

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant: *Northern Horizon Capital A/S, LEI: 529900GDVTNNYQBDU208*

Summary

Northern Horizon Capital AS (“**AIFM**”) considers principal adverse impacts (“**PAI**”) of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of the AIFM. This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2024 to 31 December 2024.

The PAI indicators the AIFM considers are exposure to fossil fuels, energy inefficient assets, greenhouse gas emissions, energy consumption intensity and waste management. The PAI indicators are included in the Responsible Investment Policy of Northern Horizon Group (“**RI policy**”) that applies to the AIFM. The latest RI policy is approved by the Northern Horizon Group board on 12.11.2024 and by the Northern Horizon Capital AS management board on 12.11.2024 and updated annually. According to our RI policy, sustainability factors are considered as part of the due diligence process on targeted investments and the summary conclusion provided as part of the investment proposal. All PAI indicators are also included in the Investment policy that includes a template to assess them. Investment policy is approved on 12.11.2024 by the AIFM Management board and updated annually.

The PAI indicators have been selected based on materiality. The AIFM does not consider “Raw materials consumption for new construction and major renovations” because it conducts a minor amount of such operations. The AIFM also does not consider “Land artificialisation” of its standing assets due to the fact that all its buildings are located in already designed urban areas.

Engagement work to reduce the PAI are carried out by the Fund Manager and Head of Asset Management assisted by the Head of Sustainability. The Fund’s assets also have external property managers, who carry out tenant engagement activities in the properties.

The AIFM plans to collect the data on PAI indicators directly from the managed assets.

Description of the principal adverse impacts on sustainability factors

Adverse sustainability indicator	Metric	Impact [year 2024]	Explanation	Actions taken, and actions planned and targets set for the next reference period
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Fossil fuels	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 fuels	0	This indicator is interpreted to include real estate that is used directly for the purposes of extraction, storage, transport, or manufacture of fossil fuels.	The AIFM monitors its real estate assets' exposure to fossil fuels. However, the AIFM does not currently exclude tenants that would be active in fossil fuel sectors.
Energy efficiency	Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	41 %	Assets are considered energy inefficient if assets have an energy certificate rating below B or in case the asset is built after 31.12.2020 of which PED is below NZEB.	Energy efficiency is considered as part of any due diligence process on a targeted investment and a summary conclusion provided as part of the investment or divestment proposal in accordance with the RI Policy and Investment Policy. In the investment decisions, the AIFM has preference over energy efficient assets and in case lower energy rating assets are acquired, the financial analysis is concluded to determine the possibilities to increase energy efficiency. During 2024 the AIFM did not make new investments. AIFM did however start planning actions to improve the energy efficiency of its standing investment portfolio. The Fund will consider energy efficiency

					actions taking into consideration the financial implications.
Greenhouse gas emissions	GHG emissions	Scope 1 GHG emissions generated by real estate assets	778 tCO ₂ e	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. Due to difficulties in data standardization, the district heating emission factors are based on standard factor provided by the ESG data platform. Market-based emissions take into account the renewable electricity purchased by	<p>The AIFM has integrated a operational net zero target by 2030 to its managed Fund. To achieve the target, the Fund managed by the AIFM has set a subtarget to reach non-fossil electricity by 2030.</p> <p>GHG emissions of an asset are considered as part of any due diligence process on a targeted investment and a summary conclusion provided as part of the investment or divestment proposal in accordance with the RI policy and the Investment Policy. The AIFM also utilizes CRREM tool to analyse carbon risk of its portfolio.</p> <p>During 2024 the Fund has continued to acquire renewable electricity to limit its GHG emissions. It also conducted to project to investigate the possibilities to acquire fossil free heating to achieve the carbon neutrality target, and</p>
		Scope 2 GHG emissions generated by real estate assets	Location based: 6 347 tCO ₂ e Market based: 3 258 tCO ₂ e		
		Scope 3 GHG emissions generated by real estate assets	0		
		Total GHG emissions generated by real estate assets	Location based: 7 125 tCO ₂ e Market based: 4 036 tCO ₂ e		

				the Fund and depicts the GHG emissions that were avoided compared to conventional energy sources.	acquired renewable district heating for its Latvian properties. During 2025 the Fund continue with asset level planning to achieve further GHG emission reductions in its portfolio.
Energy consumption	Energy consumption intensity	Energy consumption in GWh of owned real estate assets per square meter	182 kwh/m2/ yr 0,000182 GWh/m2/ yr	The energy consumption per sq. m takes into account the electricity consumption and the energy used in heating/cooling.	The AIFM monitors its real estate assets energy consumption intensity and compares its performance to the CRREM 1.5 pathways. Energy intensity is considered as part of any due diligence process on a targeted investment and a summary conclusion provided as part of the investment or divestment proposal in accordance with the RI Policy and Investment Policy. During 2024, the AIFM has monitored the energy intensity of its asset by using the carbon risk real estate module (CRREM). During 2024 the AIFM did not make new investments. AIFM did however start planning actions to improve the energy efficiency of its standing investment portfolio The AIFM

					has also approached energy intensity through tenant engagement activities by introducing green leases and communication on energy saving measures to its assets. Technical improvements to its properties as is financially feasible.	
Waste	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	0 %	The assets' waste sorting and recycling contracts are analysed.	The AIFM ensures all its properties are covered by necessary waste recycling facilities and waste management contract. No further actions were planned or targets set related to the criteria.	

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

The AIFM applies the Responsible Investment (“RI”) policy of Northern Horizon Group. The latest RI policy is approved by the Northern Horizon Group board on 12.11.2024, and by the Northern Horizon AS management board on 12.11.2024 and updated annually. According to the RI policy, sustainability factors are considered as part of the due diligence process on targeted investments and the summary conclusion provided as part of the investment proposal. All PAI indicators are also included in the Investment policy that includes a template to assess them. The Investment policy is approved on 12.11.2024 by the the AIFM Management Board and updated annually.

The sustainability factors covered in connection with investment decisions include, but are not limited to:

- Assessment of energy performance – energy supply and access to renewable energy, sources of energy consumption data, energy ratings, building certification, emissions and other relevant topics
- Assessment of environmental aspects – building materials, contamination, water efficiency, water supply, waste management and other relevant topics

- Assessment of social aspects – building safety, indoor environmental quality, health and wellbeing, green clause provisions, tenant and landlord ESG collaboration, other relevant topics
- Risks associated with new construction and renovations – site selection, biodiversity, developer selection, waste management, building materials and other relevant topics
- Other topics – access to transport links, regulatory risks, review of climate change related transition, physical and social risks.

The PAI indicators have been selected based on materiality. The AIFM does not consider “Raw materials consumption for new construction and major renovations” because it conducts a minor amount of such operations. The AIFM also does not consider “Land artificialisation” of its standing assets due to the fact that all its buildings are located in already designed urban areas.

The AIFM collects the data on PAI indicators directly from the managed assets. 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. Due to difficulties in data standardization, the district heating emission factors are based on standard factor provided by the ESG data platform. Information on operational energy usage and GHG emissions has been assured by ISAE 3000 standards on limited assurance to ensure data quality.

Engagement policies

As the AIFM manages a listed real estate fund (Baltic Horizon Fund) and does not invest into listed companies, it does not have engagement policies related to investee companies as referred to in Article 3g of Directive 2007/36/EC of the European Parliament and of the Council.

Engagement work to reduce the PAI of the real estate assets are carried out by the Fund Manager and Head of Asset Management assisted by the Head of Sustainability. The Fund’s assets also have external property managers, who carry out tenant engagement activities in the properties.

The AIFM’s approach to responsible asset management through use of green leases is described in the RI Policy principle 5.¹ According to the said policy Northern Horizon will use best efforts to include green lease clauses in all new lease agreements and renewals of existing leases. Possible green lease clauses might include agreements of consumption data sharing, preference over renewable or non-fossil energy forms, landlord assistance in relation to refurbishment projects and other matters related to ESG coordination deemed material at time to time. In 2024, the percentage of the Baltic Horizon Fund’s portfolio where tenants signed the green lease clauses (based on gross floor area) on retail portfolio was 97 % and offices 99 % totaling the entire percentage of green lease coverage 98 %.

¹ <https://www.nh-cap.com/wp-content/uploads/2024/11/Northern-Horizon-Group-Responsible-Investment-Policy.APPROVED.12.11.2024.pdf>

<p>References to international standards</p> <p>The RI policy includes Northern Horizon Group’s human rights considerations. Our human rights policy is based on the internationally recognized minimum standards of responsible business conduct as expressed in the United Nations Guiding Principles on Human Rights and Business (“UNGP”) and the OECD Guidelines for Multinational Enterprises (the “Minimum Safeguards”), which are also reflected in the UN Global Compact. Northern Horizon, its subsidiaries including the AIFM and employees are committed to respecting internationally recognized human rights.</p> <p>The AIFM has analysed all its assets’ alignment to CRREM which includes carbon pathways aligned with the Paris Agreement goals. The AIFM has also included a net zero operational in-use carbon target by 2030 of all its managed funds to support the goals of Paris Agreement.</p>
<p>Historical comparison</p> <p>N/A. As 2024 was the first year the AIFM considered PAI, the first historical comparison is provided by 30.6.2026.</p>