

# CORPORATE GOVERNANCE REPORT

## Report on good corporate governance

This report has been prepared accordance with the principles of the Accounting Act and the Corporate Governance code and provides an overview of the compliance of the management of EFTEN Real Estate Fund AS (hereinafter the Fund) with the Corporate Governance Code as at 31.12.2023.

Unless otherwise stated in this report, EFTEN Real Estate Fund AS shall comply with good corporate governance practices (in particular, as required by law in the management of an investment company registered as a public limited company).

## GENERAL MEETING

### Shareholders' rights

The Fund is an investment company incorporated as a public limited company with a nominal value of EUR 10 each. Each share grants one vote to the shareholder at the general meeting. The share entitles the shareholder to participate in the general meeting of shareholders and to distribute profits and assets remaining upon termination of the fund, as well as other rights provided by law and the articles of association. There are no specifications that would give shareholders different voting or other rights. The rights of shareholders were not changed during the reporting year.

The General Meeting is the highest governing body of the Fund, which has the authority to amend the Fund's articles of association, increase and decrease the share capital to the extent not authorized by the Supervisory board, decide to conclude, amend and terminate the management agreement concluded with the Fund Management Company, amend the policy for making payments to shareholders at the expense of the Fund, amend the Fund's investment policy, insofar as it is not in the competence of the Supervisory Board according to the articles of association, elect members of the Supervisory Board, renew and revoke their powers and determine their remuneration policy and amount, determine the necessity of special control, approve the annual report and decide on the distribution of profits, decide on the liquidation or merger of the Fund, decide on a transaction with a Supervisory Board member, determine the terms of the transaction, decide on legal disputes and appoint a representative of the Fund in this transaction or dispute, as well as decide on other issues in the competence of the General Meeting.

### Significant Shareholders

None of the shareholders has control over the Fund. As far as the Fund is aware, there are no shareholder agreements or other agreements signed between the shareholders that could later give control over the Fund.

As of 31.12.2023, the Fund had three significant (over 10%) shareholders: 1) LHV Pension Fund L – 11.19%; 2) REF Aktsiad OÜ – 10.64%, of which 84% is owned by Olav Miil through his holding company and 16% by Toomas Vaher through his holding company; 3) Altius KVI OÜ -10.1%, of which Arti Arakas owns 59.85% and Frank Õim 41.15% through their holding companies.

The Fund manager, EFTEN Capital AS, owns 2.7% of the Fund's share capital.

### Convening of the General Meeting and information to be published

Every shareholder has the right to participate in the General Meeting, to speak at the General Meeting on topics presented on the agenda and to ask justified questions and make proposals. The Annual General Meeting of Shareholders shall be called at least once a year within four months after the end of the financial year of the Fund. In addition, an Extraordinary General Meeting of Shareholders shall be called if deemed necessary by the Fund Manager or the Fund's Management Board or if it is requested by the Fund's Supervisory Board, auditor, Fund Manager, the Financial Supervisory Authority or the depository of the Fund. In addition to other persons stipulated by the law, shareholders whose shares represent at least 1/20 of the share capital may also demand the convening of an extraordinary General Meeting and the inclusion of issues on the agenda of the General Meeting. The request for convening an extraordinary General Meeting must be submitted to the Management Board in writing, stating the reason for the convocation.

The shareholders will be notified of the convening of ordinary and extraordinary meetings of shareholders via Nasdaq Tallinn Stock Exchange System and the notice will also be published on the website of the Fund and in a national daily newspaper at least three weeks prior to the meeting. Information related to the General Meeting is published as a stock exchange announcement and on the website in both Estonian and English. The newspaper will only publish the notice of the meeting in Estonian.

The agenda of the General Meeting, the proposals of the Management and Supervisory Board, draft resolutions and other relevant materials and information are made available to the shareholders before the General Meeting together with the notice the General Meeting.

In the reporting year, the regular General Meeting of Shareholders was held on 20.04.2023 in the Swissôtel Tallinn conference center at Tallinn, Tornimäe 3. The notice of convening the regular general meeting of shareholders was published on 29.03.2023 in newspaper "Postimees". The notice of convening the meeting was also published the same day through the information system of the Nasdaq Tallinn stock exchange as a stock exchange announcement and on the Fund's website [www.eref.ee](http://www.eref.ee). The fund allowed shareholders to ask questions about the topics mentioned in the agenda both at the e-mail address provided in the notice, by mail at the fund's address and by phone, and to view the annual report on its website and at its location at A. Lauteri 5, Tallinn, from the publication of the notice of the general meeting until the day of the general meeting. Shareholders had the opportunity to participate in the general meeting through an authorized representative or vote on draft resolutions before the general meeting electronically and watch the general meeting via video transmission. The shareholders had the right to vote on the draft decisions prepared on the items on the agenda of the general meeting electronically before the meeting until 16.00 on 19.04.2024.

The decisions made at the regular general meeting of shareholders have been published both in the information system of the Nasdaq Tallinn stock exchange and on the website of the Fund [www.eref.ee](http://www.eref.ee).

There were no extraordinary general meetings during the reporting year.

#### **Conducting a regular general meeting of shareholders**

On 20.04.2023 the regular general meeting was held in Estonian and was chaired by attorney-at-law Raino Paron. The chairman of the meeting introduced the shareholders to the representatives of the Fund participating in the meeting and then the procedure for conducting the meeting, including the organization of asking questions and voting on the issues on the agenda. The meeting was attended by members of the board of the fund Viljar Arakas and Tõnu Uustalu, chairman of the council Arti Arakas, members of the council Olav Miil, Sander Rebane and Siive Penu and Rando Rand, chief auditor of the fund's auditor PricewaterhouseCoopers AS. The registration and voting of shareholders were organized by ARS Corporate Service OÜ. Voting results were counted electronically.

According to the Articles of Association, the General Meeting can adopt decisions if shareholders holding more than half of the votes represented by shares participate in the general meeting. Shareholders were represented at the general meeting, which constituted 74.41% of the votes represented by shares. A part of them, 0.36% of all votes assigned by shares, cast their votes electronically before the meeting took place, in accordance with the procedure published in the notice convening the general meeting. An overview of the fund's activities was presented at the general meeting, which was an informative item on the agenda. Then, as separate agenda items, a) the financial year report 2022 with the remuneration report was approved; b) the profit distribution was decided and c) for one year from the adoption of the decision of the general meeting, the decision to increase the Fund's share capital was given to the fund's supervisory board, including the authority to perform all the necessary actions and to enter into agreements for the listing and trading of the newly issued fund's shares on the main list of the Tallinn Stock Exchange.

Shareholders were given the opportunity to ask questions about agenda items, make proposals and ask questions. Statements and dissenting opinions were not presented at the regular general meeting. The general meeting was held in accordance with the requirements of the law and the articles of association. There was no video transmission of the general meeting.

### **MANAGEMENT BOARD**

#### **Tasks of the Management Board**

The board supervises the activities of the management company related to the fund to the extent and in the manner prescribed in the management agreement, i.e. supervises the fulfilment of the obligations of the management company arising from the management agreement and supervises the operations of the depository to the extent and in the manner prescribed in the depository agreement, as well as the performance of other tasks related to the management of the Fund and delegated by third parties.

The board of the Fund does not manage the Fund's assets to the extent resulting from valid legislation, articles of association and management agreement. During the reporting year, there were no changes in the duties and competence of the board.

#### **Composition and remuneration**

According to the Articles of Association of the Fund, the Management Board consists of one to three members. The members of the management board are elected and recalled by the supervisory board. Viljar Arakas and Tõnu Uustalu have been members of the Management Board since their establishment. The chairman of the board has not been elected. In 2023, there were no changes in the members of the Management Board.

Every member of the board can represent the Fund in all legal proceedings.

No separate agreements have been concluded with the members of the Management Board. No remuneration has been paid to the members of the Management Board and there are no decisions to pay any remuneration or benefits (incl. non-monetary) to the members of the Management Board in the future. Viljar Arakas, a member of the Management Board of the Fund, is at the same time a member of the Management Board of the Management Company and the Management Company has entered into an agreement with Viljar Arakas, he has signed a board member contract. Tõnu Uustalu, a member of the Management Board of the Fund, is also the head of the investment department of the Management Company, with whom the Management Company has entered into an employment contract.

In connection with the management of the Fund, the management company has established internal rules to ensure the functioning of the fund's risk management and internal control, as well as internal rules for organizing accounting and preparing financial statements and together with the management board. The members of the Management Board shall submit and update their declarations of financial interests at least once a year.

## Conflict of interest

In 2023, there were no transactions between the Fund and the members of the board, their relatives or persons related to them, except for the provision of management services by the management company to the Fund according to the management agreement. In addition to the duties of the board members, participation in other associations has taken place with the consent of the council and published in the fund's prospectus, which is available on the fund's website [www.eref.ee](http://www.eref.ee). Board member Viljar Arakas is a member of the council of Coop Pank AS, whose shares are listed on the Nasdaq Tallinn stock exchange, from 14.04.2021. Board member Tõnu Uustalu does not simultaneously participate in the work of the board or council of any other publicly listed company on the securities market.

As of 31.12.2023, board member Viljar Arakas owns a total of 0.21% of the Fund's share capital and 27.41% of the Fund management company's share capital through his holding company and as a private individual. Board member Tõnu Uustalu owns 0.6% of the Fund's share capital and 20.56% of the Fund management company's share capital.

The management company owns 2.7% of the Fund's share capital.

Neither the board member nor the employee shall demand or accept money or other benefits from third parties for personal purposes in connection with their work, nor shall they make illegal or unjustified favours to third parties on behalf of the fund. In 2022, neither the management board nor, as far as the management board is aware, the employees of the group have gone astray against the mentioned principle. Board members are not authorized to issue and buy back shares.

## SUPERVISORY BOARD

### Tasks of the Supervisory Board

Considering the limitations set forth in the Fund's Articles of Association, the Supervisory Board is authorized to appoint and recall a procurator, appoint an audit firm, approve the terms of the depository agreement, approve a stockholder; decide on a transaction with a Management Board member and the terms of transactions, decide on legal disputes and appoint a representative of the Fund in this transaction or dispute, approve semi-annual report, approve opening balance and annual report of liquidation, supervise the Management Board and increase share capital within three years from the date of establishment.

The Supervisory Board's approval is required for transactions that go beyond the normal course of business, including acquisition and termination of holdings in other companies, the establishment or termination of a subsidiary, the approval and amendment of a Fund's operating strategy, significant changes to the Fund's activities or involving the Fund in business activities that are not directly related to the objectives of the Fund's current economic activity and transactions in excess of EUR 250,000.

The Fund does not have an audit or remuneration committee; these responsibilities are undertaken by the council. Work of the council is organized by the chairman of the council, who is elected by the members of the council from among themselves. The council makes decisions at council meetings or without convening a meeting. The decision of the Council is adopted if more than half of the members of the Council who participated in the meeting are in favor of it unless the legislation or the statutes stipulate a higher majority requirement. The Chairman of the Council does not have a casting vote in case of an equal division of votes. In order to adopt decisions, without convening a meeting, all members of the council must agree to the decision.

The Council's tasks and work organization were not changed during the reporting year.

### Composition and remuneration

According to the Articles of Association of the Fund, the Supervisory Board consists of three to five members. Since its establishment, the Supervisory Board has 4 members, including Arti Arakas (Chairman of the Supervisory Board), Olav Miil, Siive Penu and Sander Rebane. According to the Articles of Association, re-election of the members of the Supervisory Board (extension of the term of office) is permitted. There were no changes in the composition of the Supervisory Board in 2023, the powers of the members of the Supervisory Board are valid.

No agreements have been concluded with the members of the Supervisory Board. No remuneration has been paid to the members of the Supervisory Board and there are no decisions to pay any remuneration or benefits (incl. non-monetary) to the members of the Supervisory Board in the future. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board.

## Conflict of interest

Council members avoid conflicts of interest in their activities. In his activities as a member of the Supervisory Board, the member of the Supervisory Board prefers the issuer's interests to personal or third-party interests. The council member does not use commercial offers aimed at the issuer for his personal interests. In 2023, as far as the Fund is aware, the members of the Council have not gone astray against the said principle. Among other things, the members of the council update their declaration of economic interests at least once a year.

In 2023, no transactions took place between EFTEN Real Estate Fund AS and members of the Supervisory Board of the Fund, their relatives or persons related to them, except for the provision of management services by the management company to the Fund in accordance with the management agreement. Council members do not simultaneously participate in the work of the boards or councils of other publicly listed companies on the securities market. The activities of the council members in other associations are published in the fund's prospectus and available on the Fund's website [www.eref.ee](http://www.eref.ee).

As of 31.12.2023, Council member Arti Arakas owns through the holding company 6.04% of the Fund's share capital and 10.56% of the Fund management company's share capital, Olav Miil owns 8.94% of the Fund's share capital and 5.55% of the Fund Managers share capital, Siive Penu owns 0.01% of the Fund's

share capital and he does not own a share in the management company. Siive Penu is a member of the board of the company HTB Investeeringud OÜ, which owns 1.83% of the Fund's share capital and 5.55% of the Fund Managers share capital. Council member Sander Rebane does not own shares of the Fund or the management company.

The Fund Manager owns 2.7% of the Fund's share capital.

## COOPERATION OF MANAGEMENT AND SUPERVISORY BOARD

The board and the council cooperate closely with the aim of best protecting the interests of the Fund. Cooperation is primarily based on an open exchange of opinions between the board and the council as well as within the board and the council. At the same time, the members of the board participate in the discussions of the adoption of the decisions of the council both at the meetings of the council and outside of the meetings. Close cooperation between the council and the board has continued in 2023.

Confidentiality requirements are applied to all information exchange between the council and the management board, which ensure control over the flow of price sensitive information, including internal rules for handling inside information, keeping a list of persons with inside information and disclosing information. As far as EFTEN Real Estate Fund III AS is aware, in 2022, neither the board nor the management company has deviated from the instructions given by the council in managing the Fund.

## DISCLOSURE OF INFORMATION

The Fund informs all shareholders about material matters equally, using the information system of the Tallinn Stock Exchange and its website. The website of the Fund [www.eref.ee](http://www.eref.ee) contains general information about the fund, an overview of real estate investments, information about the members of the management board and supervisory board, the main service providers as well as stock exchange announcements, reports and other relevant information. The annual and interim reports of the Fund provide information on the fund's strategy and financial performance, as well as a report on corporate governance. Information on the composition of the Supervisory Board and the auditor, resolutions of the general meeting and other important information is published in the section of stock exchange releases. In addition, the annual reports of the Fund are available on the website of the Management Company EFTEN Capital AS at [www.eften.ee](http://www.eften.ee).

In addition to the quarterly interim reports and the annual report, the Fund also publishes the Fund's net asset value on a monthly basis as of its registration on the Nasdaq Tallinn Stock Exchange, which is also available on the Fund's website. Before the end of each financial year, the Fund shall publish through the Nasdaq Tallinn stock exchange system and thereafter on its website the following financial year, showing the dates of quarterly and annual financial results and the date of the annual general meeting. Once the information has been published through the Nasdaq Tallinn Stock Exchange system, all of this information will also be available on the Fund's website. THE Fund regularly communicates with its shareholders. The general meeting of shareholders shall be convened at least once a year, with a separate agenda item providing an overview of the activities of the fund and where each shareholder can ask questions to the members of the management and supervisory boards. The Management Board also meets with shareholders outside general meetings, including at conferences and meetings.

## FINANCIAL REPORTING AND AUDITING

### Reporting

The consolidated financial statements of the Fund are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The annual report is audited and approved by the supervisory board and approved by the annual general meeting of shareholders. The annually publishes the consolidated audited annual report and the consolidated quarterly reports during the financial year, which are published through the information system of the Tallinn Stock Exchange and are publicly available on the website of the Fund and the Fund Manager.

### Election of the auditor and audit of the financial statements

The independent auditor of EFTEN Real Estate Fund AS is PricewaterhouseCoopers AS, which was appointed as the auditor of the fund when the Fund was established. In accordance with the Investment Funds Act and the Articles of Association of EFTEN Real Estate Fund AS, the right to appoint an auditor is given to the Supervisory Board.

In 2023, the Fund's appointed auditor AS PricewaterhouseCoopers did not provide any other services in addition to auditing the consolidated annual report and the annual reports of subsidiaries. In 2023, the total amount of fees paid or payable for auditing services provided by the Group's appointed auditor is 78 thousand euros, including 32 thousand euros for the audit of the Fund's consolidated annual report. In 2023 PwC network companies have provided additional other services for agreed upon procedures in the amount of 27 thousand euros and auditing services for auditing the Fund's subsidiaries in the amount of 11 thousand euros.

In 2023, there were no events or circumstances that the auditor would have informed the council about, which in his opinion could affect the work of the council or the management of the Fund. Nor has the auditor reported a threat to the auditor's independence or the professionalism of his work.

In 2023, Rando Rand, chief auditor of the audit firm PricewaterhouseCoopers AS, participated in the regular general meeting of shareholders, where the report of the previous financial year was approved.

## RISK PROFILE AND RISK MANAGEMENT

EFTEN Real Estate Fund AS is a public limited-liability investment fund (alternative investment fund), whose shares are listed on the Nasdaq Tallinn stock exchange and are freely traded. The aim of providing shareholders with an opportunity to participate in an actively managed real estate portfolio and the aim of the Fund has not changed in 2023.

The Fund is not a guaranteed fund and dividend payment is not guaranteed to investors.

The main risks related to the activities of the Fund and its subsidiaries are described in the fund's prospectus, which is available on the website of the Fund [www.erref.ee](http://www.erref.ee).

In its day-to-day operations, the fund is exposed to various risks. The fund and the fund management company treat risk as a possible danger that some event, action or inaction may cause a loss of property or reputation or threaten the effective performance of tasks/goals. The main risks related to the activities of the fund and its subsidiaries are also described in the Fund's prospectus, which is available on the fund's website at [www.erref.ee](http://www.erref.ee).

EFTEN Real Estate Fund AS and the management company regard risk management as an ongoing process of defining, assessing, measuring and mitigating risks and as part of the management of the company's day-to-day operations. The principle is that risks must be taken in a balanced manner, taking into account the internal risk management rules established by the management company, the investment and risk diversification restrictions set out in the fund's articles of association and applying risk mitigation measures as appropriate. When investing the Fund's assets, excessive risk-taking is unacceptable and appropriate measures must be applied to identify risks, assess risks, perform risk analysis and evaluate results in order to manage risks. Thus, the risk management process includes both the risks related to the investment planned or made on behalf of the fund and the management of the fund's management and the management company's own operational and other risks. An independent internal auditor of the management company is also involved in the evaluation of the risk management process and measures, and in addition, a compliance function functions as part of the management company's internal control. The role of risk management and internal control is to ensure that risks are recognized and addressed at all levels as part of the risk management process. The management board shall ensure that each employee and member of the management body is aware of the requirements with which he or she must comply in order to perform his or her duties and that the performance of the various functions does not prevent the employee or member of the management body from acting in a reliable, fair and appropriate manner. To this end, trainings for the employees of the management company are also conducted annually. In the financial year 2023, the principles and general principles of risk management have not been changed.