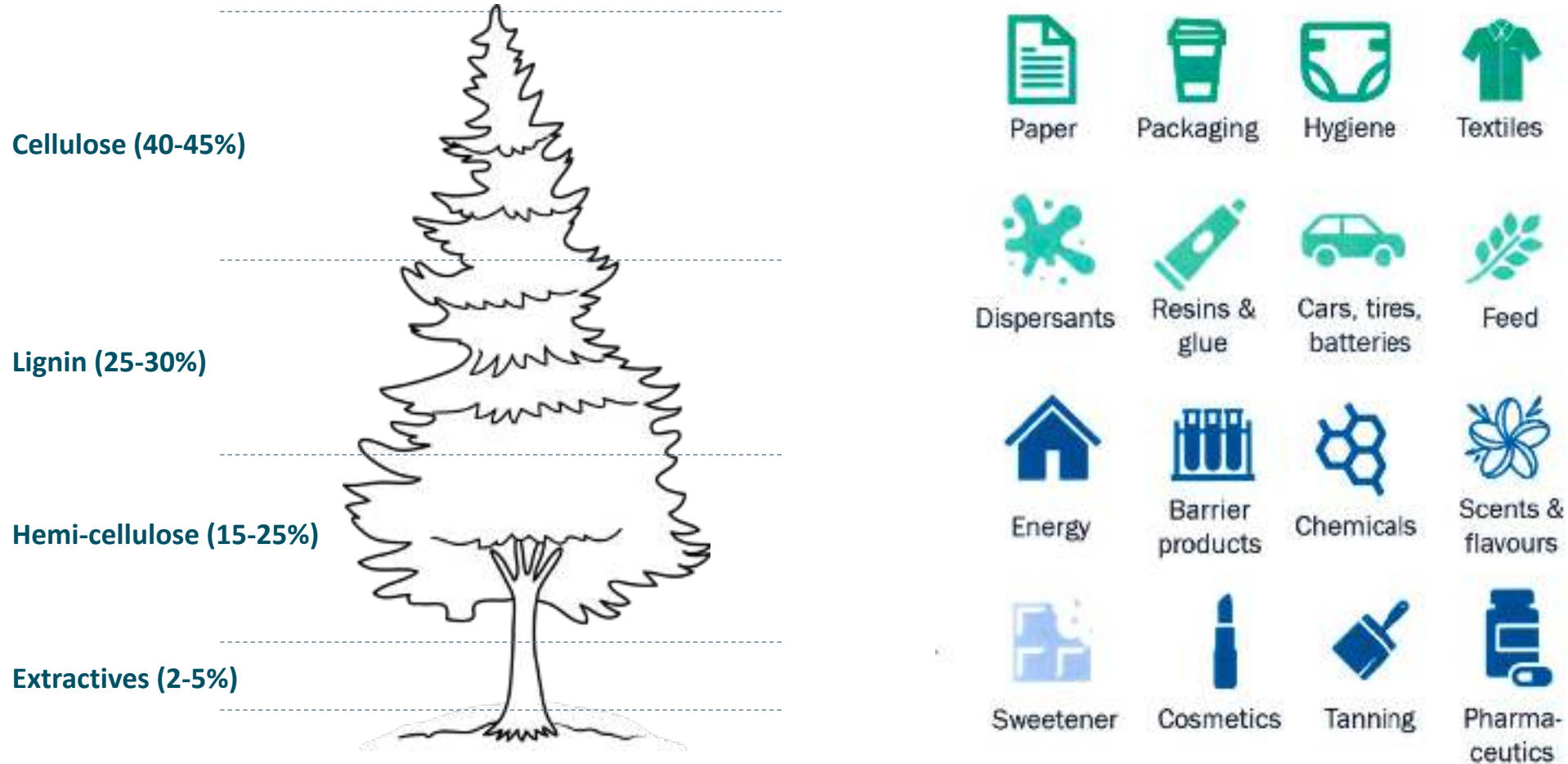


Recyclable corrugated packaging

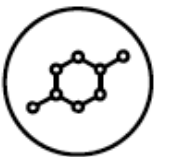
- Corrugated packaging is largely based on recycled fibre
- Pulp based packaging used for high-quality packaging provides new fibre to “refresh” the system and extend recycled fibre life
- Collection systems continue to extract more product for reuse
- Technology extends fibre life – meaning higher reuse
- Coating technologies move from fossil based to bio-based chemicals



Trees give much more than paper and packaging



Continuous product innovation



**Everything that is made
from fossils today can be
made from wood tomorrow**

ESG the Nordic approach

Focus on forests and climate

Seela Sinisalo, Head of ESG, United Bankers

Forests and ESG issues in global context

Natural forests



Managed forests



Plantation forests



From ESG to positive impacts in Nordic forests

E

- Advanced forest management methods based on research and know-how -> Methods chosen by forest type
- Active scientific research on environmental impacts and benefits
- Clear environmental and forest regulation

S

- Strong social licence to operate
- Skilled labour force
- Strong tradition of good working conditions, health and safety

G

- Clear regulatory context
 - Land ownership
 - Everyman's rights
 - Transparency in public administration and governance

Solid ESG performance is the foundation for positive impacts

Positive impacts from forest investments

Climate change mitigation

Sustainable production and circular economy

Biodiversity

Climate change adaptation

Other...

Sustainable forest management

Forest carbon capture – a natural climate solution

Dying and decaying trees gradually release carbon dioxide into the atmosphere



Number of trees and growth rate are pivotal to carbon sequestration

Forest carbon balance and carbon sinks



Forest carbon balance
 Tree growth – Harvested trees + increase & decrease of carbon in forest soil =



Positive → forest is a carbon sink



Negative → forest produces emissions

Defining sustainable forest management in the Nordics

- National environmental and forest regulation
 - Nature protection areas and voluntary and mandatory protection programmes
- National voluntary forest management guidelines
- International forest management guidelines
- International forest certifications
 - Provide general assurance on basic ESG
 - Two leading certification schemes with common goals but different approaches, FSC® and PEFC™
- EU taxonomy criteria
 - Specific criteria for taxonomy aligned forestry

Programme for the Endorsement of Forest Certification (PEFC™)

An international umbrella organization

- Founded 1999
- Stakeholder groups include international industry, associations and national forest (PEFC™) organizations
- Provides assessment, endorsement and recognition of national forest certification systems
- Bases its criteria on international conventions and guidelines. Links its sustainability benchmark criteria with existing governmental processes

Forest Stewardship Council® (FSC®)

An international non-profit multistakeholder organization

- Founded 1993
- Members include forest owners, timber industries, social groups and environmental organizations
- 10 principles and global standards and national substandards developed by FSC® multistakeholder approach

Mission to achieve environmental, social and economic sustainability in forestry

Forestry in the EU Taxonomy

- The importance of forests is recognized also in the context of meeting the EU's climate targets for 2030 and the objectives of the European Green Deal
- The EU Taxonomy sets criteria for environmentally sustainable economic activities
- Criteria for forestry activities under climate change mitigation and climate change adaptation includes:
 - Afforestation
 - Rehabilitation and restoration of forests, including reforestation and natural forest regeneration after an extreme event
 - Forest management
 - Conservation forestry



**Forest and timberland
are potential Taxonomy-
aligned SFDR article 9
dark green investments**

EU Taxonomy: Forest management, Climate change mitigation

Substantial contribution

- Forest Management Plan
- Climate benefit analysis
- Guarantee of permanence
- Audit
- Group assessment

Do no significant harm

- Climate change adaptation
- Water
- Circular economy
- Pollution prevention
- Biodiversity

Minimum Safeguards

- OECD Guidelines for Multinational Enterprises, UNGP, ILO Core Conventions, International Bill of Human Rights

Im Trend: Forstwirtschaft als Real Assets für Family Offices und institutionelle Anleger

Alexandra von Kalnein, Geschäftsführerin, Natango Invest GmbH

Thank you!