



AVARON ASSET MANAGEMENT

**SUSTAINABILITY REPORT
FOR THE YEAR 2019**

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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 Emerging Europe listed equities.

As of end 2019 Avaron managed 390 million euros, out of which the core Emerging Europe listed equity strategy accounted for 380 million euros. Fixed income investments accounted for 1% of the total assets under management. The Company manages two mutual funds domiciled in Estonia. Avaron Emerging Europe Fund (AUM €62M) 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). Avaron also 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 around 81% of the assets under management. The total size of institutional investors’ mandates in the end of 2019 was 316 million euros. Besides that Avaron also manages less than 2 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 nearly 280 entities, which are under close observation of our ten-member investment team. In total Avaron employed 18 talented people as of end-2019. 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 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 meeting this objective, which is why the Investment Managers and key investment team members are also the Company’s shareholders. Investment Managers have worked in Avaron since the company’s launch in 2007. Today our research team, dedicated to the Emerging European region equity analysis, comprises of 10 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 clients’ 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

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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 our well-defined investment process and strategy in long-term enables us to achieve our goals. As a boutique asset management house flexibility, both towards our 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 the 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 to the 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 OÜ Avaron Partners. 33.33% of Avaron Partners shares belong to Drusba Investments OÜ, which is equally owned by Avaron co-CIO Valdur Jaht and his wife Maris Jaht (not active in the business). 66.67% of Avaron Partners belongs to OÜ Princo, which is equally owned by Avaron CEO/COO Kristel Kivinurm-Priisalm and Avaron co-CIO 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 Risk Manager) 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.

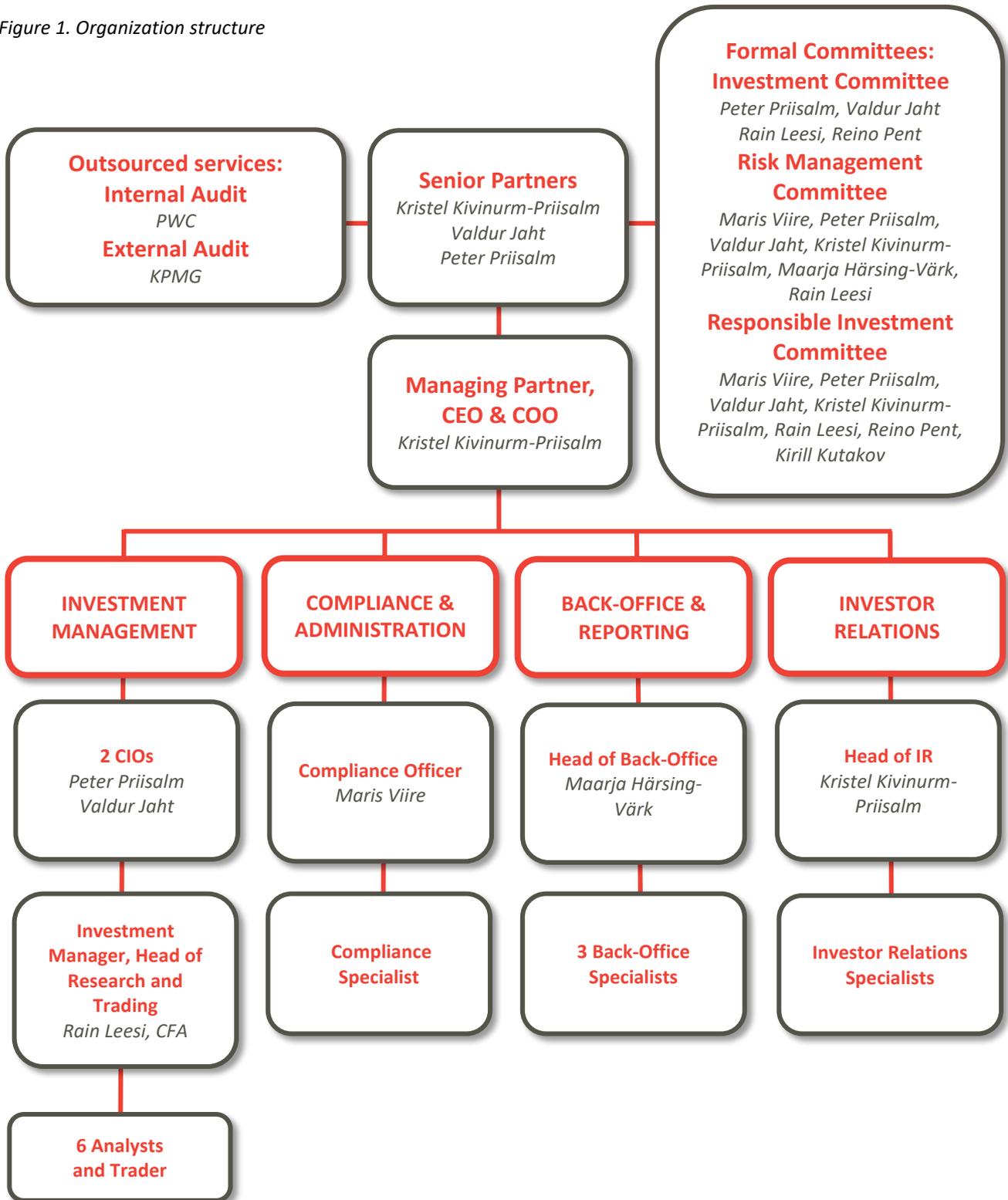
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Figure 1. Organization structure



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 the Estonian Responsible Business Index and received the highest gold level quality label that is valid for two years. In 2019 our label had to be renewed and we are honoured to announce that we have managed to retain our gold label for the next 2 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 Avaron received an entrepreneurship award from Tallinn City as [the Responsible Company 2019](#) based on our efforts and initiatives in responsible investing.

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 outstanding 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 do 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 2019 was 6.3 years, with male average tenure exceeding female by 1 year at 6.7 years.

Staff numbers	2015	2016	2017	2018	2019
Full time employees	14.5	15.0	16.2	18.8	19.1
% of female	44%	43%	35%	35%	39%
% of male	56%	57%	65%	65%	61%
Turnover	7%	13%	25%	0%	10%

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.

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We have continued with the tradition of not sending out Christmas cards and gifts to our clients and business partners. Instead we opted to support the Estonian foundation [Noored Kooli](#) by donating €3,000. This foundation reforms the Estonian education system by creating new young and motivated future education leaders. Each year the foundation selects 25 bright young people to its leadership training after which they are sent around Estonia to practice as school teachers for two years with the aim to bring new views, skills and inspiration to Estonian schools and pupils. In 13 years the foundation has raised six new school masters, brought 212 new young people to the educational system, and more importantly has inspired around 20,000 pupils around Estonia to make better future choices.

During 2017-20 Avaron backs the foundation [Youth to Olympics](#) that is dedicated to supporting 18 to 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, plastic 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	2019
Paper usage, # of sheets	22 257	17 548	14 652	17 319	15 211	11 687
change, %		-21%	-17%	18%	-12%	-23%
Electricity consumption, kWh	17 954	18 187	18 341	19 875	20 939	19 921
Per FTE, kWh		1 254	1 223	1 229	1 117	1 042
change, %		7%	-3%	1%	-9%	-7%

Our greenhouse gas (GHG) footprint (Scope 2) from energy consumption in 2019 was 20.8 tCO₂e (2018: 21.8 tCO₂e) based on the emission factor of electricity sold in Estonia (assumed equal for both years given lack of data for 2019). Scope 2 emissions per FTE stood at 1.09 tCO₂e, down 7% compared to 2018.

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 0.09558 kgCO₂e per km for pan European flights (short-haul international), 0.21024 kgCO₂e per km for taxi, 0.10471 kgCO₂e per km for bus, and 0.04115 kgCO₂e per km for train transport. In 2019 our business travels reached 139 thousand kilometres (up 22.2% compared to 2018) of which 97% were pan European flights. Our carbon footprint from business travel in 2019 was 13.4 tCO₂e (2018: 11 tCO₂e) or 0.7 tCO₂e per FTE (2018: 0.59 tCO₂e). 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 important 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 more than 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 2019 our internal coverage list included 277 (compared to 261 in 2018) companies. Based on the ESG analysis we had additional 61 (vs. 76 in 2018, with the difference reflecting change in our universe composition due to applying more restrictive minimum liquidity criteria) companies in the restricted list reflecting the direct impact of Responsible Investment Policy implementation.

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Exclusions based on type		Excluded companies by country	
Environmental	14	Russia	28
Social	9	Turkey	13
Governance	38	Poland	7
		Greece	3
		Malta	3
		Hungary	2
		Romania	2
		Czech Republic	2
		Croatia	1

In the end of 2018 we implemented our internally developed 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.

For example, at the end of 2019 after the annual updates of the ESG scores of each portfolio company the Avaron Emerging European Fund's median ESG score reached 3.3 compared to 3.2 in the end of 2018. We saw improvements in E and S scores, which respectively improved from 2.8 to 3 and 3.1 to 3.4, while governance related performance of the portfolio companies remained unchanged, the score being 3.4. We are especially proud of the improvement with regards to environmental issues, since our region seems to lag on this front given that many companies lack climate change and resource efficiency driven corporate policies and related practices. This is something we have engaged upon with our portfolio companies, raising their awareness and requesting improvements. There was no change in the top and bottom ranking names, with the Turkish bottling company Coca-Cola Icecek that stands out as the only company with a score above 4 and the Czech energy company CEZ scoring lowest given its environmental risks.

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.

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.

ESG score: Aegean Airlines (Greece)

In March 2019 we added Greek Aegean Airlines into Avaron Emerging European Fund. Aegean Airlines is the market leader in Greek aviation, both international and domestic. It flies to 151 destinations in 44 countries with its fleet of 49 jets and 12 turboprops offering a full-service onboard. Aegean has shown strong operational performance both in terms passenger growth and load factors and we think that it will reap further benefits from the growing attractiveness of Greece as a tourism destination as well as the slow recovery of the domestic market demand.

Our target allocation was set at 1% of the portfolio, which was determined in combined assessment of the upside to our target price, underlying stock liquidity, Aegean's Quality Score (in-house tool for measuring overall company quality including its business model and management) and ESG Score. The ESG Score of Aegean at the time of making the decision stood at 3.0 compared to the portfolio average of 3.2, thus prompting us to opt for lower allocation target from the ESG perspective. Aegean's relatively weak score is mainly a reflection of its lagging efforts on environmental issues and more importantly its shortcomings on governance related issues like board independence and related party transactions, as well as limited disclosure on key topics.

	Volatility		
	1-year	3-year	5-year
Avaron Emerging Europe Fund	7%	8%	9%
MSCI EFM Europe + CIS ex Russia	13%	14%	17%
ESG exclusion list ex Russia	11%	15%	15%
ESG exclusion list cum Russia	9%	13%	17%

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 deficiencies 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.

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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	2019
1on1 meetings	85	109	127	154	144	116
1on1 calls	17	17	9	20	30	16
Group meetings	24	72	27	22	23	15
Quarterly group calls	320	315	304	362	435	577

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. To exemplify the current poor state of things in the end of 2019 we had 41 holding in Avaron Emerging Europe Fund out of which only 7 report data in uniform manner to CDP. There are also companies that report their emission data to certain extent, but comparability and level of detail tends to be low. 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 remains to encourage carbon reporting in the region via collaborative and individual engagements.

Another important area where poor practices often occur is governance, especially minority shareholder rights protection. This is reflected also in the large share (62%) of governance related companies in our restricted list. Although the legal means for protection exist, it is not always financially feasible for minority investors, even institutional ones, to pursue legal remedies 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 amend the situation.

Engagement: Carbon reporting

A significant number of our portfolio companies either do not track and account their greenhouse gas emissions or they have not disclosed the data publicly. Since we truly believe that measuring and disclosing this data is the first step in building awareness as well as facilitating further knowledge-based discussions on making progress towards a cleaner economy, then in 2019 we decided to selectively engage with our portfolio companies which until now had not disclosed their emission data or their data was outdated. These engagements were not part of the collaborative initiatives described later in this report, but Avaron taking an activist role on its own. We contacted 12 companies from different countries and sectors and proposed that they either start gathering and disclosing emission data or that they update their ESG publications. This was done by sending direct e-mails to our contacts in the respective companies or during 1-on-1 meetings with the company representatives. Out of the 12 engagements two target companies did not reply to us, two more either declined to provide the data or stated that carbon emissions are irrelevant in their line of business, while all the remaining companies either provide the requested data or announced specific plans when they will start reporting their carbon footprint. In 2020 we plan to continue with such engagements, including excreting further pressure on 4 companies that did not reply or decided not to disclose their data in 2019, aiming to further improve the disclosure and transparency of our portfolio holdings.

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 2019 we voted in 89% shareholders’ meetings of the companies we own in the portfolios for which we hold the discretion to exercise voting rights. This compares to 85% participation rate in 2018 and just 17% in 2017. On 2% of agenda points we voted against the management proposals and on 5% we abstained. Starting from 2019 we are also publicly disclosing all our voting details for our funds, which will be available on our homepage.

Voting activity	2014	2015	2016	2017	2018	2019
Meetings	8	20	13	16	67	69
Resolutions	65	210	94	158	656	641
For	54	183	91	119	578	598
Against	11	17	2	19	55	12
Abstained	0	10	1	20	23	31

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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 2019 we did not join any new collaborations, but continued with 3 significant global collaborations. Namely:

- i. [Climate Action 100+](#) that is a 5-year investor initiative launched in December 2017 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. Since 2018 we hold a supporting role in the collaboration. During 2019 the initiative published its first progress report, which indicated that globally companies are making progress. Positively 70% now have set long-term quantitative GHG reduction targets, however out of these just 9% aligned with either the IEA Beyond 2°C Scenario or the IEA 2°C Scenario.
- 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. 2019 [Carbon Disclosure Project \(CDP\)](#) Non-Discloser Campaign is aimed at increasing corporate transparency on climate change, deforestation and water security. The campaign focused on companies that had never responded or had not responded to the CDP questionnaire in recent years.

Besides climate change related collaborations we remain supporters of the [Tobacco-Free Finance Pledge](#) which we signed 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.

Going forward we continue to support the CDP as a signatory. CDP is one of the largest investor collaborations globally with combined \$96tr 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 2020 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:

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