



PUBLIC TRANSPARENCY REPORT **2025**

AS Avaron Asset Management

Generated 24-11-2025

About this report

PRI reporting is the largest global reporting project on responsible investment.

It was developed with investors, for investors. PRI signatories are required to report publicly on their responsible investment activities each year. In turn, they receive a number of outputs, including a public and private Transparency Report.

The public Transparency Reports, which are produced using signatories' reported information, provide accountability and support signatories to have internal discussions about their practices and to discuss these with their clients, beneficiaries, and other stakeholders. This public Transparency Report is an export of the signatory's responses to the PRI Reporting Framework during the 2025 reporting period. It includes the signatory's responses to core indicators, as well as responses to plus indicators that the signatory has agreed to make public.

In response to signatory feedback, the PRI has not summarised signatories' responses – the information in this document is presented exactly as it was reported.

For each of the indicators in this document, all options selected by the signatory are presented, including links and qualitative responses. In some indicators, all applicable options are included for additional context.

Disclaimers

Legal Context

PRI recognises that the laws and regulations to which signatories are subject differ by jurisdiction. We do not seek or require any signatory to take an action that is not in compliance with applicable laws. All signatory responses should therefore be understood to be subject to and informed by the legal and regulatory context in which the signatory operates.

Responsible investment definitions

Within the PRI Reporting Framework Glossary, we provide definitions for key terms to guide reporting on responsible investment practices in the Reporting Framework. These definitions may differ from those used or proposed by other authorities and regulatory bodies due to evolving industry perspectives and changing legislative landscapes. Users of this report should be aware of these variations, as they may impact interpretations of the information provided.

Data accuracy

This document presents information reported directly by signatories in the 2025 reporting cycle. This information has not been audited by the PRI or any other party acting on its behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented.

The PRI has taken reasonable action to ensure that data submitted by signatories in the reporting tool is reflected in their official PRI reports accurately. However, it is possible that small data inaccuracies and/or gaps remain, and the PRI shall not be responsible or liable for such inaccuracies and gaps.

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SENIOR LEADERSHIP STATEMENT (SLS)

SENIOR LEADERSHIP STATEMENT

SENIOR LEADERSHIP STATEMENT

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
SLS 1	CORE	N/A	N/A	PUBLIC	Senior Leadership Statement	GENERAL

Section 1. Our commitment

- Why does your organisation engage in responsible investment?
- What is your organisation's overall approach to responsible investment, and what major responsible investment commitment(s) have you made?

At Avaron, we view responsible investment as a core pillar of our investment philosophy and a key mechanism for aligning the interests of asset owners, managers, and the broader society. We believe that companies with sound environmental, social, and governance (ESG) practices are better positioned to manage risks, capture opportunities, and deliver long-term sustainable returns. This, in turn, contributes to stronger market integrity, improved corporate conduct, and a more cohesive and fairer economy. Since becoming a signatory to the UN Principles for Responsible Investment (PRI) in 2011, we have continuously enhanced the integration of responsible investment practices across our operations. We are also a signatory to CDP and publish annual disclosures on our ESG integration approach, stewardship activities, and climate impact.

Our mission is to be the most suitable asset manager for institutional investors seeking exposure to Emerging Europe listed equities. We strive to deliver strong risk-adjusted active returns through a disciplined bottom-up, value-based investment process, where ESG considerations are fully embedded. We see ESG as an inseparable component of company fundamentals. Accordingly, all investment decisions incorporate internally developed ESG analysis as part of our valuation framework. We have made a strategic decision to develop and maintain in-house ESG research capabilities, rather than relying on third-party data providers. This reflects both the limitations of external ESG ratings in our regional markets and our deep knowledge of the companies we cover. Our investment team has followed most of the region's listed equity universe for nearly two decades, giving us a meaningful edge in assessing both financial and non-financial factors.

Our Responsible Investment Policy guides our approach to ESG integration, exclusions, engagement, and proxy voting. We apply both norms-based and sector exclusions and maintain an internally developed ESG scoring model that influences our valuation and investment decisions. ESG controversies are monitored continuously and can lead to company exclusion or engagement escalation. We also take an active stewardship role. We vote at nearly all shareholder meetings, engage regularly with portfolio companies on material ESG issues, and have documented cases where engagement has resulted in positive corporate change. We support the Paris Agreement and have committed to reducing the carbon footprint of our portfolios by 50% by 2030 and to reaching net zero by 2050. These targets are outlined in our Climate Change Policy Statement. Transparency and accountability are fundamental to our responsible investment strategy. We publicly disclose our voting records, engagement outcomes, and responsible investment reports, and our Emerging Europe Fund holds the LuxFLAG ESG label, affirming the rigor of our ESG process.

Section 2. Annual overview

- Discuss your organisation's progress during the reporting year on the responsible investment issue you consider most relevant or material to your organisation or its assets.
- Reflect on your performance with respect to your organisation's responsible investment objectives and targets during the reporting year. Details might include, for example, outlining your single most important achievement or describing your general progress on topics such as the following (where applicable):
 - refinement of ESG analysis and incorporation
 - stewardship activities with investees and/or with policymakers
 - collaborative engagements
 - attainment of responsible investment certifications and/or awards

In the reporting year, we continued to advance our responsible investment strategy with a strong focus on climate transition, deeper ESG integration, and active stewardship. As an asset manager specialising in Emerging Europe equities, we consider climate-related risks and opportunities to be particularly material across our investment universe. We prioritise building in-house ESG capacity to ensure that our analysis reflects both regional market dynamics and company-specific fundamentals.

A key milestone during the year was the renewal of the LuxFLAG ESG Label for the Avaron Emerging Europe Fund. Valid from April 2024 through March 2025, the label provides independent recognition of our ESG approach, which combines sector and norms-based exclusions, proprietary ESG scoring, and active ownership. The relabelling process involved a thorough review of our ESG integration framework, public disclosures, and stewardship activities, confirming that our processes meet high standards of transparency and rigour. Another major achievement was the publication of our first Avaron Emerging Europe Fund Climate Metrics Report, which marked a significant step forward in enhancing transparency around our climate-related objectives. The report (available here: https://avaron.com/wp-content/uploads/Climate_metrics_Avaron_Emerging_Europe_Fund_2023.pdf) provides an assessment of the Fund's financed emissions, carbon intensity, and progress toward our long-term targets of a 50% emissions reduction by 2030 and net-zero by 2050. It also outlines the methodology and establishes a baseline against which future performance will be measured. Complementing this, we participated as a lead investor in the CDP Non-Disclosure Campaign, engaging with several portfolio companies to encourage improved climate and water-risk disclosures aligned with international frameworks. This initiative was part of our broader thematic engagement programme, launched in late 2023, which targets issuers across our portfolios with the goal of improving emissions transparency and promoting the adoption of 2030 reduction targets and credible net-zero pathways.

From a stewardship perspective, Avaron maintained its commitment to active ownership and transparency. During the year, we exercised voting rights at 62 out of 69 shareholder meetings, maintaining our target of at least 90% participation. Detailed voting records for the Avaron Emerging Europe Fund were published to reinforce our accountability to clients and stakeholders.

Our ongoing controversy monitoring process identified several ESG incidents that triggered targeted engagements. We engaged with OMV Petrom following news that Moldova's antitrust authority fined six fuel retailers, including Petrom, for allegedly participating in an anti-competitive agreement. We also reached out to Coca-Cola HBC after two incidents—a fire at its Serbian Bambi production facility and a product recall in Austria—both of which raised concerns about operational and product safety. Additionally, we engaged with Fourlis Holdings after a reported cybersecurity breach, highlighting the growing relevance of digital risk management and data protection. These engagements aimed to assess each company's response, evaluate the materiality of the issues, and encourage enhancements in governance, transparency, and risk mitigation practices.

Section 3. Next steps

- What specific steps has your organisation outlined to advance your commitment to responsible investment in the next two years?

Building on the progress achieved during the reporting year, our next steps will focus on deepening climate alignment, enhancing the impact of our engagements, and improving ESG data coverage across our Emerging Europe investment universe. As part of our long-term climate strategy, we will begin assessing whether portfolio companies are on credible pathways to achieve net-zero emissions by 2050. These assessments will inform our future engagement priorities and support portfolio-level evaluations of climate transition alignment. We also plan to expand the scope of our thematic engagement programme, with increased focus on climate transition readiness, supply chain transparency, and human capital management. We will continue to track and publicly report on engagement progress, including escalation where appropriate. In addition, we remain committed to maintaining the LuxFLAG ESG Label for the Avaron Emerging Europe Fund. This will involve ongoing compliance with the label's requirements, including robust ESG integration, public disclosure, and active ownership practices, as well as continuous alignment with evolving international ESG standards.

Section 4. Endorsement

'The Senior Leadership Statement has been prepared and/or reviewed by the undersigned and reflects our organisation-wide commitment and approach to responsible investment'.

Name

Valdur Jaht

Position

Member of the Management Board

Organisation's Name

AS Avaron Asset Management

● A

'This endorsement applies only to the Senior Leadership Statement and should not be considered an endorsement of the information reported by the above-mentioned organisation in the various modules of the Reporting Framework. The Senior Leadership Statement serves as a general overview of the above-mentioned organisation's responsible investment approach. The Senior Leadership Statement does not constitute advice and should not be relied upon as such. Further, it is not a substitute for the skill, judgement and experience of any third parties, their management, employees, advisors and/or clients when making investment and other business decisions'.

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OTHER RESPONSIBLE INVESTMENT REPORTING OBLIGATIONS (ORO)

OTHER RESPONSIBLE INVESTMENT REPORTING OBLIGATIONS

OTHER RESPONSIBLE INVESTMENT REPORTING OBLIGATIONS

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ORO 1	CORE	N/A	N/A	PUBLIC	Other Responsible Investment Reporting Obligations	6

During the reporting year, to which international or regional ESG-related legislation(s) and/or regulation(s) did your organisation report?

- ☐ (A) Corporate Sustainability Reporting Directive (CSRD) [European Union]
- ☐ (B) Directive on AIFM (2011/61/EU) [European Union]
- ☐ (C) Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers (PS21/24) [United Kingdom]
- ☐ (D) EU Taxonomy Regulation [European Union]
- ☐ (E) Improving shareholder engagement and increasing transparency around stewardship (PS19/13) [United Kingdom]
- ☐ (F) IORP II (Directive 2016/2341) [European Union]
- ☐ (G) Law on Energy and Climate (Article 29) [France]
- ☐ (H) MiFID II (2017/565) [European Union]
- ☐ (I) Modern Slavery Act [United Kingdom]
- ☐ (J) PEPP Regulation (2019/1238) [European Union]
- ☒ (K) PRIIPS Regulation (2016/2340 and 2014/286) [European Union]
- ☐ (L) Regulation on the Integration of Sustainability Risks in the Governance of Insurance and Reinsurance Undertakings (2021/1256) [European Union]
- ☒ (M) SFDR Regulation (2019/2088) [European Union]
- ☐ (N) SRD II (Directive 2017/828) [European Union]
- ☐ (O) The Occupational Pension Schemes Regulation on Climate Change Governance and Reporting [United Kingdom]
- ☐ (P) Climate Risk Management (Guideline B-15) [Canada]
- ☐ (Q) Continuous Disclosure Obligations (National Instrument 51-102) [Canada]
- ☐ (R) Disposiciones de Carácter General Aplicables a los Fondos de Inversión y a las Personas que les Prestan Servicios (SIEFORE) [Mexico]
- ☐ (S) Instrucciones para la Integración de Datores ASG en Los Mecanismos de Revelación de Información para FIC (External Circular 005, updated) [Colombia]
- ☐ (T) Provides for the creation, operation, and disclosure of information of investment funds, as well as the provision of services for the funds, and revokes the regulations that specifies (CVM Resolution No. 175) [Brazil]
- ☐ (U) SEC Expansion of the Names Rule [United States of America]
- ☐ (V) SEC Pay Ratio Disclosure Rule [United States of America]
- ☐ (W) ASIC RG65 Section 1013DA Disclosure Guidelines [Australia]
- ☐ (X) Circular to Licensed Corporations: Management and Disclosure of Climate-related Risks by Fund Managers [Hong Kong SAR]
- ☐ (Y) Financial Investment Services and Capital Markets Act (FSCMA) [Republic of Korea]
- ☐ (Z) Financial Instruments and Exchange Act (FIEA) [Japan]
- ☐ (AA) Financial Markets Conduct Act [New Zealand]
- ☐ (AB) Guiding Opinions on Regulating the Asset Management Business of Financial Institutions [China]
- ☐ (AC) Guidelines on Environmental Risk Management for Asset Managers [Singapore]
- ☐ (AD) Guidelines on Sustainable and Responsible Investment Funds [Malaysia]
- ☐ (AE) Modern Slavery Act (2018) [Australia]

- ☐ (AF) Stewardship Code for all Mutual Funds and All Categories of AIFs [India]
- ☐ (AG) ADGM Sustainable Finance Regulatory Framework [United Arab Emirates]
- ☐ (AH) JSE Limited Listings Requirements [South Africa]
- ☐ (AI) Other
- ☐ (AJ) Other
- ☐ (AK) Other
- ☐ (AL) Other
- ☐ (AM) Other
- ☐ (AN) Not applicable; our organisation did not report to any ESG-related legislation and/or regulation during the reporting year.

Indicator	Type of indicator	Dependent on	Gateway to	Disclosure	Subsection	PRI Principle
ORO 2	CORE	N/A	N/A	PUBLIC	Other Responsible Investment Reporting Obligations	6

During the reporting year, to which voluntary responsible investment/ESG frameworks did your organisation report?

- ☐ (A) Asset Owners Stewardship Code [Australia]
- ☐ (B) Código Brasileiro de Stewardship [Brazil]
- ☐ (C) New Zealand Stewardship Code
- ☐ (D) Principles for Responsible Institutional Investors (Stewardship Code) [Japan]
- ☐ (E) Stewardship Code [United Kingdom]
- ☐ (F) Stewardship Framework for Institutional Investors [United States of America]
- ☐ (G) CFA Institute ESG Disclosure Standards for Investment Products [Global]
- ☐ (H) Guidelines on Funds' Names using ESG or Sustainability-related Terms [European Union]
- ☒ (I) **Luxflag ESG Label [Luxembourg]**
- ☐ (J) RIAA Responsible Investment Certification Program [Australia]
- ☐ (K) SRI Label [France]
- ☐ (L) ANBIMA Code of Regulation and Best Practices of Investment Funds [Brazil]
- ☐ (M) Code for Institutional Investors 2022 [Malaysia]
- ☐ (N) Code for Responsible Investing in South Africa (CRISA 2) [South Africa]
- ☐ (O) Corporate Governance Guidelines [Canada]
- ☐ (P) Defined Contribution Code of Practice [United Kingdom]
- ☐ (Q) European Association for Investors in Non-Listed Real Estate Vehicles (INREV) Guidelines [Global]
- ☐ (R) Global ESG Benchmark for Real Assets (GRESB) [Global]
- ☐ (S) Global Impact Investing Network (GIIN) Impact Reporting and Investment Standards (IRIS+) [Global]
- ☐ (T) OECD Guidelines for MNEs - Responsible Business Conduct for Institutional Investors [Global]
- ☐ (U) UN Guiding Principles (UNGP) on Business and Human Rights [Global]
- ☐ (V) Net Zero Asset Managers (NZAM) Initiative [Global]
- ☐ (W) Net-Zero Asset Owner Alliance (NZAOA) [Global]
- ☐ (X) Recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) [Global]
- ☐ (Y) The Net Zero Investment Framework (NZIF) 2.0 [Global]
- ☐ (Z) Recommendations of the Taskforce for Nature-related Financial Disclosure (TNFD) [Global]
- ☐ (AA) Global Reporting Initiative (GRI) Standards [Global]
- ☐ (AB) IFC Performance Standard [Global]
- ☐ (AC) International Sustainability Standards Board (ISSB) Standards [Global]
- ☐ (AD) Sustainability Accounting Standards Board (SASB) Standards [Global]
- ☐ (AE) Other
- ☐ (AF) Other
- ☐ (AG) Other
- ☐ (AH) Other
- ☐ (AI) Other
- ☐ (AJ) Not applicable; our organisation did not report to any voluntary responsible investment/ESG frameworks during the reporting year.