

Northtree Real Estate Partners Limited Partnership

STATUS UNDER THE EU SUSTAINABLE
FINANCE DISCLOSURE REGULATIONS
(SFDR)



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1. Introduction

Northtree Real Estate Partners Limited Partnership (hereafter “the Partnership”) invests, directly and indirectly, in UK sited commercial real estate and real estate related assets. The collective investment fund of the Partnership (hereafter “the Fund”) is categorised as one that meets the provisions set out in Article 8 of the EU Sustainable Finance Disclosure Regulations (Regulation (EU) 2019/2088 (“SFDR”)) as a product which promotes environmental and/or social characteristics.

The following information is provided pursuant to Article 10 (1) of the SFDR and covers the reference period 1 January 2024 – 31 December 2024.

2. Information in accordance with Article 10 (1) (a) and (b) of the SFDR

2.1. Summary

This financial product promotes environmental or social characteristics but does not have a sustainable investment objective.

The Fund promotes climate change mitigation through the adoption of greenhouse gas (GHG) emission reduction targets. A Net Zero Carbon Pathway has been devised for the Fund, which is aligned with the requirements of the Paris Agreement and aims to transition assets within the Fund to net zero GHG emissions by 2050, consistent with a maximum temperature increase of 1.5°C above pre-industrial levels. The Fund does not use a reference benchmark to attain its environmental or social characteristics.

The Partnership invests in UK sited commercial real estate and real estate assets. All potential investments are formally assessed under a set of specified responsible investment criteria and are evaluated based on short- and medium-term effects (aligned with the timeframe of the investment strategy) across various sustainability factors, listed in Section 2.10 below.

The Partnership's investment manager has a formal, documented Environmental, Social and Governance (ESG) Strategy that applies to the Partnership and the Fund. The investment manager is a signatory to the UN Principles for Responsible Investment (UN PRI) and a Pending B Corporation. Both the ESG Strategy and Net Zero Pathway include asset level and portfolio level requirements.

The sustainability indicators used to measure the attainment of each of the environmental or social characteristics promoted by this financial product are:

- Scope 1 and 2 (landlord) emissions
- Scope 3 (tenant) emissions
- Total GHG emissions (tonnes/year)
- Carbon intensity (kgCO₂/m²/year)
- Energy consumption intensity (kWh/m²/year)
- Energy Performance Certificate profile (rating by % portfolio floor area)
- Tenants receiving a Net Zero Toolkit within 60 days of acquisition (%)
- New leases containing green lease clauses (%)

2.2. No sustainable investment objective

This financial product promotes environmental or social characteristics but does not have sustainable investment as its objective.

2.3. Environmental or social characteristics of the financial product

The Fund promotes climate change mitigation through the reduction of GHG emissions. A Net Zero Carbon Pathway has been devised for the Fund, which is aligned with the requirements of the Paris Agreement and aims to transition assets within the portfolio to net-zero GHG emissions by 2050 consistent with a maximum temperature increase of 1.5°C above pre-industrial levels, taking into account the best available scientific knowledge including the findings of the Intergovernmental Panel on Climate Change (IPCC).

- **Reducing carbon footprint:** The Partnership aims to reduce carbon emissions linked to the Fund on a best efforts basis. The Partnership is committed to removing fossil fuel (gas) boilers from its assets where the opportunity arises. The Partnership has invested in a green buildings tool to gain insights at an individual property and portfolio level, help build business cases for sustainability improvements and analyse the progress of the asset management plans. In addition, the Partnership is also installing automated meter reading devices (AMRs) on all electricity and gas meters and submeters to obtain reliable and sufficiently granular data to monitor progress.
- **Improving energy efficiency:** For every asset acquired by the Fund, a plan to improve operational efficiency and reduce energy demand is developed in line with the Carbon Risk Real Estate Monitor (CRREM) 1.5°C pathway, aiming for a reduction in energy consumption across the Fund of 40% by 2027 and 50% by 2030 and a minimum EPC 'B' by disposal or 2030, whichever is soonest. With the help of best-in-class specialist external advisors, a detailed programme of capital expenditure is created for each asset, identifying asset management initiatives and accounting for tenant considerations in setting environmental and social KPIs.
- **Procurement of energy from renewable sources:** In accordance with the Net Zero Pathway, the Partnership will seek to increase the provision of on-site renewables across the Fund where possible and, where on-site energy generation is not possible or not sufficient for an asset's needs, procure landlord-controlled electricity from off-site renewable sources by means of green energy tariffs and PPAs.
- **Tenant engagement:** The Partnership's investment philosophy is based on proactive and collaborative engagement with tenants. Interaction with the tenants is aimed at increasing awareness and sharing knowledge, along with periodic data collection and monitoring. Dialogue is established by providing every tenant with a 'Net Zero Toolkit' upon acquisition, setting out the objectives of the Fund's Net Zero Pathway, providing a summary of their building/demise and any plans for improvement, and establishing the parameters for ongoing collaboration. 'Green Lease' clauses, in particular clauses requiring data sharing, are inserted into all new leases where possible.

2.4. Investment Strategy

The Partnership's principal investment policy is to invest, directly or indirectly, in UK sited commercial real estate and real estate related assets.

The Partnership shall not invest in residential property (unless such residential property is ancillary to the target Investments), listed securities or interests in other property funds.

The Partnership will generally not invest in developmental property, subject to the General Partner's discretion to invest in such property on an opportunistic basis (including, without limitation, the development of industrial property) or to take advantage of opportunities for change of use (each such Investment, a Development Investment).

The Fund investment strategy integrates ESG factors in the following ways:

- **Pre-acquisition:** During the pre-acquisition phase, both financial and ESG drivers of target assets are examined by the investment team to weigh up sustainability risks and opportunities as part of the investment due diligence process. The external professional advisory team has been educated on the Fund's ESG Strategy and Net Zero Pathway and provided with a detailed Request for Information (RFI) that specifies the information they are expected to collect. One or more members of the investment team carry out site visits and the asset is added to the Fund's green buildings tool. Using this information, the Fund's Head of ESG prepares an ESG Asset Improvement Plan, identifying actions against a list of ESG factors, and improvement costs (for example, of works required to meet the Fund's minimum EPC 'B' level) are factored into financial modelling. A summary assessment of the ESG factors relevant to an investment and the ESG risk screening is presented to the Investment Committee (IC) before its determination, enabling the IC to properly assess the ESG risk factors before determining whether to recommend an investment.
- **Asset Management:** The Partnership will ensure that all refurbishments are focused, innovative and tailored to occupier requirements by developing scopes of work that will deliver on the KPIs set out in the bespoke business plan. Assets will be monitored throughout the hold period and the ESG Asset Improvement Plan will be updated

annually and following any interventions. Stakeholders will be regularly updated with the last executed actions through quarterly investor reporting and regular (at least annual) updates to tenants.

- Disposal: At disposal, the vendor due diligence pack will include a bespoke carbon reduction plan, detailing any works carried out during the hold period, their impact on emissions, an up-to-date CRREM model and a future timeline showing other interventions that could be made to keep the asset on a 1.5°C trajectory. Historical energy consumption data will also be provided.

2.5. Proportion of investments

All investments considered by the Partnership will be done pursuant to the Fund's ESG Strategy and Net Zero Pathway. Although the Partnership promotes environmental and social characteristics for its investments, it will not invest specifically in sustainable investments with an environmental objective and therefore it does not assess the extent to which its portfolio is aligned with 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 ("the EU Taxonomy").

2.6. Monitoring of environmental or social characteristics

Sustainability indicators used to measure the attainment of the environmental or social characteristics described above are:

- Scope 1 and 2 (landlord) emissions
- Scope 3 (tenant) emissions
- Total GHG emissions (tonnes/year)
- Carbon intensity (kgCO₂/m²/year)
- Energy consumption intensity (kWh/m²/year)
- Energy Performance Certificate profile (rating by % portfolio floor area)
- Tenants receiving a Net Zero Toolkit within 60 days of acquisition (%)
- New leases containing green lease clauses (%)

2.7. Methodologies

The Partnership's investment manager, Northtree Investment Management Ltd has a formal, documented ESG Strategy that applies to the Partnership and the Fund and a formal, documented Net Zero Pathway for the Fund. Northtree is a signatory to the UN PRI and a certified B Corporation.

Both the ESG Strategy and Net Zero Pathway include asset level and portfolio level requirements.

Northtree's standard due diligence procedure includes a detailed questionnaire on ESG risks and allocates primary responsibility to members of the professional advisory team depending on the subject. ESG risks are defined by Northtree as "environmental, social or governance impacts that could have a negative material effect on the value of the investment, or that may be considered material by our stakeholders for reasons other than direct financial repercussions. These impacts could be generated as a result of changing regulatory or stakeholder requirements, shifting social norms, or physical and transitional climate-related issues." Overall responsibility for assessing this information sits with the Head of ESG. Upon acquisition, an onboarding process is carried out with provision of a 'Net Zero toolkit' to tenants prepared by the Head of ESG and signed off by the Head of Asset Management.

These reports will be factored into an asset management plan that will be monitored and evaluated against an agreed set of environmental and social performance metrics.

Where building improvements are to be made, they will align with the Net Zero Pathway. Where appropriate, Northtree will recommend to the Partnership incentives to encourage occupiers to implement improvements, depending on relative performance improvement (including carbon reduction) potential.

A suite of policies and documents has been created to support the 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 significant sustainability aspects. Assessing materiality helps prioritise issues and focus efforts according to their importance to the Partnership and its stakeholders. Risks are identified at asset level in the ESG Asset Improvement Plans and captured at portfolio level 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.

2.8. Data sources and processing

Given the nature of the investments (commercial real estate assets), the majority of information used by the investment team to evaluate potential investments is in the form of vendor due diligence reports, reports prepared on behalf of the Partnership by its professional advisory team and inspection of the assets by members of the investment team. The Partnership's environmental consultant procures site-specific environmental data from a third party specialist real estate data provider, Landmark. Each asset is analysed using the Carbon Risk Real Estate Monitor (CRREM) tool for a 1.5°C pathway. Northtree is currently in the process of evaluating providers of physical and transitional climate risk models for real estate in order to make a recommendation to the Partnership.

2.9. Limitations to methodologies and data

The team's approach to the assessment of ESG risks relies heavily on their real estate expertise and the expertise of their professional advisors. Northtree operates with a 'best-in-class' highly experienced and highly focused team. Northtree's three directors have +67 years of combined multi-cycle experience at Columbia Threadneedle and over 20 years experience of implementing ESG strategies, including through management of the Carbon Neutral Real Estate Fund 2014 – 2020. Northtree's Head of ESG has +20 years experience and is highly regarded in the industry. The team use reputable, highly experienced professional advisors with whom they have longstanding relationships. However, this approach is necessarily subjective in nature and particularly in the case of understanding the historical operational energy performance of an asset, heavily reliant on the provision of information by the previous owner and/or the tenants. In most cases, the team will have to rely on the base building energy efficiency rating provided by the EPC in making an assessment of the asset's energy performance.

We recognise the limitations of assessing complex risks based on imperfect data sets and using a variety of largely qualitative or semi-quantitative methodologies. These limitations are commonplace across the real estate sector. We have various workstreams underway to improve data collection and processing of assets in the Fund, including the installation of automated reading devices (AMRs) on all electricity and gas meters and submeters across the Fund to obtain reliable and sufficiently granular data to monitor impact on sustainability factors, working closely with our Property Managers to identify improvements, including green lease clauses in new leases wherever possible and procuring more detailed climate risk modelling data.

2.10. Due diligence

As part of Northtree's due diligence process, all potential investments will be formally assessed under a set of specified responsible investment criteria and evaluated based on short- and medium-term effects across various sustainability factors, aligned with the timeframe of the investment strategy. Assets will be screened against a comprehensive list of environmental and social criteria including (but not limited to):

- condition of building fabric, plant and equipment
- site aspects (e.g. accessibility/connectivity/degree of frictionless access)
- carbon footprint
- water & energy efficiency
- indoor air quality
- waste management
- flood risk
- fire risk
- known contamination and pollution
- occupier health & safety
- access to green space & impact on biodiversity
- relationship to local residents/communities

At disposal, a vendor due diligence pack will be provided including a bespoke carbon reduction plan detailing any works carried out during the hold period, their impact on emissions, an up-to-date CRREM model and a future timeline showing other interventions that could be made to keep the asset on a 1.5°C trajectory. Historical energy consumption data will also be provided.

2.11. Engagement policies

Northtree maintains a Stakeholder Engagement Strategy, Stakeholder Engagement Policy, Sustainable Procurement Policy and Supplier Code of Conduct, ESG Policy and Net Zero Pathway, all of which set out policy regarding engagement that applies to the Partnership and the Fund.

The Fund is managed with regular and ongoing engagement with stakeholders to ensure that Northtree understands their needs, in order to manage sustainability risks and identify opportunities on behalf of the Partnership and to support long term profitability of the Fund. 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 Policy & 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.

2.12. Designated reference benchmark

No index has been designated as a reference benchmark to meet the environmental or social characteristics promoted by this financial product.

3. Information in accordance with Article 10 (1) (c) of the SFDR

Principal adverse impacts (PAIs) are considered at the product level. Our Principal Adverse Impact Statement can be found in the Reporting section of Northtree's website [SFDR-Article-4-Disclosure.pdf \(northtreeim.com\)](https://www.northtreeim.com/SFDR-Article-4-Disclosure.pdf).

4. Information in accordance with Article 10 (1) (d) of the SFDR

Periodic reporting commenced from 1 January 2023 for the first reference period (calendar year 1 January 2022 – 31 December 2022). This information pertains to the second reference period (1 January 2023 - 31 December 2023).

