

ESG policy

Does Prosperity recognise that ESG issues can impact long term shareholder returns for companies?

Prosperity's investment decisions are underpinned by highly-detailed, proprietary investment analysis conducted by the Moscow-based, sector-specialist analysts that form the Prosperity investment advisory team. Prosperity's investment analysis seeks to consider all factors in its review of companies and their equity investment opportunities - including ESG matters.

In general, Prosperity strongly feels that environmental and social factors are lead by the quality and effectiveness of corporate governance. That is to say, our experience and understanding is that the better managed companies tend to have appropriate environmental and social policies and actions. Moreover, poor environmental or social practices, such as avoidable oil spills or poor employee safety measures, are indicative of inefficient management and poorly run businesses.

Prosperity believes that companies with higher standards and practices in corporate governance tend to have better defined policies and approaches to environmental and social issues. As such, these companies are inherently more sustainable in our opinion and experience.

Whilst price and other factors are a consideration, of course, Prosperity generally seeks to invest into fundamentally-sound and well managed businesses. Furthermore, Prosperity Capital Management is an active shareholder and seeks to behave as a part owner of the businesses in which our clients' capital is invested. As such, we actively seek to engage with owners, management and other stakeholders to drive value in our businesses and, amongst other things, to promote better and good governance practices - which in turn will, in our expectation and experience, manifest itself in better and good environmental and social policies and actions.

Does Prosperity incorporate ESG issues into investment research and decision-making processes - including with respect to proxy-voting?

Prosperity's investment analysis, in investment research, decision-making and proxy-voting amongst all other facets, seeks to consider all factors in its review of companies and their equity investment opportunities - including ESG matters.

Does Prosperity seek appropriate disclosure on ESG issues that can impact long term shareholder returns, from the companies in which you invest?

Prosperity's core belief is that positive results for environmental, social and governance (ESG) work comes from active involvement in companies. As an active investment manager, Prosperity advocates high standards of corporate governance, social and environmental policies in investee companies through the following actions;

- Communication, including in cooperation with other minority shareholders, with an issuer's management and controlling shareholder with aim to promote good corporate governance and, in cases when respective flaws exist, responsible and balanced social and environmental policy
- Nomination and election, including in alliance with other minority investors, of independent directors and minority shareholders' representatives to the Boards of Directors
- Being elected to a Board of Directors, Prosperity's supported candidates endeavor to contribute their best knowledge and experience to the Board of Directors and its committees' work and to further good corporate governance, social and environmental practices. For example, being appointed to a Remuneration Committee, they support incentive schemes which genuinely incentivise executives to pursue strategies which will increase long-term shareholder value and

which align the interests of executives and shareholders.

- Active and proactive approach to important corporate actions, including charters' amendments, take-overs, mergers and acquisitions, large-scale and related party transactions, additional shares' issues, to ensure shareholders' rights' observance during such actions.
- In case of anticipated or actual minority shareholders rights' violations, negotiations with the issuer's management and controlling shareholder (in order to prevent or redress damage to minority shareholders' interests) and complaints to the financial market regulator or lawsuits' filings (in case if the negotiations end in failure).
- Control of companies' full disclosure of material information, including related to corporate governance, social and environmental policies, in accordance with applicable requirements. If information is not disclosed, requests of such information.
- Active and informed participation in general shareholders' meetings. In the absence of sufficient information provided by a company on a proposed general shareholder meeting resolution, Prosperity will vote against the resolution.

Prosperity's Responsible Investment Policy is guided, inter alia, by the Principles for Responsible Investment and by the new Russian Corporate Governance Code ("the Code") approved in 2014. The best corporate governance principles and recommendations, set out in the Code, are addressed primarily to public companies whose securities are traded on a regulated market. Such companies are recommended to disclose information about compliance with the principles of the Code, as well as on the causes of non-compliance with any of these principles. Prosperity also holds shares of companies that are not listed on a regulated market. Prosperity strives to implement the best practices of corporate governance and responsible and balanced social and environmental policies in those companies too.

As an active investment manager, Prosperity also cooperates with the government, regulators, stock exchanges and legislators to improve the overall standards of corporate governance in Russia and the Former Soviet Union. Prosperity's representatives are involved in the activity of the International Financial

Centre; a think-tank created by the President and entrusted with a task to improve investment climate in Russia. One of the main priorities of the working group is to improve corporate governance in the Russian Federation.

Prosperity's representatives were co-authors of the Code. Prosperity's representatives' are actively devoted to the following issues;

- shareholders' rights' protection, including protection of dividend rights; - effectiveness of a board of directors; - liability of controlling persons, managers and directors;
- disclosure of material information about a public company and its controlled entities; - significant corporate actions and respective shareholders' rights.

As a responsible investment manager, Prosperity considers itself as a co-owner of its portfolio companies and therefore it is in Prosperity interests and those of our investors that the companies are run as efficiently as possible. We closely monitor the companies in which we invest, and vote at company meetings. If Prosperity comes across a company with no appropriate ESG performance this will be raised by Prosperity and discussed. Prosperity believes that good corporate governance, high standards of environmental protection and responsible social policies are indicative of efficient management. Cases of serious environmental disregard resulting in spills or other degradation are signals of inefficient management and should be taken into consideration during investment analysis process.

Prosperity is a member of Investor Protection Association (Russia) since 1999 and is active in its independent directors' nomination, minority shareholders' rights' defense, corporate legislation's enhancement and improvement of the efficiency of corporate governance at state-owned companies projects. Prosperity similarly sees unsafe and unhealthy working conditions as inefficient and detrimental not only to the people affected but also to the financial health of the company. Good working practices are conducive to higher productivity and therefore fully in line with the interests of all shareholders. Accidents and spills will be seen as negative events in the companies and Prosperity will endeavor to challenge the management whenever possible as to why this has occurred and what will be done to minimise such events in the future.

Who are Prosperity's ESG research partners?

Prosperity uses in-house expertise for its ESG research. This is performed by the advisors and analysts.

Does Prosperity have a formal ESG policy?

Prosperity's Responsible Investment Policy sets out how Prosperity discharges its responsibility towards its clients by promotion of the best corporate governance practices and responsible and balanced social and environmental policies. The policy is available on request.

Does Prosperity continuously evaluate its ESG policy and update it as necessary?

Prosperity's Responsible Investment Policy will be reviewed annually or more frequently should circumstances require it. The Policy has been approved by the Board of Directors.

Does Prosperity have an ESG committee? What is the structure of Prosperity's ESG approach?

Prosperity does not have a specific ESG committee, but ESG issues are considered in the following fashion;

Investment team; Responsible investment issues are considered alongside other factors in the investment process. Prosperity's investment team employs a collective and collaborative approach in their investment analysis and implementation. As such, the full investment team works together to identify, discuss and resolve issues related to responsible investment.

Corporate governance team; Not only are Prosperity's corporate governance team integral members of the investment team, but they also maintain an oversight role (alongside Prosperity's compliance team) for the implementation of Prosperity's Responsible Investment Policy.

Compliance team; Prosperity's compliance team monitors, amongst other things, Prosperity's adherence to its stated policies and practices, including the Responsible Investment Policy. Moreover, the compliance team actively considers the ongoing appropriateness and relevance of Prosperity's policies and practices and seeks to ensure that these are regularly reviewed and changed where necessary.

Board of Directors; The relevant Board of Directors have ultimate responsibility for all of Prosperity's activities on behalf of its clients

Incorporation of ESG matters

How does Prosperity identify ESG risks and opportunities and how does the firm seek to manage and monitor them?

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Some information contained on this newsletter contains forward-looking statements. These forward-looking statements include, without limitation, statements relating to revenues and earnings. The words "believe", "intend", "expect", "anticipate", "project", "estimate", "predict", "is confident", "has confidence" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements are not historical facts. Rather, these forward-looking statements are based on the current beliefs, assumptions, expectations, estimates, and projections of and about the Russian and FSU markets, the economic conditions in Russia and FSU countries. These forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond the control of PCM and are difficult to predict. Consequently, actual results could differ materially from those expressed, implied or forecasted in these forward-looking statements

The prices of shares or interests in the Fund(s) and any income from them can go down as well as up and investors may not get back the full amount invested or any amount at all. Past performance is not indicative of future performance and is not a guarantee of future returns. When an investment involves a foreign exchange transaction, it may be subject to fluctuations in currency value

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