

Exercise of voting rights strategy

Effective as of May 11, 2016

General information

The purpose of this document is to define the principles and strategies for Avaron Asset Management („Avaron“) of when and how shareholder voting rights attached to the financial instruments held by public equity investment vehicles and any institutional investor discretionary accounts managed by Avaron are to be exercised.

Estonian and international corporate governance rules, ISS SRI International Proxy Voting Guidelines, as well as the United Nations Principles for Responsible Investment (UN PRI) serve Avaron as the basis for the exercise of voting rights.

Basic principles of voting policy

The following principles form a guiding framework by which Avaron executes its ownership responsibilities:

- i. **Long-term interests of shareholders.** The key objective of companies should be the creation of long term shareholder value.
- ii. **Protection of shareholder rights.** All shareholders should be given the opportunity to vote on all decisions concerning fundamental corporate changes. Companies should ensure that the rights of all investors are protected and equal treatment is guaranteed by respecting the principle of one share - one vote - one dividend. Capital increases should be carried out in a way to minimize dilution of existing shareholders.
- iii. **Independent and efficient board structure.** The board and its committees should include a strong presence of independent directors to allow an efficient oversight of the management.
- iv. **Proper incentive structure.** Compensation structures should be aligned with the long-term performance of the company, respect best market practices and be disclosed to shareholders in a clear and thorough way.
- v. **Proper disclosure.** Companies should ensure that timely and accurate disclosure is made on financial and operating results, ownership issues, and performance on key environmental, social, and governance issues.
- vi. **Good environmental and social performance.** The companies are expected to act responsibly towards all stakeholders and to meet corporate governance, environmental and social standards to protect shareholders' long-term interests.

Avaron participates on behalf of the managed portfolios in shareholders' meetings according to the level of advantage that this participation would bring to the clients as well as for the opportunity to affect decisions. Avaron has identified the following quantitative and qualitative criteria that drive the decision to exercise voting rights through a cost-benefit analysis that also takes into consideration the investment objectives and policies of the managed portfolios. Avaron participates in all general assemblies of those companies where the aggregated ownership across portfolios in which Avaron has discretion to exercise the shareholder's rights exceeds 5%. In all other cases participation and voting rights shall be exercised if required by the need to safeguard the interest of our clients.

Avaron participates in the general assemblies that are deemed relevant to the company's benefit, in order to identify situations of particular interest for the purpose of protecting and supporting the interests of minority shareholders. Avaron contributes to the election of members of the boards of statutory auditors or board members through the voting mechanism, representing minority shareholders. Avaron participates in those shareholders' meetings where extraordinary operations are decided upon, if such participation is needed to support or object to a proposed operation, to ensure the best interests of our clients.

At general assemblies with routine affairs and uncontested agenda points, Avaron does not exercise its voting rights if the total ownership of portfolios in which Avaron has discretion to exercise the ownership rights is below 5%. Should however, a motion conflict with the long-term interests of investors, Avaron will actively exert its influence and disregard the recommendation of the Board of Directors.

Procedure for exercising participation and voting rights

Monitoring of the corporate events connected to the financial instruments in the managed for which the participation and voting rights are exercised is ensured by constant consultation of the notices available on the major info-providers currently used in the market (e.g. Bloomberg) and via the custodian banks of the managed portfolios.

The decision regarding the participation in a shareholders' meeting and the exercise of voting rights is made by the relevant Investment Manager of Avaron who determines, with reference to the person appointed to participate, the vote to be cast as well as the specific issues to be presented in the interest of the investors, independently from any influence exercised within or from outside Avaron.

The ordinary procedure for exercising voting rights entails direct participation in the shareholders' meeting or use of correspondence voting, using the systems proposed by the custodian banks of the managed portfolios.

Disclosure policy

The actual voting behaviour of Avaron is documented. Avaron is responsible for formalizing and storing the relevant documentation related to the decision process adopted for the exercise of the voting rights. Avaron will, at any time, provide information about their voting behaviour at the request of a client.

Avaron monitors the efficacy of the measures applied to the exercise of participation and voting rights and in any case, reviews the strategy adopted at least once a year.

Avaron has made this strategy and any future updates available to the public at its website. Avaron has no obligation to notify in any other way the amendments made.