



BALTIC
HORIZON

ANNUAL ESG REPORT 2020



Baltic Horizon Fund (the "Fund") 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 currently dual-listed on the Fund List of the Nasdaq Tallinn Stock Exchange and the Nasdaq Stockholm Alternative Investment Funds market.

Baltic Horizon Fund was merged with Baltic Opportunity Fund ("BOF") on 30 June 2016. Baltic Horizon was the remaining entity which took over 5 assets of BOF and its investor base.

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MANAGEMENT STATEMENT

2020 brought a host of challenges to the global economy and Baltic markets have been no strangers to a sudden economic halt. The regular lifestyle as we know it fundamentally changed within days of quarantine lockdowns forcing everyone to adjust to the new “normal” of restriction infused life. These changes have reverberated across all economic sectors and the status quo of Baltic commercial real estate market has been challenged as strongly as it has been over the last 12-13 years. People are looking at the real estate and guessing what long-term effects COVID-19 will have to conventional use of space: from changing meaning of offices and stickiness of work-from-home regimen; to reinvention of retail space to retain its relevance; from incredible resilience of logistics to hard landing and future of hotels.

It would be an understatement to say that 2020 has not been a hectic period for Baltic Horizon as well. Forced closure of shopping centers, limited mobility and swift movement to work-from-home model required the Fund to react quickly to these changes. Despite the obstacles, financial performance of Baltic Horizon remained strong and our portfolio exhibited a remarkable resilience in the otherwise turbulent economic landscape.

As important as the strong financial performance of the Fund was over 2020, we exerted a particular focus on environmental, social and governance (“ESG”) topics in 2020. With asset and portfolio management being the focus of our activities over 2020 we had a chance to gauge our ESG performance and calibrate our efforts for the future. In particular, the following sustainability and ESG topics captured most of our attention in 2020:

- Portfolio sustainability aims: we raised specific portfolio aims to put ourselves on a long-term path of sustainable growth.
- GRESB participation: in 2020 Baltic Horizon achieved a 63-point score and a 2-star rating from GRESB’s 2020 Real Estate Assessment.
- Stakeholder engagement: tenant relationship management and support were one of the most important ESG efforts over 2020. We were also

active in communicating with our partners in the incredibly turbulent and uncertain times.

- Energy efficiency: in 2020 we initiated targeted efforts in our office portfolio to identify low hanging fruits of energy efficiency and laid out improvement plans for the next 1-3 years. Our plan is to increase overall portfolio energy efficiency from existing levels and decrease our energy consumption and greenhouse gas emission footprints.
- Climate and sustainability risk assessment: keeping up with increasingly demanding ESG requirements, we performed our first portfolio level sustainability and climate-related risk assessment.

The recovery from COVID induced economic shocks will require some time and we have a long and challenging road ahead of us. But we believe that path to the life as we know it will be based on principle of sustainably built value creation over the long-term. Post-COVID recovery period creates perfect opportunity to enable this change in our portfolio.



Tarmo Karotam

Fund Manager, Baltic Horizon Fund

BALTIC HORIZON AND ESG IN 2020

Portfolio sustainability aims

In 2020 management team of Baltic Horizon decided to set long-term ESG aims of the Fund. It is our firm belief that long-term value creation must be built on a strong foundation of sustainability. Therefore, management

team of Baltic Horizon raised the following short-term and long-term sustainability aims. Baltic Horizon will report progress against these aims at least annually.

Short-term Aims (1-2 years)

- **Office portfolio certification by end of 2021:** motivated by the widespread adoption of certification, management team decided to certify office portfolio of Baltic Horizon by end of 2021 using market accepted certification program – BREEAM In-use. Certification target – Very Good or better. Certification of retail portfolio is also in consideration after ongoing reconstruction / refurbishment projects are finalized. As at end of 2020 ca. 12.6% of the Fund's portfolio was certified.
- **100% of new leases / extensions / amendments will include green lease clauses:** green leases are a great way to formalize sustainability aims and commitments between our tenants and the Fund. Baltic Horizon aims to include green lease clauses in all new signed leases from 2021. Green lease clauses cover such topics as sustainable operations, information sharing, use of renewable energy sources and other relevant topics. We will also aim to include green clauses to existing lease agreements whenever possible.
- **3-star GRESB Rating:** Baltic Horizon achieved a 2-star rating in the 2020 GRESB Real Estate Assessment with a 63-point score. We believe that our ESG efforts could result in a 3-star rating over the next 1-2 years with a targeted portfolio improvement strategy that is currently in implementation.

Long-term Aims (5-10 years)

- **Net zero from operations by 2030:** in 2020 Northern Horizon Capital Group revised its Responsible Investment Policy and raised net zero by 2030 from operations target for 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 to the commitment).
- **Energy performance certificate (EPC) of new acquisitions – B or better¹:** 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.
- **EPC label improvement of existing portfolio by at least one energy label level by 2025:** energy efficiency of existing portfolio is as important as energy efficiency of new acquisitions. Therefore, the Fund has set an interim 2025 target to improve portfolio energy efficiency by at least one energy label level, which will be crucial in achieving the net zero target.

GRESB Real Estate Assessment 2020²

2020 was a second consecutive year of Baltic Horizon's participation in GRESB. In the incredible turbulent 2020,

Baltic Horizon managed to achieve a score of 63 points (from 100) reaching a 2-star rating (out of 5 stars). "There is a lot of room for growth and we believe that a 3-star

¹ Energy performance certificates (EPC) have been introduced under Energy Performance of Buildings Directive (EPBD). EPC certificates indicate energy efficiency of the building by rating properties on a scale of A to G, A being the highest score and G being the lowest.

² All intellectual property rights to this data belong exclusively to GRESB B.V. (GRESB). All rights reserved. GRESB has no liability to any person (including a natural person, corporate or unincorporated body) for any losses, damages, costs, expenses or other liabilities suffered as a result of any use of or reliance on any of the information which may be attributed to it.

rating could be achieved in the next 1-2 years with targeted ESG strategy and focus on our portfolio improvement”, says Tarmo Karotam.



GRESB Real Estate Assessment consists of two separate assessment modules: Management and Performance. In 2020 Baltic Horizon scored 25 points in the Management module (out of 30) and 38 points in the Performance module (out of 70).

In 2020 Baltic Horizon also enrolled in the Public Disclosure Assessment where the Fund achieved 63-point score (out of a 100) reaching a rating of B³.

GRESB was established in 2009 by a group of large pension funds who wanted to have access to comparable and reliable data on the ESG performance of their investments. GRESB has grown to become the leading ESG benchmark for real estate and infrastructure investments across the world. GRESB ESG data covers USD 4.5 trillion in real estate and infrastructure value and is used by more than 100 institutional and financial investors to make decisions that are leading to a more sustainable real asset industry. More information on GRESB could be found on: <https://gresb.com/>.

UN PRI Assessment 2020

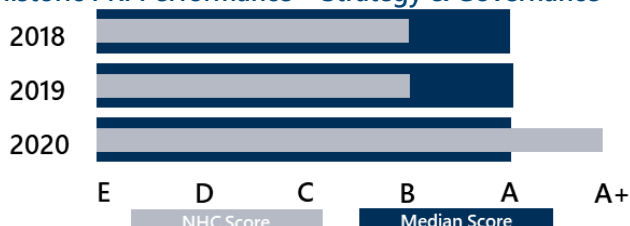
In the 2020 PRI assessment Northern Horizon Capital achieved the highest A+ rating in the Strategy & Governance module and an A rating in the Property module, outperforming peer groups in both scoring categories. These ratings reflect the situation across the Northern Horizon Capital Group as a whole and the progress made by all its managed funds. Baltic Horizon being one of the largest funds under Northern Horizon’s management, has contributed heavily to the strong PRI assessment performance in 2020.

³ A being the highest and E being the lowest rating.



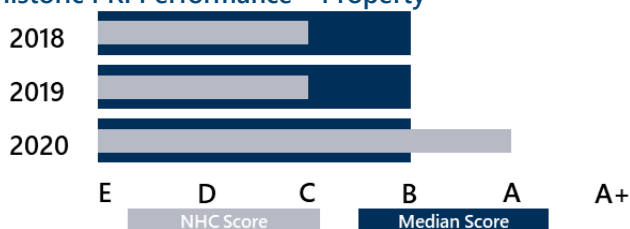
PRI is the world's leading proponent of responsible investment that was established in 2006 promoting six principles for responsible investment. PRI has grown to over 3,000 signatories worldwide managing a combined USD 80tn of assets. Northern Horizon Capital has been PRI signatory since 2014 and has been participating in the annual PRI assessment since 2016. More information on PRI could be found on: <https://www.unpri.org/>.

Historic PRI Performance – Strategy & Governance



Source: PRI, Northern Horizon Capital

Historic PRI Performance – Property



Source: PRI, Northern Horizon Capital

Property energy efficiency

Efficient energy use is one of the main challenges in reducing portfolio GHG emissions. Baltic Horizon being a long-term investor to real estate assets seeks to ensure that portfolio under management can deliver on long-term commitment of sustainable and net zero operations. This requires a good understanding of what is the current position of our assets before any improvements can be made.

In 2020 portfolio management team prepared energy efficiency audits for a few selected properties in Baltic Horizon's portfolio. The primary goal of the pilot was to understand the current state of our engineering systems and see if improvements to these systems could lead to potential energy and cost savings to our tenants as well

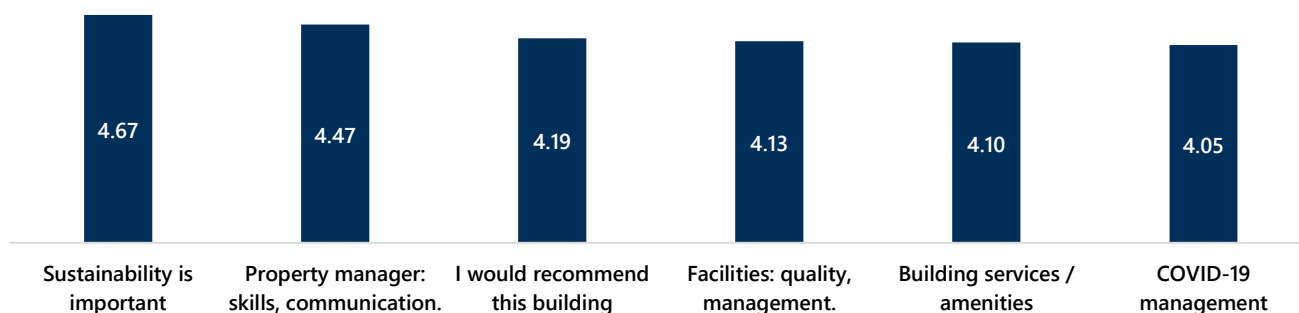
as lead to decreasing operational GHG emissions. Audits have identified some low hanging energy efficiency improvements that could be achieved with relatively low investments. We plan to implement measures with the highest investment / return ratio in the next 1-3 years. While we do not expect to see major operational improvements from these upgrades, this is an important first step in upgrading and future proofing our assets to meet increasing environmental demands from our tenants.

Tenant engagement

Tenants have been at the focus of our asset management activities over 2020. Freeze on regular economic life has put a lot of strain on some of our tenants and occupiers of retail assets have been affected particularly hard. To support them team of Baltic Horizon has been in negotiations with some of the worse affected tenants offering rent reductions and waivers during the lockdown and post-lockdown periods. By 19th March 2020, the Fund management had decided on various pandemic-related discounts based on discussions with retail and other tenants. The Fund assessed the impact of COVID-19 on each tenant's operating performance during the lockdown and granted discounts to the most affected tenants, while at the same time protecting the best interests of unitholders and other stakeholders. The Fund's management team reviewed each rent discount request individually to find suitable solutions for all parties.

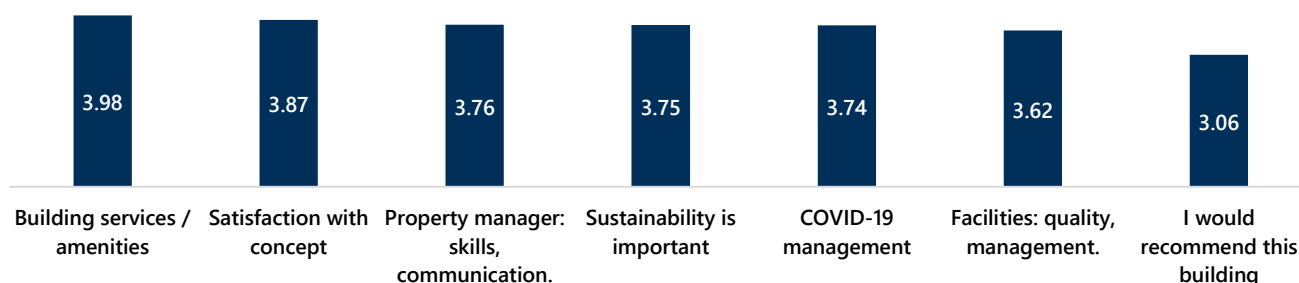
To further gauge our asset management efforts team of Baltic Horizon completed a tenant satisfaction survey in second half of 2020. Similarly as last year, the goal of the survey was to understand how tenants perceive quality of the buildings, skills of property and facility managers and investigate sustainability requirements of our tenants. We were glad to see that areas such as sustainability, property management and building services / amenities were given high scores by the survey respondents. This also resonates well with overall tenant satisfaction with facilities – average respondent would be willing recommend their building to another tenant.

Tenant Satisfaction Survey 2020 Results – Office Portfolio⁴



Source: Baltic Horizon

Tenant Satisfaction Survey 2020 Results – Retail Portfolio⁴



Source: Baltic Horizon

Climate-related and sustainability risks

With rapidly developing requirements of ESG standards, one particularly important topic that has been receiving more and more attention over the last couple of years has been systematic assessment of climate-related and sustainability risks. While risk assessment is a standard procedure in investment management that is also governed by relevant regulation, sustainability and climate-related risk assessment is slowly becoming an integral part of the overall risk assessment procedures. These requirements are spilling over to the voluntary reporting frameworks and are also trickling their way into regulatory requirements.

Witnessing the importance of sustainability and climate-related risks to our operations as well as widespread market adoption, from Q4 2020 we started including these aspects into the Fund's quarterly risk assessment. The assessment primarily utilizes publicly available data sources to evaluate the materiality of specific risk and assess likelihood and possible effect to the portfolio, to the extent that is possible. 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 follows general guidelines of this framework. This assessment that will be updated quarterly, builds further on the foundation of the high-level property risk evaluation that is already a part of all investment considerations.

According to Internal Control and Risk Management Framework, identified risks are scored (from 1 to 5) on their possible Likelihood and Impact. These scores are then multiplied to derive a Severity score ranging from 1 to 25, which then puts identified risks to 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). Two primary identified groups of climate-related and sustainability risks – Transition and Physical – have a low Severity rating of 4 (green category). Management team of Baltic Horizon believes that both risk groups are manageable and do not pose danger to operations of the Fund. Summary of the Q4 2020 sustainability and climate-related risk assessment is provided below.


⁴ All statements rated on a scale of 1-5: 1 – strongly disagree / very unsatisfied; 5 – strongly agree / very satisfied.

Climate-related and Sustainability Risk Assessment Results (Q4 2020)

Transition Risks

Description	Status	Likelihood	Impact	Severity
Transition risks include risks that arise from changing technological, political and regulation environments. Transition can cause changes in policy, regulation, technology and shifts in market positions that might negatively affect financial performance of the Fund. Changes in regulation requirements must be followed in both local and European markets to make sure that all entities and internal policies adhere to relevant reporting and governance practices.		2	2	4

Physical Risks

Description	Status	Likelihood	Impact	Severity
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.		2	2	4

Source: Baltic Horizon

SAFE RetailDestination© certification

In 2020 two of Baltic Horizon controlled shopping centers – Europa in Vilnius and Galerija Centrs in Riga – have obtained the SAFE RetailDestination© certificate. The designations were received from the only internationally acknowledged resilience certification program for shopping centers (SAFE Shopping Centers). The COVID-19 compliance certificate is a proof of the centers' high standards and commitment to delivering the best possible safety for visitors, retailers and employees alike. Tarmo Karotam, Fund manager of Baltic Horizon notes: "Our target was to make sure once again that we did our best to make our customers, visitors and staff at the center to feel safe as possible. The COVID-19 compliance certificate confirms that we take the health of people very seriously." To receive the certificate, shopping center administration needed to follow the requirements to ensure safe shopping for its customers and visitors and employees. Certification is based on the Risk, Resilience and Security Standard©. It is divided in six core areas, containing more than 850 criteria, designed to cover all aspects of operational risk in shopping center management.

Preparation for upcoming EU legislation

A fundamental issue in the ESG space in the recent years was a lack of consistent regulatory guidelines that would clearly outline disclosure regulations and provide a consistent way of distinguishing between sustainable assets / economic activities as opposed to unsustainable ones. Clear regulatory roadmap is crucial to making sure that Europe can achieve targets of the Paris Agreement and ensure a sustainable environment.

The last few years saw an active push from European Commission to put in place regulatory infrastructure that would aim to solve these issues and bring clarity to currently rather fractured landscapes of ESG definitions and reporting. Two legislative initiatives are of particular importance to Baltic Horizon – EU Taxonomy and Sustainable Finance Disclosure Regulation (SFDR). Both regulations are aiming to bring additional clarity to the investment markets over the next few years by defining clear criteria for sustainable economic activities (EU Taxonomy) and outlining necessary information disclosure for entities that make sustainability and ESG based claims (SFDR). Management team of Baltic Horizon has already started preparing for these new legislative requirements and will make initial required disclosures in Q1 of 2021. Full scope of and details of EU Taxonomy and SFDR will be announced in 2021.

Employees

Safety of our staff has been one of the highest priorities in 2020. Following the COVID outbreak in Europe, all our offices swiftly reorganized to remote work and colleagues have been working from the safety of their home for majority of 2020. Despite limited ability to see our colleagues in person due to travel restrictions, a handful of online company events were held during 2020 to promote team spirit. Additionally, in October 2020 NHC Pulse survey was organized to understand how colleagues have adapted to the work from home regimen. We were glad to see that overall safety at work, for colleagues who decided to visit their local offices, was evaluated at 5.4 (out of 6).

CONSUMPTION DATA

40,695 MWh

Portfolio energy consumption in 2020

(4.0%)

Change in energy consumption over 2019

85,056 m³

Portfolio water consumption in 2020

(20.0%)

Change in water consumption over 2019

12,346 CO₂e

Portfolio GHG emissions in 2020

(8.0%)

Change in GHG emissions over 2019

COVID-19 has brought a substantial disruption to our way of economic life and, arguably, no positive outcomes of the pandemic could be distilled from the eventful year that was 2020. Yet the unprecedented and forced closure of our assets has brought a positive consumption trend to most of the portfolio assets of Baltic Horizon: over 2020 we saw a substantial decrease in all 4 measured data categories. However, it is crucial to understand that we consider this positive change as a one-off event and stabilization in consumption trends should be achieved in 2021. Additionally, we urge readers of this report to consider the fact that comparison of consumption trends between 2020 and previous reporting periods could lead to misleading conclusions due to above mentioned effect of the pandemic.

Energy

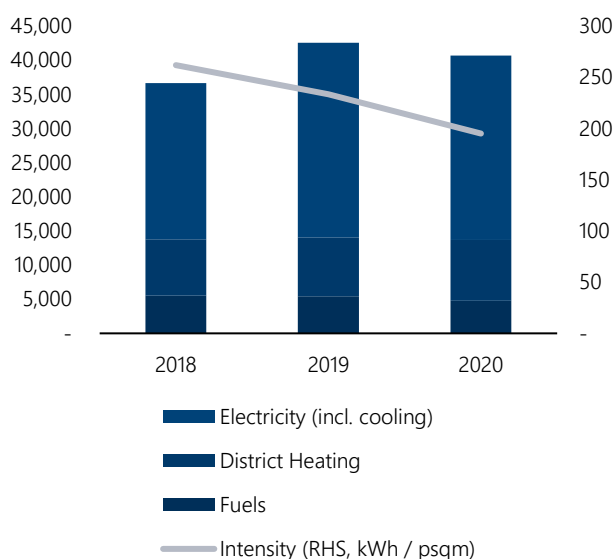
Total portfolio level energy consumption in 2020 amounted to ca. 40,695 MWh decreasing by ca. 4% over the 2019 level. The like-for-like decrease was even larger and reached 15% over the 2019 energy consumption level. The decrease can be primarily attributed to the COVID-19 pandemic that limited foot traffic in all our buildings, including both office and retail destinations. However, we saw a slight decrease of 3% in district heating figures over 2020 due to exceptionally cold winter in the Baltic region.

The portfolio level energy consumption data provides overview of energy consumed by the buildings in the Baltic Horizon's portfolio. However, portfolio level energy consumption data only displays portfolio level consumption from the date of acquisition closing of a particular asset. The data provided in this section of the report includes both the landlord and tenant-controlled areas with certain exceptions for individual assets (in case of Upmalas Biroji energy consumption for tenant areas could not be obtained). 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 intensity in 2020 reached 195 kWh/psqm and decreased by 16% compared to 2019. Decrease in energy intensity is primarily linked to building closures during

COVID-19 pandemic. Unlike the portfolio level consumption data, 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 total energy use of the portfolio by total gross area of the portfolio (incl. parking).

Portfolio Level Energy Consumption (MWh) and Energy Use Intensity (kWh/psqm)



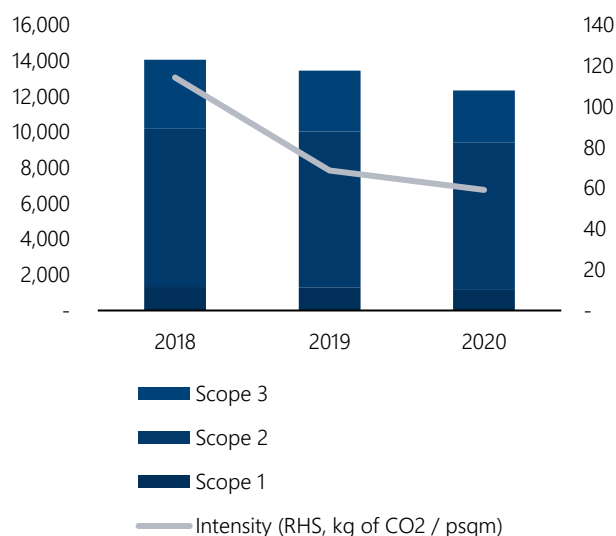
Source: Baltic Horizon

GHG emissions

Total portfolio greenhouse gas (GHG) emissions, expressed in tons of CO₂ equivalent in 2020 reached 12,346 and were 8% lower compared to 2019. Comparing like-for-like portfolio, portfolio level GHG emissions contracted by approximately 14%. Emission intensity measured in kilograms of CO₂ equivalent per square meter reached 59 in 2020 and was ca. 14% lower compared to 2019. Decrease in GHG emissions over 2020 resulted primarily from decreased energy consumption that was caused by COVID-19 lockdown. We expect to see an increase in GHG emissions in the 2021 period with removal of quarantine restrictions.

Portfolio level GHG emissions data only displays portfolio level consumption from the date of acquisition closing of a particular asset. Unlike the portfolio level consumption data, intensities are calculated by including consumption data for full reporting period if such data for the property is available. Emission intensity is estimated by dividing total portfolio level emissions by area of the portfolio (incl. parking).

GHG Emissions (tons of CO₂ equivalent) & GHG Intensity (kg of CO₂/psqm)



Source: Baltic Horizon

GHG emissions were calculated by applying a location-based methodology where different GHG emission factors are applied for different reporting years and different countries. These factors reflect the changing proportion of the energy types in the national grid of the Baltic states (e.g. percentage of renewables and percentage of natural gas, etc.), leading to annual variations: electricity GHG emission factors have decreased in Estonia and Lithuania between 2019-2020 by 2% and 11% respectively while GHG emission factor has increased in Latvia by 93% over the same period. The same emission factors were used for district heating and fuels for 2018-2020 reporting periods. Emission factor source – International Energy Agency (2020).

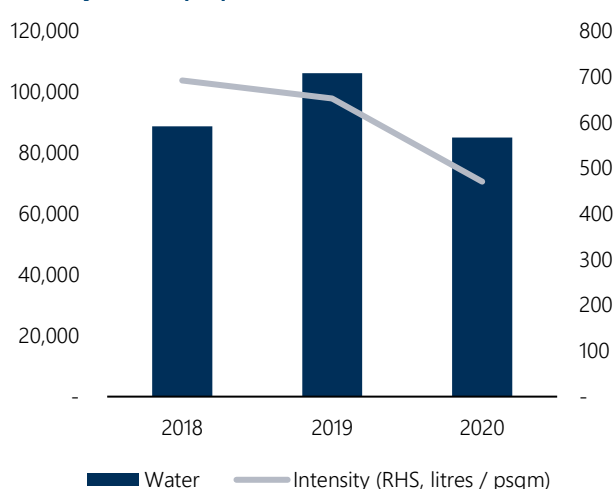
Water

Total portfolio level water consumption in 2020 reached ca. 85,056 m³ decreasing by 20% over 2019 level. Like-for-like portfolio data water consumption in 2020 has decreased by about 28% compared to 2019. As in the case with energy consumption, decrease in total consumption could be attributed to decreased building activity due to COVID-19 pandemic.

The portfolio level water consumption data provides overview of water consumed in the buildings of the Fund. However, portfolio level water consumption data only displays consumption from the date of acquisition closing of a particular asset. 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.

Water use intensity in 2020 reached 470 liters/psqm and decreased by 28% compared to 2019. Water use intensity decrease could be primarily explained by COVID-19 pandemic resulting in smaller building foot traffic. Unlike the portfolio level consumption data, intensities are calculated by including consumption data for full reporting year if such data for the property is available. Water use intensity is estimated by dividing total water use of the portfolio by total gross area of the portfolio (excl. parking).

Portfolio Level Water Consumption (m³) & Water Use Intensity (liters/psqm)



Source: Baltic Horizon

Waste

Collection of waste data is one of the most challenging factors in consumption data collection for Baltic Horizon. Waste management firms in the Baltics that service properties of Baltic Horizon use different measurement methodologies or in certain cases cannot provide information regarding quantity of waste generated at specific properties leading to a situation where only handful of properties in the portfolio report actual waste generation data. As a result of this, we cannot provide reliable waste generation data on a portfolio level for this report. Team of Baltic Horizon will investigate solutions to obtain credible waste generation data.

Baltic Horizon reports waste generation data for the GRESB Real Estate Assessment. A mixture of reported data and estimates of waste generation for the remainder of the portfolio are used. The estimates are derived by using data provided by the property managers such as type of waste bins (general waste, paper, etc.), volume of waste bins in m³ and frequency of service. Using these variables and applying specific conversion factors based on type of waste we can approximate expected waste generation in the property. However, one major flaw of this method is assuming that serviced waste bins are completely full which might yield excessive estimates of waste generation.

GLOBAL REPORTING INITIATIVE DISCLOSURES

102-8 Information on employees

Team of Baltic Horizon is located in two countries – Estonia and Lithuania. Fund manager, analyst, marketing and retail portfolio manager are located in Estonia, with Lithuania hosting mostly back-office functions such as fund controlling, treasury, legal support, investment underwriting, ESG staff and other functions. The supporting staff splits their time between Baltic Horizon

and other funds managed by Northern Horizon Capital Group of companies. Employees supporting Baltic Horizon are either employed by 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.

	2020			2019	2018
	Total	Lithuania	Estonia		
Total	18	13	5	17	11
Of which Women	12	8	4	11	7
<i>Female, % of total</i>	67%	62%	80%	65%	64%
Breakdown by Employment Type - Female					
Full-time	11	8	3	10	7
Part-time	1	-	1	1	-
Temporary staff ⁵	-	-	-	-	-
Breakdown by Age Group - Female					
Below 30	4	2	2	4	3
30-50	8	6	2	7	4
Above 50	-	-	-	-	-
Of which Men	6	5	1	6	4
<i>Male, % of total</i>	33%	38%	20%	35%	36%
Breakdown by Employment Type - Male					
Full-time	6	5	1	6	4
Part-time	-	-	-	-	-
Temporary staff	-	-	-	-	-
Breakdown by Age Group - Male					
Below 30	2	2	-	2	1
30-50	3	2	1	3	2
Above 50	1	1	-	1	1

Source: Baltic Horizon

102-9 Supply chain

102-10 Significant changes to the organization and its supply chain

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 to total expenditure by Baltic Horizon in relation to its supply chain please refer to the financial statements in the Annual Report 2020 of Baltic Horizon. No significant changes to the supply chain of Baltic Horizon have occurred over 2020.

⁵ Temporary staff – interns, consultants or other staff that worked in Northern Horizon Capital during the reporting period on a short-term contract basis.

Regarding significant changes to the organization please refer to the Annual Report 2020 of Baltic Horizon.

102-11 Precautionary Principle or approach

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

Primary document governing the Fund's approach to ESG is the Responsible Investment Policy, which is applicable to the entire Northern Horizon Capital Group. Additionally, ESG related risks are assessed during each

individual investment decision. While important, ESG aspects are not the only factors governing operations of Baltic Horizon.

102-13 Membership of associations

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 environment and communities can benefit as well. And for that we align our efforts with leading market standards: Management Company of Baltic Horizon and Northern Horizon Capital Group are either together or individually members of EPRA, INREV, SIPA, RAKLI and GRESB. Northern Horizon Capital A/S, parent company of Northern Horizon Capital Group is also a signatory of the United Nations-supported Principles for Responsible Investment since 2014.



102-16 Values, principles, standards, and norms of behavior

Baltic Horizon is managed according to an internal list of policies and principles as indicated in disclosure "102-11 Precautionary Principle or approach". Management Company of Baltic Horizon requires that external service providers, employees and all other relevant stakeholder groups act in accordance with these internal policies and principles to the extent that is possible. These policies are updated and reviewed regularly. Compliance officer of the Management Company is responsible for ensuring that these policies are taken into consideration in daily activities of Baltic Horizon. The management board of

Northern Horizon Capital A/S approves all internal policies.

102-40 List of stakeholder groups

102-42 Identifying and selecting stakeholders

102-43 Approach to stakeholder engagement

102-44 Key topics and concerns raised

Operations of Baltic Horizon expand beyond direct investment and management of real estate assets and have a direct impact to wider society and communities. It is our duty to ensure that this impact is positive and as such we are aligning our business focus with the larger goals of society to improve the wellbeing of those that are around us. 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 positive ESG impact.

Tenants: tenant retention and commitment to our assets is a core focus of our asset management efforts. We aim to be a considered asset owner that reacts to needs and suggestions of our tenants.

Partners: we continuously engage with our business partners to ensure smooth communication that is built

on mutual values of trust, transparency and professionalism.

Employees: we are committed to creating sustainable value to our unitholders with integrity and believe empowering our employees is the key in maintaining and creating excellent product performance.

The above mentioned four stakeholder groups are defined as the most important due to constant engagement and importance of their impact to operations of Baltic Horizon. Refer to table below to see how Baltic Horizon engages with the above defined stakeholder groups.

Stakeholder Group	Ways of Engagement	Frequency of Engagement	Key Topics
Investors	Calls, meetings	Ad hoc	Business strategy, ESG strategy
	Financial reports	Quarterly and 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	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	2-4 times a year	Training on relevant policies, professional training, ESG training
	Strategy meetings	Annual	Business strategy, ESG strategy, goals for upcoming periods

Source: Baltic Horizon

102-46 Defining report content and topic Boundaries

102-47 List of material topics

103-1 Explanation of the material topic and its Boundary

103-2 The management approach and its components

103-3 Evaluation of the management approach

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 to our sustainability disclosures based on this feedback. This report makes a comprehensive representation of ESG topics that are relevant to our stakeholders. While the report covers the major topics of relevance, it is challenging to include all material topics to this report that are limited by availability of credible information. However, it is our understanding that this approach fundamentally delivers on the 4 reporting principles of GRI (stakeholder inclusiveness, sustainability

context, materiality and completeness) to create a comprehensive ESG disclosure to inform our stakeholders. In future we plan to undertake a formal materiality analysis involving all major stakeholder groups.

Regarding topic Boundaries, all below mentioned topics are relevant across all business operations of Baltic Horizon, in all investment geographies, across the investment, portfolio management and asset management processes. The list of material topics included in this report contains the following:

- **Relevant ESG developments:** our ESG focus encapsulates both long-term projects as well as individual ESG initiatives that could be relevant for a single reporting period. We want to provide a comprehensive update of relevant ESG initiatives that have taken place over the last twelve months to inform our stakeholders. The content of relevant ESG developments might differ from one reporting period to another.
- **Consumption data:** real estate industry has a large direct impact on society and environment: according to EU Commission, buildings are responsible for 40% of energy consumption and 36% of CO₂ emissions in the EU. Baltic Horizon being one of the largest real estate asset owners in the Baltics pays close attention to its business impact on the environment and wider society. We understand that our real estate activities have a direct impact to various stakeholder groups, and we want to make sure that this impact is positive to the best of our capabilities. In accordance with our Responsible Investment policy, we consider it important tracking the consumption metrics of the Fund's portfolio and seeing an improvement of these consumption metrics over time in order to make sure that our investment and asset management activities are not harming the environment and society. Currently Fund tracks property level consumption indicators on four data segments (energy, water, waste and GHG) that are tracked annually starting from 2018. The information is then aggregated at portfolio level to indicate portfolio level consumption and derive relevant reporting metrics. We are planning to monitor this information on continuous basis and disclose portfolio level data annually in either separate ESG reports or integrated in annual reports of Baltic Horizon. All consumption data indicators and concerns as well as additional information related to these indicators are covered in section "Consumption Data" of this report.

- **Stakeholder engagement:** information on the topic boundary, stakeholder engagement, development and diversity can be found in the section "Baltic Horizon and ESG in 2020" and GRI disclosures 102-8, and 404.
- **Business ethics:** Baltic Horizon being a regulated closed-end contractual investment fund listed on two stock exchanges is subject to strong legal and regulatory supervision. This supported by our own internal governance standards creates a business environment where ethics and appropriate code of conduct are important factors governing our daily business decisions. Maintaining high standards of code of conduct paired with principle of zero tolerance for corruption or any form of illegal behavior is imperative in our business where we are dealing with a large number of external partners. To make sure that all staff of Baltic Horizon fosters same ethical principles and behavior regular compliance training sessions are held. Further to that, all employees of Baltic Horizon must be compliant with a list of internal business ethics policies that consist of Code of Conduct, Anti-corruption policy and other supporting policies and internal documents. Additional information regarding compliance training is provided in GRI disclosures 205.

102-48 Restatements of information

102-49 Changes in reporting

102-51 Date of most recent report

Restatements of information from the 2019 Baltic Horizon annual ESG report:

- Total energy consumption for 2018 has increased from 35,710 MWh to 36,653 MWh and in 2019 has increased from 41,576 MWh to 42,545 MWh. This also resulted in an increase in GHG emissions: from 13,844 tons of CO₂ to 14,070 tons in 2018 and from 13,227 tons to 13,459 tons in 2019. The increase is a result of revised fuels consumption in the Upmalas asset due to different conversion factor (translating m³ to kWh).
- 2019 GHG emissions for CC Plaza, G4S and Vainodes assets have been placed under Scope 3 emissions as these are mostly tenant controlled buildings.

Last ESG report has been published in September 2020.

102-50 Reporting period

102-52 Reporting cycle

Reporting period – calendar year basis (from 1st of January to 31st of December). This sustainability report will be issued on annual basis.

102-53 Contact point for questions regarding the report

Contact point for questions regarding the report: Tarmo Karotam, Fund Manager of Baltic Horizon at tarmo.karotam@nh-cap.com, Dovydas Janulaitis, Lead of Responsible Investments at dovydas.janulaitis@nh-cap.com.

102-54 Claims of reporting in accordance with the GRI Standards

102-56 External assurance

This report has been prepared in accordance with the GRI Standards: Core option. Report has not been externally assured.

205-2 Communication and training about anti-corruption policies and procedures

205-3 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. 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 are the Code of Conduct and Anti-corruption policies together with a series of other supporting documents. All policies are reviewed on a regular basis and approved by the management board of Northern Horizon Capital A/S – the parent company of Northern Horizon Capital Group.

Over 2020, a series of training sessions were held for all employees (including all employees that are members of internal governance bodies) of Baltic Horizon. Trainings were based on updated internal policies and included the following topics: code of conduct, business ethics, KYC / AML awareness and procedures, fraud prevention and financial control procedures. Training materials usually include update on relevant changes in legislation, updated procedures and principles of internal policies as well as case studies that illustrate possible business scenarios that 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. If an employee cannot participate in the training session, they are required to

review the training materials and consult relevant people within the company if they have any questions. Separate training session for members of the governance bodies of Baltic Horizon that are not employees of Northern Horizon Capital have not been held.

No cases of corruption have been identified in Baltic Horizon or Management Company of the Fund in 2020.

404-3 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 roll out of the 360-degree feedback assessment across Northern Horizon Capital Group in 2019, same assessment methodology was utilized in 2020. This performance review tool allows employees to self-evaluate individual performance as well as collects feedback from immediate peer group to provide comprehensive and exhaustive feedback to individuals on their performance and provides support for continued improvement. In the 2020 the employee performance review from a total of 18 colleagues that work with Baltic Horizon, 89% 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 2020 and identify key areas for improvement over 2021.

	Total Employees	Performance Review	%
Total	18	16	89%
Total Women	12	10	83%
Breakdown by Employment Type			
Full-time	11	9	82%
Part-time	1	1	100%
Temporary staff	0	0	0%
Total Men	6	6	100%
Breakdown by Employment Type			
Full-time	6	6	100%
Part-time	0	0	0%
Temporary staff	0	0	0%

Source: Baltic Horizon

405-1 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 2020 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 2020 of Baltic Horizon.

Refer to section "102-Information on employees" for diversity statistics for the staff of Baltic Horizon.

	2020	2019
Man. Board of the Management Company		
Total	3	3
Women	1	1
Below 30	-	-
30-50	1	1
Above 50	-	-
Men	2	2
Below 30	-	-
30-50	1	1
Above 50	1	1
Sup. Board of the Management Company		
Total	3	3
Women	2	2
Below 30	-	-
30-50	2	2
Above 50	-	-
Men	1	1
Below 30	-	-
30-50	1	1
Above 50	-	-
Sup. Board of the Fund		
Total	4	4
Women	-	-
Below 30	-	-
30-50	-	-
Above 50	-	-
Men	4	4
Below 30	-	-
30-50	-	-
Above 50	4	4

Source: Baltic Horizon

GRI CONTENT INDEX

102-55 GRI content index

GRI Standard	Disclosure	Page number(s) and / or URL(s)	Comments / Omissions
GRI 101: Foundation 2016	-	-	No disclosures under this GRI standard
Organizational Profile			
GRI 102: General Disclosures 2016	102-1 Name of the organization	Page 2, Annual Report 2020. Page 2 of this report	-
	102-2 Activities, brands, products, and services	Page 7, Annual Report 2020	-
	102-3 Location of headquarters	Page 73, Annual Report 2020	-
	102-4 Location of operations	Page 7, Annual Report 2020	-
	102-5 Ownership and legal form	Pages 56, 110-111, Annual Report 2020	-
	102-6 Markets served	Page 7, Annual Report 2020	-
	102-7 Scale of the organization	Pages 5-6, Annual Report 2020	-
	102-8 Information on employees and other workers	Pages 8, 12 of this report	-
	102-9 Supply chain	Page 12-13 of this report	-
	102-10 Significant changes to the organization and its supply chain	Page 12-13 of this report	-
	102-11 Precautionary Principle or approach	Page 13	-
	102-12 External initiatives	-	Baltic Horizon does not participate in any external initiatives
	102-13 Membership of associations	Page 13	-
Strategy			
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Page 3	-
Ethics and Integrity			
GRI 102: General Disclosures 2016	102-16 Values, principals, standards and norms of behavior	Page 61, Annual Report 2020. Page 13 of this report	-

Governance

GRI 102: General Disclosures 2016	102-18 Governance structure	Page 56-58, Annual Report 2020	-
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Stakeholder Engagement

	102-40 List of stakeholder groups	Pages 13-14 of this report	-
	102-41 Collective bargaining agreements	-	No such agreements are made in the Management Company of Baltic Horizon
GRI 102: General Disclosures 2016	102-42 Identifying and selecting stakeholders	Pages 13-14 of this report	-
	102-43 Approach to stakeholder engagement	Pages 13-14 of this report	-
	102-44 Key topics and concerns raised	Pages 13-14 of this report	-

Reporting Practice

	102-45 Entities included in the consolidated financial statements	Page 73, Annual Report 2020	
	102-46 Defining report content and topic Boundaries	Pages 14-15 of this report	
	102-47 List of material topics	Pages 14-15 of this report	
	102-48 Restatements of information	Page 15 of this report	
	102-49 Changes in reporting	Page 15 of this report	
GRI 102: General Disclosures 2016	102-50 Reporting period	Pages 15-16 of this report	
	102-51 Date of most recent report	Page 15 of this report	
	102-52 Reporting cycle	Pages 15-16 of this report	
	102-53 Contact point for questions regarding the report	Page 16 of this report	
	102-54 Claims of reporting in accordance with the GRI Standards	Page 16 of this report	
	102-55 GRI content index	Pages 18-20 of this report	
	102-56 External assurance	Page 16 of this report	

Management Approach

GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Pages 14-15 of this report	
	103-2 The management approach and its components	Pages 14-15 of this report	

	103-3 Evaluation of the management approach	Pages 14-15 of this report	
Topic-Specific GRI Standards			
GRI 205 Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	Page 16 of this report	
	205-3 Confirmed incidents of corruption and actions taken	Page 16 of this report	
GRI 302: Energy	302-1 Energy consumption within the organization	Pages 9-10 of this report	
	302-3 Energy intensity	Pages 9-10 of this report	
GRI 303: Water and Effluents	303-5 Water consumption	Pages 10-11 of this report	
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	Page 10 of this report	
	305-1 Energy indirect (Scope 2) GHG emissions	Page 10 of this report	
	305-4 GHG emissions intensity	Page 10 of this report	
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	Page 11 of this report	No data reported in this section. Methods for correct data representation are under investigation
GRI 404: Training and Education	404-3 Percentage of employees receiving regular performance and career development reviews	Pages 16-17 of this report	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Page 17	

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.

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, register code 11025345, registered address at Tornimäe 2, Tallinn 15010, Estonia. Northern Horizon Capital AS is part of Northern Horizon 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.

SIPA

Scandinavian International Property Association..

UN PRI

United Nations Principles for Responsible Investment (UN PRI) is a United Nations-supported international network of investors working together to implement its six aspirational principles, often referenced as "the Principles". Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.