



Baltic Horizon Fund

# Annual ESG Report 2022

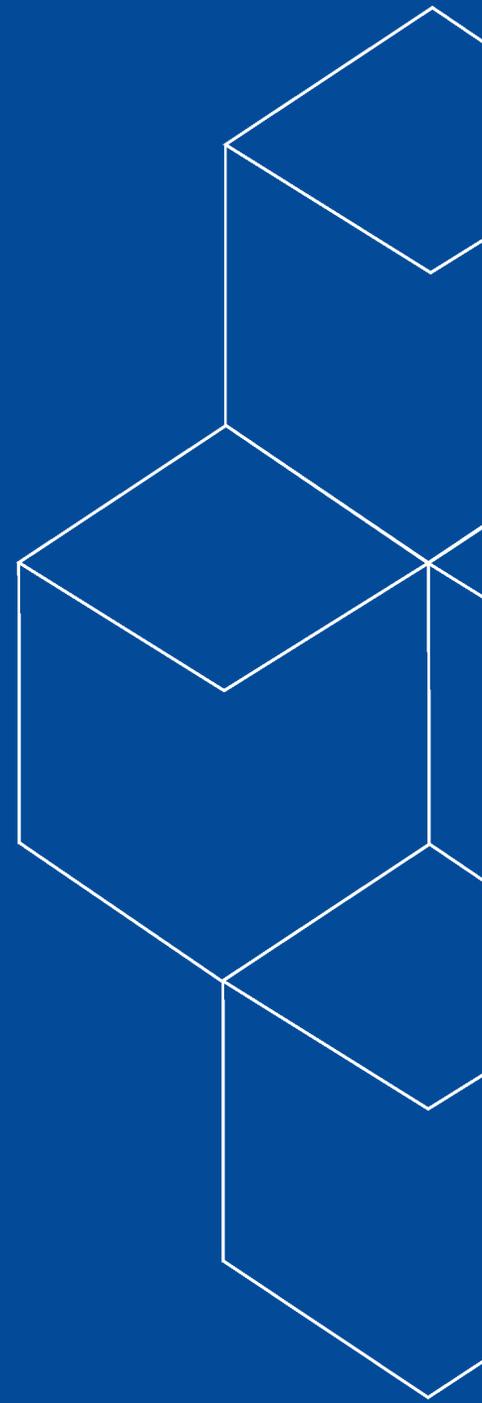


# About Baltic Horizon Fund

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.



# 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. By providing this information, the real estate fund aims to demonstrate its commitment to sustainability and responsible investment and to provide stakeholders with the information they need to make informed investment decisions.



# Management statement

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, which recognizes our efforts to integrate ESG considerations into our decision-making processes and operations. This year we exceeded our expectations in GRESB results and reached our 2 years goal to reach 4 star GRESB evaluation and thus setting even higher standards for the future.

In line with our commitment to sustainability, we have committed to contribute to the Northern Horizon Capital Group net zero carbon. 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. 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.

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.



We believe that the real estate sector has a critical role to play in addressing the global challenge of climate change. We are committed to implementing strategies and solutions to reduce our carbon footprint.

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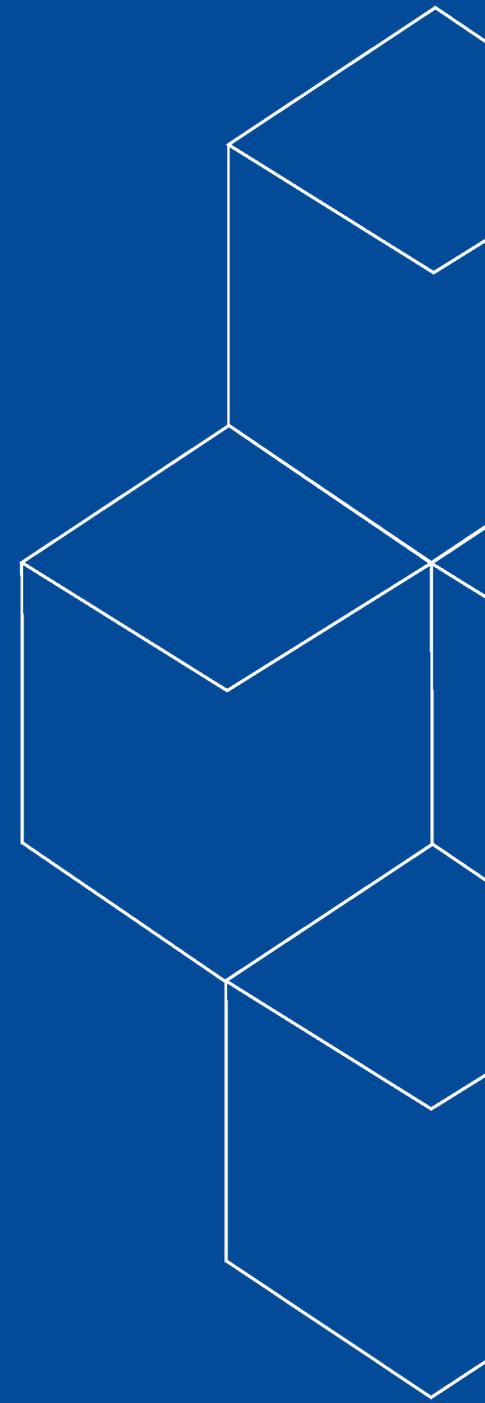
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# Baltic Horizon and ESG in 2022

# Portfolio sustainability goals - short-term

Below is an update on the Fund performance on the ESG goals.

**Short-term aims (1-2 years)**

**Office portfolio certification by end of 2021 Completed / Retail portfolio certification in 12-24 months**  
In 2021, office portfolio was certified using the BREEAM In-use certification standard. In 2022, a costed retail portfolio certification plan has been approved and it is expected to have a 100% certified portfolio by the end of 2023.

**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. Baltic Horizon has included green lease clauses in all newly signed leases in 2021 and 2022 in 85% of current office portfolio agreements. Green lease clauses cover such topics as sustainable operations, information sharing, use of renewable energy sources, and other relevant topics. In addition, green clauses were included in existing lease agreements.

**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. And then in 2022, evaluation Baltic Horizon Fund scored 4-star evaluation which exceeded our previously raised goal to reach 3 star evaluations in two - three years. 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.

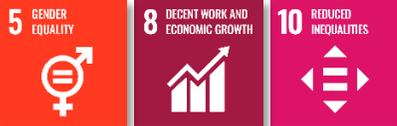


# Portfolio sustainability goals - short-term

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

### 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 minimum safeguards requirements will be incorporated into operations and processes.



### EU Taxonomy

In 2021, the fund has made Sustainable Finance Disclosure Regulation (SFDR) Article 8 disclosure and SFDR Stage I disclosures published on the website. Consequently, Article 8 products need to disclose the degree (if any) to which they invest in environmentally sustainable investments or in investments with a social objective, as set out by EU Taxonomy regulations. Thus, in 2022 Baltic Horizon determined and screened assets with relevant screening criteria for EU Taxonomy for the first two environmental objectives. And during the upcoming 2 years is aiming to maintain 8% taxonomy alignment to climate change mitigation substantial contribution criteria.



### Renewable energy

In 2022 and onwards, renewable energy solutions such as on-site solar panels and distant renewable energy power plants in order to reduce CO2 emissions in the asset portfolio. The goal is to compare the costs of renewable energy to conventional energy sources and start using renewable energy sources if it is financially feasible.



# Portfolio sustainability goals - long-term

## Long-term aims (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) and to contribute to the Paris Climate Agreement objectives.

### 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.

### 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.



# GRESB Real Estate Assessment 2022

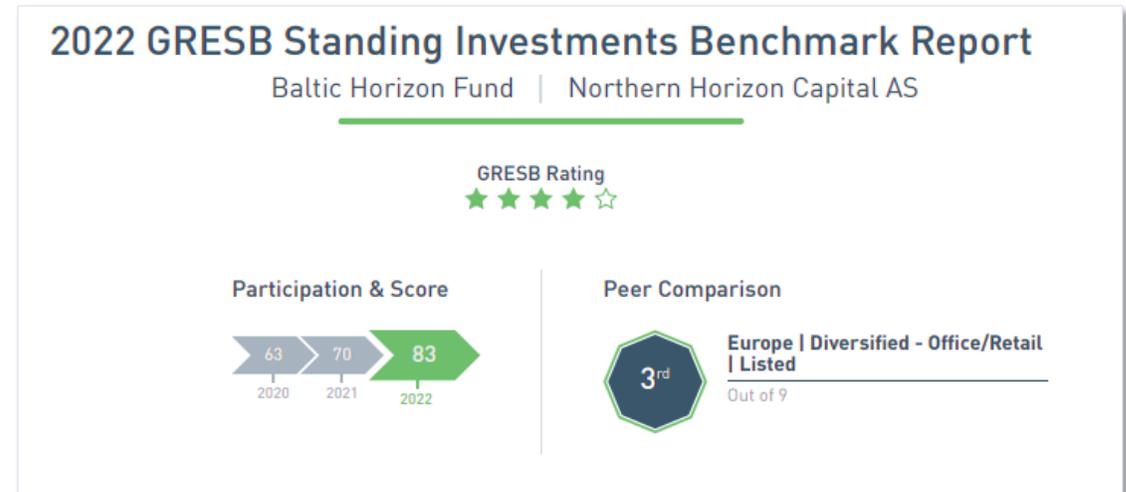
GRESB (Global Real Estate Sustainability Benchmark) is an important benchmarking tool for real estate fund as it provides a standardized and comprehensive assessment of sustainability performance in the real estate sector. GRESB help funds to understand their performance in comparison to their peers, 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.

2022 was the fourth year of Baltic Horizon’s participation in GRESB. In 2022, Baltic Horizon managed to achieve a score of 83 points (from 100) reaching a 4-star rating (out of 5 stars) and exceeding its two years goal to reach 3 stars in one year.

GRESB Real Estate Assessment consists of two separate assessment modules: Management and Performance. In 2021 Baltic Horizon scored 26 points in the Management module (out of 30) and 44 points in the Performance module (out of 70), achieving a total of 70 points (out of 100) and receiving 2 stars. This is an improvement compared to 2020 when Baltic Horizon scored 25 points in the Management module (out of 30) and 38 points in the Performance module (out of 70), achieving a total of 63 points out of 100.

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).

Baltic Horizon has a separate GRESB improvement plan and the goals for 2023 are 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.



# UN PRI Assessment 2020

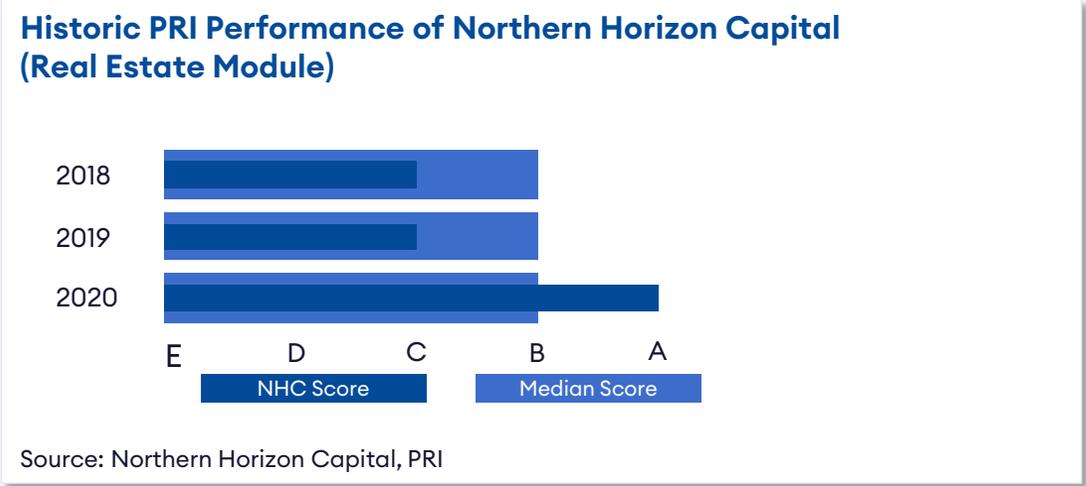
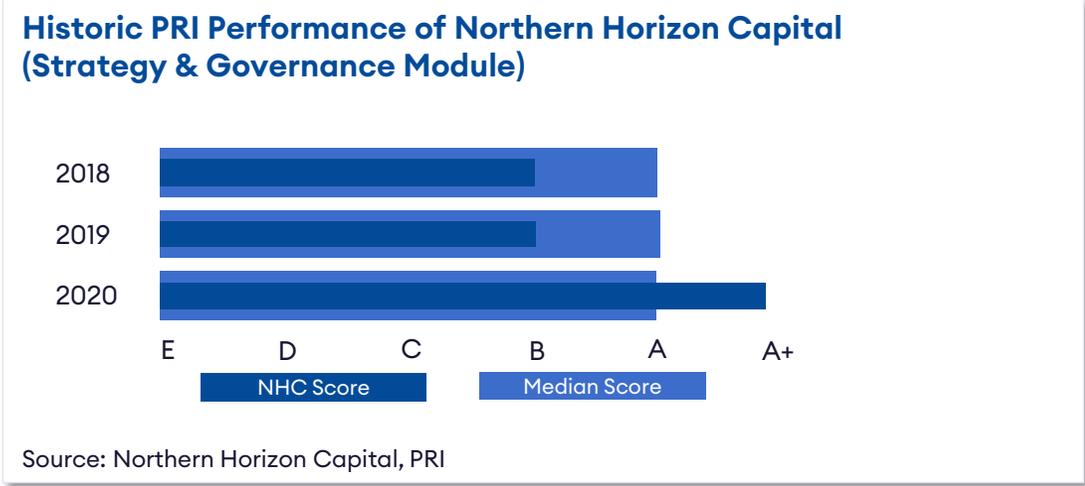
The United Nations-supported Principles for Responsible Investment (UNPRI) is an international network of investors working together to put the six Principles for Responsible Investment into practice. The Principles provide a framework for incorporating environmental, social, and governance (ESG) considerations into investment decision-making and ownership practices.

The Baltic Horizon Fund participates and reports to the UN PRI since 2014. In 2020, The Fund received A+/A evaluation in the UN PRI assessment. In 2022, the result for 2021 (the 2020 reporting period) was released due to the delay in the UN PRI system.

The Fund scored 4 stars out of 5 and 66 points in the Investment & Stewardship Policy section, and a 3-star rating out of 5 in the Direct – Real Estate section.

However, the latest results are not compared with the previous reporting years, because the evaluation used different evaluation standards and scoring, thus it is reported stand-alone.

Baltic Horizon Fund will be participating in UNPRI reporting during the 2023 reporting period.



# United Nations sustainable development goals – UN SDGs

In line with our commitment to environmental, social, and governance (ESG) excellence, we have developed a comprehensive ESG strategy that outlines our ambitions and targets in these areas. Our ESG targets are grounded in the United Nations Sustainable Development Goals (UN SDGs) and their sub-targets, reflecting our belief that business can and should play a key role in driving sustainable development.

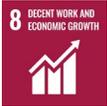
We understand that ESG considerations are critical to the long-term success and stability of our business, and to the well-being of the communities and environment in which we operate. To this end, we have set clear and measurable ESG targets that are aligned with the UN SDGs and their sub-targets, covering a range of issues including environmental sustainability, social responsibility, and ethical governance.

SDG	SDG Goal Description	SDG Target Description	2022 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	Baltic horizon has strong policies against discrimination and in 2022 BH conducted human rights assessment which included gender equality of all our main partners and shareholders organizations.
	<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	Baltic Horizon as part of Northern Horizon Capital always strives for equal opportunities and prevents all forms of discrimination against women. It is supported by strong internal policies and internal culture. All women have equal career opportunities.
	<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.
	<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	We invest in water efficiency and saving in buildings, and also promote the usage of ecological and harmless cleaning products to contribute to saving and preserving freshwater resources.
	<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	This goal goes together with the Baltic horizon goal to achieve a net-zero carbon target by transitioning to renewable energy sources by 2030, thus contributing to the global goal to increase the use of renewable energy sources. This year we raised a new goal to have a fossil-free electricity by 2023.

# United Nations sustainable development goals – UN SDGs

Our ESG targets are designed to be both ambitious and achievable, reflecting our commitment to continuous improvement and sustainable progress. We believe that businesses cannot thrive in a world of poverty, inequality, unrest, and environmental stress, and so it has a vital interest in ensuring that the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs or Global Goals) are delivered.

We are committed to at least once a year reporting on our ESG performance and progress toward our SDGs targets, and to engaging with stakeholders to understand their perspectives and expectations. We believe that transparency and accountability are essential to building trust and credibility with our stakeholders, and to driving positive ESG outcomes.

SDG	SDG Goal Description	SDG Target Description	2022 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 Baltic Horizon has raised is to receive higher energy class evaluation for buildings by improving energy efficiency.
	<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	Baltic Horizon 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	Baltic horizon has strong policies against discrimination and in 2022 BH conducted human rights assessment within all our main partners and shareholders organizations.
	<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	In Baltic Horizon we are committed in our goals to reduce operational emissions including waste generation by choosing the best waste treatment partners and educating tenants about reducing waste and recycling on site. Indoor air quality is monitored and is part of ESG risk management.
	<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	All our premises are accessible for people with disabilities and green areas are maintained and created where possible.

# United Nations sustainable development goals – UN SDGs

Our ESG strategy is an integral part of our overall business strategy, reflecting our commitment to sustainable and responsible business practices. By setting clear and measurable ESG targets and regularly reporting on our progress, we aim to be a leader in ESG performance and contribute to a more sustainable and equitable world.

The SDGs of BHF were updated based on the initiatives and progress during 2022.

SDG	SDG Goal Description	SDG Target Description	2022 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	Waste reduction in operations is our goal by reducing generation and also choosing the best partners for waste treatment. We also follow all regulatory good practice to treat waste in construction and renovation in the most sustainable way.
	<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	We have an ESG questionnaire for partners to encourage them to adopt the best practices and to partner with sustainable and responsible partners.
	<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 we take climate change mitigation seriously by accounting for our carbon emissions for years now and taking actions to reduce energy consumption, improve efficiency and switch to renewable energy where possible.
	<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 easy and quick and everyone is encouraged to contribute to decision-making.

# SFDR and EU Taxonomy

In 2021, Baltic Horizon signed as Sustainable Finance Disclosure Regulation (“SFDR”) article 8 Fund and in 2022 conducted an EU Taxonomy alignment calculation to determine the percentage of sustainable activities of the portfolio.

As a financial market participant, Northern Horizon needs to comply with the disclosure requirements of the SFDR. Moreover, insofar as Northern Horizon intends to market sustainable financial products (article 8 and 9 products), the share of Taxonomy-aligned assets in the portfolio needs to be disclosed. There is however no formal requirement with regards to the percentage Taxonomy-alignment of sustainable financial products. In this context, BHF has assessed the extent to which the real estate fund aligns with the technical screening criteria of the EU Taxonomy.

The EU Taxonomy is a classification system for sustainable activities. It establishes a list of economic activities that qualify as environmentally sustainable, insofar as they align with their respective technical screening criteria (substantial contribution and DNSH) and minimum safeguards, as defined by the Taxonomy. All Northern Horizon Capital funds including Baltic Horizon has conducted an individual assessment of each of the underlying assets in BHF’s portfolio to assess whether they qualify as environmentally sustainable under the EU Taxonomy. Based on this, the overall Taxonomy-alignment of the fund was calculated. The report and alignment calculation was provided by the third party.

It was decided to screen real estate assets against the environmental objective of climate change mitigation. This decision was taken in collaboration with BHF’s ESG manager based among others on Northern Horizon’s existing ESG targets. Northern Horizon aims to achieve net-zero carbon emissions from its operations by 2030, including both heating and electricity. The environmental objective of contributing to climate change mitigation is hence already included in existing targets, why it is natural to screen against this objective for Taxonomy reporting.

Additionally, another important consideration concerns the fact that the delegated act of the EU Taxonomy specifying the technical screening criteria of the climate objectives, prescribes that only the capital expenditures necessary for making an activity climate-resilient can be considered to substantially contribute to climate change adaptation. This means that turnover can only be included insofar as the core business of economic activities is to increase the level of resilience to physical climate risks. Northern Horizon’s business model of owning and renting real estate, and to some extent also engaging in the construction of new buildings, therefore also supports screening against climate change mitigation.

# EU Taxonomy – Substantial Contribution

**It was determined that 100% of the total market value of the BHF assets are EU Taxonomy eligible and that 2 out of 18 real estate assets in BHF’s portfolio (a share of 8% of the total market value of the BHF) .**

All assets in the fund are eligible under either Activity 7.1 construction of new buildings or Activity 7.7 acquisition of new buildings, meaning that BHF is 100% Taxonomy-eligible. Having identified the Taxonomy-eligible activities, then began the actual screening of the underlying real estate assets of the funds for their alignment with the relevant technical screening criteria in the EU Taxonomy. It was determined that 2 out of 18 real estate assets in BHF’s portfolio (a share of 8% of the total market value of the BHF) currently satisfy the technical screening criteria for substantial contribution to climate change mitigation.

As these two assets belong to activity 7.7 acquisition and ownership of buildings, these two properties become aligned when Northern Horizon is aligned with the minimum safeguards and conducted climate risk assessments that are in line with the do-no-significant-harm criteria for climate change adaptation.

The remaining assets do not comply with the substantial contribution criteria for climate change mitigation related to energy demand and would have to be subject to energy renovations to upgrade their energy performance to levels and where relevant, the requirements related to tests for thermal integrity and airtightness, LCAs, and BMS systems that align with Taxonomy requirements.

All assets were screened for alignment with the substantial contribution criteria for the climate change mitigation objective and the DNSH criteria for the remaining objectives and minimum safeguards.

The initial screening report concluded that 0% of BHF can be considered Taxonomy-aligned, meaning that the assets in the portfolio are not classified as environmentally sustainable activities according to the EU Taxonomy. There are three main reasons for this conclusion:

1. 2 assets out of 18 align with the criteria for substantial contribution to climate change mitigation. These two assets relate to activity 7.7 acquisition and ownership of buildings
2. Neither of the two buildings that align with the substantial contribution criteria has been subject to an adequate climate risk and vulnerability assessment and, hence, does not align with the criteria for do-no-significant-harm to climate change adaptation.
3. Northern Horizon does not have the policies and procedures in place to align with minimum safeguards, as defined by the EU Taxonomy.

Thus, actions to satisfy the DNSH criteria for the remaining objectives and minimum safeguards were taken after gaps in compliance as been identified.

# Minimum safeguards

Beyond the substantial contribution and the do-no-significant-harm criteria, to be aligned with the EU Taxonomy, and thus qualify as environmentally sustainable, activities need to align with the minimum safeguards.

According to Article 18 of the Taxonomy Regulation, this 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 (UNGPR), 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.

The assessment is conducted 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.

The assessment relied on the following documents:

- 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 actual and potential adverse impacts that are in the scope of Article 18 include impacts on the human rights of people affected by an undertaking's activities, such as workers, communities, and consumers. Due to the evolving and dynamic status of the EU taxonomy legislation, the task's methodology, and assessment. Thus, an update to this assessment will be conducted for every reporting cycle.

# Minimum safeguards results

Relevant business activity	Country	Stakeholders
Daily Maintenance and Management of properties	EE, LT, LV	End users (visitors), tenants' employees working in the properties, outsourced maintenance and security workers
General overhaul construction and renovation ) of properties	EE, LT, LV	Construction workers, surrounding communities
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

Key human rights risks
<p>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.</p> <p>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).</p> <p>Sexual harassment was assessed as a medium high risk for women in all relevant business activities (indirect impact).</p> <p>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).</p> <p>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.</p>

# Minimum safeguards results

Established Due Diligence steps to ensure compliance with minimum safeguards:

1. Embedding Human Rights commitments into policies, procedures, and management systems
2. Human rights Impact identification and assessment (the present task)
3. Ceasing, preventing, and mitigating adverse impacts
4. Tracking relevant processes, measures, and efficiency
5. Communicating how adverse impacts are addressed
6. Remediation

Following a comprehensive assessment, we have implemented best practices to promote responsible employment within our organization. These practices are reflected in our contracts and procedures with long-term tenants, ensuring that transparency and information sharing are prioritized. Our aim is to prevent the exploitation of workers, particularly migrant workers and individuals with refugee status.

Recognizing the importance of an open and accountable work environment, we are considering the implementation of an anonymous whistleblowing or feedback channel.

By integrating these measures into our operations, we demonstrate our commitment to responsible employment practices and human rights protection. Through proactive engagement, contractual provisions, and the establishment of reporting channels, we strive to create a supportive and inclusive work environment for all, while holding ourselves and our stakeholders accountable to the highest ethical standards.

As the salient risks identified were indirect, the Fund's attribution to the possible human rights impacts are assessed in context and case by case as stated in the NH HRRRA Methodology document.

The stakeholder group-level risks are identified and assessed in this report. However, as no realized human rights violation has been identified in the Fund's operations, it is not possible at this point to assess the Fund's ability to change the wrongful practices leading to harm (or how well the company is currently managing the risks through existing policies, procedures and practices (current management)).

# Do no significant harm assessment

**DNSH criteria reflect legal requirements under the EU or national regulations, to meet the criteria the assessment in line with the technical screening criteria of the EU Taxonomy climate change adaptation has been conducted.**

Thus in 2022, Climate Change Risk Assessment was prepared for Baltic Horizon. 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.

## Results

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. On the other hand, 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.

# Do no significant harm assessment

Transition risks and especially rapidly increasing regulation and reporting requirements pose the greatest risk to the business. No significant physical risks were identified in this work, so an adaptation plan is not required from the EU taxonomy point of view.

When acquiring new properties, it would be good if the risk assessment takes into account also the climate risks related to climate change. It is suggested that Northern Horizon Capital AIFM to assemble the adaptation solutions for risks.

It would be useful to find out whether properties are located on/near a slope to further investigate the soil-related risks related to precipitation and humidity increase, such as solifluction. Secondly, it would be beneficial to review if there are assets without eaves and the condition of their facades to decrease the stress on facades. The climate risk assessment should be updated every 10-15 years.

## Recommendations

1. Increase transparency and detail in disclosure of climate-related risks and opportunities.
2. Establish more robust systems for tracking and reporting on carbon emissions and energy consumption.
3. Continue to enhance sustainability policies and practices to ensure alignment with the "Do No Significant Harm" criteria of the EU Taxonomy.
4. Consider setting targets for reducing carbon footprint and increasing energy efficiency for properties in the portfolio.
5. Engage with stakeholders to ensure that sustainability goals are aligned with the broader goals of the business and the wider community.

# 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.

Asset	Country	Temperature-related										Wind-related				Water-related				Classification of climate-related hazards
		Chronic					Acute					Chronic		Acute		Chronic		Acute		
		Changing temp. (air, fresh-water, marine water)	Heat stress	Temp. variability	Perma-forst-thawing	Heat wave	Cold wave/frost	Wildfire	Changing wind-patterns	Cyclone, hurricane, typhoon	Storm (incl blizzards, dust and sandstorms)	Tornado	Chang. precipitation patterns and types (rain, hail, snow/ice)	Precipitation or hydro logical variability	Ocean acidification	Saline intrusion	Sea level rise	Water stress	Drought	
Lincona	Estonia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Upmalas Biroji BC	Latvia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
LNK Centre	Latvia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Vainodes	Latvia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Duetto A	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Duetto B	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
North Star	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Meraki	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Domus Pro Office	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Domus Pro Retail Park	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Pirita SC	Estonia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Postimaja	Estonia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
CC Plaza	Estonia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Europa SC	Lithuania	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
SKY SC	Latvia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High
Galerija Centrs	Latvia	Low	Medium	Low		Medium		Low		Low		Medium		Medium		Low		Low		High

### Classification of climate-related hazards

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 

# Net Zero Carbon Pathway

A net zero carbon target in operations by 2030 is an important cornerstone for Northern Horizon Capital Group’s sustainability strategy which is shared between funds including the Baltic Horizon fund:

**Increasing regulatory Compliance** Governments around the world are setting targets to reduce carbon emissions and are implementing regulations to enforce these targets. Real estate funds will need to comply with these regulations and reduce carbon emissions.

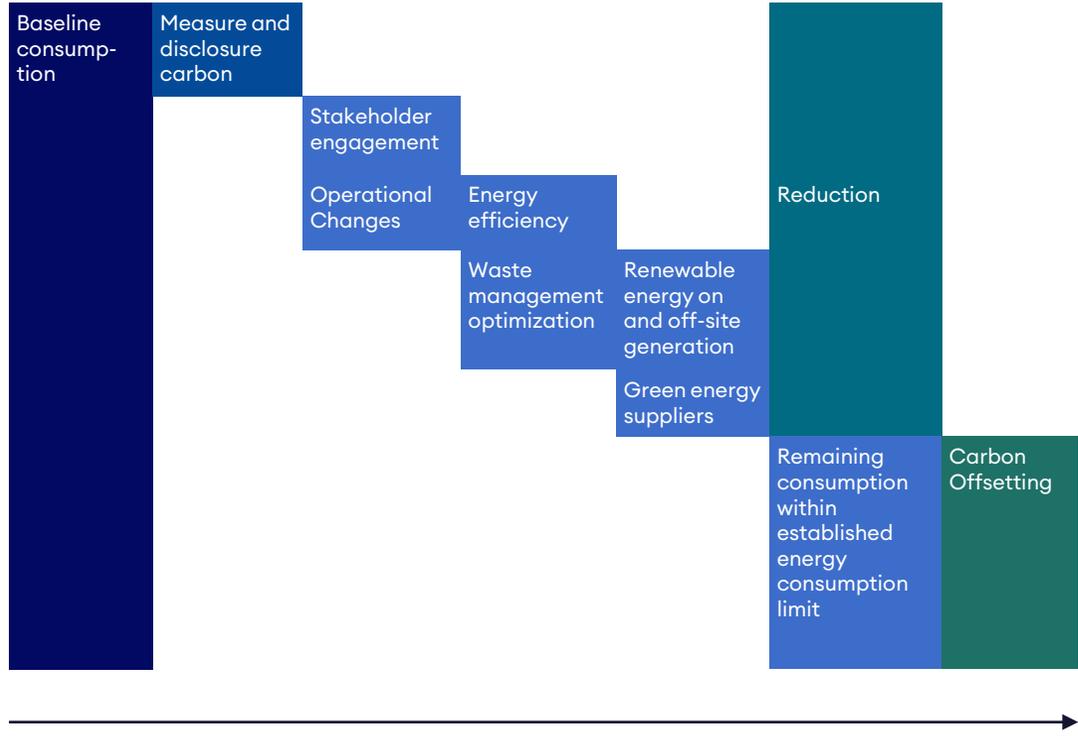
**Investor Expectations** Institutional investors, such as pension funds and asset managers, are increasingly demanding that their investments align with global goals and the Paris Climate Agreement. This includes a focus on reducing carbon emissions and achieving net zero targets.

**Tenant Demand** Many tenants are now prioritizing sustainability and environmental responsibility when choosing an office or retail space. Tenants are becoming more conscious of their carbon footprint and are looking for buildings that align with their values.

**Operational Cost Savings** Reducing energy consumption and carbon emissions can also result in operational cost savings for real estate funds. This can come in the form of reduced energy bills for the tenants and lower maintenance costs for energy-efficient equipment.

Overall, actively contributing to the NHC target of achieving a net zero carbon by 2030 will help BHF to improve its reputation, attract investors and tenants, comply with regulations, and reduce operational costs. This makes it an important goal for BHF.

NZC pathway over time



# Net Zero Carbon Pathway

	2022-2023	2024-2025	2026-2027	2028-2030
<b>Acquisition and development</b>	<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>		
<b>Reporting</b>	<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>		
<b>Operational efficiency and tenant engagement</b>	<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>	
<b>Renewables</b>	<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>		
<b>Green Project/Offset</b>	<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>
<b>tCO2e emissions</b>				

# Benchmark report

In 2022, Baltic Horizon Fund conducted a benchmark report based on the GRI standards and compared its reporting quality with other market participants. Although most of the funds report their data according to GRI standards, the data varies so significantly, that it is very difficult to compare it.

Based on the report it was advised that sustainability reporting should start with materiality analysis this will also be required by the upcoming European Sustainability Reporting Standards). Only 3 funds in the study have performed the analysis. Baltic Horizon is planning to do the same. Once the materiality analysis has been carried out by Baltic Horizon, the topics covered in the report will reflect the results of the analysis, including explanations of why some of the information is not disclosed.

Governance disclosures were shown to be the most comprehensive for Baltic Horizon, followed by environmental disclosures. Social disclosures only focus on education and training and diversity.

More focus should be put on explaining the responsibilities and structure of decision-making bodies, including describing the roles of the highest governance body. However, other funds disclose relatively less information, similar to Baltic Horizon. Compared to social and environmental data, disclosures are less quantitative

Most of the funds included energy consumption data in their reports but only a few divided the data to renewable and non-renewable. However, a higher proportion of renewable energy results in lower GHG emissions in Scope 1 and 2. Based on that, Baltic Horizon reports significantly higher emission intensity than other funds.

All funds admitted that out of all environmental data, waste generation data was the hardest to gather. Compared to Baltic Horizon, other funds also disclosed the amount of waste per waste type and per waste treatment.

# 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 minimum certification target – BREEAM In-Use “Very Good” was mostly achieved. Only one asset, Lincona was evaluated “Good” while all the other assets secured “Very Good” evaluation.

The Fund’s team exceeded its certification coverage target and now has 55% certification coverage for the entire portfolio. The Fund has started the building certification process for the remaining retail assets that do not have BREEAM certification yet and expects to have the whole portfolio certified in 2023.

Meraki Office Home – a two tower-office building under development in Vilnius – after it was completed in 2022, is expected to receive BREEAM New Construction Excellent certification in 2023, following the good practice of Duetto A (2017) and Duetto B (2020) and Domus Pro BC (2018) in Vilnius.

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.

The following measures were taken during the certification:

- Detailed technical audit performed and immediate remediation of the identified issues
- Legionella risk study performed
- Illuminance assessment made
- Evacuation procedures updated
- Additional electricity meters installed
- Comprehensive check of security and alarm systems
- Lighting changed or planned to be changed to LED
- Energy consumption monitoring and the saving system was installed
- Water appliances were upgraded to the more water-efficient

Property	BREEAM certification	Rating
North Star	BREEAM/In Use	Very Good
Domus Pro Retail Park	BREEAM/In Use	Good
Domus Pro Office	BREEAM/New Construction	Good
Lincona	BREEAM/In Use	Good
Duetto II	BREEAM/New Construction	Very Good
LNK Centre	BREEAM/In Use	Very Good
Vainodes	BREEAM/In Use	Very Good
Duetto I	BREEAM/New Construction	Very Good
Upmalas Biroji BC	BREEAM/In Use	Very Good

# Electric vehicle charging stations

ESG requirements continue to evolve at a rapid pace, with mobility emerging as a key area of anticipated transformation. The accelerating electrification of conventional transportation modes presents both challenges and opportunities. The Fund recognizes the importance of staying ahead of this trend and is committed to ensuring that its assets are well-equipped to meet the growing demands for electric vehicle (EV) charging infrastructure.

In previous years, Duetto featured eight charging points spread across four stations, which represented an initial step towards accommodating EV charging needs. However, in 2022, the Fund took proactive measures to significantly enhance the charging infrastructure within its portfolio.

In alignment with our commitment to sustainable mobility, six additional charging points were installed in Duetto, enabling a total of 14 charging points within the property. This expansion allows for a greater number of EVs to be charged simultaneously, meeting the rising demand from tenants and visitors alike. Furthermore, recognizing the importance of collaborative efforts, the Fund forged partnerships with InBalance to install four charging points at North Star and eight charging points at Domus Pro.

These collaborations signify our dedication to fostering sustainable mobility solutions. By partnering with InBalance, we ensure that the charging infrastructure installations are carried out efficiently and effectively, leveraging their expertise in EV charging solutions.

These added charging stations within North Star and Domus Pro significantly contribute to the overall charging capacity within our portfolio, bolstering accessibility and convenience for EV users.

By proactively expanding our EV charging infrastructure, we are future-proofing our assets and anticipating the increasing demands of the evolving mobility landscape. This commitment reflects our dedication to sustainable practices and aligns with our broader ESG objectives. As the electrification of transportation continues to gain momentum, we will continue to monitor developments closely, explore innovative solutions, and adapt our strategies accordingly to meet the evolving needs of our tenants and the broader community.

# Tenant engagement

Baltic Horizon completed a tenant satisfaction survey in the second half of 2020. It was decided not to do a survey in 2021 and 2022 due to low tenant occupancy in the offices and a more difficult situation in retail due to Covid-19 restrictions and in the following year energy crisis and prices boom.

Also, the survey was not done at the end of the year 2022 because it was decided that due to energy crisis and uncertainty among tenants not to do a tenant satisfaction survey this year as well. However, frequent meetings with tenants were held to address all the issues personally and to support them during the pandemic crisis.

Tenants have been the focus of our asset management activities over 2020. The 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. In 2021, the Fund management decided on various pandemic-related discounts based on discussions with retail and office tenants. The efforts to support tenants and address the reduced business operations due to continuous lockdown and covid-19 restrictions remained necessary throughout 2021.

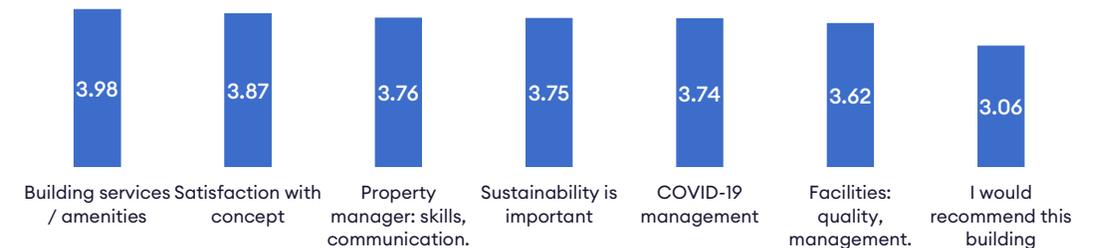
The asset management team of Baltic Horizon completed a tenant satisfaction survey in the second half of 2020. The goal was to understand how tenants perceive the quality of the buildings, and the skills of property and facility managers and to investigate the sustainability requirements of our tenants. The survey will be repeated in 2023.

## Tenant Satisfaction Survey 2020 Results

### Office Portfolio



### Retail Portfolio



Source: Baltic Horizon

All statements rated on a scale of 1-5 (1=strongly disagree/very unsatisfied; 5=strongly agree/very satisfied)

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 – the average respondent would be willing to recommend their building to another tenant and we are expecting to see an even bigger interest in sustainability in the 2023 survey.

# Health and wellness events

## Wellness in Europa Shopping Centre

Europa Shopping Centre demonstrated its commitment to promoting holistic well-being and mental health by organizing a comprehensive series of wellness seminars. These thoughtfully curated events aimed to provide individuals with a valuable opportunity to engage in meaningful experiences and gain insightful knowledge about maintaining mental health and overall well-being.

With a focus on both professional and personal spheres, participants were able to learn from esteemed experts who shared their expertise on effectively managing mental health in the workplace and in daily life.

By hosting these seminars, the shopping center actively fostered a supportive environment that went beyond the traditional retail experience, positioning itself as a hub for education, growth, and community engagement.



# Health and wellness events

## Family day in Meraki Office Home

The completion of Phase I in the construction of Meraki Office Home marks a significant milestone for our organization. As part of our commitment to engaging with the local community, we organized a memorable community Family Day in collaboration with Domus PRO retail park. This event served as a heartfelt expression of gratitude towards the neighborhood residents for their patience and support throughout the construction process.

The Family Day took place within the inviting premises of Domus PRO and Meraki, creating a warm and welcoming atmosphere for families to come together. The newly opened square served as a focal point for the festivities, symbolizing the successful completion of the construction phase and the revitalization of the Domus PRO shopping center as a vibrant community hub.

A diverse range of activities was offered to cater to the enjoyment of children, including engaging games and entertainment. A talented DJ set the mood with live music, while live performances added an extra touch of excitement. Food trucks lined the area, tantalizing everyone's taste buds with a delectable array of food and snacks.

We were delighted by the overwhelming response and enthusiastic turnout from the community. The relaxed and cozy ambiance further enhanced the sense of togetherness experienced by all attendees.



# Green lease clauses in lease agreements

Collaboration with our tenants plays a crucial role in our journey towards achieving our ESG targets. Recognizing the integral role that our real estate assets play in shaping a sustainable future, we have taken proactive measures to ensure the long-term resilience of our portfolio.

A key step in this direction has been the incorporation of green lease clauses into our standard lease agreements and we are aiming to have all tenants sign the agreements in the upcoming 1-2 years.

These green lease clauses encompass a wide range of sustainable practices, establishing a framework for sustainable operations within our properties. By addressing topics such as energy efficiency, waste management, water conservation, and the use of renewable energy sources, these clauses serve as powerful tools for effecting long-term ESG-oriented changes across our entire portfolio. Moreover, the inclusion of green lease clauses enables us to foster a culture of collaboration with our tenants on ESG matters.

Through the mutual sharing of information, resources, and best practices, we can collectively work towards creating more sustainable and environmentally responsible spaces. This collaborative approach empowers us to develop innovative solutions and implement meaningful initiatives that benefit not only our organization but also our tenants and the wider community.

By implementing green lease clauses, we are proactively incorporating sustainability principles into our lease agreements. This integration of ESG considerations into our daily operations not only strengthens our commitment to environmental responsibility but also positions us as a leader in the industry. By aligning our objectives with those of our tenants, we can collectively contribute to a greener future while simultaneously enhancing the long-term value and resilience of our real estate assets.

We firmly believe that by integrating green lease clauses and fostering collaboration on ESG matters, we are laying the groundwork for a successful futureproofing of our portfolio. Through these measures, we aim to drive positive change, minimize environmental impact, and create lasting value for our stakeholders, setting a solid foundation for a sustainable and prosperous future.

# Energy crisis in the Baltics

During the third and fourth quarters of 2022, the Baltic countries, particularly Lithuania and Latvia, experienced an unprecedented surge in energy prices, posing significant challenges for businesses and tenants. Understanding the importance of alleviating the increased cost burden on our tenants, the Fund's dedicated team swiftly initiated a range of proactive measures.

In the retail sector, a comprehensive optimization strategy was implemented across each building to achieve substantial reductions in energy consumption. Through meticulous analysis and targeted interventions, energy usage was successfully reduced by an impressive 9-15% in these properties. Additionally, in select retail assets, operating hours were adjusted to optimize energy efficiency without compromising the shopping experience for customers. These carefully calibrated actions exemplify our commitment to finding innovative solutions that address the challenges presented by soaring energy prices.

Similar efforts were undertaken within our office buildings, where energy optimization played a crucial role in mitigating the financial impact on tenants. By implementing energy-saving measures and adopting sustainable practices, we aimed to curtail energy usage and associated costs. These initiatives encompassed measures such as optimizing heating, ventilation, and lighting systems, enhancing insulation, and encouraging the responsible use of energy resources.

It was our goal to consistently maintain an approximate 15% lower energy consumption across all our assets until energy prices returned to more normalized levels. By diligently monitoring and managing energy consumption patterns, we aimed to ensure sustained efficiency and cost reductions for our tenants. Through these initiatives, we endeavored to demonstrate our commitment to sustainable operations while supporting our tenants during this challenging period.

The Fund's proactive response to the energy price surge highlights our dedication to responsible energy management and the well-being of our tenants. By actively addressing the increased cost burden through targeted optimization measures and adjusted operating hours, we aimed to mitigate the financial strain faced by businesses. Our ongoing commitment to maintaining lower energy consumption across our portfolio not only aligns with our ESG objectives but also contributes to the long-term sustainability and resilience of our assets.

As energy prices normalize, we will continue to monitor developments closely and adapt our strategies accordingly. Our commitment to supporting our tenants and promoting sustainable practices remains unwavering, underscoring our dedication to creating value, fostering resilience, and driving positive change within the real estate industry.



# Consumption data

# Key consumption data

**39,484 MWh**  
Portfolio energy consumption in 2022

**86,612 m3**  
Portfolio water consumption in 2022

**9,013 CO2e**  
Portfolio GHG emissions in 2022

**-10.7%**  
Change in energy consumption over 2022

**24.5%**  
Change in water consumption over 2022

**-27.0%**  
Change in GHG emissions over 2022

# Consumption data

The COVID-19 pandemic has had a profound impact on our economic landscape, disrupting our way of life and potentially altering our energy consumption patterns. While we anticipated a return to normalcy in 2022, unforeseen circumstances later in the year led to an energy crisis in the Baltic region, triggered by the conflict in Ukraine. However, in response to these challenges, we swiftly implemented unprecedented and necessary efficiency measures across our retail and office assets. These measures not only yielded positive consumption trends but also resulted in a notable reduction in carbon emissions across most of our portfolio.

In analyzing the data for 2020 and 2021, it is crucial to acknowledge the significant decrease observed across all four measured categories. These declines were primarily driven by lower-than-usual occupancy rates and reduced footfall in our shopping centers, as restrictions and safety measures impacted visitor numbers. We caution readers to consider these unique circumstances when comparing consumption trends between these years and previous reporting periods. The data cannot be directly compared due to the effects of the pandemic.

However, with the gradual return of visitors and increased occupancy rates in 2022, we experienced a positive shift in our consumption trends. Notably, we organized large-scale opening events in Lithuania and Estonia, further stimulating footfall and revitalizing our shopping centers. The reduction in energy consumption observed during this period was a direct result of our conscious efforts to implement drastic energy efficiency measures.

These measures encompassed actions such as shortening shopping mall working hours and optimizing lighting and heating systems to maintain an acceptable level of comfort. Furthermore, we actively engaged with our tenants, urging them to save energy by turning off lights when not needed and adopting energy-saving practices within their premises. The collective efforts and solidarity displayed among our tenants, property managers, and asset managers were instrumental in achieving these positive results.

Importantly, beyond the immediate benefits to operational efficiency, these efforts had a profoundly positive environmental impact. By actively promoting energy-saving measures and adopting a responsible approach to resource consumption, we demonstrated our commitment to sustainability and reducing our carbon footprint.

As we navigate the ongoing challenges posed by the pandemic and external factors, we remain steadfast in our dedication to environmental stewardship and sustainable practices. By fostering collaboration among stakeholders, implementing efficiency measures, and continually monitoring our consumption patterns, we strive to drive positive change and enhance the long-term sustainability of our assets.

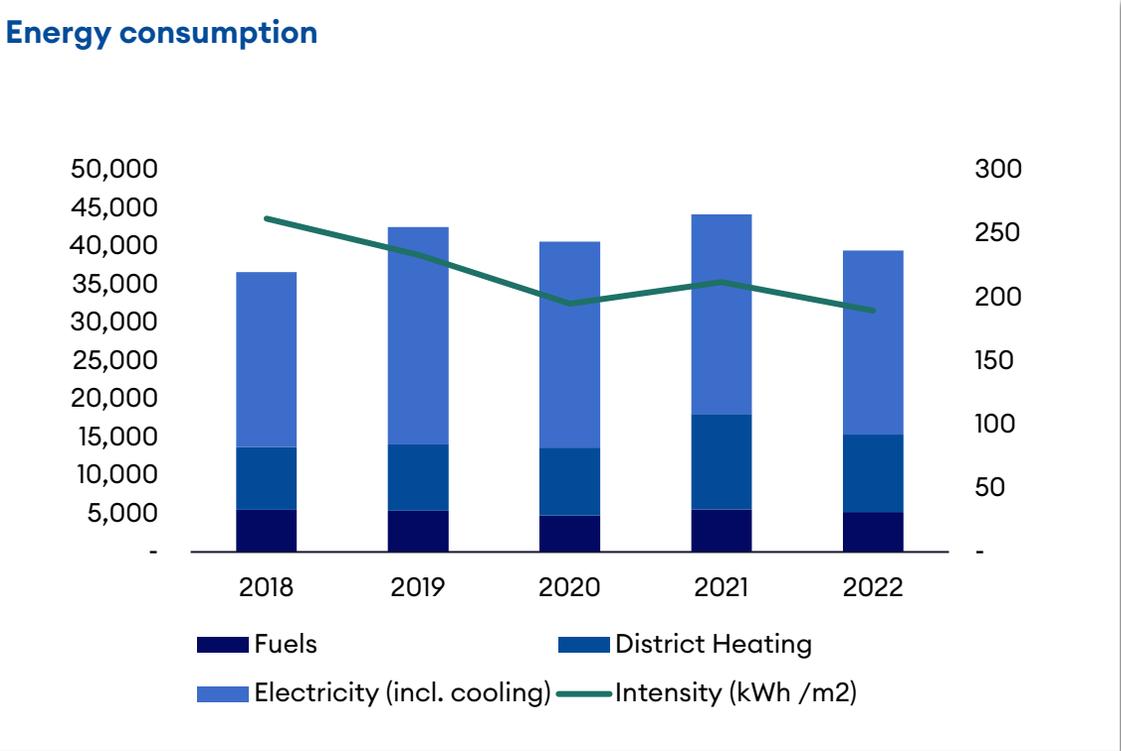
# Energy

Total portfolio-level energy consumption in 2022 amounted to 39,484MWh decreasing by 11% compared to 2020, and energy intensity decreased from 212 kWh/m<sup>2</sup> to 190kWh/m<sup>2</sup>.

The decrease in energy during 2022 can be primarily attributed to the energy prices increase and severe saving measures starting from Q3 in 2022 that limited energy usage in all assets, including both office and retail destinations.

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 with certain exceptions for individual assets. 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.

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 the total energy use of the portfolio by the total gross area of the portfolio (incl. parking).



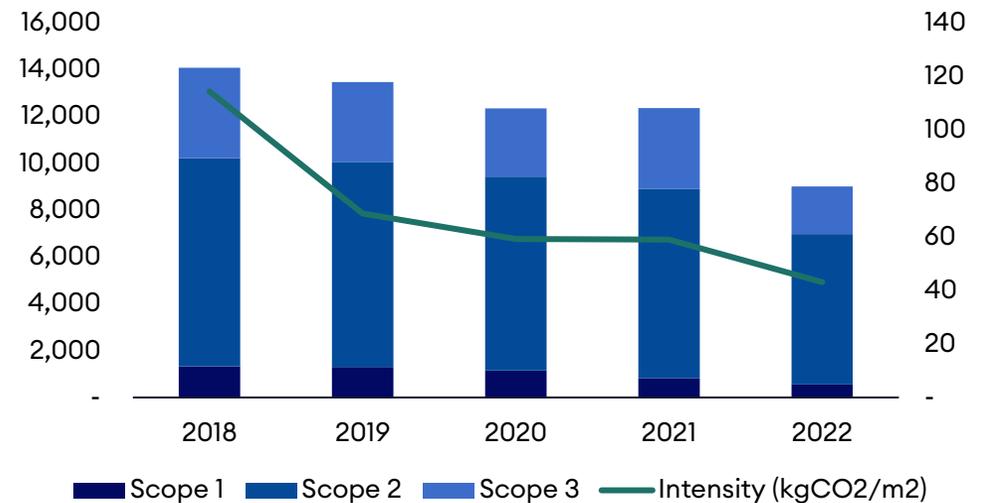
# GHG emissions

Total portfolio greenhouse gas (GHG) emissions, expressed in tons of CO<sub>2</sub> equivalent in 2022 reached 9,013 which is almost 30 % less than in 2021. Portfolio level GHG emissions and intensity dramatically decreased primarily due to massive energy saving measure starting from Q3 which is the heating and darker season when normally more energy is consumed to maintain temperature and lighting of the buildings.

Emission intensity measured in kilograms of CO<sub>2</sub> equivalent per square meter reached 43 in 2022 compared to 59 in 2021. This is an overall decrease in GHG emissions over two years periods in 2021 and 2022 resulting primarily from decreased energy consumption that was caused by the COVID-19 lockdown and later energy crisis and saving measures. We expect to see an increase in GHG emissions in the 2023 period due to normalized energy prices and energy usage.

In 2021 we started accounting for more environmental ESG KPIs. The full KPI list is in the following pages in the ‘Environmental data summary table’, however, data for 2020 and 2021, and 2022 does not reflect the usual situation because of the pandemic and lockdown situation in all Baltic countries, that reflected in consumption data and GHG emissions.

**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.

# GHG emissions

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 (eg. percentage of renewables and percentage of natural gas, etc.), leading to annual variations: electricity GHG emission factors have decreased in Estonia and Lithuania between 2020 and 2021 by 20% and 7% respectively while GHG emission factor has increased in Latvia by 12% over the same period. This is one of the reasons why there is an increase in energy consumption, but no significant increase in GHG emissions over 2021. The same emission factors were used for district heating and fuels for the 2018-2020 reporting periods. Emission factor source – International Energy Agency (2021).

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 Latvia between 2021 and 2022 by 35% and 30% respectively while GHG emission factor has increased in Lithuania by 130% over the same period.

## GHG Emission Factors (g/CO<sub>2</sub>eq/kWh)

Country	Electricity (incl. cooling)					District heating	Natural gas	Natural gas
	2018	2019	2020	2021	2022			
Lithuania	137,3	78,8	70	65	149,5			
Latvia	118,7	72,4	140	157	111	247	240	183
Estonia	875,7	864,4	850	674	498			

This is one of the reasons why there is a decrease in energy consumption, and thus a significant decrease in GHG emissions over 2022. The same emission factors were used for district heating for the 2018-2022 reporting periods while in 2022 Natural Gas emission factor decreased significantly. Emission factor source – International Energy Agency (2022).

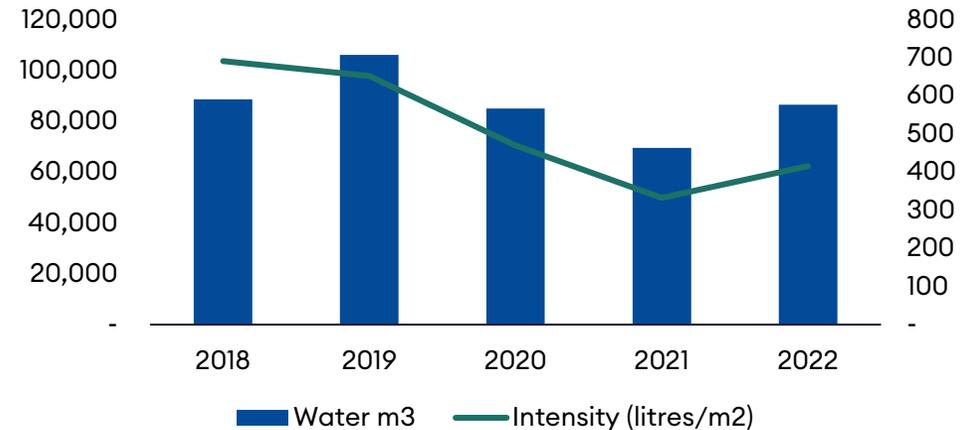
# Water

Total portfolio level water consumption in 2022 reached ca. 86,612 m<sup>3</sup> increased by 24% compared to 2021 level. Thus, reached pre-pandemic consumption due to restored operations and more visitors in shopping centers and restored tenants' usage of office buildings.

The portfolio level water consumption data provides an 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, 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.

Water use intensity in 2022 reached 412 liters/m<sup>2</sup> and increased by 25% compared to 2021 (333 l/m<sup>2</sup>). However, this water usage intensity increase could be primarily explained by the COVID-19 pandemic resulting in smaller building foot traffic and occupancy rates in 2021. ad this broke a pattern on water usage reduction of a continuous 30 % reduction for two years in a row due to lockdowns in 2021. Also, there were some water equipment changes to more water-saving taps, during 2020-2021. Intensities are calculated by including consumption data for the full reporting year if such data for the property is available. Water-use intensity is estimated by dividing the total water usage of the portfolio by the total gross area of the portfolio (excl. parking).

**Portfolio Level Water Consumption (m<sup>3</sup>) & 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.

## Waste

Management	Unit	2018	2019	2020	2021	2021
Total waste generated	kg	N/A	N/A	1,496	3,382	4,045

*GRI: 306-2*

Intensity	Unit	2018	2019	2020	2021	2021
Total waste per unit of revenue	kg/ thousand EUR	N/A	N/A	69	173	198

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.

# Environmental data summary

Greenhouse Gas Emissions	Unit	2018	2019	2020	2021	2022
Scope 1	tCO <sub>2</sub> e	1324	1,301	1,150.	827.	555
Scope 2 (location-based)	tCO <sub>2</sub> e	8889	8,740	7,554.	8,076.	6416
Scope 2 (market-based)	tCO <sub>2</sub> e					
Scope 3	tCO <sub>2</sub> e	3857	3,418.	2,913.	3,455.	2,042
Gross operational carbon emission	tCO <sub>2</sub> e	14070	13,459.	12346	12,363	9,030
Total emissions neutralized by carbon offset projects	tCO <sub>2</sub> e	0	0	0	0	0
Net operational carbon emissions	tCO <sub>2</sub> e	14070	13,459.	12346	12,363	9,030

*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
GhG emissions per megawatt-hour consumed	kgCO <sub>2</sub> e/MWh	383.9	323.7	303.4	279.5	279.5
GhG emissions per full-time equivalent (FTEe) employee	tCO <sub>2</sub> e/FTEs	1279.1	791.71	685.9	773	773
GhG emissions per unit of revenue	kgCO <sub>2</sub> e/thousand EUR	887.1	647.8	569.0	634.2	440.9
GhG emissions per unit of equity	kgCO <sub>2</sub> e/thousand EUR	128	88	91	93	68
GhG emissions per unit of equity	tCO <sub>2</sub> e/thousand EUR	0.1281	0.0882	0.0906	0.0932	0.0676
GhG emissions per unit of space (m <sup>2</sup> )	kgCO <sub>2</sub> e/m <sup>2</sup>	97	65	59	59	43

*E2|UNGC: P7, P8|GRI 305-4 |SDG: 13|SASB: General Issue / GHG Emissions, Energy Management*

Energy Usage	Unit	2018	2019	2020	2021	2022
Total energy consumption	kWh	36653458	41,576,000	40695420.00	44229062.00	39483970.00
Of which energy from electricity	kWh	22903122	28,475,338	27023100.00	26153653.00	24103821.00
Of which energy from hot water	kWh					
Of which form fuels	kWh	5517635	5,419,918	4793451.00	5581483.00	5581483.00
Of which energy from heating	kWh	8232701.00	7680744.00	8878869.00	12493926.00	9798666.00

*E3|UNGC: P7, P8|GRI 302-1, 302-2|SDG: 12|SASB: General Issue / Energy Management*

Energy Intensity	Unit	2018	2019	2020	2021	2022
Energy per full-time equivalent (FTEe) employee	kWh/FTEs	2,036,303	2,309,778	2,260,857	2,764,316	2,467,748
Energy per unit of revenue	kWh/thousand EUR	2,311	2,001	1,876	2,269	1,928
Energy per square meter	kWh/m <sup>2</sup>	252	199	195	212	190

*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
Does your company follow a formal Environmental Policy?	yes/no	yes	yes	yes	yes	yes
Does your company follow specific waste, water, energy, and/or recycling policies?	yes/no	no	no	no	no	no
Does your company use a recognized energy management system? <i>GRI: 103-2 SASB: General Issue / Waste &amp; Hazardous Materials Management</i>	yes/no	no	no	no	no	no
Climate Oversight / Board	Unit	2018	2019	2020	2021	2022
Does your Board of Directors oversee and/or manage climate-related risk? <i>GRI: 102-19, 102-20, 102-29, 102-30, 102-31 SASB: General Issue / Business Model Resilience, Systematic Risk Management TCFD: Governance (Disclosure A)</i>	yes/no	N/A	N/A	yes	yes	yes
Climate Oversight / Management	Unit	2018	2019	2020	2021	2022
Does your Senior Management Team oversee and/or manage climate-related risks? <i>GRI: 102-19, 102-20, 102-29, 102-30, 102-31 SASB: General Issue / Business Model Resilience, Systematic Risk Management TCFD: Governance (Disclosure B)</i>	yes/no	yes	yes	yes	yes	yes
Waste Management	Unit	2018	2019	2020	2021	2022
Total waste generated <i>GRI: 306-2</i>	kg	N/A	N/A	1,496	3,382	4,045
Waste Intensity	Unit	2018	2019	2020	2021	2022
Total waste per unit of revenue	kg/thousand EUR	N/A	N/A	69	173	198
Emissions neutralized by carbon offset projects	Unit	2018	2019	2020	2021	2022
Total emissions offset	tCO <sub>2</sub> e	0	0	0	0	0



# GRI disclosures

# GRI disclosures

## 102-8 Information on employees

The team of Baltic Horizon is located in two countries – Estonia and Lithuania. Fund manager and marketing 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 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.

## 102-9 Supply chain

### 102-10 Significant changes to the organization and its supply 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 2022 of Baltic Horizon.

No significant changes to the supply chain of Baltic Horizon have occurred over 2022.

Regarding significant changes to the organization please refer to the Annual Report 2022 of Baltic Horizon.

## Information on employees 2022

	Total	Lithuania	Estonia	2021	2020	2019	2018
Total	15	13	2	17	18	17	11
Of which Women	11	10	1	12	12	11	7
<i>Female, % of total</i>	<i>73%</i>	<i>77%</i>	<i>50%</i>	<i>71%</i>	<i>67%</i>	<i>65%</i>	<i>64%</i>
<b>Breakdown by Employment Type - Female</b>							
Full-time	15	13	1	11	11	10	7
Part-time	-	-	-	-	1	1	-
Temporary staff*	-	-	-	-	-	-	-
<b>Breakdown by Age Group - Female</b>							
Below 30	1	-	1	3	4	4	3
30-50	9	9	-	8	8	7	4
Above 50	-	-	-	-	-	-	-
<b>Of which Men</b>							
<b>Breakdown by Employment Type - Male</b>							
Full-time	4	3	1	5	6	6	4
Part-time	-	-	-	-	-	-	-
Temporary staff*	-	-	-	-	-	-	-
<b>Breakdown by Age Group - Male</b>							
Below 30	1	1	-	2	2	2	1
30-50	2	1	1	2	3	3	2
Above 50	1	-	-	1	1	1	1

# GRI disclosures

## 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, 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 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 the operations of Baltic Horizon.

## 102-13 Membership in 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 the 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, INREV, UNPRI, and GRESB. Northern Horizon Capital A/S, the parent company of Northern Horizon Capital Group is also a signatory of the United Nations-supported Principles for Responsible Investment (UNPRI) 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.

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.

## 102-18 Governance structure

Governance structure is disclosed in Annual Report p. 55- 56.

## 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 on 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 well-being of those that are around us.

# GRI disclosures

No cases of corruption have been identified in Baltic Horizon or Management Company of the Fund in 2022.

## **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 rollout of the 360-degree feedback assessment across Northern Horizon Capital Group in 2019, the same assessment methodology was utilized in 2022.

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.

**304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas**

**307-1 Non-compliance with environmental laws and regulations**

# GRI disclosures

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 2022 we made an extra effort to understand and follow the needs of investors in the constantly evolving ESG environment, participate in their events to understand what is the main focus 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 considered asset owner that reacts to the 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 for our unitholders with integrity and believe empowering our employees is the key to maintaining and creating excellent product performance.

## Stakeholder engagement summary

Ways of Engagement	Frequency of Engagement	Key topics
<b>Investors</b>		
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
<b>Tenants</b>		
Satisfaction surveys	At least once every 3 years	Satisfaction with property management, quality of premises, communication, sustainability
Meetings	Ad hoc	Asset management strategy
<b>Partners (property managers, other service providers)</b>		
Meetings	Monthly, ad hoc	Property performance and results, ongoing property related matters, ESG strategy implementation, consumption data, energy efficiency, financing
<b>Employees</b>		
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

# GRI disclosures

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

## [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 in 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 in this report that are limited by the 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 the 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, and 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](#)

The real estate industry has a large direct impact on society and the environment: according to EU Commission, buildings are responsible for 40% of energy consumption and 36% of CO2 emissions in the EU. Baltic Horizon is one of the largest real estate asset owners in the Baltics paying close attention to its business impact on the environment and wider society. We understand that our real estate activities have a direct impact on 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 to track the consumption metrics of the Fund's portfolio and see an improvement of these consumption metrics over time in order to make sure that our investment and asset management activities are not harming the

# GRI disclosures

environment and society. Currently, the Fund tracks property level consumption indicators on four data segments (energy, water, waste, and GHG) that are tracked annually starting from 2018. **So, 2018 was chosen as a base year for ESG reporting.**

The information is then aggregated at the portfolio level to indicate portfolio-level consumption and derive relevant reporting metrics. We are planning to monitor this information on a 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 the section “Consumption Data” of this report.

**Stakeholder engagement** information on the topic boundary, stakeholder engagement, development and diversity can be found in the sections GRI disclosures 304-1, 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 many 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**

Restatements of information from the 2021 Baltic Horizon annual ESG report:

Total portfolio-level energy consumption in 2021 amounted to ca. 44,229 MWh decreasing by ca. 8% over the 2020 level. GHG emissions: 2021 reached 12,346 and were very similar compared to 2020, just a small 1-2% increase. 2021 GHG emissions for CC Plaza, G4S, and Vainodes assets have been placed under Scope 3 emissions as these are mostly tenant-controlled buildings.

The last ESG report has been published in September 2021.

## **102-50 Reporting period**

### **102-52 Reporting cycle**

Reporting period – calendar year basis (from 1st of January to 31<sup>st</sup> of December 2022) December). This sustainability report will be issued on annual basis.

# GRI disclosures

## 102-53 Contact point for questions regarding the report

Contact point for questions regarding the report:

Tarmo Karotam, Fund Manager, [tarmo.karotam@nh-cap.com](mailto:tarmo.karotam@nh-cap.com)  
Vasare Krikstopaityte, ESG Officer, [vasare.krikstopaityte@nh-cap.com](mailto:vasare.krikstopaityte@nh-cap.com)

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

### 102-56 External assurance

Data check was performed on the Environmental data as required for the GRESB reporting.

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

All policies are available for employees, and they are trained to refer to the policies for the anti-corruption due diligence at least when there is a change in the policy.

## 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 is 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 2022, 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 updates 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. A separate training session for members of the governance bodies of Baltic Horizon that are not employees of Northern Horizon Capital has not been held.

# Social data

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.

## 404-1 Average hours of training per year per employee

## 404-2 Programs for upgrading employee skills and transition assistance programs

### Non-Discrimination

Non-Discrimination	Unit	2018	2019	2020	2021	2022
Does your company follow a sexual harassment and/or non-discriminatory policy? <i>UNGC: P6 GRI: 103-2 (see also: GRI 406: Non-Discrimination 2016)  SASB: General Issue / Employee Engagement, Diversity &amp; Inclusion</i>	yes/no	yes	yes	yes	yes	yes

Injury Rate	Unit	2018	2019	2020	2021	2022
Total number of injuries and fatalities, relative to the total workforce	%	0	0	0	0	0

Global Health & Safety	Unit	2018	2019	2020	2021	2022
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	N/A	7.70	4.95
Absence from work due to long-term illness (X) to total working hours of all employees	%	N/A	N/A	N/A	2.30	N/A
Absence from work due to short-term illness (X) to total working hours of all employees <i>GRI: 103-2 (See also: GRI 403: Occupational Health &amp; Safety 2018) SDG: 3  SASB: General Issue / Employee Health &amp; Safety</i>	%	N/A	N/A	N/A	5.40	4.95

Child & Forced Labor	Unit	2018	2019	2020	2021	2022
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? <i>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</i>	yes/no	no	no	no	no	no

Human Rights	Unit	2018	2019	2020	2021	2022
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? <i>S10 GRI: 103-2 (See also: GRI 412: Human Rights Assessment 2016 &amp; GRI 414: Supplier Social Assessment 2016) UNGC: P1, P2 SDG: 4, 10, 16  SASB: General Issue / Human Rights &amp; Community Relations</i>	yes/no	yes	yes	yes	yes	yes

# Governance data

## 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 2022 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 2022 of Baltic Horizon.

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

## Governance bodies

Management Board of the Management Company				Supervisory Board of the Management Company			
	2020	2021	2022		2020	2021	2022
Total	3	3	3	Total	3	3	3
Women	1	1	1	Women	2	2	2
Below 30	-	-	-	Below 30	-	-	-
30-50	1	1	1	30-50	2	2	2
Above 50	-	-	-	Above 50	-	-	-
Men	2	2	2	Men	1	1	1
Below 30	-	-	-	Below 30	-	-	-
30-50	1	1	1	30-50	1	1	1
Above 50	1	1	1	Above 50	-	-	-

Supervisory Board of the Fund			
	2020	2021	2022
Total	4	4	4
Women	-	-	-
Below 30	-	-	-
30-50	-	-	-
Above 50	-	-	-
Men	4	4	4
Below 30	-	-	-
30-50	-	-	-
Above 50	4	4	4

# Governance data

The governance component of an ESG statement refers to a company's management and operational processes, focusing on issues such as leadership, ethical behavior, transparency, and risk management. It provides stakeholders with insight into the company's approach to ensuring that its operations are aligned with ESG principles and goals, and that its business practices are consistent with ethical and socially responsible standards.

The governance section of an ESG statement includes information on the company's board structure, executive leadership, and internal controls, as well as its approach to stakeholder engagement and sustainability reporting. This information helps investors and other stakeholders to assess the company's commitment to ESG principles, and to determine the effectiveness of its governance processes in managing ESG risks and opportunities.

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, we aim to update KPIs and to report updates, hence some previous year data might not be available for the governance part. This data summarizes 2018, 2019, 2020, and 2021, 2022 governance data. 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.

# Governance data

	Unit	2018	2019	2020	2021	2022
<b>Board Diversity</b>						
Total board seats occupied by women (as compared to men) <i>GRI 405-1 SDG: 10 SASB: General Issue / Employee Engagement, Diversity &amp; Inclusion (See also: SASB Industry Standards)</i>	%	N/A	N/A	30%	30%	30%
<b>Board Independence</b>						
Does the company prohibit CEO from serving as board chair?	yes/no	no	no	no	no	no
Total board seats occupied by independents <i>GRI: 102-23, 102-22</i>	%	70%	70%	70%	70%	70%
<b>Incentivized Pay</b>						
Are executives formally incentivized to perform on sustainability <i>GRI: 102-35</i>	yes/no	no	no	no	no	no
<b>Collective Bargaining</b>						
Total enterprise headcount covered by collective bargaining agreements (X) to the total employee population <i>UNGC: P3 SDG: 8 GRI: 102-41 SASB: General Issue / Labor Practices (See also: SASB Industry Standards)</i>	%	N/A	N/A	N/A	N/A	N/A
<b>Ethics &amp; Anti-Corruption</b>						
Does your company follow an Ethics and/or Anti-Corruption policy?	yes/no	yes	yes	yes	yes	yes
If yes, what percentage of your workforce has formally certified its compliance with the policy? <i>UNGC: P10 SDG: 16 GRI: 102-16, 103-2 (See also: GRI 205: Anti-Corruption 2016)</i>	%	100	100	100	100	100
<b>Data Privacy</b>						
Does your company follow a Data Privacy policy?	yes/no	yes	yes	yes	yes	yes
Has your company taken steps to comply with GDPR rules? <i>GRI: 418 Customer Privacy 2016 SASB: General Issue / Customer Privacy, Data Security (See also: SASB Industry Standards)</i>	yes/no	yes	yes	yes	yes	yes
<b>ESG Reporting</b>						
Does your company publish a sustainability report?	yes/no	yes	yes	yes	yes	yes
Is sustainability data included in your regulatory filings? <i>UNGC: P8</i>	yes/no	yes	yes	yes	yes	yes
<b>Disclosure Practices</b>						
Does your company provide sustainability data to sustainability reporting frameworks?	yes/no	yes	yes	yes	yes	yes
Does your company focus on specific UN Sustainable Development Goals (SDGs)?	yes/no	no	no	no	yes	yes
Does your company set targets and report progress on the UN SDGs? <i>UNGC: P8</i>	yes/no	no	no	no	yes	yes
<b>External Assurance</b>						
Are your sustainability disclosures assured or validated by a third party? <i>UNGC: P8 GRI: 102-56</i>	yes/no	no	no	no	no	yes



# GRI content index

# GRI content index

GRI standard	Disclosure	Page number(s)	Comments/omissions
GRI 101: Foundation 2016	-	-	No disclosures under this GRI standard
GRI 102: General Disclosures 2016	102-1 Name of the organization	Page 2, Annual Report 2021. Page 2 of this report	
	102-2 Activities, brands, products, and services	Page 2, Annual Report, 54	
	102-3 Location of headquarters	Page 2	
	102-4 Location of operations	Page 2, 44	
	102-5 Ownership and legal form	Page 2, Annual Report	
	102-6 Markets served	Annual Report	
	102-7 Scale of the organization	Annual Report	
	102-8 Information on employees and other workers	Page 44	
	102-9 Supply chain	Page 44	
	102-10 Significant changes to the organization and its supply chain	Page 44	
	102-11 Precautionary Principle or approach	Page 45	
	102-12 External initiatives	Page 29,30	
	102-13 Membership of associations	Page 45	
102-19, 102-20, 102-29, 102-30, 102-31	Page 42		
102-16	Page 54		

GRI standard	Disclosure	Page number(s)	Comments/omissions
<b>Strategy</b>			
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Page 3, 4	
<b>Ethics and Integrity</b>			
GRI 102: General Disclosures 2016	102-16 Values, principals, standards and norms of behavior	Page 45	
<b>Governance</b>			
GRI 102: General Disclosures 2016	102-18 Governance structure	Page 45	
<b>Stakeholder Engagement</b>			
GRI 102: General Disclosures 2016	102-22	Page 54	
	102-35	Page 54	
	102-40 List of stakeholder groups	Page 45	
	102-41 Collective bargaining agreements	Page 45, 54	
	102-42 Identifying and selecting stakeholders	Page 45	
	102-43 Approach to stakeholder engagement	Page 45	
	102-44 Key topics and concerns raised	Page 45	

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GRI standard	Disclosure	Page number(s)	Comments/omissions	GRI standard	Disclosure	Page number(s)	Comments/omissions
<b>Reporting Practice</b>				<b>Management Approach</b>			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	Annual report		GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Page 48	
	102-46 Defining report content and topic Boundaries	Page 48			103-2 The management approach and its components	Page 48, 42, 54	
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# Definitions of key terms and abbreviations

# 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

## Management Company

Northern Horizon Capital AS, re-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.



**For more information**

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