



Northern Horizon Group Responsible Investment Policy

November 2023

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1. Introduction

At Northern Horizon Capital A/S and its subsidiaries (“**Northern Horizon**”) we acknowledge that our real asset activities affect the society and environment around us, and that we have an opportunity and responsibility to ensure this impact is positive. We also believe that efficient and sustainable operations are a necessity for long-term value creation. Consequently, we are committed to taking responsibility when conducting our business by integrating environmental, social and governance (“**ESG**”) factors into our investment decisions and operational processes. This also mean that we are committed to ensure compliance of our activities with internationally recognized minimum standards of responsible business conduct and respect of human rights (the “**Minimum Safeguards**” as further described in Section 3). This document outlines the main ESG guiding principles and Minimum Safeguards, as well as the steps that are applicable to business operations of Northern Horizon.

This policy will address in chapter 2 Northern Horizon’s approach to human rights and in chapter 3 Northern Horizon’s 10 guiding principles on responsible investment. Chapter 4 will address Northern Horizon’s Net Zero commitment and chapter 5 procedure to amend this policy.

In this policy sustainability factors or ESG factors shall mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.¹ Sustainability risk or ESG risk shall mean an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.² Principal adverse impacts on sustainability factors shall mean as those impacts of investment decisions and advice that result in negative effects on sustainability factors.³

In addition to this policy on Responsible Investment and Minimum Safeguards, Northern Horizon has implemented People policy, Code of Conduct, Corporate Responsibility policy, Anti-Corruption policy and Tendering process guidelines to address responsible business conduct and wellbeing of its own employees.

¹ Art. 2(24) of the REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector (“**SFDR**”).

² SFDR Art. 2(22)

³ SFDR recital 20.

2. Human Rights Policy

Internationally recognized human rights are understood as a minimum the rights set out in the Universal Declaration of Human Rights; The United Nations Convention on Civil and Political Rights and the UN Convention on Economic, Social and Cultural Rights, as well as the principles of fundamental rights ensured by the ILO Declaration on Fundamental Principles and Rights at Work.

Our human rights policy is based on the internationally recognized minimum standards of responsible business conduct as expressed in the United Nations Guiding Principles on Human Rights and Business (“**UNGP**”) and the OECD Guidelines for Multinational Enterprises (the “**Minimum Safeguards**”), which are also reflected in the UN Global Compact.

Northern Horizon, its subsidiaries and employees are committed to respecting internationally recognized human rights. Northern Horizon conducts human rights risk assessment regularly in accordance with its human rights risk assessment methodology annexed to this policy (Annex 1) . We assess on an ongoing basis potential and actual negative impacts on these rights in order to prevent, remedy or stop such impacts and explain how we handle these. We analyze, identify and act in close dialogue with relevant internal and external stakeholders.

Where we have not caused or are at risk of causing a negative impact, we will end or remedy our possible involvement but also through appropriate actions use our leverage to prevent or remedy effects when these are caused by our business relationships.

We will establish or cooperate through legitimate processes (such as grievance mechanisms for those affected) with a view to remedying negative impacts on human rights in cases where they have established that we have caused or contributed to such a violation.

Expectations for management and employees

Everyone has a responsibility to ensure that we respect human rights and act if we identify potential or real negative impacts on human rights. We will therefore ensure that the policy is integrated into NHC, e.g. through business procedures, employee development, training programs, incentives and reporting.

Expectations for our business relationships

NHC expects that our business relationships will respect internationally recognized human rights in accordance with the above-mentioned minimum standards. This includes that they share their experiences with us and other relevant stakeholders, as well as inform us of significant potential and actual negative impacts.

The policy is further reflected in our operational policies and procedures in order to ensure integration throughout the Northern Horizon.

3. The 10 Guiding Principles

To govern our responsible investment, as well as adherence to the Minimum Safeguards, Northern Horizon has defined 10 ESG guiding principles (“**Guiding Principles**”) applicable to the Northern Horizon group and to the funds/vehicles we manage. These principles are complemented by fund specific sustainability strategy and/or considerations. Any exemptions to this policy should be accepted by at least two board members.

To ensure the effective implementation of the Guiding Principles, the following operational instructions are offered to the management and employees of Northern Horizon:

Principle 1: Alignment

1. The Head of Sustainability will report as per request to the CEO on the status of sustainability and Minimum Safeguards in light of overall business activities on an ongoing basis.
2. The Head of Sustainability and/or the CEO will report to the Northern Horizon Board of Directors (“Board”) at least once a year on the status of sustainability and Minimum Safeguards in light of overall business activities.
3. The review shall include internal assessments year-on-year and, if deemed relevant, assessments against peers.
4. Northern Horizon will review this policy every two years, or should a need arise, and align principles of this policy with the wider goals and objectives of its stakeholders and wider society.

Principle 2: Management

1. Overall responsibility for this policy lies with the CEO. CEO is supported by Head of Sustainability.
2. To ensure Policy’s implementation, from the recommendation of Head of Sustainability, the CEO appoints an ESG Task Force. ESG Task Force shall comprise of:
 - a. CEO or other members of C-suite staff;
 - b. Head of Sustainability;
 - c. Fund managers of selected funds;
 - d. Asset managers; and
 - e. any other member(s) from Northern Horizon deemed appropriate to be invited to participate to a meeting of ESG Task Force.
3. ESG Task Force is lead by the Head of Sustainability and it will meet at least once per quarter to discuss progress and all relevant ESG and human rights impact developments and improvements for individual funds/entities and Northern Horizon.
4. ESG Task Force may recommend and present fund specific actions in accordance with the fund’s sustainability targets.
5. Each fund manager is responsible for ensuring fund/vehicle and asset compliance with this policy in collaboration with the Task Force.

Principle 3: Compliance

1. In order to ensure compliance with sustainability related regulation, Risk Management, Head of Sustainability and Compliance Officer will monitor key sustainability and human rights legislation developments, alerting the fund managers to upcoming changes that may affect investments (planned and present).

Principle 4: Investments

1. ESG factors are to be considered as part of any due diligence process on a targeted investment and a summary conclusion provided as part of the investment proposal as further instructed by Northern Horizon Investment Policy.
2. For the purpose of assessing sustainability factors and risks in relation to investments, special-purpose questionnaires will be used.. This questionnaire will cover relevant sustainability matters including but not limited to:
 - a. Assessment of energy performance – energy supply and access to renewable energy, sources of energy consumption data, energy ratings, building certification, emissions and other relevant topics and as laid down in applicable regulation;
 - b. Assessment of environmental aspects – building materials, contamination, water efficiency, water supply, waste management, EU taxonomy⁴ alignment, green lease provisions and other relevant topics;
 - c. Assessment of social aspects – building safety, indoor environmental quality, health and wellbeing, , tenant and landlord ESG collaboration, other relevant topics;
 - d. Risks associated with new construction and renovations – site selection, biodiversity, developer selection, their commitment to the Minimum Safeguards, waste management, building materials and other relevant topics;
 - e. Other topics – access to transport links, regulatory risks, review of climate change related transition, physical and social risks, as well as human rights risk and should it be relevant for a specific fund, principal adverse impact indicators.
3. Northern Horizon will use best efforts to include green lease clauses in all new lease agreements and renewals of existing leases. Possible green lease clauses might include agreements of consumption data sharing, preference over renewable energy forms, landlord assistance in relation to refurbishment projects and other matters related to ESG coordination deemed material at time to time.
4. Northern Horizon uses its best efforts to incorporate ESG impacts (costs and income) into applied financial investment models.
5. Funds/entities managed by Northern Horizon will incorporate ESG and Minimum Safeguards related items to the annual budgets of both the fund/entity and at property level to cover following items:
 - a. Property level upgrades, as applicable, to reduce energy and water consumption, improve waste management, decrease property level emissions or other property level upgrades resulting in a more efficient operations of the building;
 - b. Advisory costs related to guidance on ESG and Minimum Safeguards specific topics such as reporting, ESG risk assessment, human right impact assessment and performance measurements;
 - c. Other costs related to ESG strategy and adherence to Minimum Safeguards.

⁴ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

Principle 5: Targets

1. As part of product formation, funds/entities managed by Northern Horizon shall be subject to written objectives and performance targets, related to ESG and Minimum Safeguards.
2. With the assistance of Head of Sustainability, each fund manager is responsible for defining long-term ESG objectives and performance targets for respective funds/entities, as well as assessing the potential impact on human right aspects. All objectives and performance targets must consider material impact on the value of the portfolio and its stakeholders, as well as any negative impact on sustainability factors.
3. Fund managers are responsible for tracking ESG performance, in collaboration with the ESG Task Force.
4. Senior staff of Northern Horizon will have performance targets defined and reviewed annually during performance reviews in accordance with the Northern Horizon Compensation policy. Northern Horizon will raise performance targets to the following groups of staff:
 - a. C-suite level staff (CEO, CFO, directors, etc.): individual performance targets for C-suite level staff will be associated with ESG improvements and adherence to the Minimum Safeguards on the entire Northern Horizon group level;
 - b. Investment teams (fund manager, portfolio manager, etc.): individual performance targets of investment teams will be directly associated with performance improvements of the portfolio under their management.

Principle 6: Reporting & Disclosure

1. All data relevant to sustainability will be periodically collected, and where possible benchmarked to assess both absolute and relative performance. To the extent possible, Funds/entities will collect data across four data categories at minimum:
 - a. Energy consumption including renewable energy;
 - b. Water consumption;
 - c. Greenhouse gas emissions (such as CO₂, CH₄, N₂O or other) scopes 1-3 as defined by the Green House Gas Protocol;
 - d. Waste management.
2. All new funds/entities managed by Northern Horizon will be subject to ESG performance monitoring and reporting. Funds/entities will report on ESG performance and the Minimum Safeguards at least once per annum in a form of a standalone ESG report, section in the annual report or any other applicable means.
3. All performance and consumption data should be processed and stored by using appropriate tools and in accordance with preferred industry metrics and standards. Such processing can be external.
4. Northern Horizon shall disclose a statement on the 10 principles of this policy along with a reference to the industry frameworks to which the group subscribes on its corporate website.

Principle 7: Communication & Collaboration

1. Northern Horizon recognizes that sustainability impacts are made in co-operation with our stakeholders. Through our active ownership and dialogue with Northern Horizon's key stakeholders such as property managers, developers and tenants, we have the opportunity to influence ESG risks and opportunities.
2. Northern Horizon's Head of Sustainability, Asset and Fund managers actively engage with our key stakeholders with the goal of improving sustainability and addressing controversies.
3. Fund managers may share data with stakeholders on best practices and peer performance to encourage and facilitate self-action.
4. Fund manager shall make reasonable efforts to ensure access to all relevant ESG data and stakeholder commitment through surveying, goodwill dialogue, and/or contract negotiations.

Principle 8: Industry

1. Northern Horizon or funds/entities managed by Northern Horizon subscribe as members and signatories to the following leading ESG frameworks:
 - a. INREV Compliance Framework;
 - b. UN Principles of Responsible Investment (PRI);
 - c. Global Real Estate Sustainability Benchmark (GRESB).

Principle 10: Sustainability Risk Management

1. Funds/entities managed by Northern Horizon will take measures to systematically track and monitor ESG and climate change related risks by employing market accepted standards and practices. Monitoring of ESG risks is further specified in Northern Horizon Internal Control and Risk Management frameworks and will cover at least following types of risks:
 - a. Transitional risks: risks associated with decarbonization of economy and challenges associated with these changes such as changes in legislation, access to green energy, social risks and other;
 - b. Physical risks: risks associated with physical standing of the buildings due to changing climate patterns such as risk of flooding, tornadoes, fires and other;
 - c. Other sustainability risks: other relevant risks that may have a negative impact on the value of the investment such as operational risk, or legal and compliance risk with increasing level of sustainability related regulation.
2. All new funds/entities launched by Northern Horizon will include assessment of ESG and climate change related risks to their investment strategy.
3. Northern Horizon at entity and/or fund level will conduct human rights due diligence. This human rights risks assessment described in chapter 2 involves conducting risk assessment, covering stakeholders in the entire value chain, and identifying actual and potential impacts on human rights and preventing and mitigating those impacts (*for further guidance please refer to Northern Horizon Human Rights risk assessment methodology*).

4. Net Zero Target

Northern Horizon and its managed funds/entities aim to achieve net zero carbon emissions from its operations by 2030 (including carbon offsets). This means that all asset portfolios managed by Northern Horizon will aim to be energy efficient and will aim to use on-site and / or off-site sources of renewable energy, as defined by World Green Building Council. Northern Horizon will aim to achieve this target by:

- Phasing out energy sources with high carbon footprint and gradually shifting to renewable sources of energy;
- Increasing energy efficiency of buildings to reduce overall energy consumption.

Northern Horizon will update on the progress of this commitment as described in principle 6. Reporting & Disclosure.

5. Updating and Amending

This Policy shall be reviewed every two years or should the need arise, and updated whenever needed, by the Board of Directors of Northern Horizon or the Compliance Board.