

Policy regarding the exercise of voting rights arising from the assets of the fund

1. General provisions

- 1.1. Hereby policy of Aktsiaselts LHV Varahaldus (hereinafter LHV) provides the voting policy in relation to the shares or other securities which grant a voting right (hereinafter shares) belonging to the assets of the investment funds managed by LHV.
- 1.2. LHV exercises voting rights where necessary, in its own name and on behalf of the investment funds and in accordance with the best interests of the investment funds and their investors.
- 1.3. Prudent use of voting rights should in the long term, provide positive financial gain to the funds and their investors. Through exercise of voting rights *inter alia* an adherence to the ESG principles is promoted where it is in the best interests of the investors. LHV proceeds from the principle that considering ESG principles generally has a positive effect on the performance of the investment, is beneficial for detecting possible investment risks and provides better overview of the quality of management of the company. Through exercise of voting rights, LHV promotes better corporate governance and corporate accountability and influences the companies to increase transparency and disclosure of information.
- 1.4. Upon request by an investor of the investment fund, LHV discloses specific measures taken under hereby policy to the investor, free of charge.
- 1.5. Hereby policy is reviewed at least annually and a decision is made to amend the policy if needed.

2. Monitoring important events regarding the shares

- 2.1. Important events regarding the shares are monitored by the custody specialist on the basis of information provided by the custodian bank of the investment funds or information available via Bloomberg or another public source of information (e.g. stock exchange announcement) and where relevant, forwarded to the unit responsible for investing the funds' assets.
- 2.2. In addition to shares, the provisions of the hereby clause are also applicable to other securities from which voting rights arise.

3. Exercise of voting rights

- 3.1. LHV generally exercises voting rights in relation to a share (or other instrument with voting rights) belonging to the assets of the investment funds jointly if this approach is in adherence with the investment goals and restrictions of all the relevant funds. The voting rights are exercised in the best interests of the investors of the investment funds.
- 3.2. Pursuant to the applicable laws, the members of the management board of LHV shall be entitled to exercise the voting rights arising from the assets of the investment fund. As a rule, a member of the management board does not vote but shall instead authorize the fund manager of the investment fund or another employee or a person providing proxy voting services to exercise the voting rights arising from the assets of the investment fund.

- 3.3. LHV may decide not to exercise the voting rights if the costs associated with the exercise of voting rights (including the cost of any analysis to be conducted relating thereto) would be excessively high or if such a decision is not detrimental to the interests of the investors of the investment fund.
- 3.4. LHV shall not be obliged to assess the necessity of the exercise of voting rights when all the investment funds under the management of LHV own in total less than 1 % of the company.
- 3.5. LHV shall keep the registry on the specifics of the exercise of voting rights.

4. The prevention and management of conflict of interests

- 4.1. Prior to the exercise of voting rights LHV establishes any possible conflict of interests situations that may occur between the interests of the investors of the funds, LHV and the person exercising the voting rights.
- 4.2. When assessing the conflict of interests, LHV shall establish the following:
 - 4.2.1. whether LHV, the person exercising the voting rights or companies belonging to the same consolidation group with LHV, may have a personal interest in respect to a particular voting result, taking into account the following:
 - 4.2.1.1. whether the person exercising the voting rights owns securities issued by the company or is in any other way tied to the company;
 - 4.2.1.2. whether the company in relation to which voting rights are exercised, owns units of an investment fund managed by LHV;
 - 4.2.2. where the shares belong to funds with different investment policies and objectives, whether joint exercise of voting rights is possible, taking into account the principle stated in clause 3.1.
- 4.3. If a material conflict of interests situation exists, LHV shall assess whether such conflict can be managed and if not, LHV shall not exercise the voting right arising from the respective securities or applies other conflict of interest mitigation measures (e.g. exercising the voting right in a different manner, pursuant to the decision of the relevant fund manager).
- 4.4. The compliance department shall keep a registry of the established conflict of interests situations and specific circumstances related thereto. The following information shall be entered into the registry:
 - 4.4.1. the name of the company which has issued the shares or securities belonging to assets of the investment funds in relation to which LHV has a voting right;
 - 4.4.2. the date of the exercise of voting rights;
 - 4.4.3. the essence of the conflict of interests;
 - 4.4.4. the measures taken to prevent or manage the conflict of interests.

5. Exercise of voting rights in standard situations

- 5.1. In case of the following standard agenda items of ordinary and extraordinary general meetings LHV shall vote in the following manner:

Agenda item	Vote for	Vote against	Depends on the situation	Comment
Approval of annual report with positive auditor's opinion	x			
Election of an auditor for the next term (Big 4 company)	x			
Remuneration of management via stock-option programs			x	
Amendments to the articles of association			x	
Implementation of take-over defenses		x		
Abolition of take-over defenses	x			
Delisting from stock exchange		x		
Reporting on political contributions	x			
<i>Optimization of capital structure through:</i>				
Dividend payment	x			
Return of capital to investors	x			
Raising capital			x	
Raising capital through private placement		x		
<i>Supervisory Board:</i>				
Removal of supervisory board members			x	
Election of new supervisory board members			x	
Adding of independent supervisory board members	x			
Changes in the remuneration of supervisory board			x	
<i>ESG principles</i>				
Making new ESG-related investments	x			
Reporting on environmental sustainability and climate change	x			The quality of the data already disclosed by the company and its quality compared to other comparable companies are taken into account.
Setting targets for reducing carbon emissions	x			Effort is made to obtain additional information on how the company measures ESG risks, to encourage disclosure of data by the company so that investors can make

				informed decisions about the targets
Donating to political parties			x	Regarding the establishment of rules restricting the membership of political parties of employees, the vote is against.
Equal treatment of employees	x			In general, the vote will be in favour of board diversity and a reduction of the gender pay gap, but will also take into account the level of the association compared to other comparable associations.
Standards governing employee rights and human rights	x			Generally the vote shall be in favor of publishing the company's activities and standards and an overview of their impact, as well as adherence to UN and ILO international standards and conventions.