

Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Baltic Horizon Fund

Legal entity identifier:
5299008IKT93E4SA0G49

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective:** ___%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It will make a minimum of **sustainable investments with a social objective:** ___%

It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but **will not make any sustainable investments**

What environmental and/or social characteristics are promoted by this financial product?



This financial product promotes environmental and social characteristics such as GHG emission reduction and environmental certification. When investing in new assets, Baltic Horizon Fund (the Fund) will focus on locations that allow access to services by walking, cycling and public transport.

In connection to promoting environmental characteristics the Fund has the following targets:

- Operational in-use net zero carbon by 2030

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

- 100% fossil-free electricity by 2030 across all real estate assets in the portfolio;
- 100 % certified (BREEAM in use or similar standard) assets by 2030;
- 100% green lease clauses signed by the tenants to ensure tenant collaboration on a best-effort basis on sustainability matters.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

Each promoted characteristic is monitored separately based on the relevant metric:

- (i) percentage of the assets in the portfolio that use fossil-free electricity,
- (ii) percentage of non-fossil electricity in the portfolio,
- (iii) portfolio’s operational in-use GHG emissions scope 1-3
- (iv) percentage of portfolio certification coverage, and
- (v) percentage of the portfolio where tenants signed the green lease clauses.

● ***What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?***

The Fund has not committed to making a minimum amount of sustainable investment.

However, the Fund screens the new investments (during the due diligence procedure) and the current investments (at least annually) for substantial contribution to the environmental objective of climate change mitigation either for sub-objective 7.1 (Construction of new buildings) or sub-objective 7.7 (Acquisition and ownership of buildings) and reports the percentage of assets that are taxonomy aligned annually in connection to the periodic report annexed to the annual report of the Fund as required by sustainable finance disclosure regulation (2019/2088) (“SFDR”) Article 11.

● ***How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?***

The Fund has not committed to making a minimum amount of sustainable investment.

— *How have the indicators for adverse impacts on sustainability factors been taken into account*

The Fund has not committed to making a minimum amount of sustainable investment.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

However, the Fund screens the new investments (during the due diligence procedure) and the current investments (at least annually) against the selected principal adverse impact indicators for real estate assets.

— — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:*

The Fund has not committed to making a minimum amount of sustainable investments.

However, the Fund has OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights incorporated in the Responsible investment policy and Minimum Safeguards Policy also risk management procedures and processes.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, _____

No

The Fund aims to reduce the principal adverse impacts of its investment decisions where possible and feasible. Fund intends to screen the new investments (during the due diligence procedure) and the current investments (at least annually) against the principal adverse impact indicators for real estate assets. The principal adverse impacts are reported annually in connection to the Fund’s annual report.

The principal adverse impact indicators the Fund considers are:



1. exposure to fossil fuels through real estate assets,
2. exposure to energy efficient assets,
3. energy consumption intensity,
4. waste production in real estate asset, and
5. GHG emissions of its real estate assets.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What investment strategy does this financial product follow?

The Fund's primary focus is to invest directly in commercial real estate located in Estonia, Latvia and Lithuania with a particular focus on the capitals - Tallinn, Riga and Vilnius. The Fund's focus is on established cash flow-generating properties with the potential to add value through active management within the retail, office, leisure and logistics segments in strategic locations and strong tenants or a quality tenant mix and long leases. Up to 20% of the Fund's assets may be allocated to investments of a more opportunistic nature such as forward funding development projects and undeveloped land purchases. The Fund aims to have LTV 50 % or lower. At no point in time may the Fund's leverage exceed 65%. The Fund aims to grow through making attractive investments for its investors while diversifying its risks geographically, across real estate segments, tenants and debt providers.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The Fund follows Northern Horizon Group's Responsible Investment policy according to which all new investments are screened during the due diligence process for the environmental characteristics such as energy rating, green building certification (e.g. BREEAM, LEED), use of non-fossil electricity. In connection to the investment decision the Fund evaluates the attainment of the characteristics and financial implications for attaining the promoted characteristics.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

Not applicable. The Fund does not have investments that do not promote E/S characteristics outside of cash or cash equivalents that are held for sufficient liquidity.

- **What is the policy to assess good governance practices of the investee companies?**

The Fund acquires real estate assets that are placed in special purpose vehicles for the benefit and purpose of housing these real estate assets. Therefore, the

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

To comply with the EU Taxonomy, the criteria for fossil gas include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For nuclear energy, the criteria include comprehensive safety and waste management rules.



Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

governance practices of these entities are not assessed. However, the management company of the Fund upholds itself to the highest corporate governance practices and all relevant regulations. Good governance principles are also an integral part of the Fund management that also stretches to special purpose vehicles holding the real estate assets.

The Fund has OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights incorporated in the Responsible investment policy and Minimum Safeguards Policy also risk management procedures and processes.

What is the asset allocation planned for this financial product?

Fund plans to invest up to 96 % of its assets to real estate that promote the E/S characteristics. The other remaining portion of the investment amounting up to 4 % could be held in form of cash or cash equivalents to maintain sufficient liquidity. The Fund does not intend to hold a minimum portion of sustainable investments.

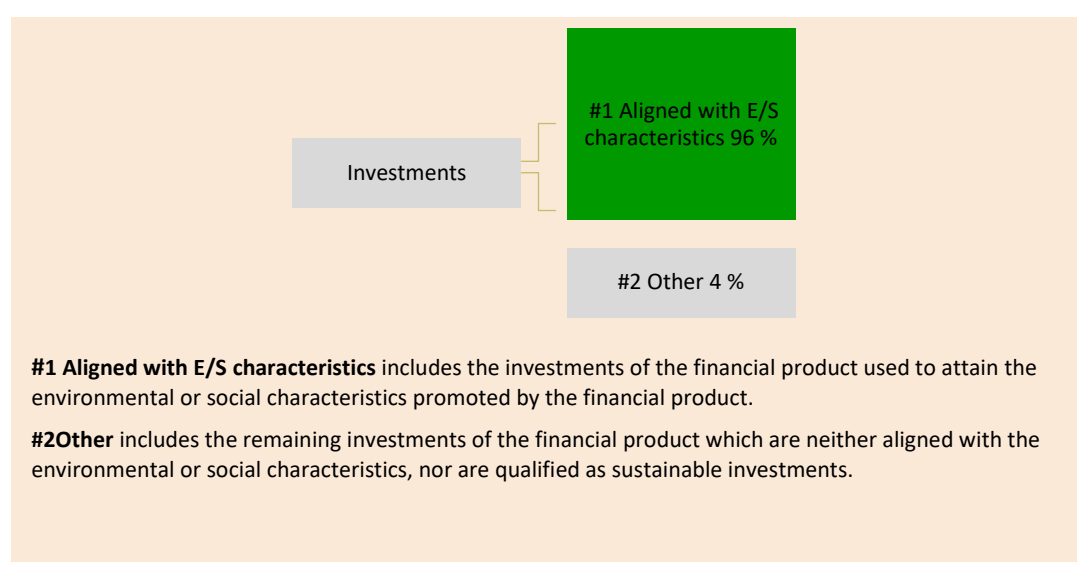
● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not use derivatives to attain to environmental objectives it promotes.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund is not committed to holding a minimum amount of sustainable investment.



- Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?

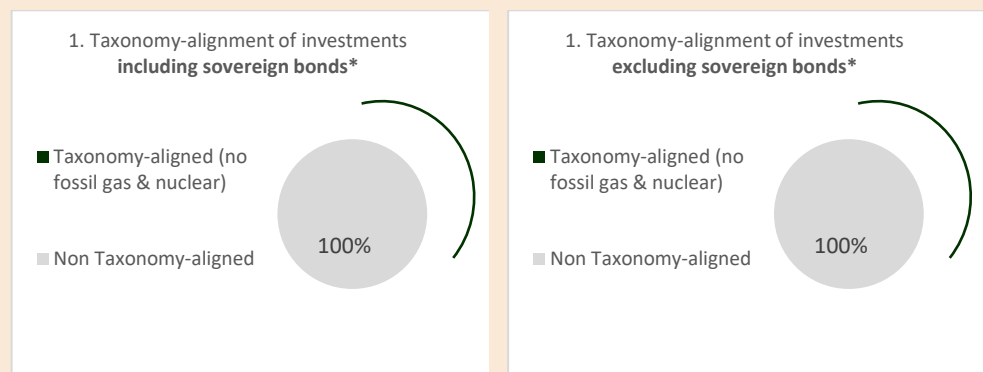
Yes:

In fossil gas

In nuclear energy

No

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

- What is the minimum share of investments in transitional and enabling activities?

0 %.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy? [

0 %



What is the minimum share of socially sustainable investments?

0 %



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are

sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

#2 Other up to 4 % of the Fund's assets could be held in form of cash or cash equivalents to maintain sufficient liquidity. Notably, the aim of the Fund is to invest in real estate assets meeting the investment strategy of the Fund.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

No benchmark has been designated.

- **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

N/A

- **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

N/A

- **How does the designated index differ from a relevant broad market index?**

N/A

- **Where can the methodology used for the calculation of the designated index be found?**

N/A



Where can I find more product specific information online?

More product-specific information can be found on the website:

More product-specific information can be found on the website:

<https://www.baltichorizon.com>

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.