

Northern Horizon Group Conflicts of Interest Policy

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Operating principle/instruction	Northern Horizon Group Conflicts of Interest Policy
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Person responsible for the Guideline	Compliance Officer
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Introduction

This Conflicts of Interest Policy of Northern Horizon Capital A/S ("Northern Horizon", with its subsidiaries jointly the "**Group**") outlines the principles and guidelines that must be adhered to in order to prevent and manage any conflicts of interest.

Northern Horizon operates under its own brand investment management business within the Nordic countries and Baltic Sea region through single or multi-investor investment vehicles investing in real assets ("**Funds**").

The Funds and their Investors (the "**Clients**") forms the Group client base. The Client base have a large variety among themselves in respect to their activity, wealth, professionalism etc.

Northern Horizon is required to take all reasonable steps to identify and adequately manage potential conflicts of interests entailing a material risk of damage to the Client's interest. This policy specifies the appropriate procedures and measures in place within the Group to identify and manage any material conflicts of interests.

For the purpose of this Conflicts of Interest Policy an employee or the personnel shall include any and all employees of Northern Horizon and its subsidiaries, its directors and officers and the directors and officers and employees employed by the Funds managed or advised by Northern Horizon. Each Group employee and each person involved in the activities of the Group must – regardless of his/her position, role or workplace – act in compliance with this Conflicts of Interest Policy.

This policy sets only the minimum level of precaution to prevent possible conflicts of interest. For a specific Fund, other guidelines or rules may set stricter rules.

1. Definition

A conflict of interest is an exceptional situation that may arise in connection with any Northern Horizon activity (including the activity carried out by a delegate, sub-delegate, external valuer or counterparty) and that may pose a significant risk to the interests of Northern Horizon's Clients. A conflict of interest may arise when a person contributing to or related (in)directly with Northern Horizon:

- a) is likely to make a financial gain, or to avoid a financial loss, at the expense of the Fund or its Clients;
- b) has an interest in the outcome of a service or an activity provided to the Fund or another Client or of a transaction carried out on behalf of the Fund or another Client, which is distinct from the Fund's interest;
- c) has an incentive (financial or other) to favour:

- (i) the interest of the Client (or group of Clients) over the interests of the Fund;
- (ii) the interests of one Client over the interests of another Client (or group of Clients) in the same Fund;
- d) performs similar activities to the Fund and to other Clients that adversely affect the Fund;
- e) receives or will receive from a person other than the Fund an inducement in relation to services provided to the Fund, in the form of money, goods or services, other than the standard commission, fee or salary for that service.

Conflicts of interest may arise between

- the Group and a Fund or the Client;
- the Group and its past/future Clients;
- the Group and its personnel or;
- the Client or Fund and another Client or Fund.

Below is a list of examples of potential conflicts of interest:

- Northern Horizon may do transactions with its affiliates on behalf of the Funds:
*e.g. **Affiliated Transactions** – transactions might arise between the management company or its affiliates and the Fund itself or its individual investments. The management company would face a conflict of interest if it approved such transactions on behalf of the Fund.*
- Northern Horizon may sell services and products to the Funds:
*e.g. **Fundraising** – a conflict of interest can arise between the management company that seeks to maximize the size of the Fund in order to increase the amount of management fees generated by the Fund and the Fund's investors that seek to limit the size of the Fund to ensure that the capital raised is deployed more selectively.*
- Northern Horizon or individual investor may do transactions with the Fund:
*e.g. **Co-Investment** – co-investment situations arise where the management company, individual investors in the Fund, or other Funds affiliated with the management company have the opportunity to separately invest in one of the assets of the Fund's portfolio. If the terms under which the management company or such other investors invest differ from the terms under which the Fund invests, conflicts of interest can arise in the course of negotiating the Fund's investment.*
- Funds may do transactions with each other:
***Inter-Fund Sales** – when the Fund exits an investment, it's not uncommon for that Fund to sell its assets to another Fund that shares the same management company, creating a potential conflict of interest for the management company in determining the terms of such sale.*
- Clients and Funds may do transactions with each other;
- Situations resulting from the competing interests of different Clients or different Funds:
*e.g. **Competing Funds** – when the management company is affiliated with more than one Fund, it must determine which investment opportunities will be offered to which Fund and when, and determine which Fund gets priority at any given time;*

Competing interest of redeeming investors and ones staying in the Fund - the management company that manages an open-ended Fund shall be careful in identifying, managing and monitoring conflicts of interest arising between investors wishing to redeem their investments and investors wishing to maintain their investments in the Fund,

- Situations between the Clients and Northern Horizon as a result of fee structures, other investment related revenues and profit:

*e.g. **Fees and Expenses** – the management company must be careful in allocating different expenses between the fund, the management company, and any co-investors in accordance with the fund’s constitutive documents and in accordance with reasonable investor expectations;*

***Valuation** – the methodology used for valuing portfolio of the Fund can affect the amount of management fees the fund manager receives as well as affect Fund performance numbers, so the manager can face significant conflicts of interest when making decisions regarding the selection of such methodologies.*

- Situations resulting from the personal interests of Northern Horizon personnel and Clients:

***Dealing with Investor Defaults** – if an investor is unable to make the investment after the management company makes a capital call, the management company typically has discretion in determining what remedies the management company will use against the defaulting investor. The management company’s relationship to that investor may cause the management company to face conflicts of interest in the enforcement of such remedies.*

- Situations that may arise as a result of the integration of sustainability risks in the Fund’s processes, systems and internal controls¹;
- The same counterparty provides services to the seller and the buyer side of transaction:

*e.g. **External valuator is conflicted** – the management company shall not hire the same external valuator that is already advising the buyer side of the transaction. Typically, external valuers are subject to professional code of conduct and conflicts of interests shall be cleared before engaging them.*

None of the lists above are exhaustive.

¹ Those conflicts may include conflicts of interest that could give rise to greenwashing, mis-selling or misrepresentation of investment strategies and conflicts of interests between different AIFs managed by the same AIFM.

2. Identification and prevention of conflicts of interest

The aim is to ensure that the Group's executives and employees perform their duties with integrity and loyalty and execute transactions with sufficient independence to protect the interests of the Clients. The Group pays special attention to identifying conflicts of interest in its activities.

Although it is always possible for conflicts of interest to arise when providing services, the Group seeks actively to prevent such situations primarily by organizational and administrative means (primarily by building employees capacities to prevent conflict of interest through trainings and monitoring types of conflicts of interest situations arising in Group's activities and applying appropriate measures to manage it).

The Group employees must avoid conflicts of interest situations and must promptly notify their manager in writing of any circumstances, if employee's personal interests, or the interests of their family or friends or organisations they work with, would lead to the conflicts of interests with Northern Horizon, the Funds or the Clients.

In addition to this Conflicts of Interest Policy, the management of conflicts of interest is dealt in the Group's Code of Conduct and Risk Management Policy and Inside Information Policy. The steps taken to manage conflicts of interest vary according to the business or service in question. The Group employees are obliged to act in the Group's best interests even if a conflict of interest arises between the Group and the employee. Such situations may relate to the employment relationship or holdings of an employee's immediate family, such as when a spouse is employed by or engaged with a company that can be defined as a competitor of the Group.

Northern Horizon employees are prohibited from mandating/authorising the service providers that are conflicted themselves (e.g. legal advisors, valuers etc.). In case of exceptional necessity, the issue must be reported to the employee's superior or other Northern Horizon management ensuring collective assessment of the issue and protection of Northern Horizon and clients' interests. Employees are prohibited from unilateral decision-making in such kind of situations.

3. Dealing with conflicts of interest

If, despite preventive measures, a conflict of interest cannot be prevented, the Group, where necessary and appropriate, amongst other measures may apply the following procedures to be followed and measures to be adopted:

- (a) procedures to prevent or control the exchange of information between the relevant employees, business units, fund managers involving a risk of conflict of interest where the exchange of information may harm the interest of one or more Funds or their investors;

- (b) the separate supervision of relevant employees, business units performing portfolio management activities on behalf of, or providing services to the Clients, whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the management company;
- (c) the removal of any direct link between the remuneration of employees engaged in one activity and the remuneration of, or revenues generated by, different employees engaged in another activity, where a conflict of interest may arise in relation to those activities;
- (d) measures to prevent or restrain any employee from exercising inappropriate influence over the way in which a relevant employee carries out investment management activities;
- (e) measures to prevent or control the simultaneous or sequential involvement of a relevant employee in separate investment management activities where such involvement may impair the proper management of conflicts of interest;
- (f) any alternative or additional measures and procedures.

Where the organisational or administrative arrangements applied by the Group are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the Fund or the Clients are prevented, the senior management or the Board of the management company shall be promptly informed in order to take any necessary decision or action to ensure that the management company acts in the best interests of the Fund and its Clients. In such case the management company shall clearly disclose the general nature or sources of conflicts of interest to the Clients before undertaking business on their behalf (in cases where the Fund has established the Advisory Board of investors such conflicts of interests' situations must be reported to the Advisory Board of investors).

The Client will then independently consider whether to go ahead with the transaction despite the conflict of interest or waive such conflict of interest. The Group may also decline to act if a conflict of interest has arisen.

Conflicts of interest situation must be thoroughly documented and described, thus increasing the level of transparency both internally and in communication with the Clients, as well as reducing risk of disputes in the future.

In order to comply with good governance and to avoid unintentional and embarrassing situations, all conflicts of interest must be reported to one's superior and the Compliance. The superior and the Compliance must treat the information as confidential, unless its disclosure is essential for practical reasons. Ultimately, the senior management or the Board of the management company following recommendations of Compliance will decide on a procedure by which the interests of both parties will be fairly served.

In cases, where upon disclosure of the conflicts of interest situation the Client takes a decision and instructs to proceed further, the conflicted Northern Horizon employee should no longer advise/represent Northern Horizon, the Fund or the Client (as the case might be). If removal is not feasible considering particular circumstances, for the best interests of investors, proper internal controls and transparency reasons other NHC employee(s) must be involved in the case alongside with the conflicted person.

4. Personal Account Dealing (“PAD”)

The Inside information policy is intended to limit the Group’s personnel from activities potentially creating conflicts of interest. The Group’s personnel are recommended to avoid investing into real assets falling into the investment scope of any of the Funds managed by Northern Horizon. In such a case it is mandatory to obtain prior authorization to the investment from the Compliance.

It is recommended, that investments in the units of Baltic Horizon are long-term by nature. During the “Closed Window” and when having inside information, the trading with the units of Baltic Horizon or securities linked to it or with any other securities the employee has inside information, is strictly prohibited according to the Inside information policy.

5. Gifts and Benefits

The Group’s personnel employees are allowed to offer and accept only such gifts and benefits which are ordinary taking into account the nature of the business relationship and local and international business practices. However, cash or cash equivalents shall not in any case be ordinary and shall never be accepted. In case of any suspicion the Compliance shall be consulted.

Each employee is responsible for registration of the gifts or entertainment received or offered to the Gift & Entertainment register, even if the gifts or entertainment were not accepted.

For further guidance, please refer to Northern Horizon Group Gifts and Entertainment Policy.

6. Secondary occupations and positions of trust

The Group’s personnel may have secondary occupations and positions of trust, outside the Group, only if approved by the CEO (or managing directors) of respective Group company. In addition, for fund managers, portfolio managers and senior executives of Northern Horizon a new position shall be subject to approval of Compliance.

7. Register of conflicts of interest

All conflicts of interest must be reported to one's superior and the Compliance. All such circumstances are recorded in a separate register of conflicts of interest (Template conflicts of interest register is enclosed as Annex thereto). The register is maintained by the Compliance. Compliance shall provide updates to the business on conflicts of interest situations and regularly report on types of activities giving rise to the conflicts of interest situations to the Board of the manager.

8. Information sharing and Chinese Walls

In general, Northern Horizon applies a need-to-know principle to information sharing and monitoring the exchange of information between persons and functions. Inside information handling is stipulated in the Inside Information Policy. A Chinese Wall (by means of separate information systems and user authorizations and/or by the physical segregation of functions) may be operated by Northern Horizon and are designed to restrict information flows between areas likely to generate a conflict of interest. They are there to allow Northern Horizon to carry out work on behalf of a Client without being influenced by other information held within Northern Horizon that may cause a conflict of interest situation.

9. Approval and Updating

This Conflicts of Interest Policy has been approved by the Board of Directors of Northern Horizon Capital A/S and it will be reviewed annually and updated, when needed.