

# Annual ESG report 2023





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# About Baltic Horizon Fund

## We aim to create value through actively managing commercial real estate

Baltic Horizon Fund (the "Fund" or the "Group") is a regulated closed-end contractual investment fund registered in Estonia on 23 May 2016. Northern Horizon Capital AS is the Management Company (AIFM) of the Fund. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision and Resolution Authority.

The Fund is a public fund with no particular lifetime (evergreen). Units of the Fund are made available to the public in accordance with the Fund Rules and applicable laws. The Fund is listed on the Fund List of the Nasdaq Tallinn Stock Exchange. The Fund's Swedish depository receipts (the SDRs) are listed on the Nasdaq Stockholm Stock Exchange.

The Fund's primary focus is to invest directly in commercial real estate located in Estonia, Latvia and Lithuania with a particular focus on the capitals - Tallinn, Riga and Vilnius.

The Fund's focus is on established cash flow generating properties with potential to add value through active management within the retail, office, leisure and logistics segments in strategic locations and strong tenants or a quality tenant mix and long leases. Up to 20% of the Fund's assets may be allocated to investments of a more opportunistic nature such as forward funding development projects and undeveloped land purchases.

The Fund aims to use a 50% or lower long-term leverage strategy. At no point in time may the Fund's leverage exceed 65%.

The Fund aims to grow through making attractive investments for its investors while diversifying its risks geographically, across real estate segments, tenants and debt providers.



# Management statement

Environmental, social, and governance (ESG) considerations are becoming increasingly important for investors in real estate. In response to this trend, Baltic Horizon Fund has begun to integrate ESG factors into their investment strategies and operations. An annual ESG report for the real estate fund provides valuable information about the fund's approach to sustainability and its performance on ESG criteria.

The purpose of this annual ESG report is to provide stakeholders with an understanding of the real estate fund's approach to ESG issues and its performance on ESG criteria. This report includes information on the fund's ESG policies, governance structure, and sustainability initiatives, as well as its approach to risk management and its performance on key ESG metrics such as energy efficiency, responsible sourcing, and community engagement.

Baltic Horizon Fund is committed to promoting environmental, social, and governance (ESG) practices across our portfolio. Our annual ESG report provides an overview of our ESG achievements, including the results of our participation in the GRESB benchmarking.

GRESB provides us with valuable insights into our sustainability performance, as well as a benchmark to measure our progress against peers in the industry. We are proud to have received a 4-star evaluation in the GRESB assessment for the second time in 2023. Our rating recognizes our efforts to integrate ESG considerations into our decision-making processes and operations.

In line with our commitment to sustainability, we have committed to contribute to the Northern Horizon Capital Group net zero operational carbon target. This ambitious target reflects our belief that the real estate sector has a critical role to play in addressing the global challenge of climate change. During 2023, the Fund's absolute GHG emissions lowered 17 % compared to 2022. Even though the change was mostly due to sale of properties and therefore reduced size of the portfolio, we also saw asset level improvements that were not depended on occupancy in our asset Pirita. We are committed to implementing strategies and solutions to reduce our carbon footprint, and to increasing the energy efficiency and renewable energy usage of our properties. During 2023, the Fund made efforts toward this target by acquiring renewable off-site energy and during the year 91 % of the Fund's electricity came from renewable sources. The Fund will look into market based ghg emission calculations to properly account for its carbo emission reductions.

Our ESG report serves as a testament to our ongoing efforts to drive positive change in the real estate sector. We remain committed to continuously improving our ESG performance and to delivering long-term value to our stakeholders.



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# Baltic Horizon and ESG in 2023





# Short-term sustainability goals for the portfolio

In 2020 management team of Baltic Horizon decided to set long-term ESG aims for the Fund and due to the successful implementation of the short-term goals, in 2021 the fund set more ambitious and broader scope short-term ESG goals.

## Short-term objectives (1-2 years)

### Portfolio 100 % certified



In 2022, 35,5 % of the Fund's assets were certified. During the reporting period the Fund certified its entire retail portfolio and continued to renew the certificates of the office portfolio. Meraki has also received its BREEAM interim design state certificate and is expected to receive its BREEAM new construction certification in 2024. Thus, the Fund achieved 100% certification coverage in the reporting period. During 2024 the Fund will focus on renewals of the relevant certifications to maintain 100 % of certification coverage.

### 100% of new leases will include green lease clauses



Green leases are a great way to formalize sustainability aims and commitments between our tenants and the Fund. During 2022, Baltic Horizon had included green lease clauses in 62 % of its lease agreements. During 2023, the Fund made progress in this area by having green leasing in 72 % of leased area. Green lease clauses cover such topics as sustainable operations, information sharing, use of renewable energy sources, and other relevant topics. The Fund will focus on attainment of 100 % of green lease coverage.

### Maintain 4-star GRESB evaluation



Baltic Horizon achieved a 2-star rating in the 2020 GRESB Real Estate Assessment with a 63-point score. In 2021, Baltic Horizon improved its score to a 70-point score and still scored 2 stars. In 2022, Baltic Horizon Fund scored 4-star evaluation which exceeded our previously raised goal to reach 3 star evaluations in two - three years. In 2023 Baltic Horizon received 4-star evaluation a second year in a row with 82 points. We believe that our ESG efforts could result in maintaining 4-star rating over the next 1-2 years with a targeted portfolio improvement strategy that is currently in implementation.

The Fund has reviewed the short-term goals and their attainment during 2023 and holds on to them for the next 1-2 years. Below is a description of our ESG commitments and an update on the Fund performance on the ESG goals.

### Human rights incorporation in operations



In 2022, Baltic Horizon together with Northern Horizon Group incorporated the minimum safeguards referred to in EU Taxonomy which were the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labor Organization on Fundamental Principles and Rights at Work. In 2023, The Fund focused on enhancing minimum safeguards requirements in operations and processes including tendering process. We recognize that to uphold to minimum safeguards will require continuous work and we are working on further enhancing and improving our approach.

### EU Taxonomy



The Fund is an Article 8 product that needs to disclose the degree (if any) to which they invest in environmentally sustainable investments as set out by EU Taxonomy regulation. Thus, in 2022 Baltic Horizon determined and screened assets with relevant screening criteria for EU Taxonomy for the first two environmental objectives. In 2022, 12 % of the Fund's assets were considered taxonomy aligned and the Fund has committed to maintain this proportion. During 2023 the Fund exceeded its goal and had 14 % of taxonomy aligned assets. The Fund aims to maintain its position.

### Renewable energy



In 2022 and onwards the fund has focused on purchasing renewable energy solutions such as on-site solar panels and distant renewable energy power plants in order to reduce CO2 emissions. During 2023, all fund's assets have utilized renewable electricity evidenced by the certification given by the electricity company. The fund has two properties that have on-site solar panels. During 2022 and 2023 the fund has signed private power purchase agreements to purchase solar power directly from the solar parks. The PPAs will become effective in 2024 and therefore strengthen the Fund's decarbonization efforts. The Fund will continue its efforts to utilize renewable energy solutions in its properties when possible.

# Long-term sustainability goals for the portfolio

The Fund has reviewed the long-term goals and their attainment during 2023 and continues their implementation.

Below is a description of our ESG commitments and an update on the Fund performance on the long term ESG goals.

## Long-term objectives (5-10 years)

### Net zero carbon in operations by 2030



In 2020 Northern Horizon Capital Group revised its Responsible Investment Policy and raised net-zero carbon by 2030 from the operation of all its managed funds, including Baltic Horizon. While very ambitious, our firm belief is that this goal is achievable with active asset management, portfolio improvement, and renewable energy procurement as primary tools leading our efforts. The goal is aligned with World Green Building Council’s Net Zero Carbon Buildings Commitment (Baltic Horizon has not expressed formal support for the commitment). During 2023, the Fund has acquired renewable electricity and signed private power purchase agreements to reach its commitments. The Fund has also investigated options to decrease energy consumption in buildings by e.g. installing LED lighting in common areas.

### Energy performance certificate (EPC) of new acquisitions – B or better



Energy efficiency of assets in the Fund’s portfolio will be one of the key aspects in achieving the net zero target. Therefore, it is crucial that all new acquisitions of the Fund exhibit strong energy efficiency performance. Fund could consider assets that have a lower energy efficiency if energy efficiency label of the asset is improved after acquisition. During 2023, the Fund did not acquire new assets.

### Non-fossil electricity by 2030



Energy sources of existing portfolio is as important as energy efficiency of new acquisitions. Therefore, the Fund has set a 2030 target to cooperate with only non-fossil energy suppliers which will be crucial in achieving the net zero target. During 2023, all fund’s assets have utilized renewable electricity evidenced by the certification given by the electricity company. The fund has two properties that have on-site solar panels. During 2022 and 2023 the fund has signed private power purchase agreements (PPA) to purchase solar power directly from the solar parks. The PPAs will become effective in 2024 and therefore strengthen the Fund’s decarbonization efforts.

# United Nations Sustainable Development Goals – UN SDGs






Endorsed by all 193 United Nations Member States in 2015, the 2030 Agenda and its Sustainable Development Goals focus global efforts and attention on 17 pressing issues. The private sector plays a critical role in providing solutions that can contribute to solving these challenges, while also generating new business opportunities.

The SDGs are also becoming increasingly important for investors, as they are an articulation of the world's most pressing environmental, social and economic issues and, as such, act as a definitive list of the material ESG (environmental, social and governance) perspectives that should be taken into consideration as part of an investor's fiduciary duty.

To achieve our ESG ambitions, we have set clear and measurable targets. These targets contribute to nine UN Sustainable Development Goals (UN SDGs) and their sub-targets. We believe that businesses cannot thrive in a world of poverty, inequality, unrest and environmental stress; therefore, it has vital interest in ensuring that the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs or Global Goals) are delivered.

By upholding recognized standards and principles on human rights, labor, the environment and anti-corruption, the business makes an essential contribution to the SDGs. Baltic Horizon reports on topics covered by the SDGs, such as climate change, water management and working conditions.

## Sustainable development goals table

SDG	SDG goal description	SDG target description	Initiatives
	<b>5.1 - Gender Equality</b> Achieve gender equality and empower all women and girls	End all forms of discrimination against all women and girls everywhere	BHF as part of Northern Horizon Capital always strives for equal opportunities and prevents all forms of discrimination against women. Our Code of Conduct and People Policy guarantee equal opportunities to all despite the Gender.
	<b>5.5 - Gender Equality</b> Achieve gender equality and empower all women and girls	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	We ensure that there is no gender-based discrimination and all women are treated equally based on their professional qualifications.  Gender balance at Northern Horizon Group at the end of 2023 is 61% female vs 39% male.
	<b>6.1 - Clean Water and Sanitation</b> Ensure availability and sustainable management of water and sanitation for all	By 2030, achieve universal and equitable access to safe and affordable drinking water for all	The Baltic region is famous for its' high-quality drinking water which is available in all Baltic Horizon premises. We also promote the sustainable use of water among our tenants.
	<b>6.4 - Clean Water and Sanitation</b> Ensure availability and sustainable management of water and sanitation for all	By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity	In 2023 72% of our tenants have signed a green lease that among other topics promotes sustainable use of water in our buildings. The energy audits conducted during 2023 also address the condition of the water appliances in our buildings.
	<b>7.2 - Affordable and Clean Energy</b> Ensure access to affordable, reliable, sustainable and modern energy for all	By 2030, increase substantially the share of renewable energy in the global energy mix	The fund has actively investigated measures to increase on- site renewable energy. The Fund has two assets that have solar panels, and the Fund has entered into private power purchase agreements (PPA) to rent solar parks. PPA's were signed for two assets in 2023.








# United Nations Sustainable Development Goals – UN SDGs

In addition to informing external stakeholders, including investors, corporate sustainability reporting is a powerful stimulus for internal conversation and decision-making with regard to contributing to the SDGs at all levels within a company. Reporting, however, is neither the start nor the end of a company's sustainability strategy and implementation – it's a strategic tool that:





- engages stakeholders;
- supports sustainable decision-making processes at all levels within a company;
- shapes business strategy;
- guides innovation and drives better performance and value creation;
- attracts investments.

## Sustainable development goals table

SDG	SDG goal description	SDG target description	Initiatives
	<b>7.3 - Affordable and Clean Energy</b> Ensure access to affordable, reliable, sustainable and modern energy for all	By 2030, double the global rate of improvement in energy efficiency	One of the long-term goals of BHF is to receive higher energy class evaluation for buildings and to improve energy efficiency in case needed. During 2023, the Fund has analyzed its assets accordance with the energy efficiency criteria from SFDR and EU Taxonomy. In 2023, 61 % of BHF assets were either energy efficient according to SFDR or fulfill the taxonomy criteria for climate change mitigation being in the top 15 % of the respective national building stocks.
	<b>8.5 - Decent Work and Economic Growth</b> Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value	BHF is part of Northern Horizon Capital, which strives to provide good working conditions and career opportunities for all employees in all countries.
	<b>10.3 - Reduced Inequalities</b> Reduce inequality within and among countries	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies, and action in this regard	Equal opportunities are considered by our People policy according to which equal opportunities should be applied to all aspects of employment, including, but not limited to, recruiting, hiring, promotion, training, compensation, discipline, and discharge, and to all terms, benefits, privileges, and conditions of employment.
	<b>11.6 - Sustainable Cities and Communities</b> Make cities and human settlements inclusive, safe, resilient and sustainable	By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management	95% our assets have waste sorting facilities covered by waste recovery or recycling contract. Indoor air quality is assessed during property audits and technical energy assessments.
	<b>11.7 - Sustainable Cities and Communities</b> Make cities and human settlements inclusive, safe, resilient and sustainable	By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities	Our premises are accessible for people with disabilities and green areas are maintained and created where possible.

# United Nations Sustainable Development Goals – UN SDGs

**Sustainable development goals table**

SDG	SDG goal description	SDG target description	Initiatives
	<b>12.5 - Responsible Consumption and Production</b> Ensure sustainable consumption and production patterns	By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse	95% our assets have waste sorting facilities covered by waste recovery or recycling contract and we monitor the recycling rate of waste.
	<b>12.6 - Responsible Consumption and Production</b> Ensure sustainable consumption and production patterns	Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle	The Fund has implemented green leases into 72 % of its lease agreements. Green leases include data sharing between the parties. During 2023 the ESG questionnaire of our tendering process was updated to include questions on ESG initiatives of the tendees.
	<b>13.3 - Climate Action</b> Take urgent action to combat climate change and its impacts	Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	In Baltic Horizon has set clear KPIs to measure its GHG emission and operational energy consumption to take actions to reduce its climate impact. BHF has promoted climate action by implementing green leases among its tenants. BHF representatives have also participated to industry events to discuss sustainability in real estate, including climate topics.
	<b>16.7 - Peace, Justice and Strong Institutions</b> Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Ensure responsive, inclusive, participatory, and representative decision-making at all levels	We are not a big firm and communication between all levels is quick and easy, and everyone is encouraged to contribute to decision-making. Especially sustainability matters are discussed in ESG task force that collects together Fund managers, asset managers, investment directors and sustainability personnel to discuss and decide on sustainability initiatives and track the progress of the sustainability targets.



# Net-zero carbon pathway

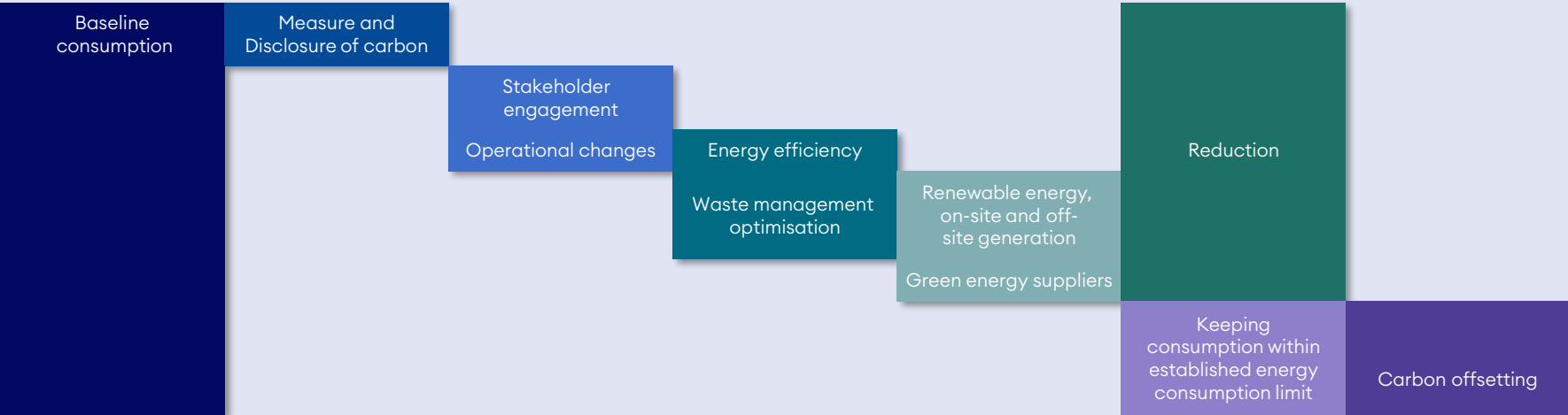
Northern Horizon Capital Group’s operational net-zero target was aligned with the World Green Building Council’s Net Zero Carbon Buildings Commitment (NZCBM) and aims to decarbonize asset portfolios under our management by targeting asset operations. Northern Horizon has not expressed a formal commitment to the World Green Building Council’s NZCBM but uses the framework as guidance in its work.

In accordance with the objective, we have worked to decarbonize our real estate operations by increasing the percentage of renewable energy used in our buildings, which can be achieved by adding on-site renewable energy generation capabilities and procuring off-site renewable energy from third parties. While this aim does not fully solve the GHG emissions problem in the real estate sector and excludes the embodied carbon emitted during the construction phase, we believe it is a step in the right direction, a step towards a more sustainable real estate market.

BHF acknowledges the global goal set by the Paris Climate Agreement to reduce emissions and prevent climate change. The Fund formulated an initial pathway to demonstrate its way forward to operational net zero carbon with 2020 as a baseline year for the NZC target. The net-zero carbon pathway serves as guidance to reach the NZC target based on the main actions identified and the steps that could be implemented.

Northern Horizon Group will review its carbon pathway and reduction goals during 2024.

## Steps towards operational net zero carbon in 2023



**Data gathering and monitoring** To be able to track the pathway to operational net zero high GHG emission data coverage and formulating comparable KPIs are the key steps to take. The Fund is focusing on capturing 100 % data coverage over electricity and heating consumption of its assets. At the current, The Fund’s data does not cover the assets that were sold during the year 2023.

**Energy efficiency** Ensuring optimal energy use is important for building certification, energy ratings and EU Taxonomy alignment and will always remain important factor in achieving operational net zero carbon. During 2023, 61 % of the fund’s investments fulfilled the taxonomy energy efficiency criteria having either energy rating A or B and belonging to the best 15 % of the national building stock. The fund also investigates ways to improve the energy rating of the inefficient assets.

**Renewable energy** Switching to renewable energy suppliers and installing renewable energy sources on site is the key to decarbonization. During 2023 BHF has focused on purchasing renewable off-site electricity. During 2023 all assets of BHF utilized renewable electricity either partly or its entirety.

**Waste management** To gather accurate waste data remains one of the biggest challenges. At the current, BHF scope 3 GHG emissions do not take into account the GHG emissions from waste management. The Fund is, however, tracking its waste data and recycling possibilities.

**Stakeholder engagement** We understand that the effort to achieve our ESG goal is shared with our tenants and requires stakeholder co-operation. Stakeholder engagement helps with making the operational changes necessary for energy efficiency. During 2023, BHF has signed green leases that cover 72 % of the leased area.

**Carbon offset** Decision regarding carbon offset will be made on Northern Horizon Group level if after all decarbonization measures are exhausted and there are still remaining carbon emissions. At the time, no carbon offsets are used to achieve the emission reductions.

# Net zero carbon pathway

In 2021, the Fund established a high-level plan to support its net zero operational carbon goal. The Fund has followed the execution of the plan. As opposed to what was initially planned in 2021, Northern Horizon Group has not established any offset projects.

Northern Horizon Group will review its carbon pathway and reduction goals during 2024 and re-evaluate the need for offsets.

Steps towards operational net zero carbon in 2023

	2022-2023	2024-2025	2026-2027	2028-2030
Acquisition and development	<ul style="list-style-type: none"><li>Established an assessment process for NZC target for all new acquisitions and developments.</li><li>NZC-related clauses become standard for new contracts</li></ul>	<ul style="list-style-type: none"><li>Building certification are considered for all new developments and acquisitions</li></ul>		
Reporting	<ul style="list-style-type: none"><li>Establish a plan to improve GRESB score annually</li><li>SFDR Article 8 fund.</li><li>Established EU Taxonomy alignment for the fund and the target to maintain alignment was raised.</li><li>Aim for building certifications 65% coverage</li></ul>	<ul style="list-style-type: none"><li>All assets are assessed for building certification</li><li>Improve or maintain EU Taxonomy alignment</li><li>Building certification coverage – 100%.</li></ul>		
Operational efficiency and tenant engagement	<ul style="list-style-type: none"><li>Set NZC KPI’s</li><li>Establish a carbon footprint.</li><li>Establish which standards to use for the decarbonization pathway (e.g., CREEM)</li><li>Green leases incorporated in tenant’s agreements</li><li>Establish energy, water &amp; resource efficiency measure</li><li>Assess assets for energy class level improvement</li><li>Optimize waste management and find the best partners for waste treatment</li></ul>	<ul style="list-style-type: none"><li>Achieve 30% energy intensity reduction</li><li>Capture 60% of operational data</li><li>NZC potential assessed in buy/hold/sell decisions</li><li>Capture 100% of tenant consumption data</li><li>Develop costed plans to reach NZC for all buildings</li></ul>	<ul style="list-style-type: none"><li>Capture 100% tenant data</li><li>Capture 80% of operational data</li></ul>	
Renewables	<ul style="list-style-type: none"><li>On-site renewable assessments for all buildings</li><li>Change to renewable energy suppliers and renewable energy power purchase agreements PPAs.</li></ul>	<ul style="list-style-type: none"><li>On and off-site renewable energy sources installation</li></ul>		
Green Project/Offset	<ul style="list-style-type: none"><li>Establish offset project</li></ul>	<ul style="list-style-type: none"><li>Develop offset project</li></ul>	<ul style="list-style-type: none"><li>Offset project results and NZC target evaluation</li></ul>	<ul style="list-style-type: none"><li>- Carbon emissions accounted, and carbon offsets purchased to claim NZC</li></ul>





# Policy commitment to responsible investment

The main policy outlining our sustainability considerations in Baltic Horizon is the Northern Horizon Group's Responsible Investment and minimum safeguards policy. The policy is based on UN PRI to incorporate ESG factors and risks into investment analysis, decision making and risk management. The NHG Group policy is based on 9 principles we uphold in managing ESG matters in investment decision-making and during our ownership.

Overall responsibility for implementing the Responsible Investment and Minimum Safeguards policy at all the activities of Northern Horizon Group lies with the NHC Group CEO. CEO is supported by Head of Sustainability. At Baltic Horizon, fund managers are responsible for ensuring compliance with the policy.

In order to ensure the effective implementation of the policy and channels to personnel to seek advice and raise concerns, Northern Horizon has set up an ESG Task Force. The ESG Task Force has been appointed by the Group CEO and it comprises of:

- CEO or other members of C-suite staff;
- Head of Sustainability;
- Fund managers;
- Asset managers; and
- Any other member(s) from Northern Horizon deemed appropriate may be invited to participate to a meeting of ESG Task Force.

ESG Task force is lead by Head of Sustainability and it gathers at least once per quarter to discuss Fund's progress and all relevant ESG and human rights impact developments and improvements. ESG Task Force may recommend and present fund specific actions in accordance with the fund's sustainability targets.

The Responsible investment and minimum safeguards policy is complemented by Northern Horizon Group's investment policy that outlines the ESG due diligence and taxonomy screening for new investments.

## Alignment

The Head of Sustainability reports to the CEO regularly and to the Board annually on sustainability and Minimum Safeguards, incorporating internal assessments and potential peer comparisons and/or policy reviews to align with stakeholder and societal goals.

## Management

The CEO, supported by the Head of Sustainability, establishes an ESG Task Force comprising key stakeholders, which meets quarterly to discuss progress and recommend actions, while fund managers ensure policy compliance.

## Compliance

Risk Management, Head of Sustainability and Compliance Officer monitor key sustainability and human rights legislation developments, alerting the fund managers to upcoming changes that may affect investments.

## Investments

ESG factors are central to investment assessment, evaluated through comprehensive questionnaires, with NH also incorporating green lease clauses, integrating ESG impacts into financial models, and budgeting for property upgrades and advisory costs.

## Industry frameworks

Member of INREV Compliance Framework; UN Principles of Responsible Investments (PRI); and Global Real Estate Sustainability Framework (GRESB).

## Reporting & disclosure

NH collects sustainability data regularly, monitors ESG performance for new funds, adheres to industry standards for data processing, and discloses policy principles on its website.

## Communication & collaboration

NH actively collaborates with stakeholders to influence ESG risks and opportunities, engages in dialogue to improve sustainability, shares best practices, and ensures access to relevant ESG data.

## Targets

NH mandates written ESG objectives and performance targets for funds/entities, with fund managers responsible for defining long-term goals and tracking ESG performance, while senior staff have targets tied to ESG improvements and portfolio performance.

## Sustainability risk management

NH systematically monitors ESG and climate risks in their investments, including transitional and physical risks while conducting human rights due diligence across their funds and entities.

# Minimum safeguards

Northern Horizon Group's human rights policy is embedded into Responsible Investment policy. Northern Horizon's human rights policy follows the guidance of article 18 of the Taxonomy Regulation, which implies that undertakings, which carry out economic activities, need to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights (UNGP), including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Rights.

Already in 2022, Northern Horizon conducted an assessment at the entity level to assess if Northern Horizon has in place the necessary policies, guidelines, procedures, and governance structure to facilitate that its economic activities are conducted in line with the minimum safeguards. Specifically, it was assessed whether Northern Horizon has the required policies and procedures in place by reviewing existing policies and procedures provided by Northern Horizon for compliance with the principles and guidelines of the minimum safeguards.

In the course of the assessment the following policies and procedures were reviewed:

- Responsible Investment Policy
- Portfolio Management Policy
- Internal Control and Risk Management Framework
- Risk assessment template
- HR policies and procedures
- KYC Requirements for Investors and Customers
- NH Group People Policy
- Compliance Policy
- Anti-corruption policy
- Corporate responsibility guideline
- Gifts and entertainment policy
- Code of Conduct

The main changes that have been carried out following the 2022 review are the following:

1. Responsible investment policy integrates Northern Horizon's human rights policy considerations;
2. Tendering process was revised to include a human rights and good corporate governance check list to tendees;
3. Whistleblowing channel described in Corporate responsibility guideline is open to stakeholders to also report human rights related concerns.

Policies have been further developed and adjusted during the year 2023 based on the regulatory guidance regarding minimum safeguards. In 2023, the Fund enhanced the minimum safeguards questions in its investment due diligence questionnaire.

Northern Horizon recognizes that its minimum safeguards process is at all times developing and requires ongoing work. Northern Horizon will keep on improving its processes and risk assessments and complement its policies to ensure effective implementation and upholding minimum safeguards in its practices.





# Human rights risk assessment

In addition to policy review, Baltic Horizon has conducted a human rights risk assessment to address its salient human rights issues.

During the risk assessment, the Fund recognized key stakeholder groups whose risks were considered in the assessment and are presented in the table below. Risks were assessed considering the most relevant human rights issues in our business activities by reviewing risks within the geography of the operation, and the industry's human rights issues.

All the salient human rights risks identified were considered indirect meaning they relate to the activities of Fund's stakeholders. As the salient risks identified were indirect, the Fund's attribution to the possible human rights impacts will be assessed in context and case by case. However, the Fund monitors its human rights risks and updates its risk assessment in accordance with its policies.

Relevant business activity	Country	Stakeholders	Key human rights risks
Daily Maintenance and Management of properties	EE, LT, LV	End users (visitors), tenants' employees working in the properties, outsourced maintenance and security workers	The risk for discrimination of employees was assessed as high for native employees and extreme for migrant workers in all relevant business activities (indirect impact). The risk rating is high due to the applied methodology and potential number of persons affected.
General overhaul construction and renovation of properties	EE, LT, LV	Construction workers, surrounding communities	Occupational safety hazards for construction workers in the general overhaul activities were assessed as medium for native workers and medium high for migrant workers (indirect impact).
Tenant's Operations (Retail stores, Entertainment, Restaurants & Cafés, Health & well being services, office tenants)	EE, LT, LV	End users (visitors), surrounding communities, tenants' employees working in the properties, maintenance workers, tenants' suppliers	Sexual harassment was assessed as a medium high risk for women in all relevant business activities (indirect impact).
			In property maintenance (daily and general overhaul), unjust working conditions of cleaners and construction workers were assessed as a low risk for native workers and medium-high for migrant workers. Nevertheless, we acknowledge that the cleaning and construction sectors have high sectoral risks and that a high proportion of human rights incidents are unreported, especially regarding migrant workers (indirect impact).
			The risk of exploitation of tenants' employees is highest in restaurants cafés retail stores There, the risk was assessed as low medium for native workers and medium for migrant workers For other tenants' employees, the risk was assessed as low.

# Baltic Horizon Fund’s memberships and initiatives

We strongly feel that continued commitment to high ESG standards is the best way for our investors to achieve their investment goals while at the same time ensuring that the environment and communities can benefit as well. For this, we align our efforts with leading market standards: the management company of BHF and the Northern Horizon Capital group of companies are either together or individually members of EPRA, INREV, SIPA and GRESB. Northern Horizon Capital A/S, the parent company of Northern Horizon Capital, has also been a signatory of the United Nations-supported Principles for Responsible Investment since 2014.

These associations and initiatives provide important platforms for Northern Horizon to receive information on ESG developments in the industry.

## Memberships



Northern Horizon is a member of INREV, the European Association for Investors in Non-Listed Real Estate Vehicles

Signatory of:



Northern Horizon is a signatory of the United Nations-supported Principles for Responsible Investment



Baltic Horizon Fund is a member of EPRA, the European Public Real Estate Association. Baltic Horizon Fund has complied with the EPRA’s Best Practice Recommendations since 2017 and has been honored with gold awards for the adoption of the recommendations in 2021, 2022, and 2023.



GRESB is trusted industry-standard benchmark that assesses the sustainability performance of real assets, including real estate portfolios

Northern Horizon participate in GRESB assessments and benchmarks with three funds, including NACF



Northern Horizon is a member of SIPA, a specialist association for property professionals in the Nordic region.



# GRESB Real Estate Assessment 2023

**GRESB (Global Real Estate Sustainability Benchmark) is an important benchmarking tool for real estate fund as it provides a standardized and comprehensive assessment of sustainability performance in the real estate sector. GRESB help funds to understand their performance in comparison to their peers, identify areas for improvement and communicate sustainability efforts to stakeholders. GRESB results can also be also used by investors to make informed investment decisions, and by the fund to attract investment capital. Ultimately, participating in GRESB can help real estate funds to enhance their reputation, increase the value of their assets, and contribute to a more sustainable real estate sector.**

2023 was the fifth year of Baltic Horizon's participation in GRESB. In 2023, Baltic Horizon managed to achieve a score of 82 points (from 100) reaching a 4-star rating (out of 5 stars) and exceeding its two-year goal to reach 3 stars. The fund currently aims to hold its 4-star rating.

To maintain its 4-star score, Baltic Horizon had a GRESB improvement plan with the goals for 2023

- to improve tenant and community metrics,
- to set more measurable targets for the Fund;
- and to improve the performance module by increasing environmental data coverage, reducing CO2 emissions,
- and continuing work on building improvements.

In the 2023 review, tenants and community score was increased from 9.0 points to 10.15. Baltic Horizon has also received maximum points on its ESG targets already in 2022 and continued to receive them in 2023. However, the Fund still struggled with data coverage and the coverage slightly lowered on energy, water, GHG emissions.

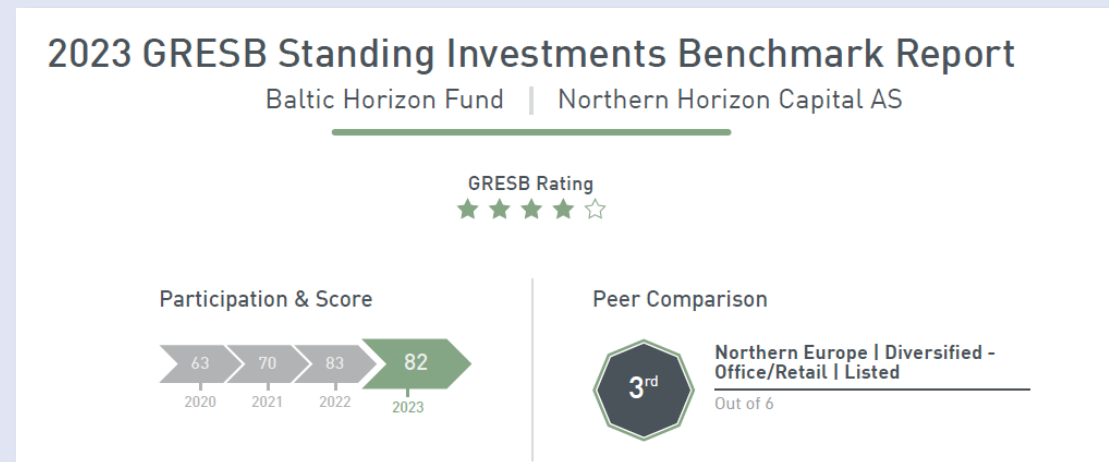
The Fund's main ambition going forward is to improve its data coverage and quality in order to reliably analyze the attainment of its consumption related goals.

In 2021, Baltic Horizon also enrolled in the Public Disclosure Assessment where the Fund achieved a 63-point score (out of 100), obtaining a B3 rating. In 2022, the Fund improved its rating to A (85 out of 100 points). During 2023, the Fund continued to improve its score and received 91 points out of 100 receiving rating A.

“

We are proud to keep our 4 stars rating in 2023. We use the assessment to measure our progress against our peers in the industry.

## GRESB results



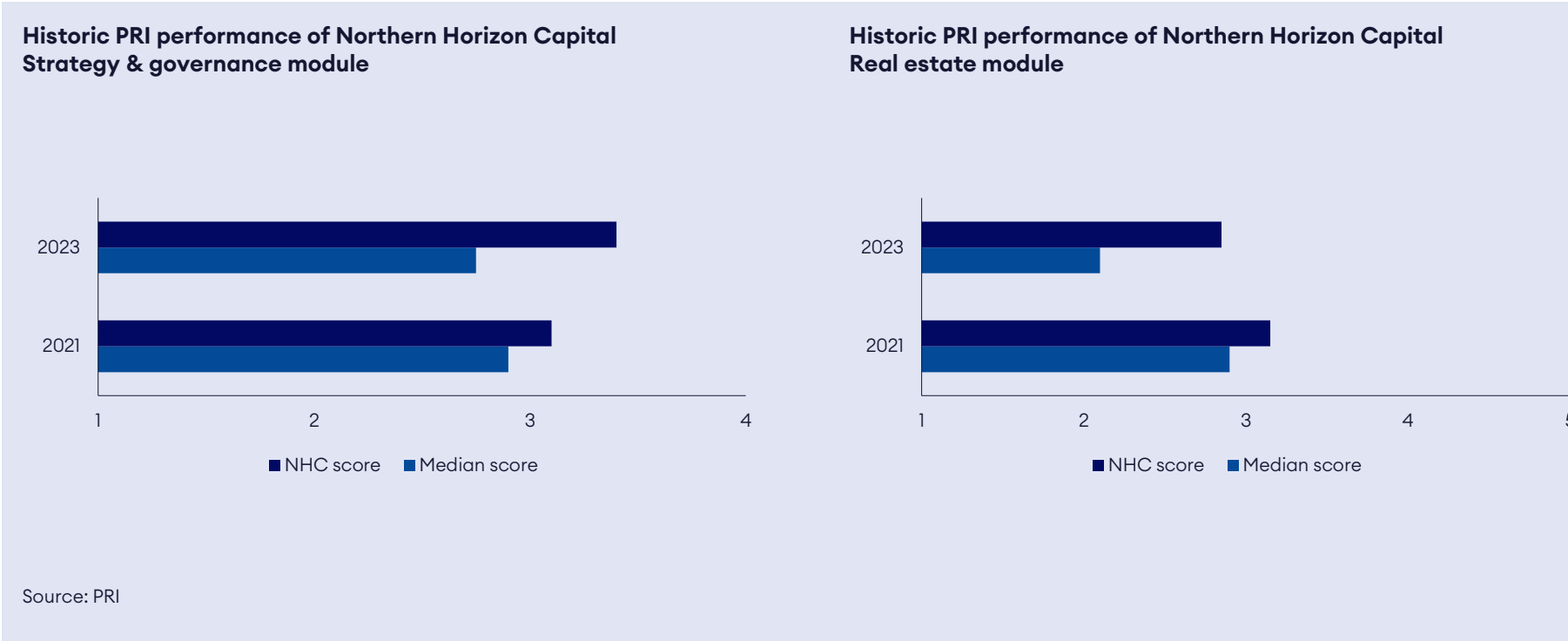
Source: GRESB

# UN PRI 2023 assessment

Northern Horizon Group is a signatory to United Nations Principles of Responsible Investment (UN PRI) and has implemented the UN PRI principles into its Responsible investment and minimum safeguards policy:

- Principle 1**  
We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2**  
We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3**  
We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4**  
We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5**  
We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6**  
We will each report on our activities and progress towards implementing the Principles.

Northern Horizon also reports to UN PRI regularly. After a break in 2022, UN PRI released its new reporting framework, and signatories received their scores Q4 2023. These ratings reflect the situation across the Northern Horizon Capital group as a whole and the progress made by all its managed funds. Northern Horizon Capital has been a UN PRI signatory since 2014 and has been participating in the annual PRI assessment since 2016.



## Performance

Northern Horizon Group received 4 stars out of 5 in the Policy, Governance and Strategy section, a 3-star rating out of 5 in Direct – Real estate section and a 3-star rating out of 5 in Confidence building measures. We are happy to say that Northern Horizon Group has performed above median in Policy, Governance and Strategy section of the report.

To improve the scores in direct real estate investment, Northern Horizon Group has recognized the need to conduct materiality analysis on sustainability factors as well as to set criteria for its property management partners. The Fund has already taken action on the topics.

# Sustainability legislation - EU taxonomy and SFDR

In the last few years, there has been an active push from the European Commission to put in place regulatory infrastructure that aims to solve these issues and bring clarity to the currently rather fractured landscapes of ESG definitions and reporting. Two legislative initiatives are of particular importance to BHF – EU Taxonomy and the Sustainable Finance Disclosure Regulation (SFDR). EU Taxonomy defines environmentally sustainable investments. SFDR defines disclosure obligations for funds that promote environmental and/or social characteristics (article 8) and for funds that make sustainable investments (article 9). SFDR also contains a sustainable investment definition (art. 2(17)) for investments that are not aligned with EU Taxonomy.

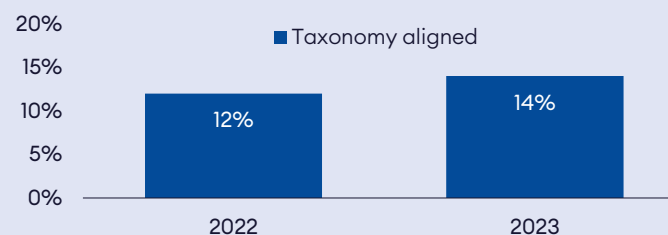
BHF is an article 8 fund in SFDR's definition, and it promotes environmental characteristics. The Fund has reported in accordance with the SFDR as an attachment in its financial statement since fiscal year 2022.

To respond to the regulatory and reporting requirements the fund has analyzed its investments in accordance with the taxonomy technical criteria for the first time in 2022 applying the criteria for climate change mitigation 7.1 acquisition and ownership of building and 7.7. construction of new buildings. During 2022, 12 % of the Funds investments were found to substantially contribute to the climate change mitigation objective. To comply fully with the taxonomy criteria, the Fund also performed a physical climate risk assessment for all of its standing assets. During 2023 the fund reperformed the taxonomy assessment on its portfolio taking into account the new regulatory guidance and achieved the same taxonomy alignment percentage than for 2022.

To strengthen the sustainability analysis in 2023, the management company of the Fund has approved the framework to analyze its investments do no significant harm –criteria with principal adverse impact indicators. In addition to the mandatory indicators to real estate, the Fund has considered three additional indicators to ensure material coverage of its principal negative impacts. Considering the assets that also pass the taxonomy evaluation, the amount of sustainable investment was 35 %.

## The principal adverse impact indicators

Adverse sust. indicator	Metric	Explanation	Why it the investments did not cause any harm?
Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil.	Assets are not involved in the indicated activities.	Assets are not involved in the indicated activities, so no additional action needs to be taken and all the assets were considered not to harm the objective.
Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	Assets considered energy inefficient are assets that have energy rating below B.	Assets that were energy efficient (EPC A-B) were considered not to harm the objective.
GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	The GHG emissions include operational emissions such as GHG emission from district heating, gas and fuels as well as electricity consumption. The GHG emissions were calculated applying location-based methodology using a third-party ESG data platform provider's carbon calculator tool that utilizes emission factors from International Energy Agency and CRREM. Due to difficulties in data standardization, the district heating emission factors are based on the standard factor provided by the ESG data platform. The Fund will aim to improve data accuracy in its GHG emission calculation and also include calculations applying the market-based method in the future.	The assets went through a separate CRREM analysis based on the location-based emission factors. Assets that had GHG emission intensity below the CRREM Paris aligned 1.5 degrees pathway were considered not to harm this objective.
Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	The energy consumption per square meter took into account the electricity consumption and energy used in heating/cooling.	The assets that had energy intensity per m2 below the CRREM Paris Aligned 1.5 degrees pathway were considered not to harm this objective.
Waste production in operations	Share of real estate assets not equipped with facilities for waste sorting and not covered by a waste recovery or recycling contract	One property was not covered by a waste recovery or recycling contract.	Assets that had facilities for waste sorting and covered by a waste recovery or recycling contract, were considered not to harm the objective.



More about the Fund's SFDR and taxonomy reporting can be found in the Fund's annual financial report on [the website](#).



# Climate-related and sustainability risk management

## Risk management framework

Witnessing the importance of sustainability and climate-related risks to our operations as well as their widespread market adoption, from Q4 2020 we started including climate risks in the Fund's quarterly risk assessment.

The goal of the assessment is to measure both the current and long-term exposure to identified risks. The sustainability and climate-related risks are also included in our Internal Control and Risk Management Framework and follow the general guidelines of this framework. This assessment, which will be updated quarterly, builds on the foundation of the high-level property risk evaluation that is already a part of all investment considerations.

According to the Internal Control and Risk Management Framework, identified risks are scored (from 1 to 5) on their possible Likelihood and Impact. These score are then multiplied to derive a Severity score ranging from 1 to 25, which then places identified risks in one of three categories: green (adequate risk mitigation, no residual risk); yellow (adequate risk mitigation, some residual risk); and red (insufficient risk mitigation, high residual risk). Risk management reports the risks to the Manager's Management board quarterly.

## Transitional risks

Transitional risks refer to any risks that relate to transferring to low carbon economy. They can include risks that arise from changing technological, political and regulation environments. Transition to low carbon economy can cause changes in policy, regulation, technology and shifts in market positions that might negatively affect the financial performance of the Fund.

To understand the regulatory and market related risks in the Fund, the Fund has a data platform that includes a Carbon Risk Real Estate Monitor (CRREM) risk assessment tool which has allowed the Fund to analyse on all of its assets against the CRREM pathways during 2023. The fund has also utilized the CRREM 1.5 degrees pathway to define its sustainable investment. The Fund will continue to investigate ways to better its transition risk analysis.

## Physical risks

Physical risks are types of risks arising from changing climate patterns and might include flooding, drought, heat and water stress, extreme weather conditions and other similar risks. While some of the underlying physical risks can be and are assessed during due diligence process for relevant properties (such as flooding risk), other physical risks might require long-term scenario-based forecasting to assess a likelihood of a potential physical risk.

Physical climate change risk assessment utilizing taxonomy criteria was prepared for Baltic Horizon in 2022. The purpose of the work was to examine different climate change scenarios, and based on the scenarios, to identify and update generally emerging risks to the real estate business in the short, medium, and long term. In addition to identifying risks, opportunities emerging from climate change were identified and reflected.

The scope of this work includes all assets in the Baltic Horizon fund. Guidance of Task Force On Climate-Related Financial Disclosures (TCFD) has been used in the work to identify and report risks: The Use of Scenario Analysis in Disclosure of Climate-Related Risks and Opportunities. The risks are based on the following scenarios and tools: IPCC RCP 2.6 and IPCC RCP 8.5, IEA APS and STEPS, NGFS Below 2°C and Current Policies, and CRREM tool.

## The main physical risks

The climate risks, and extreme weather events can cause temporary inconvenience to properties and an increase in repair costs. The likelihood of both stormwater flooding and flooding due to sea level increases depending on the scenario.

Flooding can cause water damage to properties, especially in the basement, and hinder access to the property. The rise in average temperatures and the increasing frequency of heat cycles increase the need for cooling in properties, but on the other hand, the need for heating decreases during the winter.

The snowy period decreases in Baltic countries, but the likelihood of heavy snowfall increases, especially in the short term, and weather fluctuations can cause heavy snow loads and slippery streets. Cloudiness increases especially in the wintertime and causes symptoms similar to polar night depression. By mid-century, rainfall, and humidity will increase, which will put stress on the facades of buildings. On the other hand, dry seasons are also increasing in Estonia, Latvia, and Lithuania and very dry summers are becoming more common, especially in the four-degree scenario towards the end of the century. This may increase the need to collect rainwater and the importance of water efficiency may increase.

## What is CRREM?

Carbon Risk Real Estate Monitor (CRREM) is an EU funded research project that supports the real estate industry to address real estate carbon risk factors and foster investments in energy efficiency by laying out transparent, science-based decarbonization pathways aligned with the Paris Climate Goals of limiting global temperature rise to 2C, with ambition towards 1.5°C.

BHF has utilized the CRREM tool to monitor its existing investments' performance in alignment with the 1.5°C GHG intensity and energy intensity pathways.

# DNSH to climate change adaptation climate risk assessment

This work has been conducted as a desktop research, based on information available from public sources.

As this work is highly related to future projections, it may have not identified all potential risks to arise in assets or may have not identified the severity of the risk accurately enough. Assessing the severity of some risks may require more thorough investigations.

Classification of climate-related hazards

Asset	Country	Temperature-related						Wind-related					Water-related									
		Changing temperature (air, fresh-water, marine water)	Chronic		Permafrost thawing	Heat wave	Acute	Wildfire	Chronic	Cyclone, hurricane, typhoon	Acute	Tornado	Changing Precipitation patterns and types (rain, hail, snow/ice)	Precipitation or hydro-logical variability	Chronic		Sea level rise	Water stress	Drought	Acute		
			Heat stress	Temperature variability											Ocean Acidification	Saline intrusion				Heavy Precipitation (rain, hail, snow/ice)	Flood (coastal, fluvial, pluvial, ground water)	Glacial lake outburst
Lincona	Estonia																					
Upmalas Biroji	Latvia																					
LNK Centre	Latvia																					
Vainodes	Latvia																					
North Star	Lithuania																					
Meraki	Lithuania																					
Pirita SC	Estonia																					
Postimaja	Estonia																					
CC Plaza	Estonia																					
Europa SC	Lithuania																					
SKY SC	Latvia																					
Galerija Centrs	Latvia																					

Which risks can affect the financial operations of the asset during its lifecycle

High

Medium

Low

Not identified as a risk for the asset during its lifecycle

# BREEAM In-Use certification target

Baltic Horizon certified all operational office assets in 2021 using BREEAM In-Use environmental assessment method and thus achieved one of the ESG goals. The Fund has a goal to achieve BREEAM In-Use “Very Good” in certification which has been achieved in four office assets. The latest development project Meraki Office Home received its design state certification in 2020 and is expected to receive BREEAM New Construction Excellent certification in 2024.

During 2023, the Fund focused on obtaining certificates for its retail portfolio and achieved BREEAM in-use certification for all of its Retail assets.

The Fund’s team exceeded its certification coverage target and now has 100% certification coverage for the entire portfolio.

From an asset management perspective, the BREEAM/In Use certification process has given us a deeper understanding of the performance of our assets and has helped us prioritize improvements that will have the highest positive impact on tenants and the environment.

## BREEAM certification

Property	BREEAM certification	Rating
North Star	BREEAM/In Use	Very Good
Galerija Centrs	BREEAM/In Use	Very Good
Europa	BREEAM/In Use	Very Good
Lincona	BREEAM/In Use	Good
Sky	BREEAM/In Use	Good
LNK Centre	BREEAM/In Use	Very Good
Vainodes	BREEAM/In Use	Very Good
Cola Cola Plaza	BREEAM/in Use	Good
Upmalas Biroji BC	BREEAM/In Use	Very Good
Pirita	BREEAM /In Use	Good
Postimaja	BREEAM /In Use	Good
Meraki	BREEAM / Design state	Very Good



# Stakeholder engagement

By ensuring that our investment activities have a positive environmental and social impact, we put a strong emphasis on the benefits that our business can have to our stakeholders.

We define 4 core groups of stakeholders that are key to the success of our business:

## Investors

We build relationships with our investors on transparency by ensuring strong performance together with a positive ESG impact. In 2023 we participated in industry events to understand what is the main focus of our investors ESG efforts and how to best meet their requirements and answer the questions.

## Tenants

Tenant retention and commitment to our assets is a core focus of our asset management efforts. We aim to be a considerate asset owner who reacts to the needs and suggestions of our tenants. We also ensure common understanding of ESG matters by concluding green leases with our tenants. Baltic Horizon completed a tenant satisfaction survey in part of its portfolio in 2023. The rest of the portfolio will be covered during 2024 and results will be reported once the data for entire portfolio is available.

## Partners

We continuously engage with our business partners to ensure smooth communication that is built on mutual values of trust, transparency, and professionalism. Our key partners are property managers of our buildings. During 2023 when selecting property manager partners, we included a questionnaire regarding minimum safeguards and ESG initiatives to our tendering material to understand the approach our property manager partners towards ESG.

## Employees

We believe empowering our employees is the key to maintaining and creating excellent product performance. During 2023, northern Horizon concluded an employee wellbeing survey to pay attention to employee health and wellbeing.

### BREEAM certification

Ways of engagement	Frequency of engagement	Key topics
Investors		
Calls, meetings	Ad hoc	Business strategy, ESG strategy
Financial reports	Quarterly, annual	Business performance, financial results
Annual general meeting	Annual	Business performance, business strategy, financial results
Surveys	Ad hoc	Application of market accepted ESG standards and frameworks, ESG strategy
Tenants		
Satisfaction surveys	At least once every 3 years	Satisfaction with property management, quality of premises, communication, sustainability
Meetings	Ad hoc	Asset management strategy
Partners (property managers, other service providers)		
Meetings	Monthly, ad hoc	Property performance and results, ongoing property related matters, ESG strategy implementation, consumption data, energy efficiency, financing
Employees		
Satisfaction surveys	Once every 2-3 Years	Employee satisfaction, engagement and commitment to the firm, involvement in ESG activities
Performance reviews	Annual	Personal and professional growth, development goals
Training	1-2 times a year	Training on relevant policies, professional training, ESG training
Strategy meetings	Annual	Business strategy, ESG strategy, goals for upcoming periods



# Events and actions





# Health and wellness events in Europa Shopping Centre

Retail and office assets are integral to everyday life – that is why the Baltic Horizon Fund is actively engaged in promoting healthier lifestyles and empowering communities. In 2023, the Fund’s team implemented and supported various projects to forge partnerships and build community connections.

One of them, the Stop Before You Stop campaign, was aimed at raising awareness of burnout. A series of wellness and mental health support seminars took place in Europa shopping centre, along with the corresponding social media content.

In cooperation with the nearby offices, Europa also celebrated the Employee Appreciation Day. The whole-day programme included a coffee with croissants in the morning and an afternoon discussion with some of the top experts in the field about work-life balance.

The Fund was also active in supporting the initiatives of the Lithuanian Red Cross: First Aid Festival, which raised awareness of the importance of first aid skills, and the “LRK kalba” (Lithuanian Red Cross Talks) event, where volunteers shared their relevant experience.

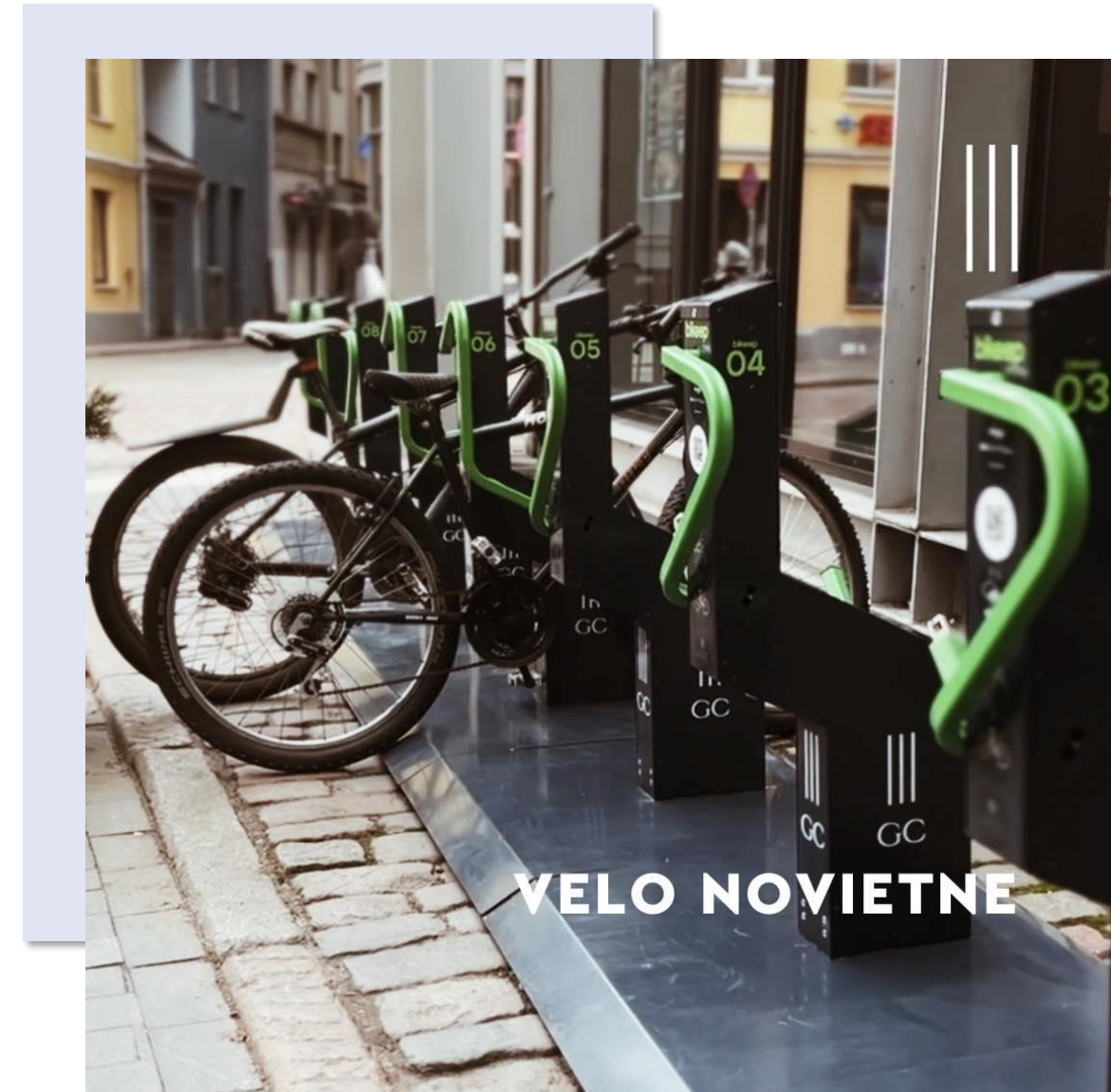




# Galerija Centrs - The Success of Smart Bike Parking in Urban Environments

In 2022, the implementation of smart bike parking infrastructure in front of 'Galerija Centrs' not only promoted health but also brought forth numerous societal benefits.

This initiative encouraged sustainable transportation choices, alleviated traffic congestion, and fostered a healthier lifestyle through increased physical activity. The increased popularity of cycling during 2023 further highlighted its positive impact, with the demand for smart bike parking remaining consistently high. This underscores the growing recognition of cycling as a safe, enjoyable, and sustainable mode of transportation in urban environments.





# Consumption data





# Key consumption data

31,242 MWh

Portfolio energy  
consumption in 2023

7,529 CO<sub>2</sub>e

Portfolio GHG emissions  
in 2023

66,926 m<sup>3</sup>

Portfolio water consumption  
in 2023

-17%

Change in energy consumption  
over 2023

-17%

Change in GHG emissions  
over 2023

- 23%

Change in water consumption  
over 2023

# Energy

**Total portfolio-level energy consumption in 2023 amounted to 31 241,67 MWh decreasing by 17 % compared to 2022, and energy intensity decreased from 178 kWh/m<sup>2</sup> to 148 kWh/m<sup>2</sup> .**

The Sale of Duetto and Domus Pro properties during the year 2023 affected the portfolio total energy consumption. These properties are not included in the calculations. The portfolio also experienced energy reduction per sqm which can be primarily attributed to the decreased occupancy of the assets. However, there were some exceptions. For example, shopping center Pirita achieved 10 % energy saving despite increased occupancy.

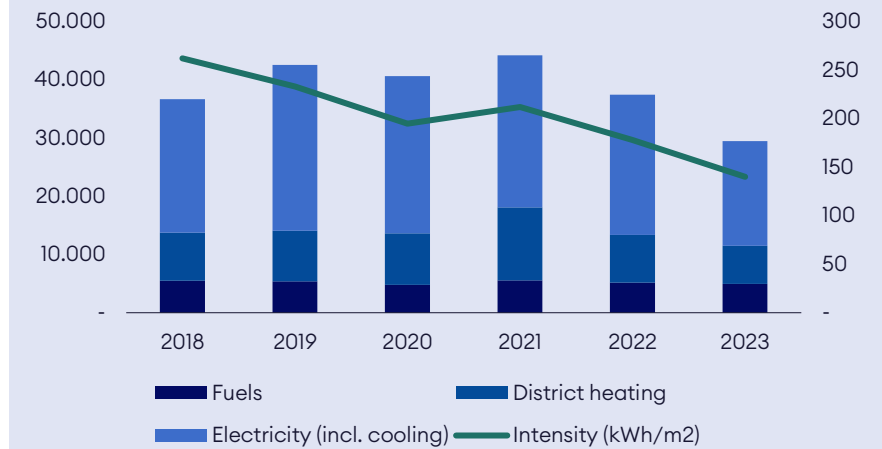
The fund also focused on acquiring renewable energy. The fund has started its energy transformation towards non-fossil energy by shifting its electricity to renewable. During 2023 91 % of the fund's total electricity consumption has been from renewable sources. From the total energy consumption taking into account district heating and fuels the share of renewable energy was 52 %. The Fund will continue to track its share of renewable energy.

The portfolio level energy consumption data provides an overview of energy consumed by the buildings in the Baltic Horizon's portfolio. The data provided in this section of the report includes both the landlord and tenant-controlled areas during the ownership of the asset. The data for 2023 does not include the properties that were sold during the year.

The energy consumption is split into three categories: electricity (incl. cooling), district heating, and fuels for properties that are using alternative methods for property heating (such as gas boilers). In the future, we aim to provide a further breakdown of renewable energy used in the portfolio of Baltic Horizon broken down to both on-site and off-site generated renewable energy.

Energy intensities are calculated by including consumption data for a full reporting year if such data for the property is available at the time of reporting. Energy use intensity is estimated by dividing the total energy use of the portfolio by the total gross area of the portfolio.

**Energy consumption**



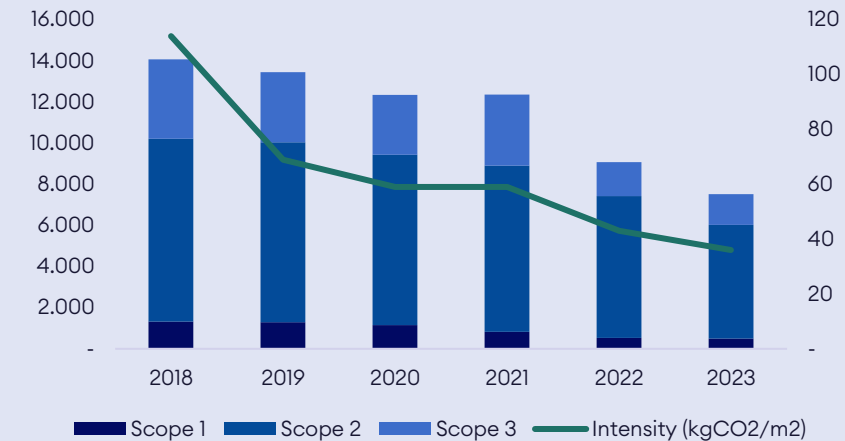
# GHG emissions

Total portfolio greenhouse gas (GHG) emissions, expressed in tons of CO<sub>2</sub> equivalent in 2023 reached 7,529 t which is almost 17 % less than in 2022. Emission intensity measured in kilograms of CO<sub>2</sub> equivalent per square meter also reached 36 in 2023 compared to 43 in 2022.

The sale of Duetto and Domus Pro properties during the year 2023, and decreased occupancy affected the portfolio total energy consumption and therefore also the GHG emission decrease.

The GHG emissions include operational emissions such as GHG emission from district heating, gas and fuels as well as electricity consumption. The GHG emissions were calculated by applying location-based methodology using a third-party ESG data platform provider's carbon calculator tool that utilizes emission factors from International Energy Agency and CRREM. Due to difficulties in data standardization, the district heating emission factors are based on the standard factor provided by the ESG data platform. The Fund will aim to improve data accuracy in its GHG emission calculation and include calculations applying the market-based method in the future to thoroughly account for the effects of renewable energy purchasing in the portfolio.

**GHG emissions (tons of CO<sub>2</sub> equivalent, tCO<sub>2</sub>e)**



- Scope 1 Reflects the emission of fuels used on-premises in landlord-controlled assets.
- Scope 2 Emissions from electricity and heating in landlord-controlled properties.
- Scope 3 Emissions from waste in landlord-controlled properties and electricity and heating in tenant-controlled properties.

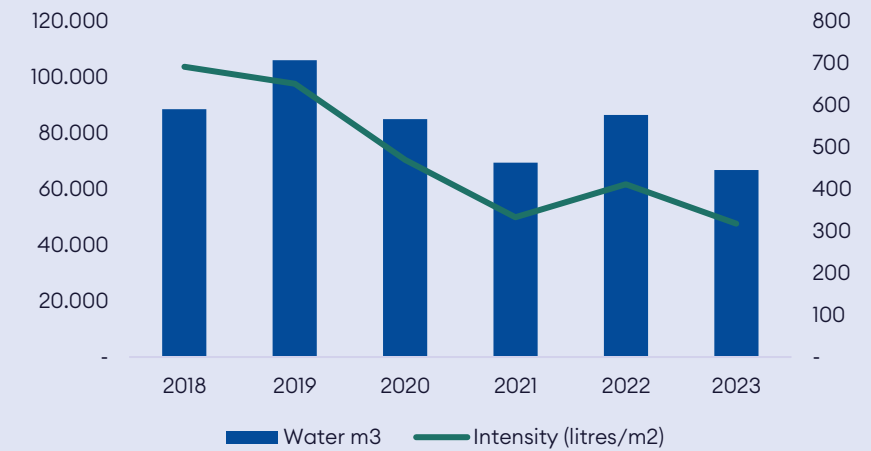
# Water

Total portfolio level water consumption in 2023 reached ca. 66 926 m3 decreased by 23% compared to 2022 level. Water use intensity in 2023 reached 318 liters/m2 and decreased by 23% compared to 2022 (412 l/m2). Water-use intensity is estimated by dividing the total water usage of the portfolio by the total gross area of the portfolio (excl. parking).

The absolute water consumption decreased partly due to the occupancy rates and the sale of Duetto and Domus Pro properties during 2023.

The portfolio level water consumption data provides an overview of water consumed in the buildings of the Fund. However, portfolio-level water consumption data does not include the assets that were sold during 2023. The data provided in this section of the report includes both the landlord and tenant-controlled areas. Currently, no assets in Baltic Horizon's portfolio utilize water recycling systems, because the Baltic region is famous for its abundant and clean water resources, and all the assets are located in the capital cities where the municipal water system is used for supplying water and treating sewage.

**Portfolio level water consumption (m3) and water use intensity (l/m<sup>2</sup>)**





# Waste

The collection of waste data is one of the most challenging factors in consumption data collection for the Baltic Horizon. Availability of data was massively improved during the year 2022, and almost 100 % coverage was reached, however, there are still many challenges in knowing the final destination and having complete transparency from waste management companies in the Baltic region.

Waste management companies in the Baltics that service properties of Baltic Horizon differ in every country and city and use different measurement methodologies. However, in recent years there was an obvious development in data transparency and accuracy. Most of the companies were able to provide the destination of the waste either landfill, incineration, recycling, or composting.

We are constantly looking for better ways to collect, sort, and choose the most transparent and reliable waste management company, however, most of the time waste management company is selected by the municipality and the price of the collected waste depends on the size of the premise and not always the amount (tones) of the waste generated.

Baltic Horizon reports waste generation data for the GRESB Real Estate Assessment.

At the moment, we are reporting on the 2020, 2021, and 2022 waste data in the table below section of the Environmental data summary. There is an increase in total waste per unit of revenue (kg/thousand EUR) in 2021 because reporting on waste became more accurate and more data became available. In addition, in 2022, there is also an increase in waste for 663 t, which is a 20% increase. In this case, this increase is mostly due to recovered operations after the Covid-19 crisis and restored numbers of visitors and tenants.

## Waste

Management	Unit	2018	2019	2020	2021	2022	2023
Total waste generated	kg	N/A	N/A	1,496	3,382	4,102	2,324

Intensity	Unit	2018	2019	2020	2021	2022	2023
Total waste per unit of revenue	kg/ thousand EUR	N/A	N/A	69	173	200	131

# Environmental data summary

Greenhouse Gas Emissions	Unit	2018	2019	2020	2021	2022	2023
Scope 1	tCO <sub>2</sub> e	1,324	1,301	1,150	827	539	493
Scope 2 (location-based)	tCO <sub>2</sub> e	8,889	8,740	7,554	8,076	6,887	5,540
Scope 2 (market-based)	tCO <sub>2</sub> e						
Scope 3	tCO <sub>2</sub> e	3,857	3,418.	2,913.	3,455.	1,645	1,495
Gross operational carbon emission	tCO <sub>2</sub> e	14,070	13,459	12,346	12,363	9,072	7,529
Total emissions neutralized by carbon offset projects	tCO <sub>2</sub> e	0	0	0	0	-	-
Net operational carbon emissions	tCO <sub>2</sub> e	14,070	13,459	12,346	12,363	9,072	7,529
E1 UNGC: P7 GRI 305-1,305-2,305-3 SASB: General Issue / GHG Emissions TCFD: Metrics & Targets							

Emissions Intensity	Unit	2018	2019	2020	2021	2022	2023
GhG emissions per megawatt-hour consumed	kgCO <sub>2</sub> e/MWh	383.9	323.7	303.4	279.5	242.4	241
GhG emissions per full-time equivalent (FTEe) employee	tCO <sub>2</sub> e/FTEs	1,279.1	791.7	685.9	773.0	567.0	501.9
GhG emissions per unit of revenue	kgCO <sub>2</sub> e/thousand EUR	887.1	647.8	569.0	634.2	442.9	424.3
GhG emissions per unit of equity	kgCO <sub>2</sub> e/thousand EUR	128	88	91	93	68	68.7
GhG emissions per unit of equity	tCO <sub>2</sub> e/thousand EUR	0.1281	0.0882	0.0906	0.0932	0.0676	0
GhG emissions per unit of space (m <sup>2</sup> )	kgCO <sub>2</sub> e/m <sup>2</sup>	97	65	59	59	43	35.8
E2 UNGC: P7, P8 GRI 305-4  SDG: 13 SASB: General Issue / GHG Emissions, Energy Management							

Energy Usage	Unit	2018	2019	2020	2021	2022	2023
Total energy consumption	kWh	36,653,458	41,576,000	40,695,420	44,229,062	37,427,673	31 241 667
Of which energy from electricity	kWh	22,903,122	28,475,338	27,023,100	26,153,653	24,042,781	18,002,456
Of which energy from hot water	kWh						
Of which form fuels	kWh	5,517,635	5,419,918	4,793,451	5,581,483	5,162,304	5,062,000
Of which energy from heating	kWh	8,232,701	7,680,744	8,878,869	12,493,926	8,222,588	8.176,435
E3 UNGC: P7, P8 GRI 302-1, 302-2 SDG: 12 SASB: General Issue / Energy Management							

Energy Intensity	Unit	2018	2019	2020	2021	2022	2023
Energy per full-time equivalent (FTEe) employee	kWh/FTEs	2,036,303	2,309,778	2,260,857	2,764,316	2,339,230	2,082,778
Energy per unit of revenue	kWh/thousand EUR	2,311	2,001	1,876	2,269	1,827	1,315
Energy per square meter	kWh/m <sup>2</sup>	252	199	195	212	178	149
E4 UNGC: P7, P8 GRI 302-3 SDG: 12 SASB: General Issue / Energy Management							

# Environmental data summary

Environmental Operations	Unit	2018	2019	2020	2021	2022	2023
Does your company follow a formal Environmental Policy?	yes/no	yes	yes	yes	yes	yes	yes
Does your company follow specific waste, water, energy, and/or recycling policies?	yes/no	no	no	no	no	no	No
Does your company use a recognized energy management system?	yes/no	no	no	no	no	no	No
SASB: General Issue / Waste & Hazardous Materials Management							
Climate Oversight / Board	Unit	2018	2019	2020	2021	2022	2023
Does your Board of Directors oversee and/or manage climate-related risk?	yes/no	N/A	N/A	yes	yes	yes	yes
SASB: General Issue / Business Model Resilience, Systematic Risk Management TCFD: Governance (Disclosure A)							
Climate Oversight / Management	Unit	2018	2019	2020	2021	2022	2023
Does your Senior Management Team oversee and/or manage climate-related risks?	yes/no	yes	yes	yes	yes	yes	yes
SASB: General Issue / Business Model Resilience, Systematic Risk Management TCFD: Governance (Disclosure B)							
Waste Management	Unit	2018	2019	2020	2021	2022	2023
Total waste generated	kg	N/A	N/A	1,496	3,382	4,045	2,324
GRI: 306-2							
Waste Intensity	Unit	2018	2019	2020	2021	2022	2023
Total waste per unit of revenue	kg/thousand EUR	N/A	N/A	69	173	200	131
Emissions neutralized by carbon offset projects	Unit	2018	2019	2020	2021	2022	2023
Total emissions offset	tCO <sub>2</sub> e	0	0	0	0	0	0



# Additional governance and social disclosures





# Materiality

The Fund has not conducted the formal materiality analysis process. The list of material topics covered in this report is based on the decision of the management team of the Fund following continuous engagement with our key stakeholder groups. We seek to actively collect feedback from our stakeholders and include relevant reporting topics in our sustainability disclosures based on this feedback. In our review, we have in addition referenced the guidance provided by INREV ESG SDDS as well as SASB material topics. In future, Northern Horizon Group will plan to undertake a formal materiality analysis involving our major stakeholder groups.

Regarding the topic Boundaries, all the topics mentioned below are relevant across all business operations of BHF, in all investment geographies and across the investment, portfolio management and asset management processes.

The list of material topics included in this report contains the following metrics:

- Energy
- GHG emissions
- Water usage
- Waste
- Training and education
- Diversity and opportunity
- Non-discrimination
- Anti-Corruption

## Role and knowledge of the highest governance body in managing impacts

As defined by Responsible investment and minimum safeguards policy, the Fund manager is responsible for implementing the Fund's ESG approach and managing impacts. Fund manager is supported by the Group Head of Sustainability and ESG task force. The ESG report is prepared by the Head of Sustainability and reviewed by the Fund managers. The ESG strategy of the fund as well as the sustainable investment definition are decided and reviewed by the Management board.

Property level activities are carried out by asset managers in cooperation with the property manager partners.

All Management board members have participated in sustainability trainings held at Northern Horizon and regularly participate in industry events that include sustainability topics.

## Compliance with laws

Baltic Horizon, being a listed entity, conducts its operations in compliance with all applicable local and international laws and regulations. In addition to this, the activities of the Fund are governed by an exhaustive list of internal policies and strategic guidelines including but not limited to the Insider Information Policy, Conflicts of Interest Policy, Code of Conduct, Anti-Corruption Policy, Responsible Investment Policy, and others.

The Compliance Officer of the Management Company is responsible for ensuring that these policies are taken into consideration in the daily activities of Baltic Horizon. The management board of Northern Horizon Capital A/S approves all internal policies.

No cases of corruption have been identified in Baltic Horizon or Management Company of the Fund in 2023.

# Employees and value chain disclosures

## Information on employees

The information of employees covers information of Northern Horizon Group companies who provide services to the Fund. The Fund has no employees except for the general directors at Lithuanian subsidiaries (3 in total in the end of 2023) as required by Lithuanian law. The general directors are also employees of Northern Horizon Group.

The team of Baltic Horizon is located in Estonia, Lithuania and Finland. Fund manager and a marketing specialist are located in Estonia, Head of Sustainability and Compliance Officer in Finland and Lithuania hosts mostly back-office functions such as fund controlling, treasury, legal support, investment underwriting, and other functions. The supporting staff splits their time between Baltic Horizon and other funds managed by Northern Horizon Capital Group companies. Employees supporting Baltic Horizon are either employed by the Management Company of Baltic Horizon or other companies that are part of Northern Horizon Capital Group. Historical employee information with breakdowns by gender, employment type, and age is provided in the table below.

## Value chain

The majority of suppliers of Baltic Horizon are located in the Baltics and include property management, property maintenance, construction, consulting, legal, and other related service providers. For more information regarding total expenditure by Baltic Horizon in relation to its supply chain please refer to the financial statements in the Annual Report 2023 of Baltic Horizon.

The most significant change to the supply chain has been the change of property management services. More on the change from the property management change in the Annual Report 2023 of Baltic Horizon, page 12.

## Employees

	Total 2023	Lithuania 2023	Estonia 2023	Finland 2023	Denmark 2023	Total 2022	Total 2021	Total 2020	Total 2019
<b>Total</b>	<b>16</b>	<b>12</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>15</b>	<b>17</b>	<b>18</b>	<b>17</b>
Of which Women	12	9	1	1	1	11	12	12	11
%, women	75%	75%	50%	100%	100%	73%	71%	67%	64%
Of which Men	4	3	1	-	-	4	5	6	6
%, man	25%	25%	50%	0%	0%	23%	29%	33%	36%
<b>Breakdown Employment Type Woman</b>									
Full-time	12	9	1	1	1	11	11	11	10
Part-time	-	-	-	-	-	-	1	1	1
Temporary Staff	-	-	-	-	-	-	-	-	-
<b>Breakdown Age Group Woman</b>									
Below 30	2	1	1	-	-	1	3	4	2
30-50	9	8	-	1	-	10	9	8	9
Above 50	1	-	-	-	1	-	-	-	-
<b>Breakdown Employment Type Man</b>									
Full-time	4	3	1	-	-	4	5	6	6
Part-time	-	-	-	-	-	-	-	-	-
Temporary Staff	-	-	-	-	-	-	-	-	-
<b>Breakdown Age Group Man</b>									
Below 30	2	2	-	-	-	1	2	2	2
30-50	2	1	1	-	-	2	2	3	3
Above 50	-	-	-	-	-	1	1	1	1

# Employee engagement and development

Northern Horizon Group's employees who provide services to the Fund is a key internal stakeholder group to Baltic Horizon Fund.

## Employee Engagement and Wellbeing - A Priority in 2023

In 2023, the engagement and wellbeing of Northern Horizon's staff remained at the forefront of the company's organizational priorities. Northern Horizon continued to invest in initiatives that fostered a positive work environment and supported the employees' overall satisfaction.

## Flexibility and Remote Work Opportunities

Northern Horizon recognizes the importance of work-life balance and provides staff with flexibility and remote work possibilities. This has allowed employees to tailor their work arrangements to their individual needs and preferences.

By embracing remote work, Northern Horizon has empowered the team members to maintain productivity while accommodating personal circumstances.

## Involvement in interesting projects

Northern Horizon is actively involving its employees in exciting and impactful projects, and their contributions are valued. This approach is not only enhancing job satisfaction but also encouraging creativity and innovation.

## Individual attention and success stories

As an employer, Northern Horizon gives attention to every single person in the team. One notable success story has involved proposing an internal career path to an employee who was considering a career change outside the organization.

By nurturing talent from within, Northern Horizon has demonstrated its commitment to employee growth and development.

## Personal situations and prioritization

Northern Horizon recognizes that personal situations sometimes require special consideration. In one instance, the company proposed and allocated time for an individual to focus on a personal matter while ensuring the smooth operation of ongoing projects and tasks and engaging other team members.

## Engagement measurement and survey results

Northern Horizon measured employee engagement in 2023 in a group survey. The survey results showed overall improvements compared to 2021 (Engagement level in 2023 was 81% vs 79% in 2021). Employees have expressed appreciation of the flexibility, management, and the opportunity to freely voice their opinions.

## Summer 2023 Group Event

In the summer of 2023, Northern Horizon organized a two-day group event. This gathering included strategic discussions, teambuilding activities, and leisure time.

Feedback from the employees has confirmed that the event was highly successful and contributed to the team spirit.

Percentage of employees receiving regular performance and career development reviews

Employee development is a key element for the continued success of Baltic Horizon, so annual performance and career development reviews are an important internal procedure of the Management Company of the Fund. Following a successful rollout of the 360-degree feedback assessment across Northern Horizon Capital Group in 2019, the same assessment methodology was utilized in 2022.

## Employee engagement

# 81%

Northern Horizon  
employee engagement score  
2023

This performance review tool allows employees to self-evaluate individual performance as well as collect feedback from immediate peer groups to provide comprehensive and exhaustive feedback to individuals on their performance and provides support for continued improvement. In 2022 the employee performance review from a total of 17 colleagues that work with Baltic Horizon, 82% of employees participated in the performance review process and received individualized feedback with a detailed summary report. Additionally, these colleagues had separate feedback sessions with their immediate supervisor to discuss their performance over 2022 and identify key areas for improvement in 2023.

# Diversity of governance bodies

## Diversity of governance bodies and employees

Governance bodies of Baltic Horizon comprise of individuals having years of experience in fields of real estate, finance, management and business. Individuals occupying positions on the governance bodies of Baltic Horizon at the end of 2023 consisted of both individuals holding internal positions inside Northern Horizon Capital Group of companies and external professionals. For more information regarding the governance bodies of the Fund please refer to the Annual Report 2023 of Baltic Horizon.

### Governance bodies

Management Board of the Management Company				
	2020	2021	2022	2023
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Women</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Below 30	-	-	-	
30-50	1	1	1	1
Above 50	-	-	-	
<b>Men</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
Below 30	-	-	-	1
30-50	1	1	1	1
Above 50	1	1	1	-

Supervisory Board of the Management Company			
	2021	2022	2023
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Women</b>	<b>2</b>	<b>2</b>	<b>1</b>
Below 30	-	-	-
30-50	2	2	1
Above 50	-	-	-
<b>Men</b>	<b>1</b>	<b>1</b>	<b>2</b>
Below 30	-	-	-
30-50	1	1	1
Above 50	-	-	1

Supervisory Board of the Fund			
	2021	2022	2023
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Women</b>	<b>-</b>	<b>-</b>	<b>-</b>
Below 30	-	-	-
30-50	-	-	-
Above 50	-	-	-
<b>Men</b>	<b>4</b>	<b>4</b>	<b>4</b>
Below 30	-	-	-
30-50	-	-	-
Above 50	4	4	4

# Health & Safety and non-discrimination

The table below summarizes social aspects covered by the internal policy of the Northern Horizon Capital A/S which applies to the Baltic Horizon.

The summary contains references to the GRI reporting framework, The Sustainability Accounting Standards Board (SASB) and United Nations Global Compact, and the United Nations sustainable development goals (UN SDGs) to show the interconnection between reporting standards and reporting metrics.

In the 2022 reporting period, some additional metrics have been added. We were aiming to keep data as transparent as possible, so 2018 was left as the base year when the company started reporting on ESG metrics, however, years, when this wasn't reported, were left as not available.

## Non-Discrimination

Non-Discrimination	Unit	2019	2020	2021	2022	2023
Does your company follow a sexual harassment and/or non-discriminatory policy?	yes/no	yes	yes	yes	yes	yes
Has there been cases of discrimination during the calendar year?	yes/no	N/A	N/A	N/A	no	no
UNGC: P6 GRI: 103-2 (see also: GRI 406: Non-Discrimination 2016)   SASB: General Issue / Employee Engagement, Diversity & Inclusion						

Injury Rate	Unit	2019	2020	2021	2022	2023
Total number of injuries and fatalities, relative to the total workforce	%	0	0	0	0	0
Global Health & Safety	Unit	2019	2020	2021	2022	2023
Does your Company publish and follow an occupational health and/or global health & safety policy	yes/no	yes	yes	yes	yes	yes
Total absence from work (X) to total working hours of all employees	%	N/A	N/A	7.70	4.95	3.17
Absence from work due to long-term illness (X) to total working hours of all employees	%	N/A	N/A	2.30	N/A	2.12
Absence from work due to short-term illness (X) to total working hours of all employees	%	N/A	N/A	5.40	4.95	1.04
GRI: 103-2 (See also: GRI 403: Occupational Health & Safety 2018) SDG: 3   SASB: General Issue / Employee Health & Safety						

Child & Forced Labor	Unit	2019	2020	2021	2022	2023
Does your company follow a child labor policy?	yes/no	no	no	no	no	no
Does your company follow a forced labor policy?	yes/no	no	no	no	no	no
If yes, do your child and/or forced labor policy cover suppliers and vendors?	yes/no	no	no	no	no	no
S9 GRI: 103-2 (See also: GRI 408: Child Labor 2016, GRI 409: Forced or Compulsory Labor, and GRI 414: Supplier Social Assessment 2016)   UNGC: P4, P5 SDG: 8   SASB: General Issue / Labor Practices						

Human Rights	Unit	2019	2020	2021	2022	2023
Does your company publish and follow a human rights policy?	yes/no	yes	yes	yes	yes	yes
If yes, does your human rights policy cover suppliers and vendors?	yes/no	yes	yes	yes	yes	yes
S10 GRI: 103-2 (See also: GRI 412: Human Rights Assessment 2016 & GRI 414: Supplier Social Assessment 2016) UNGC: P1, P2 SDG: 4, 10, 16   SASB: General Issue / Human Rights & Community Relations						



# Additional governance disclosures

## Communication and training about anti-corruption policies and procedures

The Management Company of Baltic Horizon has a series of governing documents and policies indicating sets of principles for transparent and ethical business behavior, the backbone of which is the Northern Horizon Group's common Code of Conduct and Anti-corruption policies. Employees are trained on policies at least annually or when there is a change in the policy. Policies are shared via Northern Horizon intranet.

During 2023, training sessions were held for all employees (including all employees that are members of internal governance bodies) of Northern Horizon that provide services for Baltic Horizon. Trainings were based on updated internal policies and included the following topics: code of conduct, business ethics, anti-corruption and anti-bribery, KYC/AML awareness and procedures, fraud prevention and conflict of interest. Training materials included updated policies as well as case studies that illustrate possible business scenarios employees might expect to encounter in their day-to-day operations.

Training sessions regarding compliance with internal company policies are obligatory for all company employees and attendance is recorded. If an employee cannot participate in the training session, they are required to review the training materials and consult the relevant people within the company if they have any questions. Separate training session for members of the governance bodies of BHF that are not employees of Northern Horizon Capital have not been held.

During 2023 specific training regarding ESG were also held to increase awareness of sustainable finance disclosure regulation, climate risks for real estate assets and taxonomy screening and ESG requirements in tendering process.

## Confirmed incidents of corruption and actions taken

Baltic Horizon is managed by maintaining the highest corporate governance standards with the mindset of zero tolerance for corruption and bribery or any other illegal form of activity as a primary guiding principle.

## Communication of critical concerns

Northern Horizon Capital Group ensures several channels for employees and stakeholders to communicate concerns. In accordance with the Corporate Responsibility Guideline, NHC encourages the employees to primarily report concerns directly to their superior or, if not possible, another member of Northern Horizon's management. Additionally, two different ways are offered to submit information: through open and public channel to Corporate Responsibility Committee.

The Corporate Responsibility Committee consists of two members: the Group General Counsel and an independent member of the Board of Directors. If there are suspicions regarding the Committee members' involvement, the report should be made directly to the owners of Northern Horizon.

Employees are encouraged to use the open channel, where they can call, send an email, or a regular mail letter to the Corporate Responsibility Committee member(s). The public channel is available on the Northern Horizon website under "Sustainability > Governance > Voice Your Concern-tool" at the address <https://www.nh-cap.com/sustainability/governance/>. The public channel is also open for Northern Horizon stakeholders to report concerns.



# Additional governance disclosures

## Remuneration policies

Compensation of employees providing services to the Fund is defined in the Compensation Policy. The applicability of the compensation policy is for all employees and managers of Northern Horizon Capital Group. The policy reflects the Group’s objectives for good corporate governance as well as sustained and long- term value creation for investors and shareholders of the Group.

The key elements of the compensation to key personnel involved in the vehicle are listed below.

1. Competitive fixed salary. Adjustments are made annually in conjunction with performance reviews conducted annually; and
2. Annual discretionary bonus scheme. All employees, including the vehicle’s key personnel, participate in the Northern Horizon bonus scheme. BHF managers also receive Fund units as part of the variable compensation. Cash bonuses are determined based on company and individual performance and achievement of individual targets set for each employee at the beginning of each calendar year.

When assessing individual performance of an employee, financial as well as non-financial criteria are considered. The non-financial criteria include but are not limited to ESG specific criteria and the Minimum Safeguards relevant to an individual fund and / or the Group, as well as the investor satisfaction, adherence to risk management policy, compliance with internal rules and policies, leadership, managing others, teamwork, innovation, cooperation with others business units and with control functions among other criteria.

More regarding integrating sustainability risks on remuneration policy on NHC website: <https://www.nh-cap.com/sustainability/sustainability-disclosures/>

## Conflicts of interest

Northern Horizon Group’s Conflict of Interest Policy outlines protocols for identifying, preventing, and managing conflicts of interest efficiently. It mandates strict adherence by all personnel, ensuring transparency and accountability through detailed documentation and reporting of conflict situations in a dedicated register maintained by Compliance. Regular updates and annual reviews by the Board of Directors underscore the commitment to governance and ethical conduct.

More on the conflicts of interest in the Annual Financial reports of the Fund on pages 53-54.

## Restatements of information

The Fund has corrected its energy intensity and GHG emissions reported for year 2022 due to an error in emission calculation. Total GHG emissions amounted to 9 072 CO2t instead of 9 030 CO2t. More detailed calculations have been presented in page 35 of this report.

## Diversity

Annual compensation ratio 2023	
The annual total compensation for the organization’s highest-paid individual to the median annual total compensation for all employees(excluding the highest-paid individual)	3
The ratio of the percentage increase in annual total compensation for the organization’s highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	0

# Governance data

The summary contains references to the GRI reporting framework, The Sustainability Accounting Standards Board (SASB) and United Nations Global Compact, and the United Nations sustainable development goals (UN SDGs) to show the interconnection between reporting standards and reporting metrics.

Board Independence	Unit	2018	2019	2020	2021	2022	2023
Does the company prohibit CEO from serving as board chair?	yes/no	no	no	no	no	no	no
Total board seats in Management company occupied by independents	%	0 %	0 %	0 %	0 %	0 %	0 %
Total Board seats of supervisory board occupied by independents		100 %	100 %	100 %	100 %	100 %	100 %
Incentivized Pay	Unit	2018	2019	2020	2021	2022	2023
Are executives formally incentivized to perform on sustainability	yes/no	no	no	no	no	no	yes
Collective Bargaining	Unit	2018	2019	2020	2021	2022	2023
Total enterprise headcount covered by collective bargaining agreements (X) to the total employee population	%	N/A	N/A	N/A	N/A	0	0
UNGC: P3 SDG: 8 GRI: 102-41 SASB: General Issue / Labor Practices (See also: SASB Industry Standards)							
Ethics & Anti-Corruption	Unit	2018	2019	2020	2021	2022	2023
Does your company follow an Ethics and/or Anti-Corruption policy?	yes/no	yes	yes	yes	yes	yes	yes
If yes, what percentage of your workforce has formally certified its compliance with the policy?	%	100	100	100	100	100	100
UNGC: P10 SDG: 16 GRI: 102-16, 103-2 (See also: GRI 205: Anti-Corruption 2016)							
Data Privacy	Unit	2018	2019	2020	2021	2022	2023
Does your company follow a Data Privacy policy?	yes/no	yes	yes	yes	yes	yes	yes
Has your company taken steps to comply with GDPR rules?	yes/no	yes	yes	yes	yes	yes	yes
GRI: 418 Customer Privacy 2016 SASB: General Issue / Customer Privacy, Data Security (See also: SASB Industry Standards)							
ESG Reporting	Unit	2018	2019	2020	2021	2022	2023
Does your company publish a sustainability report?	yes/no	yes	yes	yes	yes	yes	yes
Is sustainability data included in your regulatory filings?	yes/no	yes	yes	yes	yes	yes	yes
UNGC: P8							
Disclosure Practices	Unit	2018	2019	2020	2021	2022	2023
Does your company provide sustainability data to sustainability reporting frameworks?	yes/no	yes	yes	yes	yes	yes	yes
Does your company focus on specific UN Sustainable Development Goals (SDGs)?	yes/no	no	no	no	yes	yes	yes
Does your company set targets and report progress on the UN SDGs?	yes/no	no	no	no	yes	yes	yes
UNGC: P8							
External Assurance	Unit	2018	2019	2020	2021	2022	2023
Are your sustainability disclosures assured or validated by a third party?	yes/no	no	no	no	no	no	no
UNGC: P8 GRI: 102-56							

# GRI content index



# GRI content index

This report is made with reference to the GRI standards for the reporting period of 1.1-13.12.2023. This report contains the information of the Fund and if specifically mentioned, information on the Manager or Northern Horizon Capital Group. Northern Horizon Capital Group is a Danish limited liability company having subsidiaries in Finland and Estonia. The subsidiaries, including the Manager, are licensed alternative investment management companies. The GRI Content Index describes what GRI indicators are used to demonstrate the execution of human rights, workers' rights, environmental principles and anti-corruption principles. This report has not been externally assured.

More information and queries please contact Vilma Pasanen, Head of Sustainability at [vilma.pasanen@nh-cap.com](mailto:vilma.pasanen@nh-cap.com) or Fund Manager Tarmo Karotam, Fund Manager at [tarmo.karotam@nh-cap.com](mailto:tarmo.karotam@nh-cap.com)

GRI standard	Disclosure	Page number(s)	Comments/ omissions
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	Page 3	Annual Financial report, page 54.
	2-2 Entities included in the organization's sustainability reporting	Page 45	
	2-3 Reporting period, frequency and contact point	Page 45	
	2-4 Restatements of information	Page 42	
	2-5 External assurance	Page 45	
	2-6 Activities, value chain and other business relationships	Page 37	Annual Financial report, page 7,12
	2-7 Employees	Page 37	The disclosure refers to Northern horizon Group employees providing services to the Fund
	2-8 Workers who are not employees	Page 45	At Northern Horizon, workers who are not employees are generally special advisors or property managers. They perform various tasks that are either project-related expert tasks, advisory in deals.
	2-9 Governance structure and composition	-	Annual Financial report, page 54.
	2-10 Nomination and selection of the highest governance body	-	Annual Financial report, page 54.

GRI standard	Disclosure	Page number(s)	Comments/ omissions
<b>GRI 2: General Disclosures 2021</b>	2-11 Chair of the highest governance body	-	Annual Financial report, page 54.
	2-12 Role of the highest governance body in overseeing the management of impacts	Page 15, 38	
	2-13 Delegation of responsibility for managing impacts	Page 13, 36	
	2-14 Role of the highest governance body in sustainability reporting	Page 36	
	2-15 Conflicts of interest	Page 42	Annual Financial report, page 53-54.
	2-16 Communication of critical concerns	Page 41	
	2-17 Collective knowledge of the highest governance body	Page 36	Annual Financial report pages 54 -55
	2-18 Evaluation of the performance of the highest governance body	-	Annual Financial report page 54-55
	2-19 Remuneration policies	Page 42	
	2-20 Process to determine remuneration	Page 42	
	2-21 Annual total compensation ratio	Page 42	



# GRI content index

GRI standard	Disclosure	Page number(s)	Comments/ omissions
<b>GRI 2: General Disclosures 2021</b>	2-12 Statement on sustainable development strategy	6-7	
	2-23 Policy commitments	Page 13	
	2-24 Embedding policy commitments	Page 14	
	2-25 Processes to remediate negative impacts	Page 14-15, 41	
	2-26 Mechanisms for seeking advice and raising concerns	Page 13	
	2-27 Compliance with laws and regulations	Page 36	
	2-28 Membership associations	Page 16	
	2-29 Approach to stakeholder engagement	Page 23	
	2-30 Collective bargaining agreements	Page 42	

GRI standard	Disclosure	Page number(s)	Comments/ omissions
<b>Management Approach</b>			
	3-1 Process to determine material topics	Page 36	
<b>GRI 3: Material Topics 2021</b>	3-2 List of material topics	Page 36	
	3-3 Management of material topics	Page 36	
<b>Topic-Specific GRI Standards</b>			
<b>GRI 205 Anti-corruption</b>	205-2 Communication and training about anti-corruption policies and procedures	Page 41	
	205-3 Confirmed incidents of corruption and actions taken	Page 41	
<b>GRI 302: Energy</b>	302-1 Energy consumption within the organisation	Page 29,33	
	302-3 Energy intensity	Page 29,33	

# GRI content index

GRI standard	Disclosure	Page number(s)	Comments/ omissions
<b>GRI 303: Water and Effluents</b>	303-5 Water consumption	Page 31	
	305-1 Energy direct (Scope 1) GHG emissions	Page 30	
<b>GRI 305: Emissions</b>	305-2 Energy indirect (Scope 2) GHG emissions	Page 30	
	305-3 Other indirect (Scope 3) GHG emissions	Page 30	
	305-4 GHG emissions intensity	Page 30	
	305-5 Reduction of GHG Emissions	Page 30	
<b>GRI 306: Effluents and Waste</b>	306-2 Waste by type and disposal method	Page 32	
<b>GRI 404: Training and Education</b>	404-3 Percentage of employees receiving regular performance and career development reviews	Page 38	
<b>GRI 405: Diversity and Equal Opportunity</b>	405-1 Diversity of governance bodies and employees	Page 39	
<b>GRI 406: non-discrimination</b>	406-1: Incidents of discrimination and corrective actions taken	Page 40	

# Definitions of key terms and abbreviations

## EPRA

EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. Founded in 1999, EPRA is a not-for-profit association registered in Belgium. With more than 275 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 450 billion of real estate assets and 94% of the market capitalization of the FTSE EPRA Nareit Europe Index.

## GHG

Greenhouse gas emissions. All portfolio emissions disclosed in this report are expressed in CO2 equivalent and calculated based on GHG protocol. <https://ghgprotocol.org/>

## GRI

The Global Reporting Initiative (GRI) is an international independent standards organization that helps businesses, governments, and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption.

## INREV

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV), incorporated in 2002, is a non-profit association located in the Netherlands that provides services and education for investors interested in the European non-listed real estate fund market.

## Management Company

Northern Horizon Capital AS, registered address at Tornimäe 2, Tallinn 15010, Estonia.

Northern Horizon Capital AS is part of Northern Horizon register code 11025345, Capital Group.

## Northern Horizon Capital Group

Refers to the Northern Horizon Group of companies. Northern Horizon Capital AS is part of Northern Horizon Group.

## RAKLI

RAKLI is the most comprehensive and prominent association of professional property owners, real estate investors, corporate real estate managers and construction clients in Finland. RAKLI represents its member's interests, participate in public debate and promote sustainable living environments. RAKLI has more than 230 members, which are Finland's most prominent owners of residential and commercial properties and infrastructure, property investors, biggest cities, as well as construction clients. The members represent both the private and the public sector.

## SFDR

Sustainable Finance Disclosure Regulation.





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