

ANNUAL ESG
REPORT 2019



BALTIC
HORIZON



CONTENTS

2	Statement from the Fund Manager
3	Baltic Horizon Fund and ESG in 2019
7	Baltic Horizon Fund and ESG in 2020
8	Global Reporting Initiative (GRI) Disclosures
13	GRI Content Index
16	Definitions of Key Terms and Abbreviations



STATEMENT FROM THE FUND MANAGER

Real estate industry is facing an increasing scrutiny from public to increase its focus to sustainability by being one of the largest contributors to increasing risk of climate change: according to EU Commission about 36% of all greenhouse gas emissions and about 40% of all energy consumption can be attributed to building use or processes of construction, renovation or demolition. This puts owners of real estate at the forefront of the sustainability movement commanding an ever-increasing focus to be put on topic of sustainable real estate asset management.

At Baltic Horizon Fund (the “Fund” or “Baltic Horizon”), we acknowledge that our business activities affect the society and environment around us, and that we have an opportunity and an implicit duty to ensure this impact is positive. And even more so – efficient and sustainable operations is a necessity for long-term value creation. Taking that in mind, we incorporate environmental, social and governance (ESG) considerations in our investment decision making and ownership and adjust our long-term goals accordingly. During the 2019, Baltic Horizon has made advancements in ensuring that our ESG commitment is not just a promise but an actionable strategy initiative: we completed our first GRESB assessment and determined our improvement areas, focused on needs and development of our staff and implemented various property level ESG initiatives. Our ESG strategy is taking shape and we acknowledge the importance of it in our everyday business. We believe that our sustainable goals will strengthen our already strong cash flow operations and stable dividend distributions to investors.

Baltic Horizon being one of the largest listed real estate funds in the Baltics is committed to being a responsible asset owner. We think that prioritizing ESG issues in our daily activities can create even further value to all stakeholder groups and bring a positive change momentum to the larger society. While the adoption of ESG principles in our real estate portfolio brings a host of challenges, we believe that long-term benefits of ESG commitment will generate additional value for our unitholders and create a better and more resilient real estate market.

The idea of emphasizing topics of ESG is still in the early years of its infancy in the Baltics. Yet we believe that this sustainability report will not only help Baltic Horizon strengthen its commitment to ESG but will bring the message of sustainability and importance of ESG issues to the wider Baltic real estate market. It is imperative that the spread of sustainability principles becomes a market wide initiative and Baltic Horizon is excited to be a part of this sustainability movement.



**Fund Manager of Baltic Horizon Fund,
Tarmo Karotam**



BALTIC HORIZON FUND AND ESG IN 2019

2019 for Baltic Horizon Fund marked a year where topics of ESG were pushed to the limelight of strategic importance issues. This part of the Baltic Horizon Sustainability Report will provide an in-depth overview of key sustainability developments that the management team worked on in 2019 as well as provide a look at property level consumption data.

GRESB Real Estate Assessment

In 2019, for the first time Baltic Horizon Fund participated in GRESB Real Estate Assessment. GRESB was established in 2009 by a group of large pension funds who wanted to have access to comparable and reliable data on the ESG performance of their investments. GRESB has grown to become the leading ESG benchmark for real estate and infrastructure investments across the world. GRESB ESG data covers USD 4.5 trillion in real estate and infrastructure value and is used by more than 100 institutional and financial investors to make decisions that are leading to a more sustainable real asset industry.

Participating in GRESB Real Estate Assessment indicated key areas of improvement for Baltic Horizon:

- **Stakeholder Engagement:** Baltic Horizon has established regular engagement channels with selected stakeholder groups, by way of regular meetings and reporting initiatives with investors and property managers. However, GRESB Real Estate Assessment indicated that a more structured approach to tenant engagement is necessary. One of the focal points of 2019 ESG agenda was increasing tenant engagement directly and via property managers. More information regarding tenant engagement is provided in section ESG Initiatives.
- **Risks & Opportunities:** while the Fund already has a rigorous risk assessment framework in place keeping up with high governance standards, Baltic Horizon needs to establish a more ESG focused risk and opportunity assessment framework at property level. The primary tool exercised to manage property level risks is the annual property inspection undertaken by facility managers. The goal of these inspections is to evaluate physical standing of the buildings and identify any risks arising from maintenance side of properties. It is important to mention that these property inspections were already undertaken in most of the properties even before GRESB submission, however, the scope of

the technical assessments has to be expanded in order to address a wider spectrum of potential ESG related risks.

GRESB Real Estate Assessment provides a great underlying framework upon which further ESG initiatives can be built. Baltic Horizon plans to utilize the GRESB reporting tools in future development of its ESG strategy. Since 2019 assessment was the first for Baltic Horizon, the Fund opted to participate in the assessment under Grace Period rules so no results were publicly published. Grace Period evaluation provided Baltic Horizon with key insights in order to improve the reporting for the upcoming assessment cycles. Baltic Horizon is planning to participate in GRESB Real Estate Assessment annually.

More information on GRESB could be found on: <https://gresb.com/>.

Investment Underwriting

An important update in the investment underwriting process of Baltic Horizon was introduction of a detailed ESG checklist. While specific property related ESG issues such as energy efficiency, contamination risks and other factors were already part of every investment underwriting process, the ESG checklist will give us an opportunity for a more structured approach towards analysing ESG related risks. The checklist acts as an additional support for the already existing technical due diligence aspect, but dives in greater detail to such topics as energy supply sources, energy ratings, more detailed environmental and social risks assessment and others.

The first investment case to utilize the ESG checklist was Meraki office development project. Addition of the ESG checklist allowed to tailor existing investment underwriting process to be more oriented to relevant ESG issues and identify potential opportunities. The ESG checklist will continue to remain an important aspect of all investment considerations by Baltic Horizon by providing a more in depth understanding of potential ESG risks related to a particular investment project.

ESG Initiatives

One of the focal ESG implementation points of 2019 for Baltic Horizon was a more direct approach to ESG issue handling at property level. This has taken a form of the following initiatives:



- **Property inspections:** regular property inspections are a common practice in the real estate market. During these inspections, facility managers perform thorough engineering and technical equipment audits and checks in each property to ensure proper operation of these systems. A series of these property inspections have been performed at properties across portfolio of Baltic Horizon in 2019. However, from 2020 Baltic Horizon Fund will be putting even more emphasis on identifying efficiency measures during property inspections in order to improve environmental aspect of its real estate portfolio.
- **Tenant satisfaction surveys:** the 2019 GRESB submission indicated that tenant engagement is one of the areas where Baltic Horizon needs to show improvement. With this feedback in mind during the second half of 2019 all properties in the portfolio of Baltic Horizon have undertaken tenant satisfaction surveys. The collected feedback provided useful insights to the property managers and assisted in understanding how tenants feel about premises, greenery, lighting, services, communication loop and other key areas. We will continue monitoring tenant satisfaction levels in the future as well.
- **ESG communication to property managers:** while the term “environmental sustainability” is quite well known and understood in the Baltic market, the term ESG is still quite new. Management team of Baltic Horizon seeing an increasing importance of ESG topics is trying to bring the conversation and the knowledge to the wider market and involve our business partners in the same discussion. We are keeping in constant contact with our business partners and the property managers are one of the key service suppliers to our business. During 2019 management team of Baltic Horizon paid extra attention by bringing topics of ESG to the meetings with property managers to advance our sustainable business agenda and assist us in our ESG initiatives: property managers provide critical support with tenant engagement, consumption data collection and property oversight.
- **Budgeting for ESG items in 2020:** in 2020 the Fund management team decided to earmark a specific portion of annual CAPEX budget specifically for sustainable investment purposes: sustainability related CAPEX works make approximately 27% of all capital expenditures budget in 2020. This amount primarily covers various maintenance items and

should help Baltic Horizon to make marginal gains in resource consumption reduction and efficiency.

- **Employee development and satisfaction:** large part of Baltic Horizon’s success hinges on the successful development and growth of our staff. In 2019 staff of Baltic Horizon participated in an employee satisfaction survey that identified high level of employee trust and personal job fit within the company. To ensure continued performance success and personal development, colleagues also participated in 360-feedback process (which is part of annual performance review) and had individual performance dialogues to discuss successes and challenges colleagues had to face in 2019. More information on employee development can be found in GRI disclosures 103-1-3.

Consumption Data

In 2019 Baltic Horizon Fund started collecting property level consumption data for all properties in its portfolio. In order to optimize this process and increase integrity of collected data, in 2020 Baltic Horizon is planning to acquire a consumption data storage and management solution that will enable the Fund to provide deeper analytical insights and will guide Baltic Horizon to a more transparent long-term consumption management. Key insights from consumption data of 2019 are provided below.

Energy

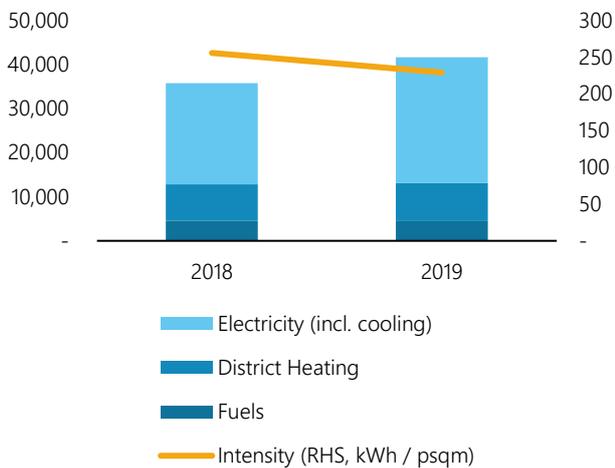
Total portfolio level energy consumption in 2019 amounted to ca. 41,576 MWh increasing by ca. 16% over 2018 level. However, larger part of the increase in total energy consumption could be attributed to 3 new acquisitions made by Baltic Horizon in 2019 – Duetto II, North Star and especially Galerija Centrs. Comparing like-for-like portfolio and excluding acquisitions made in 2019, energy consumption has remained at a similar level and in 2019 has decreased by less than 1% compared to 2018.

The portfolio level energy consumption data provides overview of energy consumed by the buildings in the Baltic Horizon’s portfolio over the last two-year period. However, portfolio level energy consumption data only displays portfolio level consumption from the date of acquisition closing of a particular asset. The data provided in this section of the report includes both the landlord and tenant-controlled areas with certain exceptions for individual assets (in case of Upmalas Biroji energy consumption for tenant areas could not be obtained). The energy consumption is split into three

categories: electricity (incl. cooling), district heating and fuels for properties that are using alternative methods for property heating.

Energy intensity in 2019 reached ca. 229 kWh/psqm and decreased by 10% compared to 2018. Decrease in energy intensity is primarily linked to decrease in district heating consumption between 2018 and 2019 due to milder winter season in 2019. Unlike the portfolio level consumption data, intensities are calculated by including consumption data for full year 2018 and 2019 if such data for the property is available. Energy use intensity is estimated by dividing total energy use of the portfolio by total gross area of the portfolio (incl. parking).

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



Source: Baltic Horizon Fund

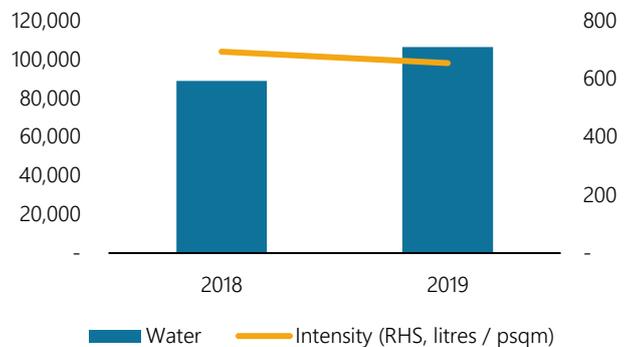
Water

Total portfolio level water consumption in 2019 amounted to ca. 106,142 m³ increasing by ca. 20% over 2018 level. As in the case with energy consumption, increase in total consumption could be attributed to 3 new acquisitions made in 2019. Comparing like-for-like portfolio and excluding acquisitions made in 2019, water consumption in 2019 has increased by about 2% compared to 2018.

The portfolio level water consumption data provides overview of water consumed in the buildings of Baltic Horizon Fund over the last two years. However, portfolio level water consumption data only displays portfolio level consumption from the date of acquisition closing of a particular asset. The data provided in this section of the report includes both the landlord and tenant-controlled areas. Currently no assets in Baltic Horizon's portfolio utilize water recycling systems.

Water use intensity in 2019 reached ca. 652 litres/psqm and decreased by 6% compared to 2018. Water use intensity decrease could be primarily explained by new acquisitions made in 2019: while like-for-like portfolio intensity in 2019 remained very similar to 2018 level and reached 686 litres/psqm, new acquisitions made in 2019 displayed lower water use intensity levels when compared to portfolio resulting in a positive change. Unlike the portfolio level consumption data, intensities are calculated by including consumption data for full year 2018 and 2019 if such data for the property is available. Water use intensity is estimated by dividing total water use of the portfolio by total gross area of the portfolio (excl. parking).

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



Source: Baltic Horizon Fund

Waste

Collection of waste data is one of the most challenging factors in consumption data collection for Baltic Horizon. Waste management firms in the Baltics that service properties of Baltic Horizon use different measurement methodologies or in certain cases cannot provide information regarding quantity of waste generated at specific properties leading to a situation where only handful of properties in the portfolio report actual waste generation data. As a result of this, we cannot provide reliable waste generation data on a portfolio level for this report. Baltic Horizon will investigate additional ways to increase transparency and accuracy of waste generation data in 2020.

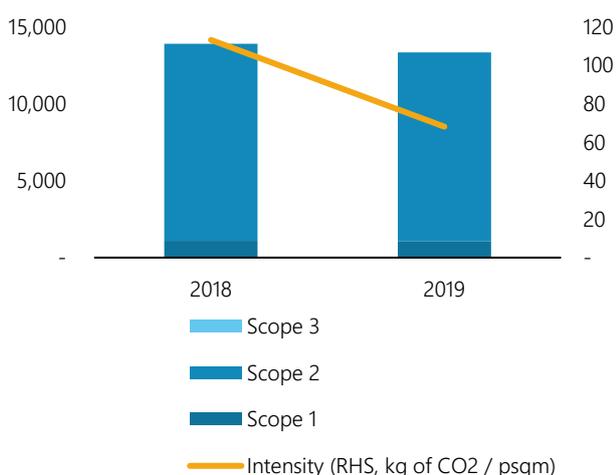
However, for the 2020 GRESB Real Estate Assessment cycle a mixture of reported data and estimates of waste generation for the remainder of the portfolio will be used. The estimates are derived by using data provided by the property managers such as type of waste bins (general waste, paper, etc.), volume of waste bins in m³ and frequency of service. Using these variables and

applying specific conversion factors based on type of waste we can approximate expected waste generation in the property. However, one major flaw of this method is assuming that serviced waste bins are completely full which might yield excessive estimates of waste generation.

GHG

Total portfolio GHG emissions, expressed in tonnes of CO₂ in 2019 reached 13,344 and were ca. 4% lower compared to 2018, despite new acquisitions made in 2019. Comparing like-for-like portfolio and excluding acquisitions made in 2019, portfolio level GHG emissions contracted by ca. 9%. Emission intensity measured in kilograms of CO₂ per square meter reached 68 in 2019 and was ca. 40% lower compared to 2018. Decrease in GHG emissions over 2018-2019 period resulted from a combination of factors such as milder winter seasons resulting in lower heating consumption, positive changes in occupier and tenant behaviour, property energy efficiency improvements, different GHG estimation factors and others. Portfolio level GHG emissions data only displays portfolio level consumption from the date of acquisition closing of a particular asset. Unlike the portfolio level consumption data, intensities are calculated by including consumption data for full year 2018 and 2019 if such data for the property is available. Emission intensity is estimated by dividing total portfolio level emissions by area of the portfolio (incl. parking).

GHG Emissions (tonnes of CO₂) & GHG Intensity (kg of CO₂/psqm)



Source: Baltic Horizon Fund

GHG emissions were calculated by applying a location-based methodology when calculating electricity factors with different factors applied for different reporting years. This reflects 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: GHG factors have improved significantly in Latvia and Lithuania between 2018-2019 and have decreased by 42.6% and 39.0% accordingly. This factor to a large degree led to a significant decrease of portfolio level GHG emissions in 2018-2019 period. Factors to estimate GHG emissions were sourced from 2019 International Energy Agency Database.

GHG Emission Factors (g/CO₂eq/kWh)

Country	Electricity (incl. cooling)		District Heating	Natural Gas
	2018	2019	2018-2019	2018-2019
Lithuania	137.3	78.8		
Latvia	118.7	72.4	247.0	240.0
Estonia	875.7	864.4		

Source: International Energy Agency



BALTIC HORIZON FUND & ESG IN 2020

While in 2019 improvements were made in stakeholder engagement, investment underwriting and risk management, 2020 is looking to be an important year for Baltic Horizon to continue delivering on its sustainability commitment. The focal points of 2020 will cover the following items.

Consumption Data Tracking Software

In 2020 Baltic Horizon is planning to employ a software solution designed specifically to track consumption data. This software tool should help Baltic Horizon to increase property level data integrity and provide powerful analytical tools that will guide Baltic Horizon to more sustainable real estate operations.

Continued Participation in GRESB Real Estate Assessment

Baltic Horizon is planning to continue to submit GRESB Real Estate Assessment in 2020 to assess the Fund's sustainability performance over 2019 calendar year. 2020 reporting score will be accessible to all GRESB Investor members via GRESB's website. Detailed analysis of 2020 reporting scores will be provided in the annual ESG report 2020 next year.

Increased Stakeholder Engagement

2019 GRESB Real Estate Assessment for Baltic Horizon indicated that stakeholder engagement was one of the problem areas in the array of ESG issues. In 2020 Baltic Horizon aims to further improve communication with all stakeholder groups with particular focus on tenant communication via tenant satisfaction surveys. Additionally, Baltic Horizon is planning to implement materiality analysis to identify key ESG issues that matter the most for key stakeholder groups of the Fund. The results of materiality analysis will act as a strategic guide allowing Baltic Horizon to focus on core ESG issues most relevant for its stakeholders.

ESG Risk Assessment

In 2020 management team of Baltic Horizon will consider implementation of recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to the financial reporting of Baltic Horizon for upcoming reporting periods. Implementation of TCFD recommendations would put Baltic Horizon in a better position to identify and manage climate related risks and opportunities.



GLOBAL REPORTING INITIATIVE (GRI) DISCLOSURES

102-8 Information on employees

Historical employee information with breakdowns by gender, employment type and age is provided in the table below. The core of Baltic Horizon team consisting of fund manager, portfolio manager, marketing and communications manager and real estate analyst are stationed in Estonia. Rest of the employees are located in Lithuania and primarily consist of full-time staff providing supporting functions such as business

development, fund controlling, treasury, legal support, investment underwriting and other functions. The supporting staff splits their time between Baltic Horizon and other funds managed by Northern Horizon Capital Group of companies. Employees supporting Baltic Horizon Fund are either employed by Northern Horizon Capital AS (the "Management Company" of the Fund) or other companies that are part of Northern Horizon Capital Group.

	2019			2018
	Total	Lithuania	Estonia	
Total	17	12	5	11
Of which Women	11	7	4	7
<i>Women, % of total</i>	65%	58%	80%	64%
Breakdown by Employment Type - Women				
Full-time	10	7	3	7
Part-time	1	-	1	-
Temporary staff*	-	-	-	-
Breakdown by Age Group - Women				
Below 30	4	2	2	3
30-50	7	5	2	4
Above 50	-	-	-	-
Of which Men	6	5	1	4
<i>Men, % of total</i>	35%	42%	20%	36%
Breakdown by Employment Type - Men				
Full-time	6	5	1	4
Part-time	-	-	-	-
Temporary staff*	-	-	-	-
Breakdown by Age Group - Men				
Below 30	2	2	-	1
30-50	3	2	1	2
Above 50	1	1	-	1

Source: Baltic Horizon Fund

102-9 Supply chain

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

Baltic Horizon suppliers are located in the Baltics and include property management, property maintenance,

construction, consulting, legal and other related companies. Most of the suppliers that Baltic Horizon is working with are located in the Baltic states. For more information regarding total expenditure by Baltic Horizon in relation to services from its supply chain



please refer to the financial statements in the Annual Report 2019 of Baltic Horizon.

Regarding significant changes to the organization please refer to the Annual Report 2019 of Baltic Horizon. No significant changes to the supply chain of Baltic Horizon have occurred over 2019.

102-11 Precautionary Principle or approach

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

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

102-13 Membership of associations

We strongly feel that continued commitment to high ESG standards is the best way for our investors to achieve their investment goals while at the same time ensuring that environment and communities can benefit as well. And for that we align our efforts with leading market standards: Management Company of Baltic Horizon Fund and Northern Horizon Capital Group are either together or individually members of EPRA, INREV, SIPA and GRESB, as well as a signatory of the United Nations-supported Principles for Responsible Investment since 2014.

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

Baltic Horizon Fund is managed according to internal list of policies and principles as indicated in disclosure "102-11 Precautionary Principle or approach". Management Company of Baltic Horizon Fund requires that external service providers, employees and all other relevant stakeholder groups act in accordance to these internal policies and principles. These policies are updated and

reviewed regularly. Compliance officer of the Management Company is responsible for ensuring that these policies are taken into consideration in daily activities of Baltic Horizon Fund. All internal policies are approved by the Management Board of the Northern Horizon Capital Group.

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

Baltic Horizon acknowledges that its business expands beyond direct investment and management of real estate assets and impacts society at large. 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 in order to improve the wellbeing of those that are around us. By ensuring that our investment activities have a positive environmental and social impact, we put a strong emphasis on the benefits that our business can have to our stakeholders. We define 4 core groups of stakeholders that are key to the success of our business: **Investors:** we build relationships with our investors on transparency by ensuring strong performance together with positive ESG impact.

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

Partners: we continuously engage with our business partners to ensure smooth communication that is built on mutual values of trust, transparency and professionalism.

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

Baltic Horizon is planning to undertake stakeholder materiality analysis in 2020 to reaffirm key ESG topics for each individual stakeholder group. List of primary stakeholder groups is provided in the table below.



Stakeholder Group	Ways of Engagement	Frequency of Engagement	Key Topics
Investors	Calls, meetings	Ad hoc	Business strategy, ESG strategy
	Financial reports	Quarterly and annual	Business performance, financial results
	Annual general meeting	Annual	Business performance, business strategy, financial results
	Surveys	Annual	Application of market accepted ESG standards and frameworks, ESG strategy
Tenants	Satisfaction surveys	Annual	Satisfaction with property management, quality of premises, communication, sustainability
	Meetings	Ad hoc	Asset management strategy
Partners	Meetings	Monthly, ad hoc	Property performance and results, ongoing property related matters, ESG strategy implementation, consumption data, energy efficiency
Employees	Satisfaction surveys	Once every 2-3 years	Employee satisfaction, engagement and commitment to the firm, involvement in ESG activities
	Performance reviews	Annual	Personal and professional growth, development goals
	Training	2-4 times a year	Training on relevant policies, professional training, ESG training
	Strategy meetings	Annual	Business strategy, ESG strategy, goals for upcoming periods

Source: Baltic Horizon Fund

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 Fund management team after a series of individual interactions with stakeholders over the course of 2019. However, a comprehensive materiality analysis is required to understand the scope and full list of material ESG topics that are relevant to different stakeholder group. This will help shape ESG strategy of the Fund and will be foundational to the contents of future sustainability reports. Management team of the Fund is planning to undertake materiality analysis over 2020.

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

- **Consumption data:** Baltic Horizon being one of the largest real estate asset owners in the Baltics pays close attention to its business impact on the environment and wider society. We understand that our real estate activities have a direct impact to

various stakeholder groups, and we want to make sure that this impact is positive to the best of our capabilities. In accordance to our Responsible Investment policy, we consider it important tracking the consumption metrics of the Fund's portfolio and seeing an improvement of these consumption metrics over time in order to make sure that our investment and asset management activities are not harming the environment and society. Currently Fund tracks property level consumption indicators on four data segments (energy, water, waste and GHG) that are collected annually starting from 2019. The information is then aggregated at portfolio level to indicate portfolio level consumption and estimate consumption intensities. We are planning to monitor this information on continuous basis and disclose portfolio level data annually in either separate ESG reports or integrated in annual reports of Baltic Horizon. All consumption data indicators and concerns as well as additional information related to these indicators are covered in section "Consumption Data" of this report.

- **Employee satisfaction and development:** people in Baltic Horizon is one of the key elements ensuring success of the Fund. We are trying to put specific



emphasis at empowering our staff by making sure that they have abundant development opportunities and are happy with the working environment. Baltic Horizon Fund raises high professional standards to its staff, so it only makes sense that our colleagues ask for similar level of care and attention for their wellbeing as well. To ensure effective feedback loop, employee satisfaction surveys are undertaken in the company regularly, with the latest survey taking place in December 2019. We were happy to see that overall engagement was given an average score of 4.67 out of 5 by our staff indicating high level of satisfaction of our colleagues. The survey allowed to identify key areas for improvement, which serve as the foundation to the employee satisfaction improvement plan for 2020. Improvement of employee satisfaction is an evolving process and we are continuously monitoring employee wellbeing and make changes to employee satisfaction improvement plan to adhere to different circumstances. More information on employee development and training throughout 2019 is provided in GRI disclosure 404.

- **Employee diversity:** in Baltic Horizon we are trying to provide equal opportunities and retain equality within our ranks. We are happy to see that in both the governance bodies and staff supporting Baltic Horizon we are able to maintain a gender balance. Furthermore, we are excited that Baltic Horizon is driven by a varied staff of people representing different age groups and nationalities which provides us with a depth of experience and knowledge. For more information on diversity of employees and governance bodies refer to GRI disclosures 102-8 and 405-1.
- **Business ethics:** Baltic Horizon Fund being a regulated closed-end contractual investment fund listed on two stock exchanges is subject to strong legal and regulatory supervision. This supported by our own internal governance standards creates a business environment where ethics and appropriate code of conduct are important factors governing our daily business decisions. Maintaining high standards of code of conduct paired with principle of zero tolerance for corruption or any form of illegal behavior is imperative in our business where we are dealing with a large number of external partners. To make sure that all staff of Baltic Horizon Fund fosters same ethical principles and behavior regular compliance training sessions are held. Further to that, all employees of Baltic Horizon Fund

must be compliant to a list of internal business ethics policies that consist of Code of Conduct, Anti-corruption policy and other supporting policies and internal documents. Additional information regarding compliance training is provided in GRI disclosures 205.

102-48 Restatements of information

102-49 Changes in reporting

102-51 Date of most recent report

This is the first sustainability report of Baltic Horizon.

102-50 Reporting period

102-52 Reporting cycle

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

102-53 Contact point for questions regarding the report

Contact point for questions regarding the report: Tarmo Karotam, Fund Manager Baltic Horizon at tarmo.karotam@nh-cap.com, Katre Plaan, Portfolio Manager Baltic Horizon at katre.plaan@nh-cap.com, Dovydas Janulaitis, Associate (Investment Strategy) at dovydas.janulaitis@nh-cap.com.

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

102-56 External assurance

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

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

205-3 Confirmed incidents of corruption and actions taken

Baltic Horizon Fund is managed by maintaining 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. Management Company of Baltic Horizon has a series of governing documents and policies indicating sets of principles for transparent and ethical business behaviour, backbone of which are Code of Conduct and Anti-corruption policy together with a series of other supporting documents. All policies are reviewed on regular basis and approved by the Management Board of Northern Horizon Capital Group.



In spring 2019, a training session was held for all employees (including all employees that are members of internal governance bodies) of Baltic Horizon to communicate latest changes on updated Anti-corruption, Gifts & Entertainment and Conflicts of Interest policies. During the training session colleagues were also presented with various case studies that illustrate possible business scenarios which employees might expect to encounter in their day-to-day operations. Training sessions regarding compliance with internal company policies are obligatory to all company employees. If the employee cannot participate in the training session, they are required to review training materials and can consult relevant people within the company if they have any questions. Separate training session to members of the Supervisory Board of the Fund was not held.

No cases of corruption have been identified within Management Company of Baltic Horizon Fund in 2019.

404-3 Percentage of employees receiving regular performance and career development reviews

We believe that personal employee development is a key element for continued success of Baltic Horizon Fund, so annual performance and career development reviews are important internal procedures to support growth of the staff. As such in 2019 a new format of employee review process was introduced in Northern Horizon Capital Group of companies – 360-degree feedback assessment – to evaluate performance of colleagues in 2018 and 2019. This performance review tool allows employee to self-evaluate individual performance as well as collects feedback from immediate peer group to provide a comprehensive and exhaustive feedback to the individual over their performance and provide support for continued improvement.

In the 2019 employee performance review from a total of 17 colleagues that work with Baltic Horizon Fund, 100% of employees participated in the performance review process and received individualized feedback with a detailed summary report. Additionally, all employees had separate feedback sessions with the head of HR and their immediate supervisor to discuss the performance over 2019 and identify key areas for improvement over 2020.

405-1 Diversity of governance bodies and employees

Governance bodies of Baltic Horizon Fund 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 2019 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 2019 of Baltic Horizon Fund.

	2019	2018
Man. Board of the Management Company		
Total	3	3
Women	1	1
Below 30	-	-
30-50	1	1
Above 50	-	-
Men	2	2
Below 30	-	-
30-50	1	1
Above 50	1	1
Sup. Board of the Management Company		
Total	3	3
Women	2	3
Below 30	-	-
30-50	2	3
Above 50	-	-
Men	1	-
Below 30	-	-
30-50	1	-
Above 50	-	-
Sup. Board of the Fund		
Total	4	4
Women	-	-
Below 30	-	-
30-50	-	-
Above 50	-	-
Men	4	4
Below 30	-	-
30-50	-	-
Above 50	4	4

Source: Baltic Horizon Fund

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



102-55 GRI content index

GRI Standard	Disclosure	Page number(s) and / or URL(s)	Comments / Omissions
GRI 101: Foundation 2016	-	-	No disclosures under this GRI standard
Organizational Profile			
GRI 102: General Disclosures 2016	102-1 Name of the organization	Page 2, Annual Report 2019	-
	102-2 Activities, brands, products, and services	Page 2, Annual Report 2019	-
	102-3 Location of headquarters	Page 2, Annual Report 2019	-
	102-4 Location of operations	Page 2, Annual Report 2019	-
	102-5 Ownership and legal form	Page 2, Annual Report 2019	-
	102-6 Markets served	Page 2, Annual Report 2019	-
	102-7 Scale of the organization	Page 3, 6, 92, Annual Report 2019	-
	102-8 Information on employees and other workers	Page 8	-
	102-9 Supply chain	Page 8-9	-
	102-10 Significant changes to the organization and its supply chain	Page 8-9	-
	102-11 Precautionary Principle or approach	Page 9	-
	102-12 External initiatives	-	Baltic Horizon Fund does not participate in any external initiatives
	102-13 Membership of associations	Page 9	-
Strategy			
GRI 102: General Disclosures 2016	102-14 Statement from senior decision-maker	Page 2	-
Ethics and Integrity			
GRI 102: General Disclosures 2016	102-16 Values, principals, standards and norms of behavior	Page 42, Annual Report 2019, Page 9	-
Governance			
GRI 102: General Disclosures 2016	102-18 Governance structure	Page 39-40, Annual Report 2019	-
Stakeholder Engagement			



GRI 102: General Disclosures 2016	102-40 List of stakeholder groups	Page 9-10	-
	102-41 Collective bargaining agreements	-	No such agreements are made in the Management Company of Baltic Horizon Fund.
	102-42 Identifying and selecting stakeholders	Page 9-10	-
	102-43 Approach to stakeholder engagement	Page 9-10	-
	102-44 Key topics and concerns raised	Page 9-10	-
Reporting Practice			
GRI 102: General Disclosures 2016	102-45 Entities included in the consolidated financial statements	P. 95, Annual Report 2019	
	102-46 Defining report content and topic Boundaries	Page 10-11	
	102-47 List of material topics	Page 10-11	
	102-48 Restatements of information	Page 11	
	102-49 Changes in reporting period	Page 11	
	102-50 Reporting period	Page 11	
	102-51 Date of most recent report	Page 11	
	102-52 Reporting cycle	Page 11	
	102-53 Contact point for questions regarding the report	Page 11	
	102-54 Claims of reporting in accordance with the GRI Standards	Page 11	
	102-55 GRI content index	Page 13-15	
102-56 External assurance	Page 11		
Management Approach			
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	Page 10-11	
	103-2 The management approach and its components	Page 10-11	
	103-3 Evaluation of the management approach	Page 10-11	
Topic-Specific GRI Standards			
GRI 205 Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	Page 11-12	
	205-3 Confirmed incidents of corruption and actions taken	Page 11-12	



GRI 302: Energy	302-1 Energy consumption within the organization	Page 4-5	
	302-3 Energy intensity	Page 4-5	
GRI 303: Water and Effluents	303-5 Water consumption	Page 5	
	305-1 Direct (Scope 1) GHG emissions	Page 6	
GRI 305: Emissions	305-1 Energy indirect (Scope 2) GHG emissions	Page 6	
	305-4 GHG emissions intensity	Page 6	
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	Page 5-6	No data reported in this section. Methods for correct data representation are under investigation
GRI 404: Training and Education	404-3 Percentage of employees receiving regular performance and career development reviews	Page 12	
GRI 405: Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	Page 12	



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.

GRI

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

INREV

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

Management Company

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

Northern Horizon Group

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

SIPA

Scandinavian International Property Association.

TCFD

The Financial Stability Board Task force on Climate-related Financial Disclosures (TCFD) is a market driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.

UN PRI

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