

# 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 or the investment funds to which LHV provides investment management services.
- 1.2. The funds may own up to 10% of a single issuer's shares carrying voting rights. The exercise of voting rights is one of shareholders' rights and main engagement tools available to investors. 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, better corporate governance and corporate accountability are promoted. Through exercise of voting rights, companies are influenced into increasing 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.

## 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 and where relevant, forwarded to the unit responsible for investing the funds' assets. In case of funds to which LHV provides investment management service, important events are monitored by the management company of such fund or any other person appointed by the said management company and where relevant, forwarded to the unit responsible for investing LHV investment funds' assets.
- 2.2. In addition to shares, the provisions of hereby clause are also applicable to other securities from which voting rights arise.

## 3. Exercise of voting rights

- 3.1. LHV exercises voting rights in relation to a share belonging to the assets of the investment funds jointly, pursuant to the provision of clause 4.2.2. The voting rights are exercised in the best interests of the investors of the investment funds, considering the investments policies and objectives of the funds.
- 3.2. When deciding on the exercise of voting rights a procedure similar to that of making an investment decision is followed. Every case is assessed separately, taking into account the provisions of clause 3.6.

- 3.3. 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.
- 3.4. The management board of LHV shall 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.
- 3.5. LHV may decide not to exercise the voting rights when the costs associated with the exercise of voting rights (including the cost of any analysis to be conducted relating thereto) would be excessively high provided that such a decision is not detrimental to the interests of the investors of the investment fund.
- 3.6. 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 0,5% of the company.
- 3.7. The compliance department of 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. If a security with regard to which the voting right is exercised belongs to the assets of more than one investment fund managed by LHV, it shall be assessed whether a conflict of interests may arise between unit-holders of different funds.
- 4.3. In case a material conflict of interests situation occurs, the voting rights shall be exercised following a special procedure developed by the compliance department for the management. The compliance department may authorize a special committee comprising of investment unit employees on the exercise of voting rights to the or require the exercise of voting rights in accordance with the decision of an objective third party to whom the situation of conflict of interests and the investment objectives and principles have been explained.
- 4.4. If after the assessment of all the relevant aspects, the compliance department reaches a conclusion that the conflict of interests cannot be managed by using the measures specified in clause 4.3 or any other applicable measures, LHV shall not exercise the voting right arising from the respective securities.
- 4.5. 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:
  - 4.5.1. 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;

4.5.2.date of the exercise of voting right;

4.5.3.the essence of the conflict of interests;

4.5.4.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
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		
Enhancing adherence to ESG principles	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