



LEA 02	Disclosures: Mandatory	Reason for Interaction	Principle: PRI 1, 2, 3
Individual/ internal staff engagements	<p><input checked="" type="checkbox"/> To support investment decision-making in a company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate transparency on climate change</p> <p><input checked="" type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	<p><input checked="" type="checkbox"/> To support investment decision-making in a company's material ESG issues</p> <p><input checked="" type="checkbox"/> To enhance corporate transparency on climate change</p> <p><input checked="" type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in internal staff</p>	
Collaborative engagements	<p><input type="checkbox"/> To support investment decision-making in a company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate transparency on climate change</p> <p><input type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in collaborative engagements</p>		
Service provider engagements	<p><input type="checkbox"/> To support investment decision-making in a company's material ESG issues</p> <p><input type="checkbox"/> To enhance corporate transparency on climate change</p> <p><input type="checkbox"/> To engage internal staff</p> <p><input type="checkbox"/> Other: specify</p> <p><input type="checkbox"/> We do not engage in service provider engagements</p>		

RI TRANSPARENCY REPORT

2017

AS Avaron Asset Management

About this report

The PRI Reporting Framework is a key step in the journey towards building a common language and industry standard for reporting responsible investment (RI) activities. This RI Transparency Report is one of the key outputs of this Framework. Its primary objective is to enable signatory transparency on RI activities and facilitate dialogue between investors and their clients, beneficiaries and other stakeholders. A copy of this report will be publicly disclosed for all reporting signatories on the [PRI website](#), ensuring accountability of the PRI Initiative and its signatories.

This report is an export of the individual Signatory organisation's response to the PRI during the 2016 reporting cycle. It includes their responses to mandatory indicators, as well as responses to voluntary indicators the signatory has agreed to make public. The information is presented exactly as it was reported. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory to select are presented in this report. Presenting the information exactly as reported is a result of signatory feedback which suggested the PRI not summarise the information. As a result, the reports can be extensive. However, to help easily locate information, there is a **Principles index** which highlights where the information can be found and summarises the indicators that signatories complete and disclose.

Understanding the Principles Index

The Principles Index summarises the response status for the individual indicators and modules and shows how these relate to the six [Principles for Responsible Investment](#). It can be used by stakeholders as an 'at-a-glance' summary of reported information and to identify particular themes or areas of interest.

Indicators can refer to one or more Principles. Some indicators are not specific to any Principle. These are highlighted in the 'General' column. When multiple Principles are covered across numerous indicators, in order to avoid repetition, only the main Principle covered is highlighted.

All indicators within a module are presented below. The status of indicators is shown with the following symbols:

Symbol	Status
✓	The signatory has completed all mandatory parts of this indicator
☑	The signatory has completed some parts of this indicator
🔒	This indicator was not relevant for this signatory
-	The signatory did not complete any part of this indicator
Ⓜ	The signatory has flagged this indicator for internal review

Within the table, indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.

Principles Index

Organisational Overview				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
OO 01	Signatory category and services	✓	Public							✓
OO 02	Headquarters and operational countries	✓	Public							✓
OO 03	Subsidiaries that are separate PRI signatories	✓	Public							✓
OO 04	Reporting year and AUM	✓	Public							✓
OO 05	Breakdown of AUM by asset class	✓	Asset mix disclosed in OO 06							✓
OO 06	How would you like to disclose your asset class mix	✓	Public							✓
OO 07	Fixed income AUM breakdown	✓	Public							✓
OO 08	Segregated mandates or pooled funds	🔒	n/a							✓
OO 09	Breakdown of AUM by market	✓	Public							✓
OO 10	RI activities for listed equities	✓	Public							✓
OO 11	RI activities in other asset classes	✓	Public							✓
OO 12	Modules and sections required to complete	✓	n/a							✓
OO End	Module confirmation page	✓	-							

Strategy and Governance				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
SG 01	RI policy and coverage	✓	Public							✓
SG 02	Publicly available RI policy or guidance documents	✓	Public							✓
SG 03	Conflicts of interest	✓	Public							✓
SG 04		-	n/a							✓
SG 05	RI goals and objectives	✓	Public							✓
SG 06	Main goals/objectives this year	✓	Public							✓
SG 07	RI roles and responsibilities	✓	Public							✓
SG 08	RI in performance management, reward and/or personal development	✓	Public							✓
SG 09	Collaborative organisations / initiatives	✓	Public				✓	✓		
SG 10	Promoting RI independently	✓	Public				✓			
SG 11	Dialogue with public policy makers or standard setters	✓	Public				✓	✓	✓	
SG 12	ESG issues in strategic asset allocation	✓	Public	✓						
SG 13	Long term investment risks and opportunity	✓	Public	✓						
SG 14	Allocation of assets to environmental and social themed areas	✓	Public	✓						
SG 15	ESG issues for internally managed assets not reported in framework	🔒	n/a							✓
SG 16	ESG issues for externally managed assets not reported in framework	🔒	n/a							✓
SG 17	Innovative features of approach to RI	✓	Public							✓
SG End	Module confirmation page	✓	-							

Direct - Listed Equity Incorporation				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEI 01	Breakdown by passive, quantitative, fundamental and other active strategies	✓	Public							✓
LEI 02	Reporting on strategies that are <10% of actively managed listed equities	🔒	n/a							✓
LEI 03	Percentage of each incorporation strategy	✓	Public	✓						
LEI 04	Type of ESG information used in investment decision	✓	Public	✓						
LEI 05	Information from engagement and/or voting used in investment decision-making	✓	Public	✓						
LEI 06	Types of screening applied	✓	Public	✓						
LEI 07	Processes to ensure screening is based on robust analysis	✓	Public	✓						
LEI 08	Processes to ensure fund criteria are not breached	✓	Public	✓						
LEI 09	Types of sustainability thematic funds/mandates	🔒	n/a	✓						
LEI 10	Review ESG issues while researching companies/sectors	🔒	n/a	✓						
LEI 11	Processes to ensure integration is based on robust analysis	🔒	n/a	✓						
LEI 12	Aspects of analysis ESG information is integrated into	🔒	n/a	✓						
LEI 13	ESG issues in index construction	🔒	n/a	✓						
LEI 14	How ESG incorporation has influenced portfolio composition	✓	Public	✓						
LEI 15	Measurement of financial and ESG outcomes of ESG incorporation	✓	Public	✓						
LEI 16	Examples of ESG issues that affected your investment view / performance	✓	Public	✓						
LEI 17	Disclosure of approach to ESG incorporation	✓	Public		✓					✓
LEI End	Module confirmation page	✓	-							

Direct - Listed Equity Active Ownership				Principle						General
Indicator	Short description	Status	Disclosure	1	2	3	4	5	6	
LEA 01	Description of approach to engagement	✓	Public		✓					
LEA 02	Reasoning for interaction on ESG issues	✓	Public	✓	✓	✓				
LEA 03	Process for identifying and prioritising engagement activities	✓	Public		✓					
LEA 04	Objectives for engagement activities	✓	Public		✓					
LEA 05	Process for identifying and prioritising collaborative engagement	✓	Public		✓					
LEA 06	Objectives for engagement activities	✓	Public		✓					
LEA 07	Role in engagement process	🔒	n/a		✓		✓			
LEA 08	Monitor / discuss service provider information	🔒	n/a		✓				✓	
LEA 09	Share insights from engagements with internal/external managers	✓	Public	✓	✓					
LEA 10	Tracking number of engagements	✓	Public		✓					
LEA 11	Number of companies engaged with, intensity of engagement and effort	✓	Public		✓					
LEA 12	Engagement methods	✓	Public		✓					
LEA 13	Engagements on E, S and/or G issues	✓	Public		✓					
LEA 14	Companies changing practices / behaviour following engagement	✓	Public		✓					
LEA 15	Examples of ESG engagements	✓	Public		✓					
LEA 16	Disclosure of approach to ESG engagements	✓	Public		✓				✓	
LEA 17	Voting policy & approach	✓	Public	✓	✓	✓				
LEA 18	Typical approach to (proxy) voting decisions	✓	Public		✓					
LEA 19	Percentage of voting recommendations reviewed	🔒	n/a		✓					
LEA 20	Confirmation of votes	✓	Public		✓					
LEA 21	Securities lending programme	✓	Public		✓					
LEA 22	Informing companies of the rationale of abstaining/voting against management	✓	Public		✓					
LEA 23	Percentage of (proxy) votes cast	✓	Public		✓					
LEA 24	Proportion of ballot items that were for/against/abstentions	✓	Public		✓					
LEA 25	Shareholder resolutions	✓	Public		✓					
LEA 26	Examples of (proxy) voting activities	✓	Public		✓					
LEA 27	Disclosing voting activities	✓	Public		✓				✓	
LEA End	Module confirmation page	✓	-							

AS Avaron Asset Management

Reported Information

Public version

Organisational Overview

PRI disclaimer

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Basic Information

OO 01	Mandatory	Public	Gateway/Peering	General
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OO 01.1 Select the services you offer.

Fund management

% of assets under management (AUM) in ranges

- <10%
- 10-50%
- >50%

Fund of funds, manager of managers, sub-advised products

Other, specify

Execution and advisory services

OO 02	Mandatory	Public	Peering	General
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OO 02.1 Select the location of your organisation's headquarters.

Estonia

OO 02.2 Indicate the number of countries in which you have offices (including your headquarters).

- 1
- 2-5
- 6-10
- >10

OO 02.3 Indicate the approximate number of staff in your organisation in full-time equivalents (FTE).

FTE

15

OO 03	Mandatory	Public	Descriptive	General
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OO 03.1 Indicate whether you have subsidiaries within your organisation that are also PRI signatories in their own right.

- Yes
- No

OO 04	Mandatory	Public	Gateway/Peering	General
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OO 04.1 Indicate the year end date for your reporting year.

31/12/2016

OO 04.2 Indicate your total AUM at the end of your reporting year, excluding subsidiaries you have chosen not to report on.

	trillions	billions	millions	thousands	hundreds
Total AUM			548	236	754
Currency	EUR				
Assets in USD			586	724	898

OO 06

Mandatory

Public

Descriptive

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

OO 06.1 How you would like to disclose your asset class mix.

as percentage breakdown

	Internally managed (%)	Externally managed (%)
Listed equity	92	0
Fixed income	2	0
Private equity	0	0
Property	0	0
Infrastructure	0	0
Commodities	0	0
Hedge funds	0	0
Forestry	0	0
Farmland	0	0
Inclusive finance	0	0
Cash	6	0

Other (1), specify	0	0
Other (2), specify	0	0

as broad ranges

OO 06.2 Publish our asset class mix as per attached image [Optional].

OO 07	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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OO 07.1 Provide to the nearest 5% the percentage breakdown of your Fixed Income AUM at the end of your reporting year, using the following categories.

Internally managed	SSA	0
	Corporate (financial)	68
	Corporate (non-financial)	32
	Securitised	0
	Total	100%

OO 09	Mandatory to Report Voluntary to Disclose	Public	Peering	General
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OO 09.1 Indicate the breakdown of your organisation's AUM by market.

Developed Markets	<input type="radio"/> 0% <input checked="" type="radio"/> <10% <input type="radio"/> 10-50% <input type="radio"/> >50 %
Emerging, Frontier and Other Markets	<input type="radio"/> 0% <input type="radio"/> <10% <input type="radio"/> 10-50% <input checked="" type="radio"/> >50 %
<i>Total</i>	100%

OO 09.2 Additional information. [Optional]

Indicated breakdowns are given on ex-cash basis.

Gateway asset class implementation indicators

OO 10 Mandatory Public Gateway General

OO 10.1 Select the direct or indirect ESG incorporation activities your organisation implemented for listed equities in the reporting year.

- We incorporate ESG in our investment decisions on our internally managed assets
- We do not incorporate ESG in our directly managed listed equity and/or we do not address ESG incorporation in our external manager selection, appointment and/or monitoring processes.

OO 10.2 Select the direct or indirect engagement activities your organisation implemented for listed equity in the reporting year.

- We engage with companies on ESG factors via our staff, collaborations or service providers
- We do not engage directly and do not require external managers to engage with companies on ESG factors.

OO 10.3 Select the direct or indirect voting activities your organisation implemented for listed equity in the reporting year

- We cast our (proxy) votes directly or via dedicated voting providers
- We do not cast our (proxy) votes directly and do not require external managers to vote on our behalf

OO 11 Mandatory Public Gateway General

OO 11.1

Select the internally managed asset classes in which you addressed ESG incorporation into your investment decisions and/or your active ownership practices (during the reporting year).

- Fixed income – corporate (financial)
- Fixed income – corporate (non-financial)
- Cash
- None of the above

OO 11.3a

If your organisation does not integrate ESG factors into investment decisions on your internally managed assets, explain why not.

The core investment strategy of Avaron Asset Management is Emerging Europe listed equities that accounts for 97% of the AUM. Thus, Avaron Responsible Investment Policy focuses on the listed equity asset class. Within the listed equity strategy fixed income instruments are only used occasionally for additional alpha generation purposes. Fixed income instruments used in the portfolio construction are issued by companies that are part of our internal research coverage list and thus governed by our Responsible Investment Policy. Given that the fixed income asset class is not our core focus and accounts for only marginal part of our AUM then we have not implemented a separate responsible investment approach for this asset class.

Cash is a residual outcome of our bottom-up portfolio construction process and we do not engage in active cash management. Majority of Avaron's AUM (85% end-2016) is in the form of managed accounts from institutional clients. In such case Avaron does not have full discretion over the cash management and in which financial institutions the cash can be held. All our institutional clients that have appointed us to manage their Emerging Europe listed equity mandates have integrated responsible investment principles into their external manager/counterparty etc. selection. Regarding our own funds that account for 15% of our AUM 99% of the cash as of end-2016 was held at our custodian Swedbank. Swedbank is part of our internal research coverage list and governed by our Responsible Investment Policy.

AS Avaron Asset Management

Reported Information

Public version

Strategy and Governance

PRI disclaimer

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Investment policy

SG 01

Mandatory

Public

Core Assessed

General

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1

Indicate if you have an investment policy that covers your responsible investment approach.

Yes

SG 01.2

Indicate the components/types and coverage of your policy.

Select all that apply

Policy components/types	Coverage by AUM
<input checked="" type="checkbox"/> Policy setting out your overall approach <input checked="" type="checkbox"/> Formalised guidelines on environmental factors <input checked="" type="checkbox"/> Formalised guidelines on social factors <input checked="" type="checkbox"/> Formalised guidelines on corporate governance factors <input type="checkbox"/> Asset class-specific RI guidelines <input type="checkbox"/> Sector specific RI guidelines <input checked="" type="checkbox"/> Screening / exclusions policy <input checked="" type="checkbox"/> Engagement policy <input checked="" type="checkbox"/> (Proxy) voting policy <input type="checkbox"/> Other, specify (1) <input type="checkbox"/> Other, specify(2)	<input type="radio"/> Applicable policies cover all AUM <input checked="" type="radio"/> Applicable policies cover a majority of AUM <input type="radio"/> Applicable policies cover a minority of AUM

SG 01.4	Indicate what norms you have used to develop your investment policy that covers your responsible investment approach.
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- UN Global Compact Principles
- UN Guiding Principles on Business and Human Rights
- Universal Declaration of Human Rights
- International Bill of Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)
- None of the above

No

SG 01.6	Provide a brief description of the key elements, any variations or exceptions to your investment policy that covers your responsible investment approach. [Optional]
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Avaron has built two responsible investment layers into the investment process aiming to insure the ESG issues are consistently taken into account when making investment decisions:

1. Negative exclusion based on ethical and environmental considerations i.e. sector and/or country exclusion in order to not exceed acceptable levels of involvement in activities considered to be controversial such as weapons, alcohol, tobacco, gambling, adult content, coal mining and coal based energy production, and activities in oppressive regimes. Our tolerance level dependent on the specific consideration ranges from 0% to 30% of company's revenues or operating profit.
2. A compliance check of companies with the main principles laid out in the United Nations Global Compact for social and environmental criteria, and separately with governance criteria set in-house. The main aim of this exercise is to filter out companies that have significantly and repeatedly breached the key principles, and assess any potential notable risks related to the long-term business outlook. When detecting non-compliance cases we follow "engage or exclude" action.

SG 02	Mandatory	Public	Core Assessed	PRI 6
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 02.1	Indicate which of your investment policy documents (if any) are publicly available. Provide a URL and an attachment of the document.
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- Policy setting out your overall approach

	URL/Attachment
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- URL

URL

http://avaron.com/files/docs/2016.05.11_Avaron_RI_policy_revised.pdf

- Attachment (will be made public)
- Formalised guidelines on environmental factors
- Formalised guidelines on social factors
- Formalised guidelines on corporate governance factors
- Screening / exclusions policy
- Engagement policy
- (Proxy) voting policy

URL/Attachment

- URL

URL

http://avaron.com/files/docs/2016.05.11_Exercise_of_voting_rights_strategy_revised.pdf

- Attachment (will be made public)
- We do not publicly disclose our investment policy documents

SG 03

Mandatory

Public

Core Assessed

General

SG 03.1

Indicate if your organisation has a policy on managing potential conflicts of interest in the investment process.

- Yes

SG 03.2

Describe your policy on managing potential conflicts of interest in the investment process.

Avaron's Internal Policy addresses the conflicts of interest situations within the organization. The Policy determines the overarching principle to act in accordance with the best interests of the client, identifies a list of circumstances that may give rise to a conflict of interest situation and measures adopted to manage such situations. Some of the measures adopted to avoid and manage the conflict of interests situation within the investment process are the following:

- Avaron does not trade on its own account.
- Policy of Personal Transactions prohibits all Avaron employees to trade at any listed security instrument part of Avaron investment universe. The Policy sets out strict reporting requirements for any personal transaction.
- Prohibition on competition is applicable: the relevant persons are not allowed to be engaged in financial or investment services outside Avaron. The relevant persons are required to regularly submit declarations of economic interests.
- Best Execution Policy has been implemented to ensure the best execution for clients and avoid preferral of specific counterparties.

No

Objectives and strategies

SG 05	Mandatory	Public	Gateway/Core Assessed	General
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SG 05.1 Indicate if and how frequently your organisation sets and reviews objectives for its responsible investment activities.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc basis
- It is not reviewed

SG 06	Voluntary	Public	Descriptive	General
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SG 06.1 List the main responsible investment objectives that your organisation set for the reporting year.

Responsible investment processes

- Provide training on ESG incorporation
- Provide training on ESG engagement
- Improved communication of ESG activities within the organisation
- Improved engagement to encourage change with regards to management of ESG issues
- Improved ESG incorporation into investment decision making processes
- Other, specify (1)

Alignment of the responsible investment approach with the requirements of our large managed account clients

Key performance indicator

1. Number of requests from clients to change our RI approach
2. Cases of our exclusion list not matching the ones of our clients

Progress achieved

During the reporting period there were no requests from clients to change our RI Policy.

In Q1 2016 we decided to implement an additional sector screen into our ESG approach related to coal-based business models. In order to align our RI approach with the climate change and energy policy targets of European Commission and RI policy changes some of our clients communicated to us in 2015 we stopped financing coal-based business models: 1) mining companies that derive 30% or more of their revenues or operating profits from mining thermal coal; 2) utilities that derive 30% or more of their generated electricity or heat from thermal coal.

- Other, specify (2)
- Other, specify (3)

Financial performance of investments

- Increase portfolio performance by consideration of ESG factors
- Other, specify (1)

other description (1)

Limit losses incurred by the companies we are invested in from fines and penalties related to environmental offence

Key performance indicator

Number of environmental offences in companies we are invested in

Progress achieved

In 2016 we recorded environmental offences with 2 of our portfolio companies that with a high likelihood will result on financial damages (2015: one accidental environmental pollution case).

- Other, specify (2)
- Other, specify (3)

ESG characteristics of investments

- Over or underweight companies based on ESG characteristics
- Improve ESG ratings of portfolio
- Setting carbon reduction targets for portfolio
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Other activities

- Joining and/or participation in RI initiatives

Key performance indicator

Number of collaborative engagements supported that carry importance for Emerging Europe listed equity asset class

Progress achieved

No of collaborative engagements supported in 2016: 1 (2015: 1)

No of collaborative engagements where Avaron took a lead investor role in 2016: 1 (2015: 0)

- Encouraging others to join a RI initiative
- Documentation of best practice case studies
- Using case studies to demonstrate engagement and ESG incorporation to clients
- Other, specify (1)
- Other, specify (2)
- Other, specify (3)

Governance and human resources

SG 07	Mandatory	Public	Core Assessed	General
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SG 07.1

Indicate the roles present in your organisation and for each, indicate whether they have oversight and/or implementation responsibilities for responsible investment.

Roles present in your organisation

- Board members or trustees
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Other Chief-level staff or head of department, specify
Compliance Officer

- Oversight/accountability for responsible investment
- Implementation of responsible investment
- No oversight/accountability or implementation responsibility for responsible investment
- Portfolio managers
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Investment analysts
 - Oversight/accountability for responsible investment
 - Implementation of responsible investment
 - No oversight/accountability or implementation responsibility for responsible investment
- Dedicated responsible investment staff
- External managers or service providers
- Investor relations
- Other role, specify (1)
- Other role, specify (2)

SG 07.2	For the roles for which you have RI oversight/accountability or implementation responsibilities, indicate how you execute these responsibilities.
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Avaron Asset Management is a management owned investment boutique with 15 employees (2016 FTE). One of the Partners, who is an Executive Board Member and co-CIO, is responsible for the development and implementation of the RI Policy. This includes oversight and further development of existing RI Policy and the related processes. All changes to the RI Policy are debated and approved by the Investment Committee that includes the two co-CIOs, the Head of Research of Avaron and the CEO, and by the Executive Board. Compliance Officer oversees the RI policy implementation as part of the internal control functions.

RI approach in Avaron is fully integrated into the investment process, thus all Analysts and Portfolio Managers are daily basis following the prescribed RI related processes (incl. company level ESG analysis that is detailed in the RI Policy).

SG 07.3	Indicate the number of dedicated responsible investment staff your organisation has.
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Number

0

SG 08	Voluntary	Public	Additional Assessed	General
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SG 08.1	Indicate if your organisation's performance management, reward and/or personal development processes have a responsible investment element.
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Board members/Board of trustees

- Responsible investment included in personal development and/or training plan
- None of the above

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Investment Committee

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Other C-level staff or head of department

Compliance Officer

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Portfolio managers

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

Investment analysts

- Responsible investment KPIs and/or goals included in objectives
- Responsible investment included in appraisal process
- Variable pay linked to responsible investment performance
- Responsible investment included in personal development and/or training plan
- None of the above

SG 08.3	Provide any additional information on your organisation's performance management, reward and/or personal development processes in relation to responsible investment.
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Avaron Asset Management is a management owned investment boutique with 15 employees (2016 FTE). Eligible investment universe of Avaron is approved by the Investment Committee that includes two co-CIOs, Head of Research and the CEO. Investment decisions are taken by the 2 co-CIOs. All senior decision makers in Avaron are shareholders in the company and directly motivated by the performance of Avaron and its products. As the underlying reason behind the RI implementation into the investment process in Avaron is the belief that RI issues affect the long-term performance of the portfolios, then we consider the motivation of senior staff directly linked to the value added created by the RI approach.

Investment Analysts variable pay is linked to the performance of Avaron and is decided upon their individual performance by their supervisors. Conducting ESG analysis is an integral part of the Analysts' job and is assessed as part of their overall company bottom-up analysis performance.

Personal training plans of the staff are set on annual basis during performance review and may include also responsible investment related training if deemed necessary.

Promoting responsible investment

New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 09.1	Select the collaborative organisation and/or initiatives of which your organisation is a member or in which it participated during the reporting year, and the role you played.
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Select all that apply

- Principles for Responsible Investment

	Your organisation's role in the initiative during the reporting period (see definitions)
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- Basic
- Moderate
- Advanced
- AFIC – La Commission ESG
- Asian Corporate Governance Association
- Australian Council of Superannuation Investors
- BVCA – Responsible Investment Advisory Board
- CDP Climate Change

	Your organisation's role in the initiative during the reporting period (see definitions)
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- Basic
- Moderate
- Advanced
- CDP Forests

	Your organisation's role in the initiative during the reporting period (see definitions)
--	--

- Basic
- Moderate
- Advanced
- CDP Water

Your organisation's role in the initiative during the reporting period (see definitions)

- Basic
- Moderate
- Advanced
- CFA Institute Centre for Financial Market Integrity
- Code for Responsible Investment in SA (CRISA)
- Code for Responsible Finance in the 21st Century
- Council of Institutional Investors (CII)
- ESG Research Australia
- Eumedion
- EVCA – Responsible Investment Roundtable
- Extractive Industries Transparency Initiative (EITI)
- Global Investors Governance Network (GIGN)
- Global Impact Investing Network (GIIN)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Bond Principles
- Institutional Investors Group on Climate Change (IIGCC)
- Interfaith Center on Corporate Responsibility (ICCR)
- International Corporate Governance Network (ICGN)
- Investor Group on Climate Change, Australia/New Zealand (IGCC)
- International Integrated Reporting Council (IIRC)
- Investor Network on Climate Risk (INCR)/CERES
- Local Authority Pension Fund Forum
- Principles for Sustainable Insurance
- Regional or National Social Investment Forums (e.g. UKSIF, Eurosif, ASRIA, RIAA), specify
- Responsible Finance Principles in Inclusive Finance
- Shareholder Association for Research and Education (Share)
- United Nations Environmental Program Finance Initiative (UNEP FI)
- United Nations Global Compact
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify
- Other collaborative organisation/initiative, specify

SG 10	Mandatory	Public	Core Assessed	PRI 4
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SG 10.1 Indicate if your organisation promotes responsible investment, independently of collaborative initiatives.

- Yes

SG 10.2

Indicate which of the following actions your organisation has taken to promote responsible investment, independently of collaborative initiatives.

- Provided or supported education or training programmes for clients, investment managers, broker/dealers, investment consultants, legal advisers or other investment organisations
- Provided financial support for academic or industry research on responsible investment
- Encouraged better transparency and disclosure of responsible investment practices across the investment industry
- Spoke publicly at events and conferences to promote responsible investment
- Wrote and published in-house research papers on responsible investment
- Encouraged the adoption of the PRI
- Wrote articles on responsible investment in the media.
- Other, specify

No

SG 11	Voluntary	Public	Additional Assessed	PRI 4,5,6
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SG 11.1

Indicate if your organisation - individually or in collaboration with others - conducted dialogue with public policy makers or regulators in support of responsible investment in the reporting year.

- Yes
- No

Please explain

Given the constrained resources as a small boutique we have decided to put our effort on promoting ESG in our investment universe on company level rather than engaging with policy makers and regulators. We feel that in the case of small asset managers engaging with companies they invest in is notably more efficient use of the organizations resources.

Implementation not in other modules

SG 12	Mandatory	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 12.1

Indicate if your organisation executes scenario analysis and/or modelling in which the risk profile of future ESG trends at portfolio level is calculated.

- We execute scenario analysis which includes factors representing the investment impacts of future environmental trends
- We execute scenario analysis which includes factors representing the investment impacts of future social trends
- We execute scenario analysis which includes factors representing the investment impacts of future governance trends
- We execute other scenario analysis, specify
- We do not execute such scenario analysis and/or modelling

SG 12.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

- We do the following
- We do not consider ESG issues in strategic asset allocation

SG 12.3

Additional information. [OPTIONAL]

Portfolio construction in Avaron is fully bottom-up driven. As such we do not decide upon any type of general (country, sector, theme etc.) allocation. Long-term ESG related trends are taken into account in our internal company specific research, thus directly affecting the probability of a certain company ending up in our portfolios.

SG 13

Mandatory to Report Voluntary to Disclose

Public

Additional Assessed

PRI 1

SG 13.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following you act on.

- Changing demographics
- Climate change

SG 13.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

SG 13.3 | Indicate which of the following tools you use to manage emissions risks and opportunities

- Carbon footprinting
- Scenario testing
- Disclosure on emissions risk to clients/trustees/management/beneficiaries
- Target setting for emissions risk reduction
- Encourage internal and/or external portfolio managers to monitor emissions risk
- Emissions risk monitoring and reporting are formalised into contracts when appointing managers
- Other, specify
- None of the above
- Resource scarcity
- Technology developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 13.5 | Additional information [Optional]

As part of our general RI approach during the reporting period we decided to start limiting our exposure to coal (mining, generation etc.) industry to decrease the carbon footprint of our portfolios. Furthermore, we have set a long-term goal to start reporting the carbon footprint of our equity portfolios and are in a process of mapping our internal investment universe based on carbon emissions disclosure.

SG 14	Mandatory to Report Voluntary to Disclose	Public	Descriptive	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 14.1 | Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.

- Yes
- No

Innovation

SG 17	Voluntary	Public	Descriptive	General
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SG 17.1 | Indicate whether any specific features of your approach to responsible investment are particularly innovative.

- Yes
- No

AS Avaron Asset Management

Reported Information

Public version

Direct - Listed Equity Incorporation

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Overview

LEI 01	Mandatory to Report Voluntary to Disclose	Public	Gateway	General
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LEI 01.1 Provide a breakdown of your internally managed listed equities by passive, active - quantitative (quant), active - fundamental and active - other strategies.

Percentage of internally managed listed equities

	Passive	0
	Active - quantitative (quant)	0
	Active - fundamental and active - other	100
	Total	100%

ESG incorporation in actively managed listed equities

Implementation processes


LEI 03	Mandatory	Public	Gateway	PRI 1
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEI 03.1 Indicate (1) which ESG incorporation strategy and/or combination of strategies you apply to your actively managed listed equities and (2) the breakdown of your actively managed listed equities by strategy or combination of strategies (+/- 5%)

ESG incorporation strategy (select all that apply)

Screening alone (i.e. not combined with any other strategies)

Percentage of active listed equity to which the strategy is applied	 100
---	---

- Thematic alone (i.e. not combined with any other strategies)
- Integration alone (i.e. not combined with any other strategies)
- Screening and Integration strategies
- Thematic and integration strategies
- Screening and thematic strategies
- All three strategies combined
- We do not apply incorporation strategies

Total actively managed listed equities

100%

LEI 03.2 Describe your organisation’s approach to incorporation and the reasons for choosing the particular ESG incorporation strategy/strategies.

ESG factors are mainly considered in the investment decision- making and ownership practices with an aim to reduce investment risk. Screening, which is the main strategy of ESG risk management in Avaron, has proven to be an efficient approach taking into account the cost-benefit considerations that boutique-type houses need to address. At the same time being a bottom-up stock picker it is essential to have an ESG layer integrated into the investment process in order to have a sound and thorough fundamental basis for decision-making.

LEI 04	Voluntary	Public	Additional Assessed	PRI 1
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LEI 04.1 Indicate what ESG information you use in your ESG incorporation strategies and who provides this information.

Type of ESG information

- Raw ESG company data

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Company-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Sector-related analysis or ratings
- Country-related analysis or ratings

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- Screened stock list

Indicate who provides this information

- ESG research provider
- Sell-side
- In-house – specialised ESG analyst or team
- In-house – analyst or portfolio manager
- ESG issue-specific analysis or ratings
- Other, specify

LEI 04.2	Provide a brief description of the ESG information used, highlighting any differences of sources of information across your ESG incorporation strategies.
-----------------	---

ESG information used for the internal analysis is to a large extent sourced directly from the investee companies and/or any other publicly available information sources.

LEI 04.3	Indicate if you incentivise brokers to provide ESG research.
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- Yes
- No

LEI 05	Voluntary	Public	Additional Assessed	PRI 1
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LEI 05.1	Indicate if your organisation has a process through which information derived from ESG engagement and/or (proxy) voting activities is made available for use in investment decision-making.
-----------------	---

- Engagement
 - We have a systematic process to ensure the information is made available.
 - We occasionally make this information available.
 - We do not make this information available.
- (Proxy) voting
 - We have a systematic process to ensure the information is made available.
 - We occasionally make this information available.
 - We do not make this information available.

(A) Implementation: Screening

LEI 06	Mandatory	Public	Descriptive	PRI 1
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LEI 06.1	Indicate and describe the type of screening you apply to your internally managed active listed equities.
-----------------	--

Type of screening

- Negative/exclusionary screening

Screened by

- Product
- Activity
- Sector
- Country/geographic region
- Environmental and social practices and performance
- Corporate governance

	Description
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The first layer of our ESG approach is negative exclusion based on ethical and environmental considerations i.e. sector and/or country exclusion in order to not exceed acceptable levels of involvement in activities considered to be controversial such as weapons, alcohol, tobacco, gambling, adult content, coal mining and coal based energy production, and activities in oppressive regimes. Our tolerance level dependent on the specific consideration ranges from 0% to 30% of company's revenues or operating profit.

The list of oppressive regimes is based on the latest Economist Intelligence Unit (www.eiu.com) Democracy Index, which measures the state of democracy in 167 countries. Oppressive regimes have been defined as countries with 2.0 or lower score on a scale from zero to ten of the Index. Additional country based investment restrictions may be set by the Avaron Investment Committee based on the European Union sanctions within the framework of the Common Foreign and Security Policy (CFSP) and the list of sanctioned countries of the UN Security Council. In case of discretionary mandates from non-EU clients Avaron will follow the sanctions list of respective non-EU countries and make exclusion decisions based on that in collaboration with the client.

- Positive/best-in-class screening
- Norms-based screening

Screened by

- UN Global Compact Principles
- The UN Guiding Principles on Business and Human Rights
- International Labour Organization Conventions
- United Nations Convention Against Corruption
- OECD Guidelines for Multinational Enterprises
- Other, specify
In-house set governance criteria

	Description
--	-------------

The second ESG layer - the ESG compliance check - takes the UN Global Compact as a basis for our social and environmental compliance check for the investee companies. The compliance check of corporate governance issues are assessed based on the in-house set criteria bearing in mind the possible local differences in the prevailing conduct code across our investment geography.

The companies' ESG compliance assessment, is based on 13 criteria covering environmental, social and governance aspects with the aim to filter out companies that have significantly and repeatedly breached any of the key principles. The criteria are the following:

- Abuses of international and/or local environmental norms and protocols
- Activities to promote environmental responsibility and implementation of sustainable technologies
- Abuses of human rights
- Cases of child labour and forced labour usage
- Issues relating to the safety of working environment and products
- Cases of discrimination in respect of employment and occupation
- Freedom of association and recognition of the right to collective bargaining
- Cases of corruption, extortion and bribery
- ESG management
- Accounting risks
- Executive and non-executive board access
- Protection of minority shareholder interests
- Exercise of minority shareholder rights

LEI 06.2	Describe how the screening criteria are established, how often the criteria are reviewed and how you notify clients and/or beneficiaries when changes are made.
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Avaron's RI Policy, outlining our ESG approach, is reviewed annually and updated on as needed basis. In case of changes in the policy we notify our clients via the quarterly ESG thematic section in our newsletters and in our annual RI report. Latest version of the policy as well as the RI report are accessible on our webpage.

LEI 07	Mandatory	Public	Core Assessed	PRI 1
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LEI 07.1

Indicate which processes your organisation uses to ensure screening is based on robust analysis.

- Comprehensive ESG research is undertaken or sourced to determine companies' activities and products.
- Companies are given the opportunity by you or your research provider to review ESG research on them and correct inaccuracies
- External research and data used to identify companies to be excluded/included is subject to internal audit by ESG/RI staff, the internal audit function or similar
- Company ESG information/ratings are updated regularly to ensure that portfolio holdings comply with fund policies
- A committee or body with representatives independent of the individuals who conduct company research reviews some or all screening decisions
- A periodic review of the quality of the research undertaken or provided is carried out
- Other, specify
Avaron's Investment Committee validates the ESG analysis in the case of all new portfolio investments.
- None of the above

LEI 07.2

Additional information. [Optional]

In Avaron portfolio construction is fully bottom-up. Stock selection is done based on the in-house company specific research. A lot of emphasis is put on company quality (i.e. management, business model, financial standing, ESG), which has over the years enabled us to build an internal Emerging Europe coverage universe of roughly 250 companies. ESG research is an integral part of the company analysis our investment team undertakes. We believe that our edge in generating attractive investment returns for our clients is based on the diligent and in-depth company level research approach. Given that this specific accumulated knowledge is strategically important with ESG analysis being one part of it, we have decided to build the ESG related competence of our investment team also in-house and not to rely on third-party service providers.

LEI 08

Voluntary

Public

Additional Assessed

PRI 1

LEI 08.1

Indicate which processes your organisation uses to ensure fund criteria are not breached

- Systematic checks are performed to ensure that stocks meet the funds' screening criteria.
- Automated IT systems prevent investment managers from investing in excluded stocks or those that do not meet positive screening criteria.
- Audits of fund holdings are undertaken regularly by internal audit function
- Other, specify
- None of the above

LEI 08.2

If breaches of fund screening criteria are identified - describe the process followed to correct those breaches.

In case of breaches on sector/country exclusions (first ESG layer) once a breach is detected the position will be liquidated.

Breaches on companies' ESG compliance (second ESG layer) automatically trigger "engage or exclude" action. Furtheron, the responsible Analyst shall assess the gravity/severity of the breach, namely:

- the temporal proximity (when and for how long has the incident occurred);
- size (financial costs, land polluted etc. associated with the incident);
- credibility (allegations, legal action taken etc.);
- and repetitiveness (is the incident a one-off incident or it is evidence of failings over a period of time).

Emphasis is also placed on a company's response to the incident with favourable consideration for positive and responsible practices taken by the company to ensure that such a breach does not occur again. For some controversial activities, in addition to the level of involvement, it is also important to consider how the company approaches and considers its potentially contentious activities. Therefore, the presence (or absence) of relevant and targeted responsible policy that acknowledges the company's involvement in an activity, as well as the existence of systems and practices taken to ensure that it operates in a responsible manner, are important elements in the assessment.

Should the ESG compliance breach occur for companies Avaron is currently invested in, then after the initial breach analysis is completed, the responsible Investment Manager shall bring the case in front of the Investment Committee that decides upon further action. In case the engagement option is excluded, the investment will be liquidated. If engagement will be pursued then the objective and timeline for the engagement will be decided upon and engagement process started. Should the investee company fail to address the raised issue within a reasonable timeframe, the investment will be liquidated.

Outputs and outcomes

LEI 14	Voluntary	Public	Descriptive	PRI 1
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LEI 14.1	Indicate how your ESG incorporation strategies have influenced the composition of your portfolio(s) or investment universe.
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Screening

	Describe any reduction in your starting investment universe or other effects.
--	---

Governance based screening reductions account for 40% of the total, environmental issues for 33% and ethical issues for 27%.

	Specify the percentage reduction (+/- 5%)
--	---

	%
--	---

15

LEI 14.2	Additional information.[Optional]
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In addition, Avaron uses a quality score to rank companies in terms of quality in our coverage universe on 0-100 scale. Governance issues are also additionally assessed as part of the quality score. Quality score is taken into account in portfolio construction - the lower the quality, the higher upside we require in order the company to be added to the portfolio. Low quality names with a score below 50 are not eligible to invest in.

LEI 15	Voluntary	Public	Additional Assessed	PRI 1
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LEI 15.1	Indicate whether your organisation measures how your approach to ESG issues in listed equity investments has affected financial and/or ESG performance.
-----------------	---

We measure whether our approach to ESG issues impacts funds' reputation

We measure whether our approach to ESG issues impacts funds' financial performance: return

b) Funds' financial performance: return

Describe the impact on:	Describe the impact	Which strategies were analysed?
Funds' financial performance: return	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input checked="" type="checkbox"/> Screening

We measure whether our approach to ESG issues impacts funds' financial performance: risk

c) Funds' financial performance: risk

Describe the impact on:	Describe the impact	Which strategies were analysed?
Funds' financial performance: risk	<input checked="" type="radio"/> Positive <input type="radio"/> Negative <input type="radio"/> No impact	<input checked="" type="checkbox"/> Screening

We measure whether our approach to ESG issues impacts funds' ESG performance

None of the above

LEI 15.2

Describe how you are able to determine these outcomes.

We measure 1YR, 3YR and 5YR volatility and risk-adjusted returns (Sharpe ratio) of the market cap weighted portfolio of excluded companies and compare it to Avaron Emerging Europe Fund. Sharpe ratio our Fund is consistently higher compared to the portfolio of excluded names: 1YR 1.18 vs 0.95, 3YR 0.68 vs 0.41, 5YR 0.85 vs 0.63. Across the mentioned periods the volatility of the returns is around 50% higher for the portfolio of excluded companies.

LEI 16

Voluntary

Public

Descriptive

PRI 1

LEI 16.1

Provide examples of ESG issues that affected your investment view and/or performance during the reporting year.

ESG issue 1

ESG issue and explanation
Exposure to coal mining and coal based energy producers. During the reporting year we decided to limit our exposure to the mentioned sectors by excluding 1) mining companies that derive 30% or more of their revenues or operating profits from mining thermal coal; 2) utilities that derive 30% or more of their generated electricity or heat from thermal coal from our investment universe.
ESG incorporation strategy applied
<input checked="" type="checkbox"/> Screening
Impact on investment decision or performance
12 companies were excluded from our investment universe

- ESG issue 2
- ESG issue 3
- ESG issue 4
- ESG issue 5

Communication

LEI 17	Mandatory	Public	Core Assessed	PRI 2,6
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LEI 17.1	Indicate if your organisation proactively discloses information on your approach to ESG incorporation in listed equity.
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- We disclose it publicly

Provide URL

<http://avaron.com/?id=2250>

LEI 17.2	Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.
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- Yes

LEI 17.3	Indicate the information your organisation proactively discloses to clients/ beneficiaries and the public regarding your approach to ESG incorporation.
----------	---

- Broad approach to ESG incorporation
- Detailed explanation of ESG incorporation strategy used

LEI 17.4

Indicate how frequently you typically report this information.

- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/when requested
- No
- We disclose it to clients and/or beneficiaries only
- We do not proactively disclose it to the public and/or clients/beneficiaries

LEI 17.7

Additional information. [Optional]

On quarterly basis we report on ESG issues to our clients.

AS Avaron Asset Management

Reported Information

Public version

Direct - Listed Equity Active Ownership

PRI disclaimer

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Engagement

Overview

LEA 01	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 01.1	Indicate whether your organisation has a formal engagement policy.
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- Yes
 No

LEA 01.5	Additional information [optional]
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We do not have a separate formal engagement policy, instead engagement related practises are outlined in our Responsible Investment Policy (http://avaron.com/files/docs/2016.05.11_Avaron_RI_policy_revised.pdf).

LEA 02	Mandatory	Public	Gateway	PRI 1,2,3
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LEA 02.1	Indicate the method of engagement, giving reasons for the interaction.
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Type of engagement	Reason for interaction
Individual/Internal staff engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via internal staff
Collaborative engagements	<input checked="" type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input checked="" type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input type="checkbox"/> We do not engage via collaborative engagements
Service provider engagements	<input type="checkbox"/> To influence corporate practice (or identify the need to influence) on ESG issues <input type="checkbox"/> To encourage improved/increased ESG disclosure <input type="checkbox"/> Other, specify <input checked="" type="checkbox"/> We do not engage via service providers

Process

Process for engagements run internally

LEA 03

Mandatory

Public

Core Assessed

PRI 2

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 03.1

Indicate whether your organisation has a formal process for identifying and prioritising engagement activities carried out by internal staff.

Yes

LEA 03.2

Describe the criteria used to identify and prioritise engagement activities carried out by internal staff.

- Geography/market of the companies targeted
- Materiality of ESG factors
- Systemic risks to global portfolios
- Exposure (holdings)
- In reaction to ESG impacts which has already taken place
- As a response to divestment pressure
- As a follow-up from a voting decision
- Client request
- Other, describe

No

LEA 03.3

Additional information. [Optional]

Avaron commits to engage with listed companies in its investment universe to promote proper ESG practices driven by belief that it leads to value creation for Avaron's clients. Engagement may take several forms including direct dialogue with the executive management, formal correspondence with addressed to the board of directors or supervisory board and exercising shareholder's rights on the general assembly.

Avaron takes an active approach to communicating its ESG views to companies and seeking improvements where there are shortcomings in performance, or a company has failed to apply appropriate standards, or to provide adequate disclosure. Following an ESG compliance check that uncovers undesirable practices, or in reaction to a specific ESG related event, engagement actions are undertaken to obtain, within a predetermined timeframe, specific and measurable changes on the part of issuers. Engagement is always the preferable option over exclusion in order to thrive towards better ESG awareness and policies. Escalation and means of the engagement activities are decided by the investment team and depend on the specifics of the issue at hand and the company.

Engagement process comprises three main phases: planning, dialogue and assessment. The aim in the planning phase is to define the scope, timeline and the types of actions that will be undertaken to achieve the desired outcome. In the dialogue phase our investment team reaches out to the targeted company, communicates the concerns and desired course of action, and monitors the developments within the set timeframe. Assessment phase is to determine the outcome of the engagement and decide upon following action. If the engagement objectives are not or only partially met a new engagement cycle may be decided on or the company will be excluded from our investment universe. All engagement activities undertaken are tracked and recorded in a database that is available for our clients upon request.

LEA 04	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 04.1	Indicate if you define specific objectives for your engagement activities.
-----------------	--

- Yes
 - Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- We do not define specific objectives for engagement activities carried out by internal staff.

LEA 04.2	Indicate if you monitor the actions that companies take following your engagements.
-----------------	---

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- We do not monitor the actions that companies take following engagement activities carried out by internal staff.

LEA 04.3	Indicate whether your organisation defines milestones and goals for engagement activities carried out by internal staff.
-----------------	--

- Yes
- No

Process for engagements conducted via collaborations

LEA 05	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 05.1	Indicate whether your organisation has a formal process for identifying and prioritising collaborative engagements
-----------------	--

- Yes
- No

LEA 05.3 Additional information [Optional]

Avaron participates in collaborative engagements only if these have material effect on our core investment universe, Emerging Europe listed equities.

LEA 06	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 06.1 Indicate if you define specific objectives for your engagement activities carried out collaboratively.

- Yes
 - Yes, for all engagement activities
 - Yes, for the majority of engagement activities
 - Yes, for a minority of engagement activities
- We do not define specific objectives for engagement activities carried out collaboratively.

LEA 06.2 Indicate if you monitor the actions companies take following your collaborative engagements.

- Yes
 - Yes, in all cases
 - Yes, in the majority of cases
 - Yes, in the minority of cases
- We do not monitor the actions that companies take following engagement activities carried out collaboratively

LEA 06.3 Indicate whether your organisation defines milestones and goals related to engagement activities carried out via collaborations.

- Yes
- No

General processes for all three groups of engagers

LEA 09	Voluntary	Public	Additional Assessed	PRI 1,2
---------------	------------------	---------------	----------------------------	----------------

LEA 09.1 Indicate if insights gained from your engagements are shared with your internal or external investment managers.

Type of engagement	Insights shared
Individual/Internal staff engagements	<input checked="" type="radio"/> Yes, systematically <input type="radio"/> Yes, occasionally <input type="radio"/> No
Collaborative engagements	<input type="radio"/> Yes, systematically <input checked="" type="radio"/> Yes, occasionally <input type="radio"/> No

LEA 10	Mandatory	Public	Gateway	PRI 2
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LEA 10.1 Indicate if you track the number of engagements your organisation participates in.

Type of engagement	Tracking engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track
Collaborative engagements	<input checked="" type="radio"/> Yes, we track the number of our engagements in full <input type="radio"/> Yes, we partially track the number of our engagements <input type="radio"/> We do not track and cannot estimate our engagements

Outputs and outcomes

LEA 11	Mandatory to Report Voluntary to Disclose	Public	Core Assessed	PRI 2
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LEA 11.1 Indicate the amount of your listed equities portfolio with which your organisation engaged during the reporting year.

	Number of companies engaged (avoid double counting, see explanatory notes)	Proportion (to the nearest 5%)	Specify the basis on which this percentage is calculated
Individual / Internal staff engagements	<div style="background-color: #0070C0; color: white; padding: 2px;">Number of companies engaged</div> 1	<div style="background-color: #0070C0; color: white; padding: 2px;">Proportion (to the nearest 5%)</div> 2	<div style="background-color: #0070C0; color: white; padding: 2px;">Specify the basis on which this percentage is calculated</div> <input checked="" type="radio"/> of the total number of companies you hold <input type="radio"/> of the total value of your listed equity holdings
Collaborative engagements	0	<div style="background-color: #0070C0; color: white; padding: 2px;">Proportion (to the nearest 5%)</div> 0	<div style="background-color: #0070C0; color: white; padding: 2px;">Specify the basis on which this percentage is calculated</div> <input checked="" type="radio"/> of the total number of companies you hold <input type="radio"/> of the total value of your listed equity holdings

LEA 11.2 Indicate the proportion of engagements that involved multiple, substantive and detailed discussions or interactions with a company during the reporting year relating to ESG issue.

Type of engagement	% Comprehensive engagements
Individual / Internal staff engagements	<input checked="" type="radio"/> > 50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input type="radio"/> None
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 11.3 Indicate the percentage of your collaborative engagements for which you were a leading organisation during the reporting year.

Type of engagement	% Leading role
Collaborative engagements	<input type="radio"/> >50% <input type="radio"/> 10-50% <input type="radio"/> <10% <input checked="" type="radio"/> None

LEA 12	Voluntary	Public	Additional Assessed	PRI 2
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LEA 12.1 Indicate which of the following your engagement involved.

- Letters to outline the engagement and the objectives
 - In some cases
 - In majority cases
 - In all cases
- Meetings and/or calls with the appropriate team
 - In some cases
 - In majority cases
 - In all cases
- Visits to operations
- Roadshows
- ESG research
- Other, specify

LEA 13	Voluntary	Public	Additional Assessed	PRI 2
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LEA 13.1 Indicate if your engagements in the reporting year covered E, S and/or G issues, providing an estimation of the breakdown.

Individual / Internal staff engagements

% Environmental only

0

% Social only

0

% Corporate Governance only

0

% Overlapping ESG issues

100

Total

100%

LEA 14	Voluntary	Public	Descriptive	PRI 2
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LEA 14.1 Indicate whether you track the number of cases during the reporting year where a company changed its practices, or made a formal commitment to do so, following your organisation's and/or your service provider's engagement activities.

Yes

LEA 14.2 Indicate the number of companies that changed or committed to change in the reporting year following your organisation's and/or your service provider's engagement activities.

	Number of company changes or commitments to change
Individual / Internal staff engagements	1
Collaborative engagements	

No

LEA 15 Voluntary Public Descriptive PRI 2

LEA 15.1 Provide examples of the engagements that your organisation or your service provider carried out during the reporting year.

Add Example 1

Topic or ESG issue	Safety and environment: fatality of an underage civilian on the premises of an integrated oil and gas company
Conducted by	<input checked="" type="checkbox"/> Individual / Internal <input type="checkbox"/> Collaborative
Objectives	1. Assess the potential financial and non-financial damages on the company 2. Assess the risk of similar future events
Scope and Process	After the incident became public we contacted the company via e-mail outlining our questions and reasoning for the engagement. After the receipt of the formal response from the company, we held several follow-up meetings during the year with the company representatives to discuss the aspects of the issue in detail.
Outcomes	The company was blacklisted (not eligible to add to the existing position) until we had further clarity on the potential damages involved and the company's response in terms of improving its safety measures. Upon getting assurance that they had taken steps to minimize the risk of such accidents happening in the future, it was decided to keep the company in our investment universe and allow additional investments.

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

Communication

LEA 16	Mandatory	Public	Core Assessed	PRI 2,6
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LEA 16.1 Indicate whether your organisation proactively discloses information on its engagements.

- We disclose it publicly
- We disclose it to clients and/or beneficiaries only

LEA 16.5 Indicate what engagement information your organisation proactively discloses to clients/beneficiaries.

Engagement information disclosed

- Details of the selections, priorities and specific goals of engagement
- Number of engagements
- Breakdown of engagements by type/topic
- Breakdown of engagements by region
- An assessment of the current status of the engagement
- Outcomes that have been achieved from the engagement
- Other information

LEA 16.6

Indicate how frequently you typically report engagements information

- Disclosed continuously (prior to and post engagements)
 - Disclosed quarterly or more frequently
 - Disclosed biannually
 - Disclosed annually
 - Disclosed less frequently than annually
 - Ad hoc/when requested
- We do not proactively disclose it to the public and/or clients/beneficiaries.

LEA 16.8

Additional information. [Optional]

Information on engagements are disclosed on quarterly basis in the ESG themed section in our investor newsletter.

(Proxy) voting and shareholder resolutions

Overview

LEA 17

Mandatory

Public

Gateway

PRI 1,2,3

New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 17.1

Indicate whether your organisation has a formal voting policy.

- Yes

LEA 17.2

Indicate what your voting policy covers:

- Conflicts of interest
- Prioritisation of voting activities
- Transparency
- Decision making processes
- Environmental factors
- Social factors
- Governance factors
- Filing/co-filing resolutions
- Extraordinary meetings
- Share blocking
- Regional voting practices
- Record keeping
- Company dialogue pre/post vote
- Securities lending process
- Other, describe
- None of the above

LEA 17.3

Attach or provide a URL to your voting policy. [Optional]

URL

http://avaron.com/files/docs/2016.05.11_Exercise_of_voting_rights_strategy_revised.pdf

LEA 17.4

Provide a brief overview of your organization's approach to (proxy) voting.

Avaron normally participates on behalf of the managed portfolios where it holds the right to exercise ownership rights, in shareholders' meetings, according to the level of advantage that this participation would bring to the portfolios, as well as for the opportunity to affect decisions. We participate in all shareholders' meetings where the portfolios that carry ownership rights in aggregate hold 5% or more of the company's share capital. If the set limit is not exceeded, then participation and voting rights shall be exercised if required by the need to safeguard the interest of the clients.

LEA 17.5

Provide an overview of how you ensure your voting policy is adhered to, giving details of your approach when exceptions to the policy are made (if applicable).

Voting rights in Avaron are exercised internally i.e. our investment team reviews the agendas of shareholder meetings of the companies we are invested in. Voting proposals are put forth by the Analysts that cover the companies, approved by Investment Managers and then forwarded to our global custodian or directly sent to the companies.

No

Process

LEA 18	Mandatory	Public	Descriptive	PRI 2
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LEA 18.1 | Indicate how you typically make your (proxy) voting decisions.

Approach

We use our own research or voting team and make voting decisions without the use of service providers.

Based on

- our own voting policy
- our clients' requests or policy
- other, explain
- We hire service provider(s) that make voting recommendations or provide research that we use to inform our voting decisions.
- We hire service provider(s) that make voting decisions on our behalf, except for some pre-defined scenarios for which we review and make voting decisions.
- We hire service provider(s) that make voting decisions on our behalf.

LEA 21	Voluntary	Public	Additional Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 21.1 | Indicate if your organisation has a securities lending programme.

- Yes
- No

LEA 22	Mandatory	Public	Core Assessed	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 22.1 | Indicate whether you or the service providers acting on your behalf raise any concerns with companies ahead of voting

- Yes, in most cases
- Sometimes, in the following cases:
- Neither we nor our service provider raise concerns with companies ahead of voting

LEA 22.2	Indicate whether you and/or the service provider(s) acting on your behalf, communicate the rationale to companies, when , you abstain or vote against management recommendations.
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- Yes, in most cases
- Sometimes, in the following cases.
 - Votes in selected markets
 - Votes on certain issues
 - Votes for significant shareholdings
 - Votes for companies we are engaging with
 - On request by clients
 - Other
- We do not communicate the rationale to companies
- Not applicable because we and/or our service providers do not abstain or vote against management recommendations

LEA 22.3	Additional information. [Optional]
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In case of abstaining or voting against the management recommendations the aim is to send a clear message to the company, thus in most cases we also communicate the rationale to the management of the company.

Outputs and outcomes

LEA 23	Mandatory	Public	Core Assessed	PRI 2
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LEA 23.1	For listed equities where you and/or your service provider have the mandate to issue (proxy) voting instructions, indicate the percentage of votes cast during the reporting year.
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- We do track or collect this information

	Votes cast (to the nearest 1%)
--	--------------------------------

	%
--	---

19

	Specify the basis on which this percentage is calculated
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- of the total number of ballot items on which you could have issued instructions
- of the total number of company meetings at which you could have voted
- of the total value of your listed equity holdings on which you could have voted

LEA 23.2 Explain your reason(s) for not voting certain holdings

- Shares were blocked
- Notice, ballots or materials not received in time
- Missed deadline
- Geographical restrictions (non-home market)
- Cost
- Conflicts of interest
- Holdings deemed too small
- Administrative impediments (e.g., power of attorney requirements, ineligibility due to participation in share placement)
- We do not vote on environmental resolutions
- We do not vote on social resolutions
- On request by clients
- Other

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.




We do not track or collect this information

LEA 24	Mandatory	Public	Additional Assessed	PRI 2
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LEA 24.1 Indicate if you track the voting instructions that you and/or your service provider on your behalf have issued.

Yes, we track this information

LEA 24.2 Of the voting instructions that you and/or third parties on your behalf issued, indicate the proportion of ballot items that were:

Voting instructions	Breakdown as percentage of votes cast
For (supporting) management recommendations	 <p>97</p>
Against (opposing) management recommendations	 <p>2</p>
Abstentions	 <p>1</p>

100%

LEA 24.3	Describe the actions you take after voting against management recommendations.
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Should we deem necessary the issues will be discussed with the management. We hold regular meetings with companies we are invested in enabling us to bring fourth these issues in timely manner if needed.

No, we do not track this information

LEA 25	Voluntary	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 25.1	Indicate if your organisation directly or via a service provider filed or co-filed any ESG shareholder resolutions during the reporting year.
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Yes

No

LEA 26	Voluntary	Public	Descriptive	PRI 2
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

LEA 26.1	Provide examples of the (proxy) voting activities that your organisation and/or service provider carried out during the reporting year.
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Add Example 1

Topic or ESG issue	Capital allocation
Decision made by	<input checked="" type="checkbox"/> Internal staff <input type="checkbox"/> Collaborative <input type="checkbox"/> Service provider
Objectives	Capital structure optimization
Scope and Process	Voted against the management proposal of 2015 payout proposal and dividend policy proposal and for proposals on the same matters put fourth by a minority institutional investor as the latter was deemed more appropriate by our investment team given the company's capital structure.
Outcomes	OGM decided to approve the management proposal regarding the 2015 payout and rejected the proposal put fourth by minority investors. Both versions of dividend policies were rejected by the OGM.

- Add Example 2
- Add Example 3
- Add Example 4
- Add Example 5
- Add Example 6
- Add Example 7
- Add Example 8
- Add Example 9
- Add Example 10

Communication

LEA 27	Mandatory	Public	Core Assessed	PRI 2,6
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LEA 27.1 Indicate if your organisation proactively discloses information on your voting activities.

We disclose it publicly

provide URL

http://avaron.com/files/docs/2017.02_Avaron_2016_annual_SRI_report.pdf

LEA 27.2

Indicate if the information disclosed to the public is the same as that disclosed to clients/beneficiaries.

- Yes

LEA 27.3

Indicate the voting information your organisation proactively discloses to the public and/or to clients/beneficiaries.

Indicate how much of your voting record you disclose

- All voting decisions
- Some voting decisions
- Only abstentions and opposing vote decisions
- Summary of votes only

Indicate what level of explanation you provide

- Explain all voting decisions
- Explain some voting decisions
- Only explain abstentions and votes against management
- No explanations provided

LEA 27.4

Indicate how frequently you typically report voting information.

- Continuously (primarily before meetings)
- Continuously (soon after votes are cast)
- Quarterly or more frequently
- Biannually
- Annually
- Less frequently than annually
- Ad-hoc/as requested
- No
- We disclose it to clients/beneficiaries only
- We do not proactively disclose our voting activities to the public and/or to clients/beneficiaries

LEA 27.8

Additional information. [Optional]

Information on voting activity is disclosed in our annual SRI report.