

Article 4 Statement

Summary

This document summarises Northtree’s due diligence policies and procedures in respect of the principal adverse impact (“PAI”) of our investment decisions on sustainability factors. The statement is published in accordance with Article 4 of the EU Sustainable Finance Disclosure Regulations (“SFDR”) and covers the reference period 1 January 2022 – 31 December 2022.

This document is divided into four sections:

1. A description of the principal adverse sustainability impacts and of any actions taken or planned.
2. Information about our policies on the identification and prioritisation of principal adverse sustainability impacts and indicators.
3. A brief summary of our engagement policies.
4. A reference to Northtree’s adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting.

1. Description of principal adverse sustainability impacts

Northtree’s investment strategy focuses on acquiring existing commercial real estate assets and holding them for an average period of five years before disposal. As part of Northtree’s due diligence process, all potential investments are formally assessed under a set of specified responsible investment criteria and are evaluated based on short- and medium-term effects across various sustainability factors, aligned with the timeframe of the investment strategy.

Sustainability risks could arise at any stage of the real estate investment lifecycle, which from Northtree’s perspective include acquisition, asset management and ownership, refurbishment and disposal.

To mitigate these risks, Northtree monitors its assets to identify and manage the impact of any PAIs, or their risk of occurring, and take suitable action. As with sustainability risks, PAIs on sustainability factors are screened, monitored and measured at asset level and aggregated at entity level. These mandatory indicators will be included in Northtree’s statement for the first reference period (i.e. the calendar year 2022).

Northtree currently monitors, so far as it is able, the following PAIs on sustainability factors.

Table 1: PAIs taken into account on investment decisions

Adverse sustainability impact (PAI)	Metric
Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport, or manufacture of fossil fuels (% of portfolio floor area)
Energy efficiency	Share of investments in energy-inefficient real estate assets (Energy Performance Certificate profile, rating by % portfolio floor area)
Greenhouse Gas (GHG) Emissions	Scope 1 and 2 (landlord) emissions
	Scope 3 (tenant) emissions
	Total GHG emissions
	Carbon intensity (kgCO ₂ /m ² /year)
Energy consumption	Energy consumption intensity (kWh/m ² /year)

In line with the regulatory timeline (30 June each year) we will update the metrics we report on to be consistent with the requirements of the RTS, which sets out the proposed content, methodologies and presentation of sustainability-related disclosures under the relevant Articles of SFDR.

2. Description of policies to identify and prioritise adverse sustainability impacts

The Northtree portfolio does not have a sustainable investment objective, but promotes environmental and social characteristics by integrating sustainability factors throughout the acquisition process and asset management strategy, in accordance with Article 8 of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability related disclosures in the financial services sector. Our ESG approach is set by our Board, who are advised by our Head of ESG. This approach aims to identify, monitor and incorporate sustainability risks and opportunities into investment selection, asset management and ultimately disposal.

A suite of policies and documents has been created to support our investment team, professional advisory team, property managers and contractors in carrying out our sustainability initiatives across all investment activities. This includes a materiality assessment to ensure the identification and prioritisation of key material risks and opportunities arising from our significant sustainability aspects. Assessing materiality helps us prioritise issues and focus efforts according to their importance to the business and our stakeholders. These risks are captured in a comprehensive risk register that provides a risk ranking in terms of high/medium/low risk, associated actions to mitigate risks, the residual risk ranking after mitigation and identifies a named individual responsible for each risk. Our ESG Policy sets out our sustainability commitments, including how we integrate sustainability risks into our investment process. This is supplemented by our Environmental Policy and Net Zero Carbon Pathway.

We seek to identify all possible opportunities to improve sustainability credentials at asset level through using detailed ESG Asset Improvement Plans throughout the hold period.

3. Engagement policies

We define our stakeholders in our Stakeholder Engagement Strategy. Our policy regarding engagement is set out in our Stakeholder Engagement Policy, Sustainable Procurement Policy & Supplier Code of Conduct, Sustainability Policy, Net Zero Pathway and in our Occupier Handbooks.

We actively manage our real estate investments with regular and ongoing engagement with stakeholders to ensure we understand their needs, in order to manage sustainability risks and opportunities and to support long term profitability. Key engagement activities include the following:

Occupiers/tenants: As real estate investors, occupiers are our customers and we strive for good relationships with tenants to support their occupation. We seek to provide every tenant with a Net Zero Toolkit, explaining the aims of our Net Zero Pathway, the characteristics of their building/demise and the contribution they can make to our aims, within 60 days of acquisition of an asset. We conduct regular engagement activities both directly and via the property managers; and we seek to include green lease clauses in all new leases to support data collection and encourage good environmental practices.

Service providers: Key investment activities include due diligence, property management and occasionally refurbishment, all of which are supported by third party service providers. Our approach to procurement is set out in our Sustainable Procurement & Supplier Code of Conduct. In addition to providing them with this document, significant suppliers (e.g. property managers, main contractors and the professional advisory team) are met with regularly by the Head of Asset Management and/or the Head of ESG.

Investors: We have regular engagement with our investors to ensure that we understand and meet their investment requirements. We provide quarterly reporting including information on sustainability and provide a summary of environmental metrics in annual reports.

4. Reference to international standards

Northtree attained Pending B Corporation certification in our first year of operation. We are currently awaiting validation of our application for full certification. This underscores our commitment to align our investment strategy with our purpose, impact and culture. As part of this process, we have codified our values in our corporate governance, and made a binding pledge to consider the impact of our decisions on our staff, customers, suppliers, communities and the environment.

Northtree is also a signatory to the United Nations Principles for Responsible Investment (“UN PRI”) and the Net Zero Asset Managers initiative.