AVARON

AVARON ASSET MANAGEMENT

SUSTAINABILITY REPORT
FOR THE YEAR 2018

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AVARON OVERVIEW

GENERAL INFORMATION

Avaron Asset Management (the "Company") is a fund management company established in 2007. Avaron holds a license from the Estonian Financial Supervision Authority to manage investment portfolios and funds, and is also a registered Investment Advisor with the US Securities and Exchange Commission. The Company manages UCITS funds and institutional investors' managed accounts investing in listed equities and fixed income in Emerging Europe region. Asset class wise the core focus is on regional listed equities.

As of end 2018 Avaron managed 386 million euros, out of which the core Emerging Europe listed equity strategy accounted for 376 million euros. Fixed income investments accounted for 1% of the total assets under management. The Company manages two mutual funds domiciled in Estonia, which are open to any investor that has a European bank account. Avaron Emerging Europe Fund (AUM €61M) is focused solely on Emerging Europe ex-Russia listed equities (UCITS V). Avaron Flexible Strategies Fund (AUM €10M) is an asset allocation fund combining predominantly Emerging Europe cum-Russia listed equities, fixed income and money market instruments but based on fund prospectus can invest globally (non-UCITS).

In addition to the Estonian domiciled mutual funds, Avaron provides sub-investment management services to third party funds and managed accounts. Investment management services to professional investors in the form of third party funds and managed accounts have been an increasing business line for the Company over the years and accounts now for more than 80% of the assets under management. The total size of institutional investors' mandates in the end of 2018 was 310 million euros. Besides that Avaron also manages 5 million euros worth of portfolios for high net worth individuals.

We follow value investing principles and evaluate every investment case on a standalone basis. Portfolio construction is based on stock-picking, thus fully bottom up. Idea generation is proprietary, driven by the in-house bottom-up research. Our investment universe includes more than 250 entities, which are under close observation of our eleven-member investment team. In total Avaron employed 20 talented people as of end-2018. We are proud to be an independent, management-owned boutique committed to delivering strong risk-adjusted investment returns to our clients.

GOALS AND VALUES

Our mission is to be the most suitable partner for institutional investors catering for their needs in investing into Emerging Europe listed equity and fixed income asset class. We seek to offer positive risk weighted long-term return to our clients through value based and responsible investing. To achieve this, we adhere to our bottom-up value focused investment process. Our investment team has a key role in achieving this objective, which is why the Investment Managers and key investment team members are also the Company shareholders. Investment Managers have worked in Avaron for 10+ years, while the employment of Head of Research and two key Analysts extends from 8-11 years. Today our research team, purely dedicated to the Emerging European region equity analysis, comprises 11 investment specialists and is one of the largest among our peers.

Avaron has a strong corporate culture where integrity, passion for investing, diligence, flexibility and sustainability is highly valued. Integrity is the foundation of long-lasting success in asset management industry. To build client's trust we are honest, open, ethical and fair. People trust us to adhere to our word and we are accountable for our actions. Passion for investing is a key characteristic we look for during our employee selection process as we consider it to be essential for self-development and long-lasting job satisfaction. In order to keep excelling one has to have a strong drive. Without it we would lose our competitiveness. Success in investing relies on disciplined, careful and persistent work. Adhering to the set investment process and strategy in long-term enables us to achieve our goals. As a boutique asset management house flexibility, both towards its clients and employees, is something that sets us apart from the competition. We offer tailor-made solutions to our clients and opportunities for personal growth for our employees.

At Avaron we recognise that our business and investment practices have an impact on environment and society. We are committed to carry out our business activities in a sustainable manner to ensure diverse ecological environment and vibrant cultural, social and economic base for future generations. Our perception of sustainability is of something not being harmful to people, communities, environment or depleting natural resources, and thereby supporting long-term social and ecological balance. As asset managers we also believe that environmental, social and corporate governance issues are important contributors of long term performance of investment portfolios.

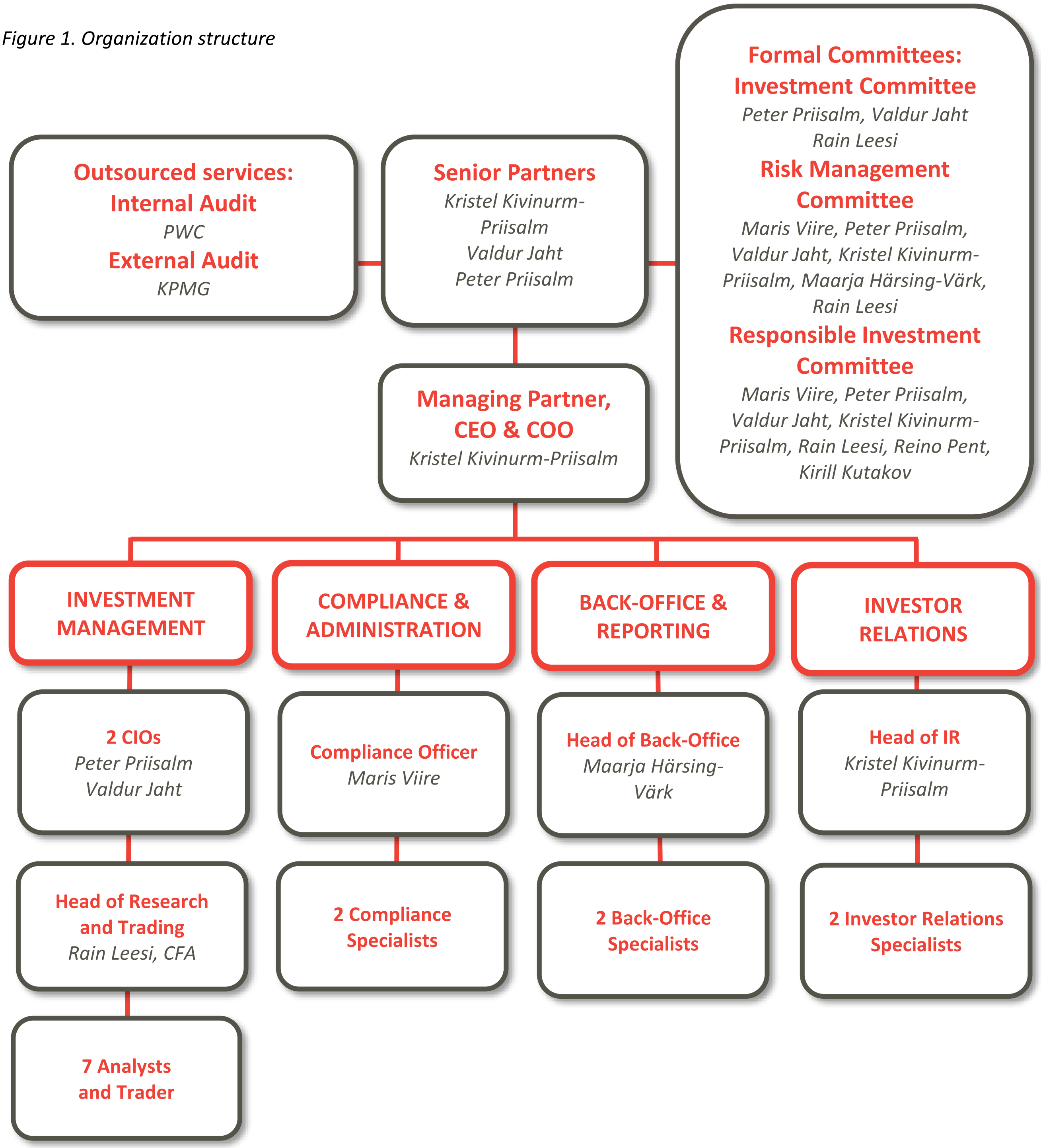
OWNERSHIP AND MANAGEMENT STRUCTURE

Avaron is owned by its employees and the Company has no institutional investors. 82.41% of Avaron belongs to Avaron Partners OÜ. 33.33% of Avaron Partners shares belong to Drusba Investments OÜ, which is equally owned by Valdur Jaht and his wife Maris Jaht (not active in the business). 66.67% of Avaron Partners belongs to Princo OÜ, which is equally owned by Kristel Kivinurm-Priisalm and Peter Priisalm. In the end of 2016 Avaron issued preferred shares, which were acquired by senior investment team members of the Company – Rain Leesi (6.85%), Piotr Jurga (5.86%) and Reino Pent (4.88%).

Avaron's Supervisory Board consists of Peter Priisalm (Chairman, CIO), Maris Viire (Compliance Officer and Head of Administration) and Priit Sander. Mr. Sander is an independent Supervisory Board member and has no other function in Avaron. The Management Board consists of Kristel Kivinurm-Priisalm and Valdur Jaht. The Company is audited by KPMG and internal audit is carried out by PwC. Compliance and risk management functions are internalised.

Avaron functions as a partnership, which is being managed by the three partners: Kristel Kivinurm-Priisalm, Valdur Jaht and Peter Priisalm. Kristel Kivinurm-Priisalm is responsible for general management, investor relationship management and operations management. Valdur Jaht and Peter Priisalm are the Company's Investment Managers, who are responsible for the investments made by the funds and managed accounts as well as the smooth running of the investment team's work.

Figure 1. Organization structure



SUSTAINABILITY IN AVARON

Avaron as a company is committed to sustainable business practices, which are embedded into our corporate identity. We review sustainability under the categories of People, Community, Environment and Investing (please refer to Responsible Investing section on page 8).

Since 2017 Avaron is a member of the Responsible Business Forum in Estonia, a non-profit organization with an aim to inspire and support furthering corporate social responsibility (CSR) in Estonian society through being the centre of competence building and communication on CSR. In 2017 we participated for the first time in Estonian Responsible Business Index and received the highest gold level quality label that is valid for two years. The Index aims at assisting Estonian companies to define, evaluate and monitor their economic, social and environmental impact. The quality label is given to organizations that show high performance and systematic approach in responsible activities towards local community, environment, workplace and marketplace. We scored the highest among the small enterprises, proving that our efforts in adopting responsible business and investment practices are bearing fruit. In 2019 we will follow through with the process of renewing our quality label.

PEOPLE

At Avaron we recognize that the skills, experience and commitment of our team together with a robust, repeatable and long-term focused investment process are integral to delivering superior investment returns to our clients. In order to attract and retain the best people we aim to make the working environment enjoyable, flexible and dynamic. We promote equal opportunities and value transparency together with mutual trust highly. Being part of our small but ambitious team should provide excellent opportunities for people that strive for excellence and are passionate about investing. We have developed an effective hiring and on-boarding processes to ensure that we find talented people and are able to integrate them successfully into our team. We will not discriminate because of age, disability, gender, marital status, pregnancy and maternity, race (including colour, nationality and ethnic or national origins), religion or belief, sexual orientation or any other factor. It is our belief that long-term success is created via an environment in which difference and diversity are respected and welcomed. The average tenure of our staff as of end 2018 was 5.0 years, similar among male and female employees.

Staff numbers	2014	2015	2016	2017	2018
Full time employees	15.3	14.5	15.0	16.2	18.8
% of female	50%	44%	43%	35%	35%
% of male	50%	56%	57%	65%	65%
Turnover*	13%	7%	13%	25%	0%

**Does not include employees that left during probationary period.*

COMMUNITY

We encourage our staff to take an active role in the community for the benefit of both our business and society. In this we put emphasis on education and youth development. Since 2014 our staff has been participating in the Back to School initiative as guest teachers. “Back to School” initiative has the objective to strengthen the cooperation between Estonian schools and the rest of the society by inviting guest teachers to schools to carry out lessons and share their experience. In December 2018 we also made a €3,000 donation to the initiative instead of sending out Christmas cards to our clients and business partners.

In an effort to support Estonian social start-up projects our investment team participated at the mentoring day of Estonian incubator for social enterprises called NULA in summer 2018. NULA incubator aims to provide support for projects or enterprises that are focusing on solving problems with material social impact. For the seven ideas that were being developed in the incubator our team provided support in establishing potential income streams, attaching relevant costs to the activities planned to be undertaken and in financial modelling. It was a unique experience for our team members to brainstorm and analyse non-profit oriented business models, and help them move forward by sharing our financial analysis expertize.

During 2017-20 Avaron backs the foundation Youth to Olympics that is dedicated to supporting 18-25 year old Estonian athletes in their pursuit of excellence. During the four years Avaron contributes €40,000 to the foundation. “Youth to Olympics” provides long-term support to prospective young Estonian athletes that have the potential to become ambassadors of active lifestyle for the whole Estonian society and youth in particular. Avaron Partner Valdur Jaht is the founder of the Youth to Olympics foundation.

ENVIRONMENT

We acknowledge and aim to measure our environmental impacts and take action to improve wherever possible. As an office-based business our direct environmental impact is relatively limited. We have identified four main impact areas from our operations: energy consumption, water use, paper use and travel. We are committed to reducing these through cultivating sustainable business culture optimization of our working practices. Used paper, carton and plastic bottles are collected for recycling.

Annual electricity and paper consumption are tracked since 2014 and it has helped us to optimize our consumption. We are taking advantage of electronic sales presentation possibilities whenever possible.

	2014	2015	2016	2017	2018
Paper usage, # of sheets	22,257	17,548	14,652	17,319	15,211
change, %		-21%	-17%	18%	-12%
Electricity consumption, kWh	17,954	18,187	18,341	19,875	20,939
Per FTE, kWh	1,177	1,254	1,223	1,229	1,117
change, %		7%	-3%	1%	-9%

Our greenhouse gas (GHG) footprint (Scope 2) from energy consumption in 2018 was 21.8 tCO2e (2017: 20.7 tCO2e) based on the emission factor of electricity sold in Estonia. Scope 2 emissions per FTE stood at 1.16 tCO2e, down 9% compared to 2017.

Another important environmental impact of our business operations is related to GHG emissions from travel (Scope 3), which we are tracking since mid-2016. Emission factors used to calculate the footprint are 0.10173 $kgCO_2e$ per km for pan European flights (short-haul international), 0.24234 $kgCO_2e$ per km for taxi, 0.13552 $kgCO_2e$ per km for bus, and 0.07659 $kgCO_2e$ per km for train transport. In 2018 our business travels reached 114 thousand kilometres of which 97% were pan European flights. Our carbon footprint from business travel in 2018 was 11.7 tCO_2e (2017: 11.9 tCO_2e) or 0.62 tCO_2e per FTE (2017: 0.74 tCO_2e). Given the nature of Avaron’s business that entails regular client visits and sales trips we have not set any targets related to reducing carbon footprint.

RESPONSIBLE INVESTING IN AVARON

Since 2011 Avaron follows responsible investment (RI) practices and is a signatory of UN Principles for Responsible Investment (UNPRI). As an institutional investor, Avaron has a duty to act in the best long-term interests of its beneficiaries. In this fiduciary role, we believe that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios to varying degrees across companies, sectors, regions, asset classes and over time. Given our main aim of generating alpha to our clients via stock picking it is necessary to have ESG analysis integrated into our investment process. When making investment decisions our in-depth knowledge of listed companies is considered as a key ingredient in delivering strong returns to clients. Our investment team has been following vast majority of our current listed equity universe for a decade, which serves as an important strength in assessing the companies' future potential. In order to have an extensive knowledge base of the companies in our universe we have taken a strategic decision not to outsource ESG analysis to third party providers but rather educate our research team and add an ESG specific layer within our research process.

In Avaron we believe that the stock returns are primarily driven by the underlying fundamental potential of companies, while ESG issues may add to or subtract from it. Thus, the ESG layer in our investment process serves as a risk management tool to detect possible important risks related to ESG. While the ESG factors considered mainly aim to reduce investment risk, Avaron also recognizes that applying these principles may better align investors with the broader objectives of society. Improved ESG practices should help to create an environment of higher standards of business conduct, increased market efficiency, sustainable environmental management, and thus ultimately a more cohesive and fairer society. Even though such indirect benefits may not contribute immediately to Avaron's investment performance, these should over time translate into higher and more consistent overall returns.

INTEGRATION

In Avaron we seek to integrate the consideration and thoughtful management of ESG issues into the investment process by undertaking ESG analysis on all prospective and existing investments. Within our investment process the ESG analysis is carried out as part of the qualitative company analysis. Our ESG integration comprises two layers to ensure that relevant issues are consistently taken into account when making investment decisions:

1. In order to avoid financing companies that are engaged in activities with clear negative impact on people and environment we apply **exclusion principles**.
2. In-depth analysis of ESG criteria using an internally developed **ESG Score** that is a part of our company quality analysis and enables to assess the ESG performance of companies in our investment universe.

Exclusion is used as a tool to ensure no investments are made into activities that have a clear negative impact on people or the environment. It is applied outright for involvement in certain sectors or countries, or after non-successful engagement process to address discovered infringements of United Nation Global Compact (UNGC) or poor corporate governance practices. As of end 2018 our internal coverage list included 261 companies. Based on the ESG analysis we had additional 76 companies in the restricted list reflecting the direct impact of Responsible Investment Policy implementation.

Exclusions based on type	
Environmental	17
Social	15
Governance	44

Excluded companies by country	
Russia	34
Turkey	10
Poland	8
Romania	5
Greece	4
Hungary	4
Malta	4
Czech Republic	3
Croatia	2
Serbia	1
Bulgaria	1

In Q4 2018 we implemented a new ESG analysis tool called ESG Score instead of a generic UNGC based check with an aim to get a quantifiable outcome for measuring the ESG performance of companies in our coverage universe. ESG Score assesses companies' ESG profile comprising 90+ aspects across the three letters. All of these are individually assessed and assigned a score on a 1 to 5 scale, higher score indicating better performance.

The E rating comprises different environmental aspects with a focus on climate change including carbon footprint and its reduction policy, eco-efficiency and resource efficiency and waste management. The S rating comprises social and supply chain related aspects including human rights, labour rights and conditions, health and safety, treatment of customers and community, diversity, data privacy and cyber security. The G rating evaluates corporate governance related aspects including board composition and independence, transparency and accountability, shareholder rights, business ethics, anti-bribery and corruption measures, and governance related to sustainable management. In the final ESG Score the three letters have equal weights and the rating is adjusted for ESG related controversies (negative) and other specific issues (positive or negative), which are not reflected in the scorecard but are deemed important to be taken into account when assessing the overall profile of the company. These adjustments are taken into account when having occurred over the past 5 years.

By the end of 2018 all of the companies in our equity portfolios had the ESG ratings assigned. As an example of Avaron Emerging Europe Fund the median score was 3.2, while the lowest was 2.3 and the highest 4.1. Only one company got a rating above 4 – Turkish bottling company Coca-Cola Icecek that stands out as the best scoring name across the three letters. The lowest scoring company was Czech nuclear energy generator CEZ. When looking at the portfolio median scores across E, S and G it stands out that environmental score is lower than the median ratings for social and supply chain, and governance performance. This largely reflects the lack of climate change and resource efficiency driven corporate policies and related practices in our investment universe.

ESG Score enables us to assess various ESG related risks and opportunities, rank companies in our investment universe and guides our investment decision making process alongside with the company Quality Score, an in-house tool to gauge the overall quality of the company from management team and business model perspective. Via ESG Score the ESG considerations are embedded into the analysis process of each individual company and the rating is assessed against the upside to our fair value target of the company when considering an investment. We do not make any exclusions based purely on the low ESG rating but it enables to detect potential issues to engage upon. ESG Score ratings are subject to a full review once per annum carried out by the Investment Managers and Analysts.

Divestment: Energa (Poland)

Energa is the 3rd largest and majority state owned Polish power utility. Its grid covers 24% of the country. We added it into our portfolios late 2013 during the IPO. Energa's main attraction was clear dividend policy underpinned by stable regulated-return power distribution business. Limited operational contribution also came from coal-fired generation segment. After the parliamentary elections in 2015 the political influence over Energa increased that brought along instability in the executive team, deterioration in corporate governance and environmental profile that finally led us to divest from the company in 2018.

In 2016 Energa started a controversial project to build a new 1,000 MW coal-fired power plant in Ostrołęka. Consortium of Alstom Power Systems and GE Power was selected via tendering procedure to realize the project. Despite serious doubts about the positive NPV of the project as well as opposition voices from the local community and think tanks Energa's management pushed forward. The project was supposed to be carried out as a joint venture with another state-controlled utility Enea. Later on other SOEs have been rumored to become minority investors in the project but until now there is no clarity on the exact participation nor financing structure.

On the EGM held on the 6th of July 2018 we voted against granting the consent for the management to sign the final public order agreement with the consortium of GE Power and Alstom. During the meetings with Energa's executives we addressed our worries over the financial viability of the project and potential value destruction for minority investors, which did not yield any additional disclosure nor efforts to improve the corporate governance. Further on Energa issued a notice to proceed for the consortium disregarding the minority and local community interests. After finalizing the power plant, the contribution of coal-based generation to Energa's financials is likely to be substantial and in breach with our policy not to finance businesses that derive more than 30% from coal-based energy.

On annual basis we measure how ESG approach has impacted the performance of our investment portfolios by comparing 1, 3 and 5-year volatility of equally weighted portfolio of excluded companies to Avaron Emerging Europe Fund and its benchmark. Over the years it has become evident that the returns of excluded companies are significantly more volatile and event driven compared to the performance of Avaron Emerging Europe Fund.

	Volatility		
	1-year	**3-year**	**5-year**
Avaron Emerging Europe Fund	9%	9%	9%
MSCI EFM Europe + CIS ex Russia	17%	16%	17%
ESG exclusion list ex Russia	15%	40%	29%
ESG exclusion list cum Russia	15%	32%	25%

ACTIVE OWNERSHIP

Engagement

One way Avaron manages and protects the value of its clients' investments is via being an active owner, exercising the shareholder rights and engaging with managements of the listed companies. We take an active approach in communicating our ESG views to companies and seeking improvements where there are shortcomings in performance, or a company has infringed appropriate standards, or to push for adequate disclosure. Engagements may be reactive or proactive. Reactive engagements are company specific and are triggered by a negative ESG event (e.g. norm infringements), while proactive engagements are preventive in nature and target improvement of ESG practices. Proactive engagements can be also theme specific and undertaken across a group of companies.

Should our ESG analysis with the ESG Score uncover undesirable practices, or in reaction to a specific ESG related events, reactive engagement actions are undertaken to obtain within a predetermined timeframe specific and measurable changes on the part of the issuers. Engagement is always the preferable option over exclusion in order to thrive towards better ESG awareness and policies. A dialogue with the company is maintained over an extended period if necessary. Escalation and means of the engagement activities are decided upon by the investment team and depend on the specifics of the issue at hand and the company. Actions may include communications through the company's brokers, direct engagement with the management board or joint intervention with other shareholders, and where appropriate, voting against board proposals.

Meetings with company executive and non-executive board members are one of the key ingredients of our investment process. Besides the upside to our internal target prices the portfolio construction is also driven by companies' quality for which we have developed specific rating tools – Quality Score and ESG Score. Such qualitative assessment can only be done by combining publicly available information with meetings with company representatives. During these meetings we have also the opportunity to bring forward our concerns on ESG issues and ask for proper further corrective actions from the company.

# of meetings	2014	2015	2016	2017	2018
1on1 meetings	85	109	127	154	144
1on1 calls	17	17	9	20	30
Group meetings	24	72	27	22	23
Quarterly group calls	320	315	304	362	435

Our ESG Score also provides a basis for proactive engagements enabling to detect areas where companies could improve existing practices. Based on the ratings data we have at hand for our portfolio companies we have detected that integrating climate change issues into corporate strategy and related disclosure is one major area where improvements could be sought. We aim to start reporting the carbon footprint of our portfolios, which currently is hindered by the shortcomings in disclosure. Thus, one of our engagement priorities going forward is to encourage carbon reporting in the region via collaborative and individual engagements.

Engagement: Sphera Franchise Group (Romania)
In 2018 we partook extensive investor discussions and collaboration with respect to one of our portfolio holdings Sphera Franchise Group, a Romanian operator of KFC, Pizza Hut and Taco Bell restaurants. The company was successfully listed in the end of 2017 with some of its founders selling their stakes. Unknown to the investors the management of the company had incentive contracts agreed with the pre-IPO shareholders, which foresaw significant bonuses to be paid by the company in case of a successful IPO. In addition, during the IPO process management misguided investors by indicating improving profitability and business conditions only to report much weaker results shortly after the IPO. Following these shareholder value destructive events we voiced our concerns to the management and contacted other institutional shareholders to form an initiative group to propose changes for improved governance. Together with local pension funds and a few foreign institutional shareholders we sent an official letter to Sphera's Board, Bucharest Stock Exchange and Romanian FSA outlining the poor practices that had led to shareholder value destruction and proposing several measures how to improve corporate governance going forward. As a result the company has now approved and publicly disclosed its Remuneration and Guidance Policy, and made changes in the Board of Directors as two executive members stepped down and were replaced by independent members supported by institutional investors.

Another important area where poor practices often occur is governance, especially minority shareholder rights protection. This is reflected also in the large number of governance related restricted list as well. Although the legal means for protection exist, it is not always financially feasible for minority investors, even institutional ones, to pursue legal means post a negative event. Our aim here remains to be especially diligent to avoid such cases or should we encounter such circumstances to actively collaborate with other institutional investors to put pressure on the company or majority shareholder to remedy the situation.

Voting

A key part of being an active owner of listed equities is using voting rights in an informed way at company meetings, including but not limited to shareholder resolutions on ESG performance issues. Key principles of how we exercise our voting rights have been set in Avaron's Voting Policy.

Starting from 2018 we have committed to systematically exercise our voting rights on all shareholder meetings. 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.

In 2018 we voted in 85% shareholders' meetings of the companies we own in the portfolios for which we hold the discretion to exercise voting rights. This compares to 17% participation rate in 2017. On 8% of agenda points we voted against the management proposals and on 4% we abstained.

Voting activity	2014	2015	2016	2017	2018
Meetings	8	20	13	16	67
Resolutions	65	210	94	158	656
For	54	183	91	119	578
Against	11	17	2	19	55
Abstained	0	10	1	20	23

COLLABORATION AND INDUSTRY INVOLVEMENT

Since 2011 Avaron is a signatory of UN Principles for Responsible Investment (UNPRI) that enables us to stay up to date on industry developments, offers a chance to implement new best practices in the industry and collaborate with other institutional investors and asset owners. We recognize that in many instances joint action by institutional investors has the potential to be more effective than acting alone. Thus, every year we participate or support select collaborative initiatives that overlap with our beliefs or needs. One of the primary areas we are active in is related to climate change and carbon reporting.

In 2018 we decided to participate in several collaborative engagements to address the issue of limited carbon emission data disclosure among Emerging European listed companies. Namely we joined:

i. Climate Action 100+ that is a new 5-year investor initiative to engage with the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change. We hold a supporting role in the collaboration.

ii. PRI-coordinated engagement on climate change transition for oil and gas. It builds on research by Carbon Tracker that illustrates the company-level risks associated with unneeded capital expenditure. This working group is part of Climate Action 100+. We hold a supporting role in the collaboration.

iii. 2018 Carbon Disclosure Project (CDP) Non-Discloser Campaign aimed at further encouraging companies to disclose carbon data. The campaign focused on companies that had never responded or had not responded to the CDP questionnaire in recent years.

Participation in 2018 Carbon Disclosure Project (CDP) Non-Discloser Campaign

In 2018 we took part in the CDP Non-Discloser Campaign to encourage companies in our investment universe to start reporting their carbon emissions. We took a lead role in engaging with nine companies from Austria, Greece, Poland and Turkey of which four we currently hold in our portfolios. We sent out official letters to the management and investor relations teams of the respective companies and followed up via direct face-to-face communication or e-mail to explain the reasons behind our request. In general, the companies we connected with acknowledged the need for quality carbon data disclosure (Scope 1, 2 and 3) and the threat of facing potentially higher capital cost in the future should they not choose to disclose carbon data on the back of increasing number of asset owners that require such data. Dialogues with these select companies reflected the overall situation in Emerging Europe related to carbon reporting – some companies have systems in place to report Scope 1 or 2 emissions but face corporate structure related impediments or lack incentives and resources, especially in the case of small and mid-caps, to develop accounting systems for Scope 3 emissions. Among the companies we engaged with six do provide carbon disclosure but not the full footprint. Some of them also indicated that they are working towards improving their carbon data collection systems and disclosure. In the end the campaign overall delivered a 23% increase in new report submissions as companies targeted saw response rates more than twice as high overall as those not in the campaign.

Besides climate change related collaborations we supported Tobacco-Free Finance Pledge in 2018 as it aligns our long-term approach of limited financing of tobacco companies. The aim of the pledge is to raise awareness of the issue of lending to, investing in and insuring tobacco companies among financial institutions and to encourage the adoption of tobacco-free finance policies. Alongside with it we adopted a zero tolerance policy towards investing in tobacco companies, while previously we tolerated up to 10% of revenues from tobacco products. This policy change did not impact our investment universe.

Going forward we continue to support the CDP as a signatory. CDP is one of the largest investor collaborations globally with combined $87tr in assets, aiming to improve climate change, water usage and deforestation related disclosure, and risk management of publicly traded companies. We will take part in the 2019 Non-Discloser Campaign targeting companies in our investment universe as it aligns with our longer-term objective towards carbon reporting of our portfolios.

GOVERNANCE AND REPORTING

Avaron Responsible Investment Committee has oversight of, and responsibility for, all responsible investment related issues including but not limited to development of relevant policies and steering policy implementation. The Committee is made up of senior staff members and is chaired by Executive Board Member and co-CIO Valdur Jaht. The Committee and its Chair have ultimate responsibility to ensure efficiency, compliance and ownership of responsible investment practices in Avaron. Current list of Committee members is:

Key People	Role
Valdur Jaht	Co-CIO, Chair of the Committee
Peter Priisalm	Co-CIO
Kristel Kivinurm-Priisalm	CEO/COO
Rain Leesi	Head of Research and Trading
Reino Pent	Senior Analyst, Responsible Investment Specialist
Maris Viire	Compliance Officer
Kirill Kutakov	Analyst

Avaron reports annually on responsible investment issues via UNPRI Reporting Framework and our Sustainability Report. UNPRI Reporting Framework provides Transparency and Assessment Reports. Transparency Report shows signatory's responses to the Reporting Framework, and is made publicly available on the PRI website. Assessment Report demonstrates how a signatory has progressed in its implementation of the principles year-on-year and relative to peers, and are not by default public. However, at Avaron we have decided to make our Assessment reports public. All latest reports are made public in the Responsible Investment section on our website. On quarterly basis we also report on responsible investment related activities to our clients via our newsletter.

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